

FOOD AND AGRICULTURE

This year, the food industry, like all other industries, faced a great challenge due to the declaration of a state of emergency because of epidemiological crisis. Although at the very beginning of the epidemic there was a lot of uncertainty in the functioning of the food sector, the transport and crossing of food shipments with the establishment of “Green Corridors” was very quickly and efficiently resolved. The food industry has not suffered major losses, the existing food safety system has not been disrupted, while the introduction of curfew has posed major logistical challenges for producers to provide both transportation and movement permits for their employees.

What has proven to be a major obstacle to efficient functioning in these circumstances is the exchange of documentation with the competent authorities, which is done physically. Also, a transparent and comprehensive risk analysis system would make the flow of goods even more efficient, because focusing on high-risk products, manufacturers and importers, would ensure stronger control of those who are high-risk, which is of multiple importance in such circumstances.

Alignment of regulations with EU regulations is not going as expected, and implementation in practice is becoming an increasing challenge. Part of the regulations is harmonized, but most of them are national regulations

for which there are no “duplicates” in the EU and neighbouring countries, and as such, they can be an obstacle to free trade and certain restrictions on domestic producers regarding the application of innovative processes and products. The tendency is to modernize obsolete regulations, in order to alleviate the restrictions, and on the other hand, the harmonization of certain regulations is further hindered due to the existence of administrative and methodological obstacles to their application in the same way.

The report on the work of the Expert Council for Risk Assessment, established in June 2017, as well as the activities of the Council are still not known to the interested public.

There is still lot of space for improvement. Both in improving the regulatory framework, which would ensure high standards in food quality control, and by applying a uniform approach to control for all participants, both importers and domestic producers. Equally important is the strengthening of the capacity of the Veterinary and Phytosanitary Control Directorates and the national reference laboratories, as well as the consistent application and improvement of the risk-based approach. Of great importance for the food business operators, it would certainly be enabling the electronically exchange of data and documentation between state institutions and the economy.

A. FOOD SAFETY

1. FOOD SAFETY LAW

CURRENT SITUATION

The Law on Food Safety (hereinafter: the Law) adopted in 2009 has not been fully implemented so far, nor have all the envisaged bylaws been adopted. Amendments to the Law were published in the “Official Gazette of RS”, no. 17/2019 and apply from 1.4.2019. and new changes to this law within the competence of the Veterinary Administration are announced.

Amendments to the Law reorganized the division of inspection responsibilities between the competent inspections of the Ministry of Agriculture and the Ministry of

Health, which is more closely prescribed for the competent inspections of the Ministry of Agriculture by adopting the Regulation on the type of food and official control, as well as the list of mixed foods, in April 2019.

The National Reference Laboratory was opened in 2015. New amendments to the Law define its competence and introduce the term Reference Laboratories, which should entrust part of the work performed by the National Reference Laboratory. It is envisaged that the Ministries will select reference laboratories through a competition, and that the list of reference laboratories will be published in the “Official Gazette of the Republic of Serbia” and submitted to the ministry responsible for technical regulations, for entry in the register of authorized conformity assessment bodies.

A working group for milk was formed within the Ministry of Agriculture in 2015, but by the middle of 2020, there was no harmonization of the current legislation in the part related to milk safety. The latest amendment to the legislation from October 2019 extended the application of the maximum permitted content of aflatoxin M1 in raw milk of 0.25 µg / kg, until 30.11.2020. Extending the validity of the provision is helpful for milk producers in the territory of the Republic of Serbia, since they would still be able to produce and distribute milk with a slightly higher content of aflatoxin M1, but on the other hand are limited to export it because at EU level, as well as in the surrounding countries, the maximum permitted content of aflatoxin M1 in raw milk is 0.05 µg / kg. On the other hand, current measures allow the import of milk from neighboring countries and the EU whose aflatoxin content exceeds the limit of 0.05 µg / kg. Due to all the above, and primarily due to food safety, it is necessary to focus activities on the application of measures to reduce the presence of aflatoxins in animal feed.

