



ANALYSIS OF THE PROBLEM OF ECONOMIC FRAUD IN THE FOOD AND BEVERAGE MARKETS OF THE REPUBLIC OF SERBIA AND THE REPUBLIC OF CROATIA

Management Board of Cluster "UNITED FOR QUALITY" - FINAL REPORT

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The mission of the Cluster "UNITED FOR QUALITY" is to provide professional support for the development and implementation of policies and protocols related to consumer protection, as well as the protection of the competitiveness of legal entities in the production and trade of food on the territory of the Republic of Serbia.

Kulster "UNITED FOR QUALITY" conducts research to improve the understanding of potential risks that represent economic, technological-industrial, ecological, chemical, physical challenges from various sources to which consumers and subjects in the production and trade of food are exposed on the market.

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ABSTRACT:

This report provides a comprehensive analysis of the problem of economic fraud in the food sector in the national markets of the Western Balkan countries, with special reference to the Republic of Serbia and the Republic of Croatia. The research is aimed at identifying the key factors that contribute to the spread of fraud in food supply chains, including irregularities in production, distribution and sales. The analysis covers various forms of fraud, including false labeling, product counterfeiting, use of inappropriate ingredients, and gray and black market activities. Particular emphasis is placed on the economic consequences arising from these frauds, including the loss of consumer confidence, damage to brand reputations and threats to public health. The research also analyzes existing regulatory frameworks and their effectiveness in combating economic fraud in the food sector at the national level. In addition, examples of best practices from other countries that have managed to effectively combat this type of criminal activity are also presented.

Finally, the report provides recommendations for improving existing strategies to combat economic food fraud in the national markets of the Western Balkans, with the aim of strengthening legislation, improving cooperation between relevant actors and raising consumer awareness of this serious problem.

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I. INTRODUCTION

A. Introduction to Economic Food Fraud

Modern society faces a number of challenges when it comes to food safety and the correctness of products on the market. Among these challenges, economic fraud is a serious problem that directly threatens the health and trust of consumers. This study focuses on the analysis of economic fraud related to key food products - honey, wine and brandy with special emphasis on the national markets of the Republic of Serbia and the Republic of Croatia.

We are increasingly faced with questions about the authenticity, origin and quality of the food we consume, and such concerns are justified given the growing trend of economic fraud in these sectors. This study attempts to shed light on the nature of the problem, identify key actors in the supply chain, and present relevant data collected through research by Cluster "UNITED FOR QUALITY" from Pančevo, Association "CONSUMER MOVEMENT FOR FOOD QUALITY" from Pančevo and ANA LAB.

In addition, this study will rely on similar research conducted in markets in the region, such as the Republic of Croatia, where the results of wine research showed an alarming situation, with a large number of counterfeit products. This points to the need for a regional approach and cooperation to curb economic fraud that knows no borders.

In the following sections, we will analyze specific aspects of the problem with the purpose of identifying the key points where fraud is carried out, all with the aim of raising awareness, informing and encouraging action. Economic fraud in food not only leads to a loss of consumer confidence, but also seriously threatens the integrity of the agro-industrial sector at the regional level.

1. The connection between economic fraud and social aspects in society

Economic frauds represent a serious challenge for societies around the world, having a significant impact on various social aspects. These scams not only lead to the loss of money and resources, but also create serious consequences for the standard of citizens, gross domestic product (GDP), migration, the demise of villages and agriculture.

One of the direct impacts of economic fraud on society is reflected in the reduction of the standard of living of citizens. Through fraudulent investments, corruption or market manipulation, people lose their savings, pensions, or even jobs. This directly affects their ability to meet basic needs, such as food, housing, education and health care. Economic frauds can seriously threaten the economic growth and development of a country. Manipulations in business, falsification of financial reports or unfair distribution of resources lead to a violation of investor confidence, a decrease in

foreign investment and make lending difficult. All this together has a negative effect on GDP, limiting the potential for job creation and improving living conditions.

When economic fraud grips a society, it can encourage migration of citizens in search of a better life. People often leave their homes in search of a more stable economic environment, creating demographic changes in the country of origin, while destination countries experience an influx of new labor. Economic fraud often affects rural areas, where agriculture and villages are key segments of society. Through unfair practices, reduction of rural support or false promises to farmers, economic frauds contribute to the demise of villages and decline in agricultural production. This has far-reaching effects on local communities, causing social dispersion and the loss of traditional ways of life. The connection between economic fraud and social aspects in society is complex and requires comprehensive measures to prevent and deal with the consequences. Transparency, strengthening justice systems, and educating citizens about financial literacy are key steps toward building a more resilient society that can deal with the challenges of economic injustice.

It is estimated that TENS OF BILLIONS OF EUROS are lost in the national budgets of the countries of the Western Balkans due to economic fraud in the region, due to the non-competitiveness of national producers and entire economic branches. Economic frauds directly affect all holders of economic and state systems, and represent an invisible factor that is very difficult to detect and sanction. Economic fraud is directly related to the hyper-production of cheaper products whose origin is difficult to determine, and with its growth and connection with import lobbies, interest groups, the criminal milieu and corrupt agents in public institutions, it affects the weakening of the state apparatus, and therefore the life standard of citizens.

Corruption that allows the weakening of controls on the market, as well as at the borders, allows such cheap goods to flow freely into national markets and creates a dumping effect for national producers whose competitiveness should be in the first place and in the national interest of each country. Instead, internal factors, which base their business model on trade, i.e. sales, increase the pressure for even more such goods to reach the end consumers, and thus national producers become uncompetitive. With the decrease in sales of domestic products, the number of new jobs also decreases, which then directly affects the number of unemployed people who have to either retrain or look for work abroad. This triggers an outflow of population, and parts of the territory begin to empty. As a large percentage of the population in the territory of the Western Balkans is directly or indirectly connected to agriculture (in Serbia, over 80% of the population is directly or indirectly connected to agriculture), so economic fraud directly or indirectly affects all layers of society. Regardless of whether it is a winemaker or a viticulturist, or perhaps a construction company, or a company engaged in the production of process technology, economic fraud in food affects them all.

It is wrong to look at final products such as a jar of honey, or a bottle of wine, but also a tetrapack of milk or a dairy product, as if it is the product of only that manufacturer,

because this is not the case. Even though these products are released to the market as final products of designated manufacturers, they still represent the products of the entire society, because they all participate together to make these products and place them on the market.

We will give an example here:

The production of food products and the food industry includes the primary, secondary, and tertiary economic sectors of society.

In order to produce any food product, there must first be some primary agricultural production. That production requires some mechanization, some agricultural machines, but also some artificial fertilizer, some agricultural chemistry, and all these are some companies that produce it and employ some people who work there, so if there is no agricultural production, then their sale, but also jobs are shrinking, which entails a reduction in the number of jobs.

Furthermore, when an agricultural product is made, some facilities are needed in which they will be stored as such, but also processed or used in the production of a food product. This then means that some construction industry is needed that will build those production facilities, but also a machine process industry that will produce some process machines that will be used in that production. And yet, these are all jobs, salaries, and people who make a living from it.

When the food product is finalized, then again some packaging, glass, plastic, cardboard, individual or group, is needed to pack that product, and for that some glass factories or some cardboard packaging factories are needed. Again, we are talking about jobs, salaries, people who work in those factories.

