



## THE ECONOMIC ROLE OF SMALL FARMS IN THE SERBIAN ECONOMY

Vladimir Ristanović<sup>1</sup>,  
[0000-0002-2957-3465]

Aleksandra Tošović  
Stevanović<sup>2\*</sup>  
[0000-0003-0281-0579]

<sup>1</sup>Institute for European Studies,  
Belgrade, Serbia

<sup>2</sup>Institute of International  
Politics and Economics,  
Belgrade, Serbia

### Abstract:

Countries at different stages of development view the economic importance of small farms differently. Small and medium farms should be the foundation of agricultural development, with large farms leading technological innovation and research. However, in most countries, discussing the economic role of small farms essentially implies examining a specific form of agricultural production that operates within an unfavorable market environment. For this reason, the primary goal of this work is to analyze and present the position and role of small farms in the Serbian economy, their market position operating environment, and explore their long-term prospects for survival and development. This paper draws on the data from the latest agricultural census, public policy documents and SWOT analysis derived from available results and observations, with the aim to objectively list all advantages and disadvantages in order to improve the economic position of small farms in the Serbian economy.

### Keywords:

agricultural economy; economic development; small farms.

### JEL Classification:

Q12, Q18

## INTRODUCTION

In recent decades, Serbia has taken several steps that demonstrate a commitment to improving the agricultural sector and supporting rural development. Regulatory reforms have shown significant progress, aligning national policies with the EU's Agrarian Agricultural Policy and global trends in sustainable development. Efforts have been made to promote the circular economy, encourage biodiversity and environmental protection, and above all, introduce digitization into the sector. Still, many challenges remain. From the perspective of small agricultural farms, the conditions for incentives and subsidies are still unequal, the market remains largely non-competitive, and many policy measures and instruments continue to favor medium-sized and large farms. In addition, information is not evenly accessible, transparency is limited, and administrative procedures are often overly complex.

### Article info:

Received: April 29, 2025

Correction: November 13, 2025

Accepted: December 15, 2025

\*E-mail: [aleksandra.tosovic.stevanovic@gmail.com](mailto:aleksandra.tosovic.stevanovic@gmail.com)





The Strategy of Agriculture and Rural Development (Off. Gazette of RS, 2014) describes the agricultural sector in Serbia as a production system characterized by low investment levels and relatively small amounts of inputs are used, primarily because prices are beyond the financial reach of small farms. For the most part, small farms get inputs for agricultural production through natural exchange, a practice that typically works against their interests. Small farms are not part of the food industry. They cannot even be part of organized market chains due to the small volume of production, unstable supply, and uneven product quality. At the same time, these are disadvantages that weaken the bargaining position of small farms (in relation to buyers or processors) and put them at the mercy of fierce market competition. Traditionally established product flows further complicate the market position of small farms. They even question the economic survival and shutdown of the farm.

The context of small farms can be viewed from different angles. Countries of different levels of development approach the issue of small farms differently. Their role in the EU has grown significantly in recent decades, aligning with the global objective of producing healthy and sustainable food. There are 10 million small farms registered in the EU. Although previous estimates of small farms' share in global food production have decreased, their unique characteristics ensure that they remain an integral part of the economy (Rossi, 2022). Namely, most of their business and capacities are focused on food production. The diversification of the product range is greater than that of large, even medium-sized farms. This makes them additionally important for the economy.

Small family farms play a crucial role in a country. They are important from numerous aspects. Economically, they provide significant input to the agricultural sector; demographically, they support rural populations; ecologically, they promote sustainable practices; in terms of agricultural production and agricultural economy, they contribute to food supply and local markets; socially, they sustain rural communities; and spatially and in terms of security, they help maintain territorial stability. Small farms represent a specific form of agricultural organization, often operating in an unfavorable market environment. Due to the above-mentioned reasons, the primary aim of this paper is to focus on small farms, their position and role in the economy, position on the market, the environment in which they operate, and the prospects for their survival rather than expansion. Through an objective and transparent analysis of the situation in which small farms are located, an objective assessment of all advantages and disadvantages, and the presentation of as well as concrete recommendations, this work addresses readers from diverse professional and academic backgrounds.

Agricultural financing in Serbia is a key aspect of rural development, food security and employment. Small farms – which make up more than 80% of all agricultural holdings – face numerous challenges, including limited access to capital, fragmented land, outdated technology, and weak market integration. Consequently, agricultural financing mechanisms, especially targeted at small farms, play a crucial role in ensuring the viability and sustainability of rural livelihoods.

The paper is structured in three sections. The first part focuses on the analysis of the state of support for the development of agriculture, offering an important perspective on the main problem addressed in this study. Based on that, the second section discusses the role and significance of small agricultural farms, including a SWOT analysis and explanation of the development components, competitiveness and profitability of small farms in the Serbian economy. The final section focuses on agricultural financing in Serbia, highlighting the opportunities and constraints faced by small farms. This section draws on data analysis to illustrate financing trends and their impact on small agricultural holdings.