The Expert Council for Risk Assessment was officially formed in April 2017.

The new Regulation on maximum concentrations of certain contaminants in food (SG 81/2019) from November 2019 defines the maximum permitted amounts of contaminants in certain types of food (Annex I), which brings Annex I fully harmonized with EU regulations (1881/2006 / EC). This Regulation also transposes the provisions of EU Regulation 2017/2158, which prescribes mitigation measures to reduce the presence of acrylamide in certain food categories.

Amendments to the Law Article 71 is amended so that the payment of fees for laboratory tests is no longer prescribed by this Law, but prescribes the obligation to pay fees for official controls. In December 2019, amendments to the Law on Republic Taxes were adopted, which prescribe a fee that refers to the inspection itself and additional costs that are prescribed by product groups, but relate exclusively to shipments that are subject to veterinary and phytosanitary control, not and for consignments under the jurisdiction of the sanitary inspection of the Ministry of Health.

COVID-19

Although at the beginning of the epidemic there was a lot of uncertainty in the functioning of the food sector, control was quickly established and the usual dynamics of trade was established by establishing "Green Corridors", so that the food industry did not suffer great losses or conse-

quences for the existing food safety system, because the official controls took place with the same dynamics. The application of an adequate risk analysis system during official controls, in such conditions, would prove very useful, because it would speed up the exchange of goods, and free up the capacity of inspections to overcome the existing challenges arising from the COVID-19 crisis. The introduction of curfew made it difficult for production facilities operating in 2 or 3 shifts, which are mostly located outside urban areas, to function normally, so the producers faced great logistical challenges. Also, the exchange of documentation with the competent bodies, which is done physically, was a special difficulty during the epidemiological crisis.

POSITIVE DEVELOPMENTS

Full harmonization of Annex I of the Regulation on Contaminants with EU regulations (1881/2006 / EC) has facilitated the operations of domestic companies that are import-export oriented, because they have established uniform standards in Serbia with countries in the region and the EU on maximum concentrations of mycotoxins, heavy metals and other contaminants.

REMAINING ISSUES

Inconsistency of the Law on Food Safety and certain bylaws with EU Regulations.

- a. A recent example is the adoption of the requirements of EU Regulation 2017/2158, which in EU legislation is under the Hygiene Package, while in our legislation, these requirements are incorporated into the Regulation on Contaminants, which opens space for different interpretations by inspections in relation to prescribed reference values.
- b. Slow transposition of the latest amendments to the regulations in the field of food additives into national legislation.

Lack of a comprehensive risk assessment system by inspection services. No improvement and coordination in the application of risk analysis and assessment methods was observed:

- a. With the formation of the Expert Council for Risk Assessment, a progress was expected in performing the risk analysis provided by the Law, but this did not happen.

The activities of the council are not known to the interested public even after 3 years from its establishment.

- b. Risk analysis would enable the classification of food business entities into low-risk and high-risk, which would speed up the process of customs clearance and release of low-risk goods. Importers assessed as low-risk could realize savings in money and time by faster receipt of documents and reduced number of sampling at import.
- c. Risk analysis would reduce the scope of inspections and relieve them of limited resources as resources would be focused on testing high-risk products.
- d. The publication of the Rulebook on special elements of risk assessment within the scope of sanitary inspection and within the scope of agricultural inspection at the end of 2018, created a framework for starting the risk assessment process, but there is still no uniformity in terms of application between different inspections.

Unpredictable business conditions during the procurement of raw materials for food production and marketing:

- a. Uniform rules do not apply in the procedures of inspection services in terms of costs, deadlines, field work mechanisms, number of samples, determination of type and number of analyzes in laboratory processes,

- b. Application of different criteria by laboratories in control analyzes, and vaguely defined responsibility of laboratories in terms of interpretation of regulations.