Furthermore, the food product is finalized, then after that it needs to be placed on the market, and that requires some marketing, some advertising, some sales, and again there are some people who make a living from it, and then there is logistics, some transport, forwarding, and these are also jobs and people who live from it.

When considering the tertiary sector, which includes hospitality, services and tourism, food products play a key role in shaping the offer of a particular locality. They attract visitors who want to experience the local offer, tradition, culture, lifestyle and the like. Food products are becoming an integral part of the tourist and hospitality offer at the local level.

In the end, those final products are the products of all of us who participated in their production directly or indirectly. It is wrong to reason that only those producers are affected by economic food fraud, because if they do not have a job, then no one in the chain will have a job and that then affects all of us as a society. With the decline in living standards, people cannot afford new things, new cars, clothes, apartments, houses, trips, and the like. Consequently, the construction industry, the auto industry, the textile industry and all other sectors of production feel the consequences. And the consequences are also felt in the state apparatus, because there is not enough money

for the salaries of the employees, inspectors receive less pay, so they are forced to engage in corrupt practices in order to satisfy their living requirements. By reducing the criteria, reducing controls on the market, the door is opened to unfair competition, the gray zone of traffic, black production, fake products of original brands, and all this directly affects society and its displacement and dying out.

Economic frauds directly affect the filling of the state budget due to the impossibility of collecting multiple income taxes, value added taxes, taxes and contributions for wages, taxes on excise goods. The state then resorts to increasing imports in order to compensate for budget deficits and collect import VAT and customs rates for certain categories of products, but in this way it further increases the influence of unfair competition, which creates an even greater dumping effect on domestic producers. The reduction of budget funds reduces the possibilities of new infrastructure projects, construction of highways, schools, hospitals, as well as strengthening the quality of learning in higher education institutions. Salaries in education and healthcare stagnate, and inflation raises the cost of living, and people decide to seek happiness in other destinations in the world. Highly skilled personnel are leaving the country and emigration is increasing.

Based on the information of the Republic Institute for Statistics of the Republic of Serbia, in the past 11 years, the number of inhabitants in the Republic of Serbia has decreased from 7.22 to 6.64 million inhabitants. Even 580,000 inhabitants less in 11 years! That's twice the population of Novi Sad. This is a direct indicator of the white plague, a large number of people are leaving the country, there is an elderly population that is dying, we are becoming an old nation, and fewer babies are being born and this trend must change. Our interest is for this trend to turn around and for people to start returning to their country, and for our birth rate to increase. Therefore, the fight against economic fraud IS a national interest of the GREATEST state importance and we have to deal with this problem in a serious way, because economic fraud is a form of economic war.

By strengthening the fight against economic fraud in food, the state gains strength, the problem with corruption is solved, state institutions are strengthened, the salaries of employees in the state sector are increased, so there are no more reasons for corrupt actions, the number of inspectors in the field increases, and therefore the fight against the gray area of traffic, illegal flows of goods is intensified, regulations are being regulated and strengthened in terms of criminal policy against those who engage in, support or are involved in economic fraud on the market. By strengthening state services, new regulations are introduced that protect national markets from the overflow of cheap goods with a dumping effect.

2. The link between economic fraud and trade chains

Economic food fraud is often linked to trade chains in various ways. These chains often become a platform for the distribution and marketing of counterfeit food, and the

mechanisms through which this is achieved can be complex and difficult to detect. Here are some key ways in which economic fraud is linked to trade chains:

1. Supply chain:

Retail chains play a key role in the food supply chain, from producer to consumer. Economic fraud often occurs at various points in this chain, including manipulation of ingredients, product origin and quality. Retail chains, which are an important link in this chain, can be knowing or unknowing participants in these frauds.

2. The need for low costs and increasing profit margins:

Retail chains often strive to reduce costs and increase their profit margins. This need for efficient operations can lead to knowingly or unknowingly accepting products that are susceptible to economic fraud. For example, the acceptability of cheaper products may create an incentive for suppliers to practice fraud in order to reduce production costs.

3. Global supply chain:

In a globalized world, retail chains often cooperate with international suppliers. This opens the door to fraud through manipulation of product origin. Suppliers from one country may sell raw materials or products to others under misrepresentations, whereby the actual quality or origin may be concealed or falsified.

4. Lack of transparency:

Lack of transparency in the supply chain allows fraudsters to operate unnoticed. Trade chains, which do not invest enough in tracking and controlling the origin of products, become vulnerable to receiving fraudulent goods. The lack of transparency facilitates the distribution of fraud to secondary and tertiary markets.

5. Impact on markets and chain stores:

Supermarkets and chain stores, which are often part of powerful retail chains, play a key role in deciding which products to put on their shelves. In some cases, pressure on suppliers for cheaper products may result in accepting products of questionable quality or origin.

Through these mechanisms, economic frauds become part of the supply chain, penetrating deep into trade chains and marketing through secondary and tertiary national markets. This relationship requires careful monitoring and regulation to prevent irregularities in food distribution and preserve consumer safety.

3. Economic fraud and trade chains: the network between primary, secondary and tertiary markets

Economic fraud in the food sector is often linked to complex networks of trade chains that include primary, secondary and tertiary national markets. These networks facilitate the distribution of counterfeit or inauthentic food, which has serious consequences for consumers and society as a whole.

In primary markets, food manufacturers face pressure to lower production costs and increase profitability. In this context, economic fraud often begins - the addition of cheaper ingredients, such as sugar, water or cheaper alcohol, can easily be slipped through the production process to reduce costs.

Retail chains play a key role in the distribution of products from primary markets. In order to increase profits, some retail chains may be inclined to ignore stricter quality standards and product authenticity checks. This allows counterfeiters to market their products on store shelves, where consumers have no direct insight into the manufacturing process.

Distribution is further extended to tertiary markets, where products are distributed throughout the country or even across borders. These distribution networks often involve numerous middlemen, making it even more difficult to track and verify product authenticity. Organized crime groups engaged in economic fraud use these networks to market their products to a wider market, passing through various stages of the supply chain.

Retail chains, which are key intermediaries between producers and consumers, often have a major impact on the supply chain. The presence of economic fraud may be the result of unsound business practices, where retail chains, under pressure to keep prices low, may not be strict enough in checking the authenticity of the products on their shelves.

The European Union (EU) has a system and mechanisms for monitoring, detecting and responding to adulterated food problems. In previous years, the EU has taken certain actions to combat trade in counterfeit food products. Here's an example that happened a few years ago:

B. Operation OPSON

Operation OPSON is a joint effort by Europol and Interpol, with support from the EU, aimed at combating counterfeit food and drink. This operation is carried out worldwide, including EU member states. Over the years, Operation OPSON has resulted in the detection and confiscation of large quantities of counterfeit food products.

For example, in one of the OPSON operations in the previous period, a significant number of counterfeit products were detected and seized, including wine, olive oil,

spices and other food items. This operation not only focuses on the European market but also globally, with the aim of protecting consumers and preserving the integrity of the supply chain.

It is important to note that such events are part of a wider continuous effort by the competent authorities in the EU to maintain high standards of food safety and consumer protection. Information on the latest actions can be found on official Government and institutional websites, as well as Europol and Interpol reports.