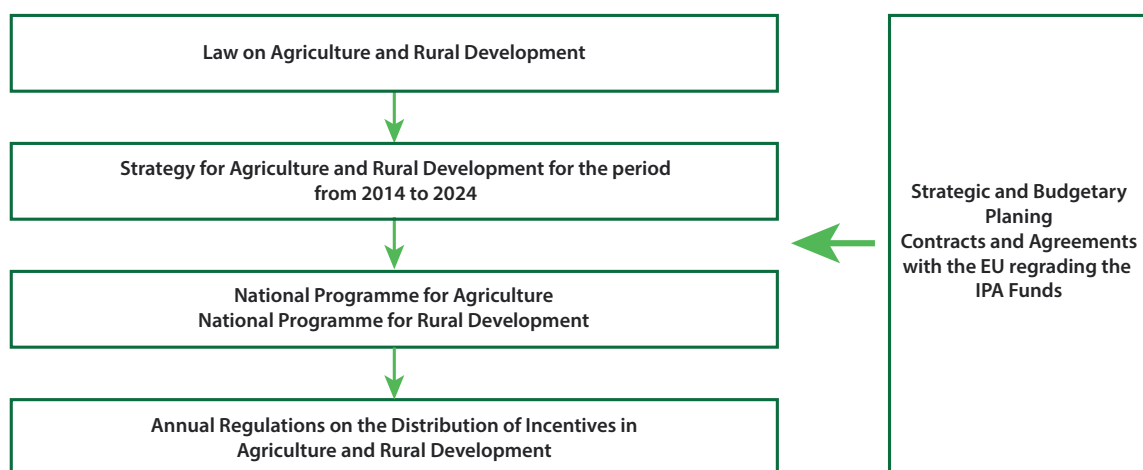


## ANALYSIS OF THE STATE OF SUPPORT FOR THE DEVELOPMENT OF AGRICULTURE

Agricultural support constitutes a structured system of public policies, encompassing a range of legislative measures grounded in the new agricultural policy. These measures align with the principles of modern public policy management and are implemented according to the European model of agricultural support. In this way, goals and priorities are defined within the framework of reforms in the field of agriculture and rural development. Such a system should reflect the development commitment of the Agriculture and Rural Development Strategy and contribute to more efficient development of the agricultural sector and the well-being of residents from rural areas.

Agricultural policy and rural development policy of the Republic of Serbia are implemented through the Strategy for Agriculture and Rural Development of the Republic of Serbia, the National Program for Agriculture, and the National Program for Rural Development (Off. Gazette of RS, 2021). The objectives, priorities and frameworks of political and institutional reforms in the field of agriculture and rural development and the framework of budget support are defined in the Strategy for Agriculture and Rural Development of the Republic of Serbia. Support measures for agriculture are defined in the National Program for Agriculture 2015-2020. At the same time, the National Program for the Adoption of the Acquis of the European Union defines development and strategic goals, corresponding policies, reforms and measures necessary for the implementation of these goals, establishes a detailed plan for the approximation of legislation, and defines human and budgetary resources, as well as other funds necessary for the implementation of the planned tasks. Although a large number of documents are included, their synchronization is slow. Legislative frameworks exist, and they are supported by financing from various source, including public sources (both overall and by individual pillars), credit lines, and projects implemented in cooperation with the EU and other international institutions. The effectiveness of these investments should be evaluated in terms of production, market results, agricultural capacities (agricultural areas, mechanization, human and physical capital), and competitiveness.

Figure 1. System for planning policy support for agricultural and rural development in the Republic of Serbia



Source: Strategy for Agriculture and Rural Development of the Republic of Serbia („Sl. glasnik RS”, br. 85/2014).



It is particularly important to emphasize that Serbia has all possible advantages to achieve stronger performances in the agricultural sector. Serbia has comparative advantages in the agricultural sector, which is reflected in rich natural resources, high-quality arable land, and favorable climatic conditions conducive for agricultural production. Better results in agriculture are absent due to the slow pace of agricultural reforms, which are overshadowed by political decisions, unresolved issues such as the irrigation system, demographic challenges, and limited transparency within the sector.

The Government of the Republic of Serbia adopted the Law on Incentives in Agriculture and Rural Development in 2013, which underwent numerous changes over the next ten years (Off. Gazette of RS, 2023). The law regulates in detail a very important topic and a number of key elements for the improvement of the agricultural sector - types and use of incentives, the Register of incentives, as well as the realization of the right to incentives. This law recognizes the classification of farms according to type and property, but not according to size. On the one hand, all farms registered in the Register of Agricultural Farms in accordance with the law governing agriculture are entitled to incentives. However, on the other hand, incentives are not the same for all farms in terms of farm size, used area, arable land, etc. While all farmers technically have the right to apply for incentives, the conditions are not uniform across different farm sizes and capacities. Small farms, in particular, occupy a disadvantaged position: they can only access certain incentives within the limits of their own capacities. Their access to market financing is largely unattainable, leaving them dependent on state support, often only to the extent that ensures their survival. Furthermore, there is a distinction in the application of incentives, as determined by the Ministry, between commercial and non-commercial family farms. In practice, small farms are often insufficiently engaged with these incentives; farmers may lack adequate information or face difficulties in successfully applying for support.

If budgetary funds are also considered, and in accordance with the 2024 Budget Law, the allocation for pre-accession assistance in the field of support for agriculture and rural development (IPARD) will be reduced by 25% over the next two years; this reduction is likely to further diminish the chances of survival for small farms.