Unclear procedure for placing novel food on the market:

- a. Irrespective of the fact that the Regulation on Novel Foods (SG 88-2018) takes over the list of novel foods that are freely placed on the EU market, the Regulation prescribes an additional procedure by which the Ministry of Health issues permits for placing novel foods on the market for the first time.
- b. The Rulebook stipulates that the Ministry gives approval based on the Opinion of the Expert Council. It is still not clear why the Expert Council gives each operator an opinion on food for which there is already a relevant scientific opinion from an internationally recognized institution (EFSA), and which has already been taken over from the list in Annex 1 to this Regulation.
- c. Food business operators were obliged to harmonize their business with the provisions of the regulations by December 31, 2019 at the latest, however, the issuance of licenses is still operational.

The exchange of documentation with the competent authorities is still mostly done physically, which complicates the work of companies and significantly slows down the flow of goods.

FIC RECOMMENDATIONS

- Align the Law on Food Safety and all accompanying bylaws with EU regulations (178/2002 / EC and accompanying bylaws). (2)
- Establish a transparent and comprehensive risk analysis system (combination of product, country of origin, manufacturer, destination and importer risk) by all inspection services, with the establishment of a functional IT system and digitization of supervision. (3)
- By adopting the rulebook, establish uniform rules in the procedures of inspection services in terms of costs, deadlines, field work mechanisms, taking the number of samples, determining the type and number of analyzes during official controls. (3)
- To harmonize the criteria of the laboratory during control analyzes, with a clearly defined responsibility of the laboratory regarding the interpretation of regulations. (2)

- Establish a national Food Safety Agency following the example of EU member states and neighboring countries and create conditions for the National Reference Laboratory to perform all tasks provided by law, in order to strengthen the capacity of the food safety system. (1)
- Create legal conditions for food business operators to place new foods on the market from the list, according to a simplified procedure, and keep the approval procedure for novel foods that are not on the list in Annex 1, according to the EU model. (3)
- Enable electronic exchange of data between state institutions and the economy. (3)

2. SANITARY AND PHYTOSANITARY INSPECTIONS

CURRENT SITUATION

With the division of responsibilities after the adoption of the Amendments to the Law on Food Safety, the phytosanitary inspection of the Ministry of Agriculture, Forestry and Water Management retained the existing competencies for food of plant origin. In the import and export phase, the border phytosanitary is responsible for the control of food of plant and mixed origin, together with the border veterinary inspection. The Sanitary Inspection of the Ministry of Health is responsible for the control of novel foods, foods for specific population groups, food supplements, foods with altered nutritional composition, salts for human consumption, additives, flavours, enzyme preparations of non-animal origin and non-animal auxiliaries and all types of drinking water.

The work of inspections is also regulated by the Law on Inspection Supervision, which has been in force since April 2016. Some inspections are developing models for the application of the Law on Inspection Supervision, but the full harmonization of sectoral regulations with this Law has not yet been completed.

Since 2016, the Ministry of Health has been in the process of passing the Law on Sanitary Supervision, which would regulate the affairs of sanitary supervision in more detail.

The adoption of the Law on Official Controls has been announced.

COVID-19

Although at the beginning of the epidemic there was a lot of uncertainty regarding the functioning of inspection supervision, the usual dynamics in the work of all inspection services in charge of import and export control was quickly established. The Sanitary Inspection is additionally engaged in the control of measures for the implementation of epidemiological measures against the spread of COVID-19. The exchange of documentation with the competent bodies, which is done physically, was a special challenge during the epidemiological crisis.

POSITIVE DEVELOPMENTS

Law on Amendments to the Law on Republic Administrative Fees ("SG RS", No. 86/2019) of December 6, 2019, prescribed the amount of the fee for the inspection of shipments and additional costs that are determined according to the categories of food, which creates a legal basis for equalization of costs for certain categories of food under the jurisdiction of the phytosanitary inspection.

REMAINING ISSUES

The Law on Sanitary Supervision and executive regulations on the work of sanitary and phytosanitary inspection in accordance with the Law on Inspection Supervision and EU regulations have not been adopted yet.