Overall, the network between primary, secondary and tertiary markets creates fertile ground for economic fraud in the food sector. It is necessary to implement stronger and more effective quality control systems to ensure the integrity of the supply chain and protect consumers from potentially harmful products.

1. Operation Opson XI: increased number of counterfeit food seizures in Europe

Operation OPSON XI, aimed at combating food fraud, has resulted in an increased number of seizures of fake food and drink across Europe. Coordinated by Europol for EU-wide actions, the operation took place from December 2021 to May 2022. Europol received reports from 26 countries that nearly 27,000 tons of counterfeit food had been seized. Operational activities were supported by the European Anti-Fraud Office (OLAF), the European Commission's Directorate-General for Health and Food Safety (DG SANTE), the European Commission's Directorate-General for Agriculture and Rural Development (DG AGRI) and the European Union Intellectual Property Office (EUIPO), supported by national food regulatory bodies and private sector partners. INTERPOL coordinated activities conducted outside the EU.

Operations against economic food fraud target criminal networks that can seriously endanger the health and safety of consumers. From spoiled tuna to fake methylated spirits and counterfeit vitamins, illegal food and drink pose a serious threat to EU citizens, who are often unaware that they are consuming toxic products. In order to detect criminal activity, national authorities conducted checks in customs areas, physical and online markets, and along the entire food supply chain. The operations focused on seafood fraud and carried out targeted actions on alcohol and wine.

Seizures and activities reported to Europol:

- 26,800.00 tons of illegal products were seized.
- 15 million liters of alcoholic beverages.
- About 74,000 checks.
- 80 arrest warrants.
- 137 individuals were reported to the competent judicial authorities.
- 175+ criminal cases opened.
- 2,078 administrative cases were opened.
- Removed 8 criminal networks.

Main seized illegal products:

(In order of quantity)

- Alcoholic drinks
- Cereals, grains and derivatives
- Fruits/vegetables/legumes
- Nutritional supplements/additives
- Sugar and sweet products
- Med
- Meat and meat products
- Seafood
- Dairy products
- Poultry products

2. Examples of seizure:

Fake Winemakers:

Italian NAS Carabinieri reported winery owners who produced and marketed sophisticatedly altered wines. They added water and sugar to some labels, and natural flavors to others that did not match the quality of the wine advertised to customers. Italian authorities seized the winery, 11 motor vehicles and 1 million liters of wine.

Gardenia Spice Scent:

The Spanish Civil Guard (Guardia Civil) broke up a criminal network that sold molecularly modified gardenia as an extremely expensive saffron spice. Suspicious persons imported gardenia extract from Asia, and the authorities investigated three companies, arrested 11 people and seized 10,000 kg of gardenia extract, worth about 750,000 euros if it was sold as saffron. This case also points to a growing phenomenon: more and more spices and condiments have been counterfeited and smuggled in recent times.

Bad meat:

Operational actions were also aimed at meat that is not for consumption. The Portuguese agency in charge of food safety and economic supervision (Autoridade de Segurança Alimentar e Económica) conducted an operation against illegal slaughter. Officers searched two locations suspected of illegally slaughtering and roasting pigs. The actions resulted in the seizure of 60 pig carcasses. Locations that did not have a permit, poor hygiene conditions and no veterinary supervision, all mandatory for such activities, were dispersed because the meat produced there could not be traced, did not meet the minimum requirements for consumption. Other operations targeting the illegal meat trade seized horsemeat not fit for consumption, old meat to be reintegrated into the supply chain and processed food with expired use-by dates.

Freshness Analysis:

France, Italy and Switzerland carried out a fish sampling activity. They checked whether the declared "freshness" on the label was "true" or "false". The results provided indicators of fraud, which will make future inspections more effective.

Operation OPSON XI highlighted the need for strong regulatory measures, increased vigilance and improved testing procedures to ensure the integrity and authenticity of food in the European market.

3. EU research shows that almost half of the honey on European markets is suspect

Research conducted by the European Commission's anti-fraud office (OLAF) and the Joint Research Center (JRC) has revealed alarming data on the authenticity of honey on European markets. The research, carried out from November 2021 to February 2022, shows that approximately 46% of 320 samples of imported honey are suspect due to the addition of sugar syrup, in violation of European regulations that prohibit any additives to honey.

Scam prevalence:

The study indicates that almost half of the honey from countries outside Europe, which constitutes a significant part of the 175,000 tons of honey imported annually, is mixed with syrups made from rice, wheat or sugar beet. According to the research results, China (74%) and Turkey (14 out of 15 samples) were identified as key importers of adulterated honey in the EU. Significantly, all ten honeys entering via the UK are labeled as "non-compliant", often mixed with imports from Mexico, Ukraine and Brazil.

The European market has been described as a "real sieve" by consumer groups due to the prevalence of fake honey. Of the 123 exporters of honey to Europe, 70 are suspected of falsifying their products. In addition, two-thirds of the 95 European importers checked were affected by at least one suspect batch, raising concerns about an influx of cheap imported honey.

The research triggered anti-fraud actions. According to OLAF, 44 operators in the EU were under investigation, and seven were sanctioned. In France, out of 21 samples, only four were confirmed as "real honey". Germany, which represents a third of European imports, had doubts in half of the 32 samples analyzed.

Apart from the addition of sugar syrup, the report indicates the presence of additives, colors and falsification of tracking information in some cases. The association of European consumers, Foodwatch, points out that consumers have been buying fake honey in supermarkets for years without knowing it, which points to the weaknesses of official testing.

Although experts believe that fake honey may not pose a direct threat to human health, it creates unfair competition for honest farmers who adhere to the rules

on the purity of this precious bee product. Ville Itala, director of OLAF, emphasized the importance of remaining vigilant against such abuses, stating that unfair practices deceive consumers and harm honest producers faced with unfair competition.

The research highlights the need for strong regulatory measures, increased vigilance and improved testing procedures to ensure the integrity and authenticity of honey on the European market.

C. Protests by farmers in the countries of the European Union

The protests spreading across the European Union have taken political leaders by surprise, but the problems have been building for years and all it took was a little spark for discontent to explode. Farmers are burdened by debts, pressure from powerful traders and agrochemical companies, extreme weather events, and especially low prices of cheap imported food products, all while relying on a subsidy system that mainly favors big players. The war in Ukraine further worsened the situation. The spike in prices for crops such as wheat proved short-lived, and the war in Ukraine disrupted trade flows, causing oversupply. Polish farmers were the first to take to the streets and block border crossings last year. However, the demonstrations have spread to countries like Germany and France, as POLITICO shows. From a two-hour protest across Poland to a multi-day "siege" in Paris, angry farmers have launched protests across the EU since the start of 2024. Many complain about too strict EU regulations, high costs and falling incomes. However, their complaints vary between and within countries. Protests covered the entire EU, from east to west. Farmers' main concerns vary from country to country, from German protests against diesel subsidy cuts to French protests against free trade agreements and environmental regulations that they say are cutting into their profits. However, there are also common problems, particularly the increase in energy and input prices, together with the decline in real prices that farmers receive for many of their products. This is connected with the increasing import of cheap products that create a dumping effect for national producers.

