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Serbian Government restricts trade margins for basic food products

Report Categories:

Agricultural Situation

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Report Highlights:

On December 30, 2011, the Serbian Government adopted regulation which restricts trading margins for basic food products to 10 percent. Trade margins on food products of about 23 percent in Serbia are among highest in the region, due to the limited competition in the retail sector.

General Information:
The Serbian Government restricted trading margins for basic food products to 10 percent, by adopting regulation on December 30, 2011 (“Official Gazette” no. 102/11). This regulation is valid for six months (July 1^{st}, 2012). Restriction on trade margins of basic food products for six months is imposed as administrative measure in order to reduce food prices in Serbia and is most probably a part of pre-election campaign of the current Government.

The trading margin is limited to 10 percent on selling following food products: flour type 400 and 500, white refined sugar, sunflower edible oil, pork, beef and poultry meats (fresh and frozen meats), different types of milk and yogurt and fish from river or pond. According to the Serbian Government adoption of this regulation was necessary since current margins for food products in Serbia are 23 percent on average, while in EU countries they do not go above 10 percent. High retail margins are mostly the result of very limited competition of the retail sector in Serbia.

Union of Employers of Serbia are demanding from Government to withdraw this regulation stating that it openly breaks provisions of Trade Law, since its putting traders of basic food products in unequal position compared to traders of other products. According to the Serbian Minister of Agriculture, adoption of the regulation was necessary in order to regulate market using administrative measures, since it was not possible to create balance on the market in the other way. Adopted regulation is also limiting time frame in which retail companies must pay to the producer of food products. This time frame is now limited to 60 days since the time of delivery. In the past time frame was not regulated and retail companies were paying to producers with several months delay that resulted with huge liquidity problems of the food producers.

Serbian Government is expecting that reduction of trade margins will also reduce prices of food products that are included in the list of the regulation. Price of produced food in Serbia is for 20-30 percent higher than in the surrounding countries and many Serbians that live close to the borders are doing their weekly groceries in retail shops in the neighboring countries, such as Bosnia, Croatia or Hungary. This is mostly the result of very limited competition in the retail sector. According to the data of Serbian Chamber of Commerce, Belgian Delhaize (that purchased Serbian leading retail company “Delta Maxi” in 2011), Slovenian Mercator-S and Croatian Idea have the largest market share in the country.

In Serbia, 44 percent of retail sales are generated through the food retail sector. Still small grocery stores are the most popular format with some 67 percent share of trade. There are around 30,000 independent stores operating around country. Modern retail developments are centered only around large cities Belgrade, Novi Sad and Nis. Cash & Carry sector accounts 5 percent of market share, hypermarket sector accounts for 11 percent of market share and supermarkets account for 17 percent of market share.