



### Basic country indicators

Indicator	2010	2011	2012	2013	2014
GDP, in bn USD	37.0	43.3	38.2	42.6	44.1
GDP growth, in %	1.0	1.6	-1.5	2.4	-2.0
GDP per capita, in USD	3,837	4,510	4,002	4,481	5,708
Unemployment rate, in %	20.0	23.6	24.6	24.0	19.7
Foreign direct investments, bn EUR	0.86	1.83	0.24	0.80	-
Inflation, in %	10.2	7.0	12.2	2.2	1.8
Population, in mn		7,200,666			

### Basic sector indicators

Indicator	2010	2011	2012	2013	2014
Food production, base index, 2010=100	100.0	97.1	97.8	93.1	97.3
Beverages production, base index, 2010=100	100.0	102.6	106.0	98.2	97.7
<b>EXPORTS, in USD thousands</b>					
Meat and meat products	59,555.6	58,809.8	63,644.0	70,858.1	147,3421.0
Dairy products and eggs	68,938.8	90,723.9	86,003.0	82,987.2	107,503.5
Fish and seafood	4,269.0	4,434.1	4,120.0	4,971.0	7,147.3
Cereals and cereal products	578,609.4	731,840.8	834,595.0	663,319.1	786,195.4
Vegetables and fruits	528,947.4	657,613.4	538,863.0	669,812.3	747,676.7
<b>IMPORTS, in USD thousands</b>					
Meat and meat products	46,405.8	57,141.2	79,219.0	89,194.2	117,435.2

Dairy products and eggs	47,918.5	57,801.5	59,055.0	54,057.4	56,879.7
Fish and seafood	78,590.8	96,683.7	94,960.0	83,057.0	79,822.1
Cereals and cereal products	61,654.9	84,217.8	85,173.0	101,652.8	109,036.9
Vegetables and fruits	261,749.0	302,386.8	290,817.0	314,893.1	316,283.0

## 1. KEY SECTOR INFORMATION

Serbian foreign trade has increased a lot the past years. This also goes for both import and export of food products since there are multiple free trade agreements.

The increased local purchasing power and larger export quantities within the many free trade agreements is expected to further boost trade the coming years. But the purchase power in society is still fairly low and too low for some product items/types. High end Danish food products will only be able to find a small segment on the market – such as horeca. But due to the expected economic growth in the coming years this segment will begin to grow.

There are still trade barriers such as import licenses that food importers must obtain prior to the import. Also there are still import tariffs on several food products such as cheese etc.

The EU accession process will eliminate some tariffs and the EU integration process will strengthen the standards of Serbian producers in order for them to fully penetrate new markets. Especially optimization, cost-efficiency and compliance with foreign markets are central. But also quality demands and food safety rank high on the agenda.

In comparison with various competitive EU markets, the Serbian market still faces some level of monopolism among local food producers and food importers. This leads to higher prices for the time being. But in the past years foreign retail chains in food have entered the market such as Delhaize. And German Lidl is about to open a number of discount supermarkets the within 2015/2016. This combined with the fact that the EU accession process will lead to the removal of the last trade barriers the access to the market will be easier for the Danish exporters

of food products. The local food processing companies are having an increased number of export opportunities but are also facing more competition will demand production equipment and know-how to become more competitive and better explore export opportunities.

## 2. THE SERBIAN FOOD PROCESSING SECTOR

Serbia is the largest agricultural market in the Western Balkans with a strong tradition in agricultural production and food processing. Of the former Yugoslavian republics, Serbia had the most agricultural land. Even today Serbian producers supply the entire Balkan region.

The Food processing industry accounts for approx. one third of the entire processing industry in Serbia. Annually it exports goods for approx. 1 billion EUR, which is double the value of imports. The industry employs around 65,000 people and is one of the rare examples of industries that have not been hit adversely by the economic crisis in the past 5 years.

Many food processing companies have been active for more than 50 years. Some of the larger companies have gone through modernization and now have new and restructured management and ownership structures. There is still, however, a lot of room for improvement of production facilities and the companies are investing into newer and more modern production lines. This is happening due to the opening up of the Serbian economy bringing along increased number of export opportunities for the Serbian food processing companies. But the companies are investing also to keep up with the market needs and foreign competition.

The food processing market is dominated by several big conglomerates, such as Carnex and Matijevic which often have a regional company portfolio, who are actively investing into expansion, modernization and quality management. In February 2015 London-based investment fund, Mid Europa Partners, bought Danube Foods Groups which generated more than 400mio EUR in revenues in 2014. More mergers and acquisitions are to be expected.

## 3. MARKET STRUCTURE AND DOING BUSINESS IN SERBIA

The Serbian market is very price sensitive, but the low labor costs enable the companies to stay competitive. This is however also a challenge to Danish exporters of processed food.

Generally speaking the Serbian food processing industry functions in a very similar manner to other European countries – the same standards of operation are in place and similar corporate culture can be expected.

In the meat production and processing industry, there is a tendency towards increasing imports of fresh meat. Serbia is a net exporter of meat products, but a net importer of fresh meat and livestock. Food processors usually also have a primary production in their business portfolio but due to a lack of specialisation producing remains too expensive. The upcoming years will likely see changes in the obsolete business models and there will be a higher degree of specialisation.

#### 4. SPECIFIC SECTORS

- In the dairy sector, about 1.5 billion litres of milk is produced annually, 98% of which is cow milk. It is estimated that the existing dairy farms are using only about 50% of their capacities, which leaves room for a lot of investments in the production facilities.
- Confectionary and snacks is a sub-sector with an overall production of 130,000 tons per year and increasing importance in the food production in Serbia. Many of the brands are regional favourites with high consumer preference.
- In 2013, 5,320,652 litres of beer was produced in Serbia with Carlsberg owning one of the biggest breweries and being the market leader. The beer market has seen increased focus on new brands and new flavours such as ciders etc. Despite the general progress in Serbia, the beer market in has seen a slight decrease in volume during past years.

#### 5. DANISH OPPORTUNITIES

Due to the EU-accession process EU norms are increasingly being implemented in the industry. This process creates opportunities for Danish companies within equipment and knowhow for the food industry. Thanks to the free trade agreements with both the EU and Russia, there are excellent trade opportunities in and out of Serbia which Danish companies can take advantage of.

These challenges for Serbian producers thus lead to market opportunities for Danish producers of production input and materials such as: Better technology and by-products like proteins and flavours etc.

We see opportunities in the following areas:

- Food safety – know-how needed due to the higher EU standards
- Traceability – is being implemented in the large companies, but is becoming more prevalent.
- Machinery and equipment
- By-products for food production
- Food additives

The Trade Council is a part of the Ministry of Foreign Affairs and is the official export and investment promotion agency of Denmark. The Trade Council benefits from around ninety Danish Embassies, Consulates General and Trade Commissions abroad. The Trade Council advises and assists Danish companies in their export activities and internationalisation process according to the vision: Creating Value All the Way.

The work in the Trade Council follows specific procedures and quality guidelines. In this way our customers are secured the best possible quality under the varying working and market conditions at any given point of time.

Ministry of Foreign Affairs of Denmark

Embassy of Denmark, Belgrade

Neznanog Junaka 9 A

11040

Beograd

Tel: + 381 11 367 9500

Fax: + 381 11 4060 500

E-mail: [begamb@um.dk](mailto:begamb@um.dk)

Web: [serbien.um.dk](http://serbien.um.dk)