	Lithuania	Poland	Romania	Greece	Germany	Italy	France	Belgium
Cheap imports	✓	✓	✓			✓	✓	✓
High costs	✓		✓	✓	✓	✓	✓	
Low income	✓						✓	✓
CAP payments		✓	✓				✓	✓
EU regulations		✓					✓	✓
Vehicle taxation					✓			
Nitrogen regulation								✓

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In 11 EU countries, prices paid to farmers fell by more than 10% from 2022 to 2023. Only Greece and Cyprus saw a corresponding increase in the sales revenue of their farmers, driven by a rise in demand for olive oil. The prices farmers receive for their agricultural

products peaked in 2022, but have been declining since then. They fell by almost 9% on average between the third quarter of 2022 and the same period in 2023, according to Eurostat data. However, costs have also decreased. Much depends on the sector in which the farmer works. Eurostat's agricultural product price index indicates that the average price of products such as cereals and milk fell during 2023, while the prices of olive oil and potatoes rose.

II. SITUATION IN SERBIA

A. Overview of honey problems

The situation with honey in Serbia: The fight against counterfeiting and challenges on the market

Beekeeping in Serbia is going through a difficult period, faced with various challenges that threaten the survival of this traditional activity. Counterfeits of honey, problems with purchase, costs associated with beekeeping, difficulties in product placement and the ubiquitous crisis in the beekeeping sector have become a serious burden for beekeepers. In addition, the increasing costs for fuel, beekeeping equipment, bee health protection products, and the suppression of various viruses that endanger bees make the situation even more difficult. Increased bee mortality due to the use of pesticides and insecticides, changing climatic conditions and the reduction of honey pastures are additional burdening factors.

The Union of Beekeeping Organizations of Serbia (SPOS) has recognized these challenges and is committed to protecting the interests of beekeepers. In order to fight against the counterfeiting of honey, SPOS has been fighting on the domestic market for years. Detecting fake honey, cheating buyers, and price manipulation were the main tasks of the organization. Achieving stability in the purchase prices of honey became possible only after SPOS, with the support of the state, established a facility for marketing honey called "NAŠ MED." This initiative enabled beekeepers to compete in the market and achieve fair prices for their pure and authentic honey.

The reduced control of honey on the market recently has led to the fact that it is literally difficult for real beekeepers to sell their honey, because they are not competitive in price with counterfeiters. The regulation on honey quality is written so that even complete counterfeits can pass honey quality control. Determining the quality of honey based on only a few basic physico-chemical quality parameters is not enough to prove that it is really authentic honey. Today, technologically, all those parameters can be adjusted so that even fake honey can meet the minimum standard for honey and be released on the market as such, creating a dumping effect on real honey. The problem is increasing, because honey is sold not only in trade chains, but also in markets and other open public spaces. More rigorous and constant market control with adequate laboratory analysis and confirmation of authenticity from a

specialized laboratory is the only way to bring order to the market and solve the dumping problem we currently have in the field.

However, with the beginning of the war in Ukraine, there was a destabilization of the honey market in the European Union. Increased import of cheap honey from Ukraine and China resulted in a drop in honey prices on the world market, making Serbian honey uncompetitive. Counterfeiters took advantage of this situation, placing fake honey on the domestic market, often cooperating with trade chains to increase their profits.

Due to unfavorable market conditions, many beekeepers are forced to give up beekeeping. Unfair competition, high costs and climate change have led to serious problems in the sector. In order to cope with the challenges, SPOS this year (2024) hosted delegates from over 18 European countries at the XV State Beekeeping Fair, and on that occasion the European Beekeeping Association was formed. This alliance brings together national beekeeping organizations from 26 European countries with the aim of a joint fight against honey counterfeiting in Europe. The motto "we choose European honey" emphasizes the importance of supporting local beekeepers and preserving the authenticity of beekeeping products.

The European Beekeeping Association has an ambitious goal - lobbying state institutions, including Brussels, in order to improve the situation in beekeeping and reduce the amount of fraud in honey trade. This initiative aims to preserve the tradition of beekeeping, support beekeepers and promote high-quality, authentic honey produced by European beekeepers. This aims to create a fair market environment in which beekeepers will deal with challenges and continue their important role in preserving the bee ecosystem.

The fact is that in Serbia there are around 20,000 beekeepers who live from beekeeping and collecting honey. This represents a serious number of citizens, and since beekeeping is mostly a family activity, we can conclude with a simple calculation that 20,000 families live from beekeeping, which amounts to about 80,000 souls. Looking from that social perspective, it is very important to preserve beekeeping in Serbia and help it recover and get back on its feet. With the fight against counterfeit honey and against dumping, which kills the competitiveness of Serbian beekeepers, the honey market will once again strengthen and, therefore, stabilize the price of honey, which will directly mean more income for beekeepers in Serbia, and therefore a better standard of living for everyone those engaged in beekeeping.

SPOS - Union of beekeeping organizations of Serbia

According to the report presented by the Executive Board of SPOS for February 2024, the difficult financial situation of SPOS and the "Naš med" Plant, which was caused by a severe disruption of the honey market, was discussed. For a year and a half, Pogon has not exported honey (except for a symbolic amount of sunflower honey to Switzerland), because there was no buyer who would offer a price acceptable to SPOS beekeepers. The honey market has been totally destroyed, around 50% of counterfeit

honey is rampant in the European market, 40-70% in the Russian market, meanwhile the demand has also decreased due to the decrease in the purchasing power of citizens in the EU, which is the largest consumer of honey, primarily due to inflation, but not only. Attempts to export to the market of Arab and Far Eastern countries have so far failed, although negotiations with a significant number of buyers are ongoing. A contract was signed with a buyer from China with a very high price for acacia honey of the DPP quality standard, but he still does not order honey. The first negotiations have started with another buyer from China. Placement in domestic stores is increasing (Lidl, Roda, Idea, Mercator, Aroma...) due to the increase in the reputation and trust of citizens in Naš med, the number of customers is increasing month by month, but for now it only covers about 50% of the monthly costs of the plant, about the remaining 50% and the repayment of the loan for the construction of the Plant in Rača, let's talk. It is expected that there will be an arrangement of the market in the EU or the finding of new markets outside the EU, but that process is simply not finished yet. Therefore, for the time being, 26 beekeeping associations across Europe have decided to join the establishment of the European Beekeeping Association, whose main goal is the fight against counterfeit honey not only in the EU, but also in all other European countries, or else beekeeping will be on its knees due to unfair competition, if at all it's not. The fight will certainly be difficult and long on all fronts, and you have to survive until then.

The SPOS Executive Board also gave a report on the opportunities in the world honey market with a focus on the export and import of honey to the People's Republic of China, as the largest honey trader in the world.

In 2022, China exported a record amount of honey for a record amount and ranked first in the world in both positions. In 2020 and 2021, China was the second country after New Zealand in terms of honey export value. The average export price in 2022 was \$1.78 per kilogram. It is not the price of honey that the beekeeper receives, but the total export price with all shipping costs to the customer anywhere in the world. Honey was exported to 53 countries of the world. The first five largest buyers were (in thousands of tons): Great Britain - 34.3; Japan - 29.8; Belgium - 25; Poland - 15.5; Spain - 7.1. The volume of honey imports to China in 2022 decreased by 20% compared to 2021 and was the smallest in the last five years. The price of honey imports has also dropped significantly.

