



MINISTRY OF FOREIGN TRADE AND ECONOMIC RELATIONS
BOSNIA AND HERZEGOVINA

BOSNIA AND HERZEGOVINA AGRICULTURE REPORT 2007



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It is with great pleasure that the Ministry of Foreign Trade and Economic Relations (MoFTER) presents the Annual Agriculture Report for 2007. The report provides:

- (i) An overview of sector performance including a review of the main trends and developments in 2005/6;*
- (ii) Projections and policy priorities for 2008;*
- (iii) Statistical and other complementary information of relevance to the sector.*



The report is intended to raise awareness of the current strengths and weaknesses in the agri-food sector and the major threats and opportunities that exist for the coming years. It is hoped that this will encourage more informed and focused debate between sector stakeholders on current and future policy priorities and choices to ensure that agriculture, food and rural sectors of Bosnia-Herzegovina can compete effectively in the 21st century.

Several developments in the agri-food sector in 2006 have been very encouraging and demonstrate that our country is clearly making progress in preparing itself for the challenges ahead. At the State and Entity level, new Agricultural Laws have been drafted reflecting modern and harmonized policy objectives. Economic indicators are also encouraging as the agri-food sector continues to grow for the fifth consecutive year. In foreign trade, the agri-food sector has also decreased its trade deficit for the second consecutive year and the food industry has attracted the highest share of Foreign Direct Investments (FDI) from all industrial sectors.



But the agriculture sector of B&H still faces major challenges in the next years. Membership of CEFTA, the WTO and the signing of a Stabilisation and Association Agreement (SAA) with the EU will lead to increased opportunities for agricultural exports on the one hand, but lower import protection, lower producer prices and increased competition on domestic markets on the other. It is anticipated that by the end of 2008, B&H will belong to a huge integrated regional market comprising the EU-27, the countries of former Yugoslavia and other key trade partners in Europe, with a combined population of approximately 600 million people. Strengthening B&H's ability to compete within this regional

market will be central to agriculture sector development. A credible agriculture sector strategy and sound policies are essential pre-conditions for facing the challenges ahead of us. MoFTER and the Entity Ministries of Agriculture will ensure that these are in place and being implemented in 2008.

Essential public sector reforms will include measures to strengthen the coordination and management of the sector, enhance the role and focus of executive agencies responsible for food safety, veterinary and phytosanitary issues and accelerate the legislative and institutional reforms to ensure gradual compliance with WTO and EU standards. A stronger capacity to support rural development will also be developed. New public responsibilities will mean new organisational structures, and new jobs with different skill requirements. Some public roles will be relinquished or transferred to the private sector, while others will expand.



Support for the private sector will focus on strengthening the marketing chain, and improving the access of producers and processors to modern technology. Decisions as to the kinds of measures and activities to support will be made based on their importance in terms of their potential profitability, income generating and employment opportunities. The composition of agricultural production will gradually change as a result of new competitive pressures introduced by regional market integration. Production and sales of some of B&H's traditional agricultural products will expand, while the production of other commodities will fall.

Regional market integration will also have wide ranging implications for B&H's rural economy. Not all producers and agro-processors will benefit from improved market access for their products. Less efficient agro-processors and producers, and farmers with poor access to market outlets, lower quality land and insufficient scale of production will struggle to compete with imported products. These difficulties will affect the long-term sustainability of many rural communities. Rural development will thus become an increasingly important element of agricultural policy, particularly the design and implementation of measures to help rural people find alternative, non-farm sources of income and employment as overall employment in primary agricultural production declines.

With these challenges in mind, the institutions responsible for the sector recently adopted the following global objectives as the basis for agriculture sector development and the formulation of agricultural policy:

- *Promote the development of a diverse, sustainable, competitive and dynamic agriculture, forestry and food sector;*
- *Ensure harmonization and integration of the sector within the EU and world market place;*
- *Encourage the diversification of the economic activity, improve employment and income opportunities and the quality of life in rural areas;*
- *Ensure access to and availability of high quality, affordable and safe food; and*
- *Ensure the rational use and protection of natural resources and biodiversity.*

These global objectives for agriculture are consistent with the main economy-wide objectives of the government, to: establish stable, higher growth rates; to share the benefits of growth more equitably between groups and regions; and to move towards Europe.

If the sector is to be successful in making real progress with this programme and more effective in supporting the agriculture, food and rural sector it will require an unprecedented degree of cooperation between the various public and private institutions involved, at all levels. Gradual harmonisation of policies, programmes, institutions, laws, regulations, systems and services within B&H and with the EU will be the key theme. Year 2008 is intended to represent a watershed for the sector, during which the key management institutions responsible for the sector will shift their role from a predominantly regulatory and controlling function to a more service and support oriented function, minimizing controls where possible and targeting actions primarily towards the private sector, recognizing the entrepreneurial forces in the B&H agri-food chain as the driving force in the recovery of the sector, which must be actively fostered and facilitated at all levels.

The Ministry hopes that you will find this, the first annual report useful in your work within the sector for 2007/8 and welcomes your feedback on any aspect of the report to guide improvement of subsequent publications.

ACKNOWLEDGEMENTS

In preparing the 2007 Agriculture Report a significant number of individuals and institutions have been involved. Of particular note, the Ministry would like to acknowledge the support and express our appreciation for the efforts and contributions provided by the European Union, and in particular the SESMARD project, implemented by Vakakis International (Greece), that have initiated and guided the preparation of this first annual report; the staff of the MoFTER SAFFRD that have been the main technical coordinators in the writing, editing and translation of the Report; the Entity Ministries of Agriculture and District Brcko Department of Agriculture; various executive agencies working in the sector who have made contributions; and individuals from the following institutions that have provided invaluable contributions, information and comments on various aspects of the report including: the B&H Agency for Statistics and the Entity Agencies for Statistics; the B&H Chamber of Commerce; and the University of Sarajevo, Agriculture Faculty. We believe these contributions have greatly enhanced the quality of the Agriculture Report and hope that this support and cooperation will continue for the preparation of future publications and information services provided through MoFTER.

INFORMATION AND DATA SOURCE

Every effort has been made to verify the information contained within the report. Any remaining errors and omissions remain the responsibility of MoFTER SAFFRD. Official data sources (primarily from the B&H and Entity Agencies for Statistics) have been used to compile the report, supplemented by estimates where there were gaps in data sources. Whilst it is acknowledged that the accuracy and reliability of the data available may, in some cases, not fully reflect the actual situation on the ground, it is hoped that the information provided is sufficient to identify the main trends in production, processing and trade at a sufficient level of accuracy to guide short to medium term planning and sector development. For subsequent years it is planned to upgrade the information sources available on the sector through both targeted surveys and improvement in the quality of existing data collection systems. This approach will ensure that the Agriculture Report, that is now planned to be published annually by MoFTER, will be established as a primary reference source of sector information.