In the draft of the National Rural Development Program for 2022-2024, the Ministry of Agriculture, Forestry and Water Management highlighted that small and medium-sized farms, even those with an active, vital workforce, fail to reach the development path. There are numerous reasons, but the key ones cited include difficult access to financial markets, difficult access to land, and insufficient integration into value chains. Small farms fail to be competitive on the market because they offer small and unstable market surpluses, so they are locally oriented. Also, the small volume of production increases the transaction costs of the business. Logistical support and accompanying services exceed their capacities, and export-oriented business is unattainable. They do not have adequate bargaining power for a more favorable positioning on the market. The demographic situation further undermines the prospects of small farms, characterized by a low birth rate and an aging rural population. This not only limits the availability of physical labor but also constrains human capital, reducing the capacity to adopt innovation and modern agricultural practices. Furthermore, the structure of farms also reduces possibilities because Serbia has a large number of small farms, fragmented plots, limited access to land in areas where there is demand for farm expansion, a low degree of specialization, and a declining share of farms with diversified farm income.

It is also important to highlight the neglect of small farms in public policy documents (Dragutinović and Bogunović, 2018). Such circumstances directly threaten the position of small farms and make them unpromising, unproductive and unprofitable. Therefore, the role and importance of small farms will be emphasized in the following sections of this paper.



At the time of writing, Serbia does not have a new agricultural development strategy. There are efforts to build a new concept based on the even development of rural areas and to stop the decades-long process of the disappearance of villages in Serbia. The need for a new strategy arose from the recognition that the rapid liberalization of the agricultural sector, following the signing of the Stabilization and Association Agreement (SAA), produced adverse effects—particularly in sectors such as animal husbandry - and yielded unexpected outcomes. Moreover, the existing strategy did not successfully fight for the sector's recovery (fall in the agricultural budget and reduction of the share of agriculture in GDP). In addition, there are negative trends of the last census from 2022, reporting over half a million households, with 1.150.653 employed individuals, an average age of approximately 60 years, and only one in every eleven workers being younger than 40. In addition, the average registered agricultural farm in Serbia cultivates 6.4 hectares of land, keeps one cow, up to five pigs, up to three sheep, and about 40 poultry. For the new strategy, new goals were recognized and set: growth of total agricultural production, stability of farmers' income, and technical and technological improvement of the agricultural sector as a whole. This can be achieved through a well-structured approach and an active agricultural policy. Firstly, through digitization and technological progress. Modern technology, such as smart devices, software solutions and GPS technology, contributes to improving efficiency and increasing yields. New approaches enable the use of precision irrigation, smart machines, crop management applications and other technological tools to bring numerous advantages. The inevitable issue is climate change, which poses a serious challenge to the sector (droughts, floods, supercell storms, heavy rainfall, etc.), which require a higher degree of adaptation, through new cultivation practices and technologies.

## ROLE AND SIGNIFICANCE OF SMALL AGRICULTURAL FARMS

According to the latest results of the Republic Institute for Statistics of Serbia from 2023, in the analysis entitled "*Structure, Economic Strength and Marketing of Products of Agricultural Farms in Serbia*" (SORS, 2023), the number of agricultural farms in Serbia was recorded at 508.325, representing a 10% decrease compared to the previous survey in 2018. It is important to emphasize that the continuous decrease in the number of agricultural holdings over successive censuses: in 2018 (Survey 2018), a decrease of 20% was recorded, compared to the 2012 census. Furthermore, all aforementioned analyses and agricultural censuses indicate that the majority of farms are family-run. Specifically, the 2023 analysis shows that family agricultural holdings account for 99.61% of all farms in Serbia.

**Table 1.** Agricultural Farming - 2018 and 2023

Year	Number of agricultural holdings	Used agricultural land (ha)	Annual workforce	Number of conditional heads	Standard output (EUR/AH*)
2018	564.541	3.475.894	645.733	1.933.838	8.644
2023	508.325	3.239.374	502.318	1.493.008	11.880

Source: SORS, 2023.



When we analyze the structure of agricultural holdings, comparing the trend and structure according to the censuses of 2018 and 2023, we can extract the following data in Table 1. Almost all analyzed data indicate certain reductions (number of agricultural holdings, land area...), except for the standard output per agricultural holding, where there was an increase, which indicates that less efficient farms are leaving this sector, while, at the same time, there is a strengthening of the economic potential of those that remain.

For a more complete presentation of the role and importance of small farms, we will present a SWOT analysis, which is presented in Table 2.

**Table 2.** Small Farmers - SWOT Analysis

Strengths	Chances
<ul style="list-style-type: none"> <li>- Increasing investments in agriculture</li> <li>- Favorable climatic conditions</li> <li>- Favorable geographical position</li> <li>- Soil quality</li> <li>- Diversity (fruit growing, field crops, horticulture)</li> <li>- Traditional primary agricultural production</li> <li>- Connection with other sectors</li> <li>- Legislation (incentive agrarian policy of agriculture)</li> </ul>	<ul style="list-style-type: none"> <li>- Domicile market</li> <li>- Quality-oriented production</li> <li>- Organic production</li> <li>- Raising the standard of living of small farmers</li> <li>- The development of small farms can increase interest in the survival of the village</li> <li>- Encourage intensive agricultural production</li> <li>- Improvement of infrastructure</li> <li>- Multimedia information</li> <li>- Renewable energy</li> <li>- Project financing</li> </ul>
Weaknesses	Risks
<ul style="list-style-type: none"> <li>- Education</li> <li>- Information</li> <li>- Legislation (incentives selective and unattainable)</li> <li>- Collapse of soil quality due to the application of dangerous chemicals</li> <li>- Annual reduction of arable land</li> <li>- Extensive and non-standard agricultural production</li> <li>- Control of sub-products (forage, pesticides, technical conditions, market control, correctness, supervision)</li> <li>- Shredded agricultural production</li> <li>- Inadequate institutional prerequisites for the development of small farms</li> <li>- Placement of agricultural products</li> <li>- Separated market offer</li> <li>- Insufficient organization of cooperatives (material and personnel equipment)</li> <li>- Infrastructure (road, optical, electrical)</li> <li>- Projects - dynamics and implementation</li> <li>- Legislation - slow implementation, frequent changes</li> </ul>	<ul style="list-style-type: none"> <li>- Neglect and disregard</li> <li>- Unfair competition</li> <li>- Unfavorable business conditions on the part of suppliers of raw materials and purchasers of finished products</li> <li>- Insufficient irrigation</li> <li>- Climate changes</li> <li>- Domestic market (narrow, low purchasing power)</li> <li>- Lack of capital</li> <li>- Unstable market of agricultural products</li> <li>- Rising input prices</li> <li>- Consumer preference (habits)</li> <li>- Educational structure of household members</li> <li>- Insufficient support</li> </ul>