The average import price of honey in 2022 was 19.1 dollars per kilogram. There is, therefore, a HUGE difference in the export and import price of honey, because China buys the highest quality honey for its sophisticated market of more than 5 million enormously wealthy people, mostly manuka honey. China, by all accounts, will retain the leading position in terms of the value of honey exports in 2023 (waiting for data) as well as in 2022. The biggest contender for the leadership position is New Zealand, as was the case in 2020 and 2021.

China is also a big importer of honey. Honey was imported from 22 countries. Its five largest suppliers are (in tons): New Zealand - 1,612; Russia - 839; Thailand - 361; Australia

– 223; France - 151. China is the third largest buyer of New Zealand honey (14%), after the USA (28%) and Great Britain (16%), followed by Australia (14%) and Japan (9%). The value of manuka honey from New Zealand, imported to China, accounts for 80% of the total value of honey.

B. Examining the wine problem

The wine market in Serbia faces various challenges and problems that affect producers, consumers and the entire industry.

The problems in the wine and viticulture sector in Serbia are multiple and arise from the transition period that the country was going through. After the breakup of Yugoslavia and the collapse of socialism, the wine industry in Serbia underwent changes, passing from majority-owned companies to the hands of private family wineries.

Large companies such as Navip, Prokupac and Kosovo Wine found themselves on the verge of collapse, leaving a vacuum that needed to be filled by new, private initiatives. However, the state did not follow the transition of viticulture and winemaking at the European level, and the total area under vineyards was even reduced.

The problems continued due to the non-competitiveness of Serbian wines on the market, especially after the signing of the free trade agreement with the European Union. In the period from 2012 to 2020, it was estimated that Serbian wines made up only 20% of the domestic market, while foreign wines dominated the HORECA sector. This led to a slowdown in the development of viticulture in the country.

In addition, the European wine industry faced the challenges of cheaper wines from New World countries, which affected the competitiveness of European producers. In order to deal with excessive surpluses, the European Commission implemented a protocol for distilling and extracting ethanol from European wines, which was followed by an initiative called the so-called "grabbing up" schemes. This contributed to the consolidation of wine-growing plots in European wine-growing areas, but Serbia did not follow that trend, and its wine-growers were still not competitive in terms of prices.

Due to problems with imports and low prices of imported wines, many Serbian winegrowers faced difficulties. Only in 2021, the Government of the Republic of Serbia adopted a strategy for the development of winemaking and viticulture with the aim of increasing the area under vineyards by 25,000 hectares in the next 10 years.

Nevertheless, Serbian winemakers still face challenges in competition with foreign wines, especially from North Macedonia, where bulk wine is often imported, which has a dumping effect on the prices of Serbian grapes. Only TIKVEŠ, a wine producer from North Macedonia, sells around 5 to 6 million bottles of wine in Serbia per year! These problems indicate the need for further development and modernization of the viticulture sector in order to become competitive on the regional and global market.

A special problem is climate change and the increasing challenges that arise with hotter summers or weather problems during the summer period (summer storms followed by hail). All this affects the annual amount of primary raw material (grapes), and therefore the total capacity in production. Due to the increasingly hot summer periods, the amount of sugar in the grapes increases so that it becomes challenging to produce a wine with a maximum total alcohol content of 15% vol., which is one of the main requirements for still wines "in stricto sensu". Adding water to grape must is becoming a daily production practice, although it is strictly prohibited as such. This also encourages disloyal competition to falsify wines even more, and thus to offer lower prices, so that in the circulation of wine prices create an increasing dumping of real and loyal producers. The year 2023 was particularly challenging because of the summer storms that blew through the Western Balkans and caused great damage to fruit growers and winegrowers in the region. In Croatia, damage was estimated at a total loss of 50% - 60% in viticulture production.

An additional problem is that in Serbia there is a very small percentage of wines in the protocols for the protection of geographical origin (only 11% of the total production of 25 million liters of wine), which raises additional questions about the quality and what such wines are made from. The large input of bulk wines from North Macedonia makes it even more difficult for producers to agree to protect the geographical origin and quality of their wines, because such protocols would only show the imbalance of the input raw materials (grapes) in relation to the final product (wine).

Solving these problems requires cooperation between relevant actors, including manufacturers, regulatory bodies, consumer associations and other relevant institutions. Improving standards, certification, consumer education and support for local producers can contribute to a more sustainable and transparent wine market in Serbia.

C. Examining the problem with fruit brandies

The alcohol sector in the Republic of Serbia has been in constant trouble for the past 30 years. The production of fruit brandies is a traditional production in the Republic of Serbia, but also in other Western Balkan countries (Croatia, Bosnia and Herzegovina, Montenegro, North Macedonia). The legal framework in the Republic of Serbia is harmonized with the European regulation, but not completely, which is why the market is in constant problems. Some of the problems that arose from the liberalization of production conditions led to the fact that the physical production of alcohol became so strong that it became a direct competition to legal and registered producers. Reduced market control, insufficient number of inspectors in the field, as well as a huge amount of illegal and uncontrolled alcohol from physical production represent a huge burden for registered producers who are no longer competitive in their market, because cheap uncontrolled and illegal alcohol is available at every step. The Law on Strong Alcoholic Beverages from 2015 completely liberalized the conditions for the production of strong alcoholic beverages, excluding the need for minimum technical-technological conditions that should be met in order for

someone to engage in alcohol production. The biggest omission is that the law removed the profession from production, so today if someone wants to engage in the production of strong alcoholic beverages, he does not have to employ and hire a technology engineer, that is, an expert for managing the production process. On the other hand, the Law on Strong Alcoholic Beverages defined the minimum quality requirements for each individual category of strong alcoholic beverage, but did not provide for by-laws (Regulations) that will define in more detail the ways in which that quality will be determined. Also, the Law allows natural persons to engage in the production of strong alcoholic beverages, but prohibits them as natural persons from placing such alcohol on the market, because only registered producers of strong alcoholic beverages who are previously registered in the central register of the Ministry of Agriculture and the Ministry of Finance can do so.

On the other hand, the production of strong alcoholic beverages for personal needs by natural persons is not limited, so it turns out that an individual can produce hundreds of thousands of liters of alcohol for his own needs.

Due to very poor market control, as well as the lack of regulations that define stricter penalties for violators, and due to the very small number of inspectors in the field, no one controls the physical production of strong alcoholic beverages on the territory of the Republic of Serbia. Illegal sale of alcohol is considered a misdemeanor and not a criminal offense, although according to the Law on Tax Offenses, placing excise goods on the market is a criminal offense punishable by a prison sentence of 6 months to 2 years. There is no central register of natural persons who roast alcohol, and on the other hand, the fact is that in Serbia there are over 50,000 cauldrons for roasting brandy that are owned by natural persons. The illegal trade of such uncontrolled and untaxed alcohol represents a huge dumping effect for registered and legal producers who, on the other hand, have to meet very rigorous conditions in order to put their strong alcoholic beverages on the market.