There are no deadlines for the adoption of some extremely important executive regulations, such as e.g. Regulation on the manner and methods of conducting official controls, the

system of approval and certification, the manner of cooperation with the customs authority and competent authorities of EU Member States and third countries, the manner of inspection, sampling, criteria for determining deadlines for official controls, as well as reporting on implemented official controls and the Regulation on methods of sampling and testing of food in the procedure of official control, etc.

The Law on Republic Administrative Fees, despite the changes adopted at the end of 2019, does not prescribe the amount of the fee for the inspection of shipments and additional costs for shipments that are under the jurisdic-

tion of the sanitary inspection of the Ministry of Health.

The competent inspections do not allow the use of raw materials in production before obtaining the Decision on release for placing on the market, which leads to a loss of time and money.

The time period required for food import procedures is not clearly defined

The exchange of documentation with the competent bodies is still mostly done physically, which complicates the work of companies and significantly slows down the flow of goods.

FIC RECOMMENDATIONS

- Adopt the new Law on Sanitary Supervision and executive regulations on the work of sanitary and phytosanitary inspection harmonized with the Law on Inspection Supervision and EU regulations. (3)
- Adopt the Law on Official Controls and executive regulations on the manner of conducting official controls which would ensure consistent application of uniform rules in the procedures of inspection services in terms of costs, deadlines, field work mechanisms, sampling, type and number of analyses in laboratory processes. (3)
- Prescribe the Law on Republic Administrative Fees to prescribe the costs for the inspection of consignments and additional costs for categories of food that are under the jurisdiction of the sanitary inspection. (2)
- Modify the Decisions of the competent inspections so as to allow the use of raw materials in production, without the right to release the finished product until obtaining a decision on the release of raw materials. (3)
- Clearly define the time period required for import procedures for all types of food. (2)
- Enable electronic data exchange between state institutions and the economy. (3)

3. QUALITY ASSURANCE, DECLARATIONS ON FOOD PRODUCTS, NUTRITION AND HEALTH CLAIMS

CURRENT SITUATION

From 15.6.2018. The Regulation on declaring, labelling and advertising of food (Official Gazette of the RS, No. 19/2017; 16/2018; 17/2020) (hereinafter: the Regulation), which is largely in line with the relevant EU regulations, is in force. In February 2020, amendments were made to the Regulation, which obliges producers of small quantities of food of plant origin to label the statement "Domestic product from my farm" or "Domestic product from my region" next to the name of food, in connection with the newly published Regulation on production and trade of small quantities food of plant origin, the area for performing these activities, as well

as the exclusion, adjustment or deviation from the requirements of food hygiene (Official Gazette No. 13/20). It is not clear how small producers adjusted to this obligation, because the deadline for adjustment was 15 days from the day the Regulation was published, and it is important to note that there is no such obligation in the EU regulations for labelling. In the middle of this year, amendments to the Regulation were initiated, which refer to the labelling of the country of origin of the main ingredient, as well as information on the absence or reduced amount of gluten in food (harmonization with EU regulations 2018/775 and (EU) 1155/2013), with an estimated period of 18 months for adjustment. Also, the development of a guide has been announced, which should facilitate the application of the new rules.

A number of regulations prescribing the quality of certain food categories are not fully harmonized with the EU, are outdated or there are no regulations in the EU that define the quality of these food categories. Such vertical legislation puts food business operators at a disadvantage compared to producers in the countries of the region and the European Union. The choice of raw materials for production is narrowed and often raw materials that are freely used in the mentioned countries cannot be placed on the market in Serbia without special approvals from the ministry, because they do not comply with quality regulations even though they are food safe. Due to the obsolescence of regulations, the appropriate raw material is often difficult to find and has a higher price. The situation is similar with finished products that do not fit into the categorization of the mentioned regulations.