The context of small farms can be viewed from different angles. Countries at different stages of development approach the issue of small farms differently. Their role in the EU has significantly increased in recent decades, aligning with the global objective of producing healthy and sustainable food. There are 10 million small farms registered in the EU.

Previous estimates of the share of small farms in global food production have been reduced, but their specificity keeps them in the economy (Rossi, 2022). Namely, most of their business and capacities are focused on food production. The diversification of the product range is greater than that of large and even medium-sized farms. This makes them additionally important for the economy.

Therefore, the foundation of agricultural development lies in small and medium-sized farms, while large farms are expected to create technological development and act as key agents of research in agriculture. Although small farms hardly manage to achieve economies of scale, or progress in production on a larger scale, they represent the largest share of agricultural holdings and must be preserved. Also, they need to provide a business environment in which they can maximally develop their small capacities and make a profit for survival and potential development. In this context, it is worth exploring the experiences of other countries that achieve significant results in agriculture. First of all, it is important to ensure the participation of small farms in all phases of the business cycle. In this way, their importance in the economy can be increased, capacities strengthened, the demographic image of the village improved, and the conditions for improving competitiveness can be provided. Such circumstances will leave the possibility for the state (Government) to demand a higher level of transparency, to carry out adequate evaluation and monitoring, and to determine incentives and subsidies more realistically.

Examples of good practice are an integral part of any development strategy. Our previous experiences are not negligible. The five-year plans showed a proactive policy and gave importance to the development component, competitiveness and profitability. Such agricultural policies largely declined during periods of national crises, including the collapse of the state, economic sanctions, civil war, and major social changes. It is essential to restore healthy and productive agricultural sectors. Following the example of the EU, the implementation of seven-year sectoral policies is a confirmation of the earlier good practice of five-year plans in The Socialist Federal Republic of Yugoslavia - SFRY. Planning in the economy should not be attributed to the political system, which we tend to do, but rather to the strategy of managing the economy, the sector, the company. The best example of neglecting good practice is found in cooperatives, which, it turned out, proved to be important for small participants in the agricultural sector. The gap in the association of small agricultural producers led to their collapse and disappearance. Uncertainty and insecurity in placements additionally forced farmers to change their activities. Therefore, adequate strategy and management are crucial for the economy.

In the draft of the National Rural Development Program for 2022-2024, the Ministry of Agriculture, Forestry and Water Management highlighted that small and medium-sized farms, even those with an active vital workforce, fail to reach the development path. There are numerous reasons, but the key ones include difficult access to financial markets, difficult access to land, and insufficient integration into value chains. A part of the farms do not have enough resources, because they are small, divided into parcels, they do not have enough arable land, they lack labor force and therefore they cannot be significant agricultural producers (Popović *et al.*, 2024, p. 126). Although Serbia is considered a country with a relatively high proportion of its population engaged in agriculture, which should mitigate workforce-related challenges (Maletić & Popović, 2016), small farms continue to face labor shortages. Additionally, the prevalence of fragmented land plots in Serbia further hinders the development of the agricultural sector (Grujić-Vučkovski, 2022).



Due to these challenges, small farms frequently fail to be competitive in the market because they offer small and unstable market surpluses, so they remain locally oriented. Additionally, the small volume of production increases the transaction costs of business. Logistical support and accompanying services exceed their capacities, and export-oriented business is unattainable. They do not have adequate bargaining power for a more favorable positioning on the market. The demographic picture further worsens the prospects of small farms - characterized by a low birth rate and an aging rural population. This limits the capacity not only for physical labor but also for human capital – the capacity to embrace innovation. The structure of farms also makes opportunities difficult because Serbia has a large number of small farms, fragmented plots, limited access to land in areas where there is demand for farm expansion, a low degree of specialization and a declining share of farms with diversified farm income.