Control of the market, and especially of the catering sector, almost does not exist. In some areas, the control of the hospitality industry is carried out by the tax police regarding the entry and exit of goods, as well as the circulation and issuance of fiscal invoices. This is not enough, because it does not go into the essence of the problem when we talk about the gray zone of excise goods turnover. Due to the lack of legal frameworks that define food fraud, as well as repression for the release of illegal and uncontrolled products into circulation, the Serbian market is as if created for various manipulations by unfair competition and counterfeiters. Due to the lack of reform regulations that would define in detail the conditions for subjects in the food and alcohol trade (catering sector), and which release alcohol for direct sale, malfeasance and fraud with alcohol are a regular daily occurrence. Restaurateurs, as natural persons, have the right to produce unlimited amounts of alcohol that does not pass official quality and origin control analyzes before being put on the market, and on the other hand, they use legal producers, i.e. their products as a cover for entry if an inspector appears at the door of the catering facility. On the other hand, he (the restaurateur) fills the original recycled bottles of legal producers with illegal alcohol

from physical production and makes extra profit without paying any levies to the state and without the much-needed controls before being put on the market, and for these purposes he abuses the original packaging of a loyal producer through whom ensured the entry of drinks into the facility.

These statements, together with the fact that it is possible to offer illegal alcohol for sale through social networks or through the Internet on online ads, as well as the fact that the local governments (local tourist organizations) of the state themselves very often give space to illegal and unregistered persons at local events to offer alcohol at market stalls as part of local events, which is a direct tax crime of placing untaxed alcohol on the market, additionally creates impossible conditions for the further development of the production of alcoholic beverages, with the production of which the state can collect multiple taxes and additionally fill the state budget for hundreds of millions of euros.

Examples of this are visible at every turn. Only on social networks there are groups of several tens of thousands of followers that gather individuals who call themselves "hobbyists" such as the Facebook group "Brandy and brandy drinkers", but in fact it is a very cleverly designed platform to promote brandy as a hobby under the slogan "brandy roasting as a hobby". In fact, it provides a very serious amount of illegal alcohol, which is then offered in catering establishments. Such groups even have their own festivals and competitions where experts evaluate such raw distillates, because here we cannot talk about finalized strong alcoholic drinks, because they are produced in provisional and uncontrolled conditions, and where diplomas, prizes and cups are even handed out for the best brandies. Brandies like this "with pedigree" are then offered at dumping prices under the counter to catering establishments, which sell those quantities in alternative ways described above and make a serious extra profit.

When all this is added to the illegal production practices that include mixing fruit alcohol with refined industrial alcohol, which is much cheaper, and this is connected with the evasion of value added tax due to the dumping effect caused by such fake alcohol products that are wrongly declared as fruit alcohol brandy, then the problem becomes even bigger. Competent authorities show a lack of efficiency in solving these issues, which leads to serious losses for individuals who invest significant financial resources in the establishment and legal registration of distilleries for the production of strong alcoholic beverages.

It is estimated by the professional part of the alcohol sector that in this way even 80% of the total alcohol produced in Serbia is outside the legal channels and is not taxed appropriately. In Serbia, about 50 million liters of fruit brandy are produced annually. About 80% of that is in the gray traffic zone. This means that about 10 million liters are in the legal sector. Out of those 10 million, around 2.8 million goes to export, which generates income in the amount of around €14-15 million. Of that, about 7.2 million liters of fruit brandy and other strong alcoholic beverages remain to be sold on the Serbian market. When this is converted into excise duty, it turns out that from those 7.2 million liters, about €11.4 million is collected annually. But that's why €63.5 million

remains in the gray zone and the excise duty is not charged! And if all 50 million liters entered the legal flow, Serbia would then have an amount for export worth around €260 million. And the total excise duty that would be chargeable at this moment, when we still do not have a strategy for development and further capacity building of the alcohol industry, would then be some €80 million in excise duties. In addition, by legalizing the entire amount of alcohol, multiple payments of profit tax, as well as value added tax, as well as contributions would be realized, because in the legal part of production there would be many more entities that would constantly fill the state budget of the Republic. With further raising of the capacity of the alcohol industry and further investments in fruit growing and viticulture, these amounts would grow exponentially.

D. Cluster "UNITED FOR QUALITY" from Pančevo

The "UNITED FOR QUALITY" cluster is an intersectoral cluster with the aim of joint action and performance on the market, as well as joint work on the protection of competitiveness and the protection of domestic producers.

The primary goal of the members of the Cluster "UNITED FOR QUALITY" is the fight against unfair competition, the gray zone of food products trade, as a fight against the dumping effect produced by unfair competition on the market of the Republic of Serbia.

Also the objectives of the Cluster are:

Establishing and achieving cooperation in order to fulfill the obligations prescribed by the provisions of the Law on Wine ("Official Gazette of the RS", No. 41/2009 and 93/2012), the Law on Strong Alcoholic Beverages ("Official Gazette of the RS", No. 92/2015) and regulations adopted on the basis of these laws and the Rulebook on the quality of honey and other bee products ("Official Gazette of RS", No. 101/2015) and good beekeeping practices, as well as the obligations arising from the regulations of the European Union (EU), which relate to the establishment and the functioning of the geographical indication of origin and the designation of origin of wine, i.e. on the production of wine and strong alcoholic beverages with a geographical indication of origin and with an indication of origin, and honey, and in this connection the preparation of a Single document on the production of grapes, wine and strong alcoholic beverages with a geographical indication of origin and the mark of origin (hereinafter: Single document), which - in order to establish this mark and its official recognition - is submitted to the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia.

The improvement of the production of wine, strong alcoholic beverages and honey with a geographical indication of origin and a designation of designated controlled origin specifically includes the following:

1. mutual cooperation, exchange of experiences and coordination of members' activities in the application of agrotechnical and ampelotechnical measures, in the establishment and maintenance of vineyards and orchards, as well as providing expert assistance in controlling the quality and quantity of grape and fruit production of its members, in preserving the specificity and characteristics of vineyards and orchards of members associations, in accordance with the adopted Single document, and in accordance with the adopted Rezonization of wine-growing and fruit-growing geographical production areas of the Republic of Serbia,
2. cooperation, exchange of experiences, coordination of activities of members in the application of oenological procedures and oenological tools in order to highlight the specificities of designated wines and improve wine quality, production of wines and strong alcoholic beverages with a geographical indication of origin and designation of designated and controlled origin, preservation and highlighting of the characteristics and specificities of wines and of strong alcoholic beverages with designated labels in accordance with the adopted Single document, i
3. organizing counseling, seminars and other forms of training for its members, both in the production of grapes and fruit, as well as in the production of wine and strong alcoholic beverages with a geographical indication of origin and indicated signs of controlled origin, as well as beekeeping.
4. Defining and adopting protocols for certification and quality control of cluster members' products and increasing their competitiveness on the market;
5. Work on bringing documents for better organization and management of the cluster;
6. Intersectoral cooperation on topics of importance between winegrowers, fruit growers, wine producers, producers of strong alcoholic beverages, buyers and distributors of honey and beekeeping organizations in Serbia;
7. Joint appearance on foreign markets;
8. Increasing cooperation with the relevant Ministry of Agriculture and inspection services in the field;
9. Joint action in protecting the domestic market from imported goods that create a dumping effect on domestic producers;
10. Work on the preparation of important documents as well as proposing the adoption and drafting of proposals for legal and by-laws important for maintaining the competitiveness of domestic producers;
11. Cooperation with other organizations (Societies for consumer protection, consumer education, etc.);
12. Cooperation with similar organizations in the region and the world;
13. Participation in projects of importance for cluster members;
14. Activities and the fight against unfair competition and the gray zone of traffic on the market;