The Law on Trade, published in the middle of 2019, prescribed the obligation to obligatorily mark the country of production on the labelling of goods in retail trade. Although it was considered that this requirement does not apply to the labelling of food for which the Regulation on Declaration, Labelling and Advertising of Food is in force and which Article 26 prescribes mandatory indication of the country of origin only for certain categories of food, due to uneven interpretation by inspection and business entities with food in practice this has made business more difficult.

COVID-19

The emerging epidemiological crisis has slowed down work on enacting new regulations. Currently, work on certain regulations under the jurisdiction of the Ministry of

Health has been stopped (Regulation on food for specific population groups ...), while work on drafting regulations within the competence of the Ministry of Agriculture continued after a short break, and sending comments on draft regulations was successfully implemented electronically (Amendments to the Regulation on Declaration, Draft Regulation on Coffee and Coffee Products, Draft Regulation on Fruit and Vegetable Products ...)

POSITIVE DEVELOPMENTS

On July 1, the Regulation on cocoa and chocolate products entered into force, which is fully in line with EU Directive 2000/36/EC. This will make it easier for food business operators, who are import-export oriented, to exchange this type of product with the EU and countries in the region.

REMAINING ISSUES

The current legal framework does not define the competence and responsibility for the interpretation of regulations in the field of food safety, and over time the practice has been created on the market for laboratories to interpret regulations:

- a. Regardless of the fact that the legal assessment, ie. Determining certain illegalities in business in the exclusive competence of the inspector in accordance with Article 37 of the Law on Inspection Supervision, the inspector, as the competent body, is exclusively guided by the conclusion made by the laboratory, which is often not in line with the official position of the Ministry. This is especially reflected in the interpretation of regulations in the field of labelling, where, despite the existence of the Guide, there are different approaches and interpretations of its provisions.
- b. The official position of the competent Ministry is not a binding act for inspection services.
- c. This practice contributes to the difficult functioning of food business operators, and to the great limitations of long-term planning.

Nonharmonised regulations prescribing product quality with EU regulations:

- a. the Regulation on products similar to chocolate, cream products and candy products came into force

as national regulation, and intensive work is being done on amending the Ordinance on fruit and vegetable products, whereby the Quality Group of the Ministry of Agriculture shows a sense of the needs of domestic producers, to define quality parameters for certain product categories. On one hand, this should harmonizes the way of doing business in the internal market in the case of products that are subject to such regulations, at the same time will limit food business entities because it further complicates the way of working in the case of products that cannot be classified in any of the categories of existing quality regulations.

- b. The Regulation on fruit juices, although harmonized with EC Regulation 2012/12, still has additional requirements regarding the quality of fruit juices, taken from the standards of the European Association of Fruit Juice Producers, which as such in the EU countries have voluntary and not legally binding application, which puts domestic entities in the food business in a less favourable position in relation to entities that operate outside the borders of Serbia.

- c. The adoption of the Law on Quality Schemes, as well as the Regulation on the Quality of Fruit and Vegetable Products and the Regulation on Coffee and Coffee Products, which are entirely or mostly of a national character and therefore not subject to harmonization with EU legislation, is planned.

The Law on Amendments to the Laws on Food Safety defines a period of one year for the adoption of bylaws in the field of food quality. A bylaw has not yet been adopted by which the Minister, ie the Minister responsible for health affairs, in accordance with the division of competencies referred to in Article 12 of this Law, prescribes in more detail the conditions and manner of production and marketing of food for which quality requirements are not prescribed, as stated in Article 55 of the Law.

Inconsistency of the requirements of the Law on Trade and the Regulation on Labelling, along with the announced amendments to the Regulation which, in case of stating the country of origin on the product declaration, prescribe the obligation to state the country of origin of the main ingredient, create a framework for additional problems in practice.