## AGRICULTURAL FINANCING

Decades of experience in Serbian agriculture show that investments in agriculture have primarily originated from private sources and through state aid and support. Agricultural financing in Serbia is structured around several institutional pillars that aim to support both commercial and subsistence farming. While larger farms could access financial markets and utilize financial derivatives, such opportunities were generally unavailable to small farms. The backbone of this support comes from the national budget, coordinated by the Ministry of Agriculture, Forestry and Water Management (MAFWM), and includes direct payments (per hectare or livestock head), rural development incentives, and sectoral grants. Alongside the state budget, Serbia also relies on international credit and cooperation frameworks, notably through the European Union's Instrument for Pre-Accession Assistance for Rural Development (IPARD II and III), as well as credit lines offered by institutions such as the European Investment Bank and World Bank. Numerous funds have been established, with the increasing state involvement in incentives for sustainable agriculture through the Government, Ministry, Administration for Agrarian Payments, and local government units (LGU). The banking sector has also improved its recognition of agricultural investment cycles, offering favorable credit lines in collaboration with commercial banks and international financial institutions (Popović *et al.*, 2018). Budget funds have been steadily increasing each year, and this is a good practice, but also a political decision to classify agriculture as a priority sector in Serbia. Subsidies to agriculture are an important component for any country, especially in less developed economies. According to the results of the analysis by Dimitrijević (2023), subsidies in Serbia had a high importance for the agricultural sector during the period 2010-2023. Incentives in agriculture are also investigated in detail by Grujić Vučkovski (2022); the author shows the importance for farms in Serbia through examples. It is necessary to direct and improve them adequately in order to eliminate the potential problem of their abolition or reduction.

According to data from the Ministry of Agriculture, Forestry and Water Management (MAFWM, 2025), a record 138.52 billion dinars were allocated from the budget of the Republic of Serbia for 2025, or 7.5% of the total state budget revenues. These funds indicate increased support for the agricultural sector, of which as much as 111.4 billion dinars are intended for incentives in agriculture and rural development, while 11 billion dinars are intended for reducing excise duties on fuel. The main focus is on direct payments to stabilize production (95.9 billion dinars are intended for direct payments, and 5.8 billion for rural development) and one billion dinars for market regulation.



Although funds have been increased over the years - in order to increase the competitiveness, efficiency and sustainability of agriculture, in line with the needs of farmers, foresters, fruit growers, vegetable growers, livestock farmers, beekeepers and other producers - the basis for the development of Serbian agriculture depends on the degree of utilization and efficiency of the use of funds and incentives.

### Access and Constraints for Small Farms

Small farms, defined in Serbia as those with less than 5 hectares of utilized agricultural area, represent many agricultural holdings, but often remain marginalized in financing schemes. Several constraints persist. First, the application of procedures for subsidies, loans, and IPARD funds are often perceived as bureaucratically complex and administratively burdensome. Second, many small farmers lack the digital and institutional literacy required to prepare and submit competitive applications or business plans. Third, the advisory and extension services in rural areas are often under-resourced and unevenly distributed, creating gaps in institutional support for farmers unfamiliar with public finance procedures.

Targeted programs exist to address these issues, such as specific calls for young farmers, rural women, and marginalized rural communities. However, monitoring and evaluation mechanisms suggest that large-scale and commercial producers are often more successful in accessing most public and international funds. This dynamic creates concerns about equity and efficiency in the distribution of rural development support (World Bank, 2022; MAFWM, 2023).

In addition, financial institutions in Serbia, in partnership with government agencies, offer specialized credit programs for farmers through commercial banks, often supported by state guarantees or interest rate subsidies (Popović *et al.* 2018, Dimitrijević, 2023; Radović *et al.*, 2024). While these mechanisms are widely available, the practical accessibility for small farms – particularly those lacking collateral, market integration, or advisory support – remains uneven. The need for subsidized loans for agricultural entities was shown by Radović *et al.* (2024). According to them, the average level of implemented incentives in the period 2014-2022 was 73%.

However, the role of small farms in the economy is ambiguous. This is best seen through the effect of their financing. Namely, according to the results of the research by Atanasijević and Danon (2014), half of all households are engaged in agriculture only for personal use (also called subsistence agriculture), while the other half earns part of their income by selling products on the market. Moreover, within this second half of agricultural households, only 7% earn their total income exclusively from agriculture and can therefore truly be considered market participants. Therefore, only 7% of half of households earn an income and can realistically obtain any type of financing, while the rest earn part of their income from social benefits, pensions or salaries.

The impact of small farms would be much greater if the demographic structure were more favorable and if there were no technological lag. Namely, the majority of small farms in Serbia consist of numerous elderly households located in remote areas, operating with outdated mechanization and technology. This structure and the limited available capacities prevent the achievement of economies of scale, making investments - such as credit financing - largely unprofitable. This is confirmed by the results of Atanasijević and Danon (2014), claiming that the majority of 85% do not cultivate the entire area of arable land they own, due to socio-economic and technological reasons.



The role of small agricultural holdings in the Serbian economy would be greater if the current sectoral policy provided an effective incentive environment for small and medium-sized agricultural holdings. However, according to MAFWM (2024), this is not the case. The current agrarian policy does not provide opportunities for holdings to increase their size, invest, modernize, or adapt their production to competitive markets. Jolović *et al.* (2014) identified the financial system's lack of adaptation to the needs of the agricultural sector as a limiting factor. They identified the availability of financial resources for farmers and agricultural SMEs as the least adequate compared to other sectors. Ljubičić *et al.* (2019) identify several key financing challenges, including the highest interest rates in the region, high banking fees, and difficulties in securing credit. They also state that the loan repayment process is hampered by the slow collection of their own receivables - around 80% of entrepreneurs settle their obligations to suppliers in less than 45 days, while around 57% manage to collect their receivables within the same period.