15. Educating the public about the importance of quality, authentic products with added value on the market and their labels through the media, social networks, conferences, workshops and the like;
16. Consulting support for cluster members;
17. Defining and organizing commissions, subcommittees and working groups within the cluster according to sectors and defining their competences for certain areas of action and activities;
18. Keeping statistical data on produced quantities and other commercial information of cluster members;
19. Conducting monitoring of production and distribution to ensure strict adherence to the use and sale of goods;
20. Implementation of technical studies and promotion of all measures that can improve conditions in production, promotion and marketing and sales;
21. Keeping statistics on collected information;
22. Protection of the interests of all its members on the market;
23. Participating in proposals and consultations and assisting in the formation of purchase prices for products and raw materials necessary for production;
24. Providing necessary information of importance to its members;
25. Organizing scientific and business conferences on the topic of competitiveness, problems, challenges in production and sales, bringing key speakers and other guests and partners from around the world;
26. Participation in bilateral and trilateral projects in the region;
27. It deals with environmental protection;
28. Organizing joint festivals and fairs;
29. Presence in the media;
30. Formation of a team for monitoring and reporting to competent inspections of illegal producers who sell wine and strong alcoholic beverages, as well as honey counterfeiters;
31. Launching an initiative in cooperation with the Ministry of Agriculture with the aim of informing agricultural farms what they may and may not sell and how to enter legal channels;
32. In cooperation with the Ministry of Agriculture, the formation of a team for the analysis of the authenticity of wine, strong alcoholic beverages and honey in catering establishments, and control, reporting and analysis of the authenticity of products (wine, brandy and honey) with dumping prices in trade chains and stores on the Serbian market and proposing draconian penalties for those who sell counterfeit goods in packaging from legal manufacturers;
33. Among the sectoral cooperation on raising the capacity of primary agricultural production (orchards and vineyards) and cooperation with SPOS (Union of Beekeeping Organizations of Serbia) on the topic (rules and agrotechnical measures in orchards and vineyards in order to protect bees).

E. Association "CONSUMER MOVEMENT FOR FOOD QUALITY" from Pančevo

Association "CONSUMER MOVEMENT FOR FOOD QUALITY" is registered in accordance with the Law on Consumer Protection as a non-governmental non-profit organization that deals with consumer protection. The association was founded and organized as free and independent in achieving its goals. The area of achievement of the Association's goals is consumer protection in accordance with the Law on Consumer Protection in the Republic of Serbia, as well as other acts adopted on the basis of that Law. Association "CONSUMER MOVEMENT FOR FOOD QUALITY" plays an important role in the fight against economic fraud in the food sector in Serbia. This organization actively monitors the market to detect irregularities and fraud related to food and beverage products.

The role of the Association "CONSUMER MOVEMENT FOR FOOD QUALITY" from Pančevo is to detect false declarations, counterfeit products and irregular business and production practices in order to help protect consumers from economic damage. Also, the association works to inform consumers about the risks and deceptions that may arise when purchasing these products. By providing education and advice, it helps consumers recognize suspicious situations and better protect their interests. In addition, the organization cooperates with competent authorities and institutions in order to take legal measures against those who engage in economic fraud on the market of food, alcoholic beverages and wine.

The association was founded in order to protect consumers of wine, strong alcoholic beverages, bee products and other products, drinks and beverages made from natural plant and animal raw materials.

Activities to implement the goals of the association

1. Informing, educating, advising and providing legal assistance to consumers in the exercise of consumer rights;
2. Receiving complaints, recording and acting on consumer complaints;
3. Conducting independent tests and comparative analyzes of the quality of goods and services and public publication of the obtained results;
4. Conducting research and studies in the field of consumer protection and public publication of the obtained results;
5. Other activities suitable for achieving the goals of the Association.

F. ANA LAB and their research

ANA LAB, a specialized laboratory dealing with testing the authenticity of food, was founded on the foundations of many years of scientific and research work by Mr. Ivan Smajlović and his professional team. Ivan Smajlović is recognized as one of the leading experts in the field of food authenticity testing on a global level, and his work focuses on the detection of economic fraud in food products, such as wine, fruit brandies, fruit juices, honey and milk (www.ana-lab.rs).

Before founding ANA LAB, Smajlović developed various analytical solutions unique in the world to detect irregularities in product declarations and food authenticity. His scientific and research work is recognized by experts all over the world, and he is currently the only technical expert of the Serbian delegation at the International Organization for Wine and Vine (OIV).

ANA LAB is distinguished by its accreditation by the Accreditation Body of Serbia (ATS) according to the international standard ISO/IEC 17025:2017 for product conformity testing. This accreditation enables the laboratory to operate in the food control system in the Republic of Serbia and internationally.

Smajlović's EIM-IRMS technology is particularly important, which has proven to be universally applicable in the detection of various economic frauds in food. This analytical technology enables the analysis of a large number of samples on a daily basis, without the need for complex statistical processing of the results and solves the problems that European laboratories currently have in the detection of food authenticity. It stands out for its simplicity and efficiency, providing precise results in the detection of cheaper surrogates in food products.

Ivan Smajlović is also the coordinator of the working group of the Secretariat of the OIV (International Organization for Wine and Vine) eWG - *Water determination*, which deals with determining the origin of water in the final wine. This group brings together 9 member states of the OIV (Germany, France, Italy, Spain, Austria, Brazil, Australia, the Russian Federation and the Republic of Serbia). Further development of analytical applications based on EIM-IRMS technology gave the possibility to determine the origin of water in the final wine and thus detect illegal practices of diluting wine with water, which was not possible until now.

Ivan Smajlović's initiative to involve the Ministry of Agriculture of the Republic of Serbia in solving economic frauds on the Serbian market did not meet with appropriate support, but the establishment of ANA LAB represents a step forward in achieving the goals of food control in the country. His work and engagement at the international level further contribute to the development of the food control system and the recognition of product authenticity on the market.

G. Analysis of the results on the quality and authenticity of honey

According to research conducted by the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association from Pančevo, 88% of honey on the Serbian market is counterfeit.