FIC RECOMMENDATIONS

- Define the competence of institutions regarding the interpretation of regulations in the field of food safety and ensure the obligation to apply the official positions of the Ministry to all participants in the chain; ensure uniform interpretation and application of the Regulation and Guidelines on food declaration, labelling and advertising. (3)
- Adopt executive regulations arising from the Law on Food Safety and harmonize them with EU regulations, such as the Regulation on food with a changed nutritional composition. (2)
- Adopt the Regulation on conditions and manner of production and marketing of food for which quality conditions are not prescribed. (1)
- Adopt Amendments to Article 34 of the Law on Trade in terms of clearly defining that the provisions of this Article do not apply to products to which the provisions of the Law on Food Safety apply, and bylaws prescribing the declaration and labelling of food. (3)

B. LIVESTOCK PRODUCTION

CURRENT CONDITION

In 2019, the value of realized livestock production in Serbia is estimated at 1,878 million USD, which is a very modest growth of 1.08% compared to 2018.

COVID-19

COVID-19 did not have a special impact on agriculture and livestock production of the Republic of Serbia, because the activities in agriculture and livestock production took place normally.

The production of milk and meat and their purchase, during the state of emergency, took place without delay.

Agricultural companies and agricultural farms have harmonized their work with the prescribed health measures recommended by the Ministry of Health of the Republic of Serbia - keeping a distance, using protective masks and intensified disinfection in every segment of daily activities.

In order to mitigate the consequences of the COVID-19 virus pandemic, the Republic of Serbia passed the Decree on financial assistance to agricultural farms in order to mitigate the consequences caused by the COVID-19 disease. Based on this Decree, 2.6 billion RSD are available to farmers in Serbia. These funds are paid through the Directorate for Agrarian Payments to all holders of commercial family farms, who are registered in the Register of Agricultural Farms and are in active status.

During the state of emergency, the Ministry of Agriculture, Forestry and Water Management enabled farmers to submit for movement permits application electronically.

POSITIVE DEVELOPMENTS

A budget of a total of 58.15 billion RSD is planned for Serbian agriculture in 2020, which is compared to last year more by almost 13%. Within this budget, for subsidies

33.4 billion dinars are planned for farmers, i.e. 800 million dinars more.

At the beginning of 2020, the Government of the Republic of Serbia passed an umbrella decree which distributes incentives in agriculture and rural development. Under the new decree and this year for the payment of the premium for milk per liter will be paid 7 RSD.

As an incentive for livestock development, an increase in the amount of subsidies is introduced for cows for production of calves from 25,000.00 to 40,000.00 RSD, and a subsidized loan is being prepared with aim to improve the genetic potential and increase the number of calves.

While the incentives will be intended for cattle breeders who are engaged in keeping cows for raising calves for fattening this year remain the same, 20,000.00 RSD per head.

REMAINING ISSUES

The disappearance of small farms or the difficult survival of smaller farms.

The survival of these groups in the stock market has been called into question due to non-competitiveness on the market, not enough information for proper business, poor material situation due to low purchase prices and limited quantities of raw materials produced by small agricultural holdings.

Unprocessed requests submitted to the Ministry of Agriculture (Directorate for agrarian payments) - outstanding liabilities from previous years account for about 35 percent of planned funds in the current year.

Uncertainty in payments makes the process of granting subsidies itself take a very long time so that the manufacturers themselves do not know whether the given funds will be available for new agrarian cycle.

Frequent changes in regulations and laws (e.g. Decree on the distribution of incentives in agriculture and rural development in 2020 was adopted on 10/01/2020 and has had three changes so far 14/02/2020; 07.04.2020; and 15.05.2020).

FIC RECOMMENDATIONS

- The proposal is an association (cooperative) - by law, three or more farms must be associated in order to operate or to establish large systems cooperatives where small farms would be members of the cooperative and receive raw materials at preferential prices and to have a secure placement of manufactured goods. In this way farms would be able to receive timely information, education, properly planning and increasing profits. (1)
- The Directorate for Agrarian Payments, the decision on the requests for incentives in animal husbandry should adopted within 30 or 60 days, this deadline is defined by the Law on General administrative procedure. (3)
- Organize open “training centers” in large systems that have a regular and modernized production, in which farmers from small agricultural holdings would be trained. (2)