### Efficiency and Impact of Fund Usage

The efficiency of public agricultural financing in Serbia is a subject of growing academic and policy debate. Although significant financial resources are allocated annually, there is limited evidence that these funds systematically improve productivity, innovation, or sustainability among small farmers. Studies by the World Bank (2022) and the FAO (2020) indicate that a substantial share of support is absorbed by medium-to-large farms, while small farms often demonstrate low marginal returns on subsidies due to a lack of complementary investments and weak market linkages.

For example, it has been estimated that for every 100 EUR in subsidies received, small farms in Serbia generate only 20-30 EUR in additional gross value added, a relatively modest return compared to peer countries in Central and Eastern Europe (World Bank, 2022). Moreover, monitoring reports show that some subsidy programs remain underutilized due to a lack of eligible applicants or insufficient outreach, particularly in underdeveloped rural areas such as Southern and Eastern Serbia.

The return on investment represents one of the major challenges in agriculture, particularly for small farms with limited capacities, insufficient supply potential, non-competitive production, and constrained resources. At the same time, weather conditions can often be harsh to threaten the season, disrupting production and distribution. In addition, agriculture is one of the unprofitable sectors (Radović, 2015). All this certainly limits the scope of funding. Moreover, the imprecise and inconsistent results of past investment initiatives discourage potential investors from engaging in the sector.

More favorable opportunities for small farms exist through participation in associations. An increasing amount of funding for cross-border cooperation and state incentives are directed toward supporting such collective forms of organization. In particular, support for capacity building is growing through the financing of assets (mechanization, equipment), facilities, competitiveness (sustainable agriculture, rural tourism, organic production), and digitization.

The absence of transparent data on realized investments, volume of placements, and return of invested money is a reality. At the same time, it is a stumbling block for future sources of financing, investment directions, and agricultural trends. Projections are further complicated, which has direct consequences on the volume of required investments. The introduction of securities and the strengthening of market mechanisms offer a promising outlook, but the question arises as to how achievable it is in the existing financial system. Individual private investments are often not measurable, especially in small farms, where family members are involved in the process. Numerous financial records are



also missing, such as depreciation of equipment and machinery, repairs, finishing, etc. This further complicates access to bank credit lines, even though banks are increasingly offering adaptable products for small agricultural producers.

To address these inefficiencies, several policy proposals have been advanced, including simplifying procedures, investing in rural advisory systems, and introducing performance-based metrics to evaluate the real impact of public investment in agriculture.

### Trends in Financing Small Farms: Data Analysis

To better understand the financing trends and their impact on small farms, a summary of relevant data for the period 2018–2023 is presented below. The table includes key indicators such as the total agricultural budget, share allocated to small farms, direct subsidies, loan disbursements, and the number of small farm beneficiaries.

This data has been compiled from the annual reports of the Ministry of Agriculture (2018–2023), the National Bank of Serbia, and Serbia's IPARD Managing Authority. The estimated values represent official budget allocations and bank-reported disbursements targeted specifically at small farm categories as defined in Serbia's national rural development programs.

**Table 3.** Public Financing to Small Farms in Serbia (2018–2023)

Year	Total Agricultural Budget (EUR mil)	Allocated to Small Farms (%)	Direct Subsidies to Small Farms (EUR mil)	Loans Disbursed to Small Farms (EUR mil)	Number of Beneficiaries (Small Farms)
2018	375	32%	64.8	18.4	47,200
2019	400	34%	72.5	20.1	49,300
2020	420	36%	79.2	23.0	51,000
2021	450	38%	85.5	26.5	52,800
2022	470	37%	87.4	28.2	52,100
2023	495	39%	92.6	30.7	54,300

*Source:* Data are estimates based on Reports from MAFWM (2018-2023), NBS, and partners' reports.

As shown in Table 3, the overall volume of financial resources allocated to small farms has increased in both absolute and relative terms. Between 2018 and 2023, direct subsidies rose from €64.8 million to €92.6 million, while loans disbursed nearly doubled. Importantly, the number of small farm beneficiaries grew by 15% over this period, suggesting an expanding reach of support mechanisms. However, the annual share of the agricultural budget allocated to small farms remains below 40%, signaling that large-scale operations still dominate the financial landscape.

Despite the positive trend, it is important to emphasize that increases in disbursement volume do not necessarily equate to improved outcomes in productivity or sustainability. As previously noted, efficiency remains a challenge, particularly in regions with low levels of farm organization, poor infrastructure, and limited access to markets.



## Policy Recommendations

To enhance the efficiency and equity of agricultural financing in Serbia, particularly for small farmers, a more integrated approach to financial and institutional support is necessary. This includes the simplification of application procedures for all programs, digitalization of submission platforms, and expansion of advisory services that can help small farmers prepare competitive project proposals. Special attention should be given to group-based models, such as producer cooperatives and clusters, which can enhance bargaining power and access to credit.

Moreover, Serbia should adopt a results-based monitoring framework that goes beyond the volume of disbursed funds to assess real impacts, such as increased yields, income growth, diversification, and improved environmental practices. In this context, lessons can be drawn from EU Member States with successful rural development models and higher fund absorption rates under the Common Agricultural Policy (CAP).

If implemented strategically, these reforms can help transform agricultural financing from a basic income support system into a driver of structural change in rural Serbia, with small farms playing a central role in food sovereignty, biodiversity protection, and rural economic development.

## CONCLUSIONS

There is a narrative in the public that a lot of attention is paid to small farms, that state policy also relies on agriculture, that sustainable agriculture is in the nation's interest, that large amounts of money are allocated for incentives, and that the importance of small farms in agriculture is growing. However, the results achieved do not correspond to the volume of investment. The national economy is facing a lack of investment in agriculture and therefore the number of small farms has decreased since the last census. At the same time, the volume of production was also reduced.

Creating agricultural policy without a clear understanding of farm structures is disastrous for any economy. While the trend of consolidation and concentration of agricultural farms according to size, especially in the area of Vojvodina (Off. Gazette of RS, 2014), may enhance efficiency, it simultaneously threatens the survival of small farms. Like in the real sector, where small and medium-sized enterprises dominate in developed economies, small and medium-sized farms should be "nurtured" in the agricultural sector. Their survival is multidimensional. It is economically justified because it guarantees the survival of people in villages, provides income to individuals with lower levels of education, increases the supply of food, and encourages adequate redistribution of resources. From a social point of view, the existence of farms is justified because they foster closer relations between people, facilitate the exchange of knowledge and experiences, and promote the formation of cooperatives with multiple goals. Finally, the ecological component is increasingly important because such farms successfully increase biodiversity, a circular economy, and protect nature on their land properly.

While Serbia has established a comprehensive system of agricultural financing, more attention is needed to ensure small farms can effectively access and utilize these funds. Improving the efficiency of fund use, especially considering Serbia's EU accession process, is essential for building a competitive, inclusive, and sustainable rural economy.



## ACKNOWLEDGEMENTS

The paper presents findings of a study developed as a part of the research project “Serbia and challenges in international relations in 2025”, financed by the Ministry of Education, Science, and Technological Development of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade.

## REFERENCES

- Atanasijević, J. and Danon, M. Financial Agricultural Development in Serbia: Opportunities and Challenges, *Ekonomika preduzeća*, 2014, 62(1-2), 67-81. <https://doi.org/10.5937/ekopre1402067A>
- Dimitrijević, M. (2023). Trendovi u finansiranju poljoprivrede Republike Srbije, *Bankarstvo*, vol. 52, br. 4. 70-103 str. DOI: 10.5937/bankarstvo2304070D, <https://scindeks-clanci.ceon.rs/data/pdf/1451-4354/2023/1451-43542304070D.pdf>.
- FAO. 2020. *Smallholders and family farms in Serbia*. Country study report 2019. Budapest. <https://doi.org/10.4060/ca7449en>
- Grujić Vučkovski, B. (2022). Pokazatelji tržišne orijentisanosti porodičnih poljoprivrednih gazdinstava Srbije i opštine Kladovo. *Ekonomika*, 68(2), 55-66. <https://scindeks-clanci.ceon.rs/data/pdf/0350-137X/2022/0350-137X2202055G.pdf>.
- Jolović, A., Njegovan, Z., & Čavlin, M. (2014). Finansiranje poljoprivrede u Srbiji - stanje i perspektive. *Ekonomika poljoprivrede*, 61(1), 127-137. <https://doi.org/10.5937/ekoPolj1401127J>
- Ljubičić, I., Radenković, D., & Bulatović, I. (2019). Sustainability of agricultural farm financing in the Republic of Serbia. *Ekonomika poljoprivrede*, 66(4), 1201-1211. <https://doi.org/10.5937/ekoPolj1904201L>
- Maletić, R., Popović, B. (2016) Production capacity of family farms in Serbia and EU countries. *Teme*, vol. 40, br. 2, str. 807-821. <https://aspace.agrif.bg.ac.rs/bitstream/id/22303/4257.pdf>.
- MAFWM. (2024), *Serbia Competitive Agriculture Project Additional Financing* (ID: P181507). Washington, DC: World Bank Group. <https://documents1.worldbank.org/curated/en/099061024093029705/pdf/P18150712d3f57041b5001b5150f53dd2d.pdf>
- MAFWM (2025) Budget support of the Ministry of Agriculture for 2025, The Ministry of Agriculture, Forestry and Water Management, <https://boljazemlja.com/budzetska-podraska-ministarstva-poljoprivrede-za-2025-godinu/#:~:text=Za%20poljoprivredu%20u%20Srbiji,%20bud%20C5%BEet%20za%202025.%20godinu,rast%20od%20259%20u%20odnosu%20na%202012.%20godinu>.
- MAFWM (2018–2023). Annual Reports on Agricultural Budget Execution. Government of the Republic of Serbia. <https://www.minpolj.gov.rs/>
- Nacionalni program ruralnog razvoja za period 2022-2024. godine*, Ministarstvo poljoprivrede, šumarstva i vodoprivrede, <http://www.minpolj.gov.rs/nacionalni-program-ruralnog-razvoja-za-period-2022-2024-godine/?script=lat>.
- NBS (2023). *Quarterly Financial Stability Report*. National Bank of Serbia. Retrieved from: <https://nbs.rs/>
- Popović M., Sposojević, M., Đurašković, M. (2024). Resursi na porodičnim poljoprivrednim gazdinstvima u republici Srbiji. *Glasnik za društvene nauke*, Vol. XVI, Year 16, (Issue 1), 2024. [https://www.researchgate.net/publication/381415302\\_RESURSI\\_NA\\_PORODICNIM\\_POLJOPRIVREDNIM\\_GAZDINSTVIMA\\_U\\_REPUBLICI\\_SRBII](https://www.researchgate.net/publication/381415302_RESURSI_NA_PORODICNIM_POLJOPRIVREDNIM_GAZDINSTVIMA_U_REPUBLICI_SRBII).
- Radović, G. (2015). Finansiranje poljoprivrede u Republici Srbiji - iskustva i mogućnosti, *Ekonomija: teorija i praksa*, vol. 8, br. 4, str. 13-27, DOI: 10.5937/etp1504013R, <https://scindeks-clanci.ceon.rs/data/pdf/2217-5458/2015/2217-54581504013R.pdf>.



- Popis poljoprivrede 2023: Struktura, ekonomska snaga i marketing proizvoda poljoprivrednih gazdinstava u Srbiji* (2025), Republički zavod za statistiku, Beograd, 2025. <https://publikacije.stat.gov.rs/G2025/Pdf/G202512005.pdf>.
- Popović, S., Janković, I., & Stojanović, Ž. (2018). Značaj bankarskih kredita za finansiranje poljoprivrede u Srbiji. *Ekonomika poljoprivrede*, 65(1), 65-80. <https://doi.org/10.5937/ekoPolj1801065P>
- Radović, G., Popović, V., & Grujić Vučkovski, B. (2024). Incentives for credit support of agriculture in the Republic of Serbia. *Western Balkan Journal of Agricultural Economics and Rural Development*, 6(1), 65-75. <https://doi.org/10.5937/WBJAE2401065R>
- Rossi, R. (2022). Small farms' role in the EU food system. European Parliamentary Research Service (EPRS). pp. 12. [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733630/EPRS\\_BRI\(2022\)733630\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733630/EPRS_BRI(2022)733630_EN.pdf).
- Strategija poljoprivrede i ruralnog razvoja Republike Srbije za period 2014 – 2024. godine*, (2014), „Službeni glasnik RS”, broj 85/14 od 12. avgusta 2014. godine. <https://uap.gov.rs/wp-content/uploads/2016/05/STRATEGIJA-2014-2020-.pdf>.
- Uredba o novčanoj pomoći poljoprivrednim gazdinstvima u cilju ublažavanja posledica nastalih usled bolesti COVID-19 izazvane virusom SARS-CoV-2*. (2020), "Sl. glasnik RS", br. 57/2020. <https://www.paragraf.rs/propisi/uredba-o-novcanoj-pomoci-poljoprivrednim-gazdinstvima-vanredno-stanje.html>.
- Zakon o poljoprivredi i ruralnom razvoju* (2021), „Službeni glasnik RS”, br. 41/2009, 10/2013 - dr. zakon, 101/2016, 67/2021 - dr. zakon i 114/2021. [https://www.paragraf.rs/propisi/zakon\\_o\\_poljoprivredi\\_i\\_ruralnom\\_razvoju.html](https://www.paragraf.rs/propisi/zakon_o_poljoprivredi_i_ruralnom_razvoju.html).
- Zakon o podsticajima u poljoprivredi i ruralnom razvoju* (2023), "Sl. glasnik RS", br. 10/2013, 142/2014, 103/2015, 101/2016, 35/2023 i 92/2023. [https://www.paragraf.rs/propisi/zakon\\_o\\_podsticajima\\_u\\_poljoprivredi\\_i\\_ruralnom\\_razvoju.html](https://www.paragraf.rs/propisi/zakon_o_podsticajima_u_poljoprivredi_i_ruralnom_razvoju.html).
- Pravilnik o upisu u registar poljoprivrednih gazdinstava, promeni podataka i obnovi registracije, elektronskom postupanju, kao i o uslovima za pasivan status poljoprivrednog* (2024), "Sl. glasnik RS", br. 25/2023, 110/2023, 3/2024 i 34/2024. <https://www.paragraf.rs/propisi/pravilnik-upis-registar-poljoprivrednih-gazdinstava-obnova-registracije.html>.
- The World Bank, World Bank Open Data, <https://data.worldbank.org/>.
- World Bank. *Supporting Serbia's Transition to Greener and More Resilient Growth: Policy and Institutional Reforms*. Washington, DC: World Bank Group. 2022. <http://hdl.handle.net/10986/38271>



## EKONOMSKA ULOGA MALIH FARMI U EKONOMIJI SRBIJE

### Rezime:

Zemlje različitih nivoa razvijenosti različito pristupaju ekonomskom značaju i ulozi malih poljoprivrednih gazdinstava. Okosnica razvoja poljoprivrede treba da budu mala i srednja gazdinstva, dok velika gazdinstva treba da kreiraju i implemenriraju tehnološki razvoj i da budu nosioci istraživanja u poljoprivredi. Međutim, u najvećem broju zemalja, kada govorimo o ekonomskoj ulozi malih gazdinstava, radi se o specifičnom obliku organizovanja poljoprivredne proizvodnje u nepovoljnom tržišnom ambijentu. Iz tog razloga, osnovni cilj ovog rada jeste analiza i prikaz pozicije i uloge malih gazdinstava u privredi Srbije, njihovom položaju na tržištu, ambijentu u kome preživljavaju i perspektivi njihovog daljeg opstanka i razvoja. Za potrebe ovog rada korišćeni su podaci iz poslednjeg popisa poljoprivrede, dokumenata javne politike i SWOT analize izvedene iz dostupnih rezultata i zapažanja autora, radi objektivnog ocenjivanja prednosti i nedostataka malih gazdinstava u cilju unapređenja njihove ekonomske pozicije u privredi Srbije.

### Ključne reči:

agroekonomija;  
ekonomski razvoj;  
mala poljoprivredna gazdinstva.

### JEL klasifikacija:

Q12, Q18