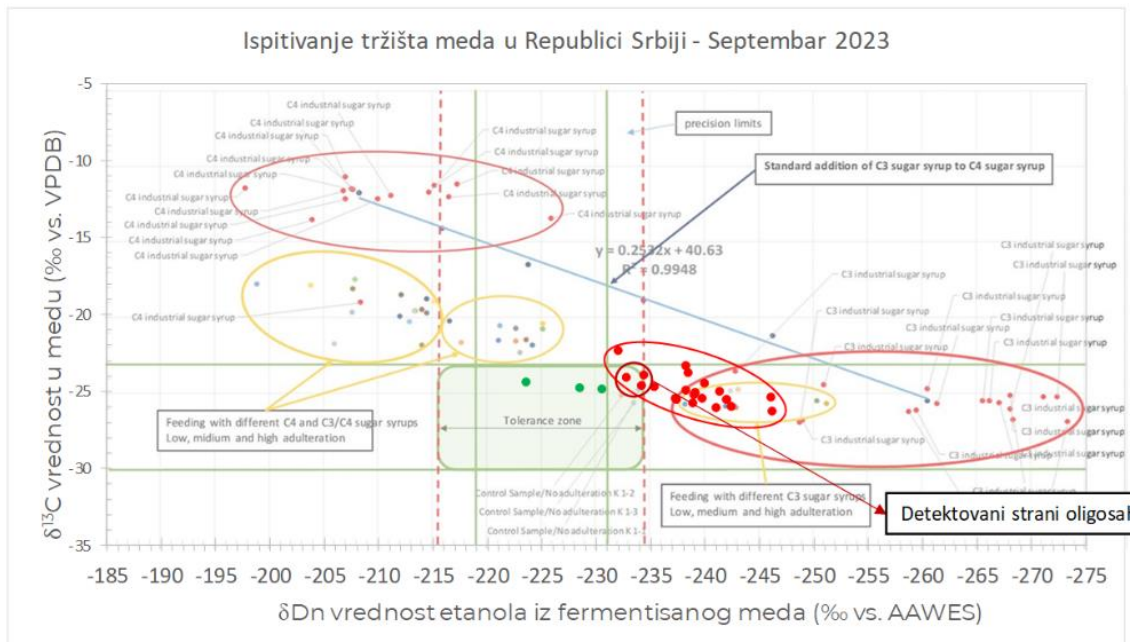
Association "CONSUMER MOVEMENT FOR FOOD QUALITY" is 11.09.2023. carried out the first action of testing the market for food quality and on that occasion 25 samples of honey were sampled from 7 stores in the territory of the city of Pančevo:

1. AMAN,
2. DIS,
3. GOMEX,
4. IDEA,
5. Lidl,
6. MAXI,
7. MERE MARKET

Sampling was carried out for the Association by the accredited laboratory Food Testing Center (CIN DOO), from Belgrade. 2 units of each product (with the same LOT numbers, same filling dates and times) were sampled, with one unit sampled for analysis and the other unit left for potential superanalysis. For each sample, a sampling record was made by the sampler from CIN DOO Belgrade. The sampling was attended by members of the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association.

Honey samples were tested for authenticity (botanical origin of sugar), and the tests were performed in the accredited laboratory ANA LAB DOO Pančevo, which specializes in isotopic tests in food.

The action determined that as many as 22 honey samples did NOT pass the authenticity test, which represents as much as 88% of the total number of tested honey samples (25). All laboratory reports were forwarded to the competent authorities - the Veterinary Administration and the Veterinary Inspection of the Ministry of Agriculture of the Republic of Serbia for further steps in accordance with the regulations.



The Union of Beekeeping Organizations of Serbia (SPOS), which is also the co-founder of the "UNITED FOR QUALITY" Cluster, has a direct interest in starting a fierce fight

against counterfeit honey in Serbia, because the State of Serbia co-financed the construction of the OUR MED facility in the previous period, which owned by SPOS and for which a loan of 450,000.00 euros is currently being repaid. The interest of beekeepers is that they can make a living from their work and that they can market their honey from the NAŠ MED Plant on the Serbian market. Since the market is left to itself, i.e. there are no controls on economic fraud and malfeasance by unfair competition, this practically means that it is impossible to sell real honey on the market, given that beekeepers are not competitive in price at the start and no one is interested in their honey, while counterfeits are sold on the market and direct tax evasion! The situation is alarming, and if the state does not start dealing with this problem in the coming weeks, the Serbian beekeepers will find themselves in an even more difficult situation.

You can see more about the results of the honey authenticity test at the link: <https://potrosacizakvalitet.com/%d0%bc%d0%b5%d0%b4-%d0%b8%d1%81%d0%bf%d0%b8 %d1%82%d0%b8%d0%b2%d0%b0%d1%9a%d0%b5-%d1%82%d1%80%d0%b6%d0%b8%d1%88%d1%82% d0%b0/>

H. Analysis of the results on the quality and authenticity of the wine

According to research carried out by the Association "CONSUMER MOVEMENT FOR FOOD QUALITY" from Pančevo, as much as 88.89% of imported wines in the lower price range on the Serbian market are counterfeit.

Association "CONSUMER MOVEMENT FOR FOOD QUALITY" is 14.09.2023. conducted its second market survey on food quality and on that occasion 14 samples of wine were sampled from 5 shops in the territory of the city of Pančevo:

1. DIS,
2. Lidl,
3. MAXI,
4. UNIVEREXPORT,
5. MERE MARKET

Sampling was carried out by the accredited and authorized laboratory EKO LAB DOO for quality management, Belgrade. 2 units of each product (with the same LOT numbers, same filling dates and times) were sampled, with one unit sampled for analysis and the other unit left for potential superanalysis. For each sample, a sampling record was made by the sampler from EKO LAB from Belgrade. The sampling was attended by members of the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association.

Wine samples were tested for authenticity (botanical origin of ethanol and origin of water in the final wine), and the tests were done in the accredited laboratory of ANA LAB DOO Pančevo, which specializes in isotopic tests in food.

The tests were carried out using isotopic methods for stable isotopes of carbon and non-exchangeable stable isotopes of hydrogen in ethanol (EIM-IRMS), according to accredited methods that are part of the official regulations of the Republic of Serbia (Article 4, Table 1, Methods of analysis for testing the quality parameters of beer, wine and other products, point 4, 4.1 - SRPS TS E.M8.031:2023 (EIM-IRMS) and point 4.3 of the REGULATION on parameters and methods for the analysis and determination of the quality of must, wine and other products made from grapes, must and wine that are used in wine production ("Official Gazette of RS", No. 107 of October 8, 2014, 72 of August 31, 2023)). All laboratory reports were signed by specialized experts for isotopic tests and experts licensed by the Ministry of Agriculture of the Republic of Serbia who can to give official expert opinions on the subject of isotopic testing of wine and strong alcoholic beverages.

The action determined that as many as 13 samples out of a total of 14 wine samples, most of which were imported (North Macedonia, Italy, Spain, Hungary, France) did NOT pass the authenticity test, which represents as much as 92.85% of the total number of tested samples. wines (14). All laboratory reports were forwarded to the competent authorities for further steps in accordance with the regulations.

During the same market research action from September 14, 2023. 4 more wine samples were taken and laboratory reports for them were subsequently forwarded by the laboratory on October 21, 2023, after the tests were completed. These 4 wine samples were purchased in the following stores:

1. Lidl,
2. MAXI, i
3. MERE MARKET

Sampling was also performed by the accredited and authorized laboratory EKO LAB DOO for quality management Belgrade. 2 units of each product (with the same LOT numbers, same filling dates and times) were sampled, with one unit sampled for analysis and the other unit left for potential superanalysis. For each sample, a sampling record was made by the sampler from EKO LAB from Belgrade. The sampling was attended by members of the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association.

Wine samples were tested for authenticity (botanical origin of ethanol and origin of water in the final wine), and the tests were done in the accredited laboratory of ANA LAB DOO Pančevo, which specializes in isotopic tests in food.

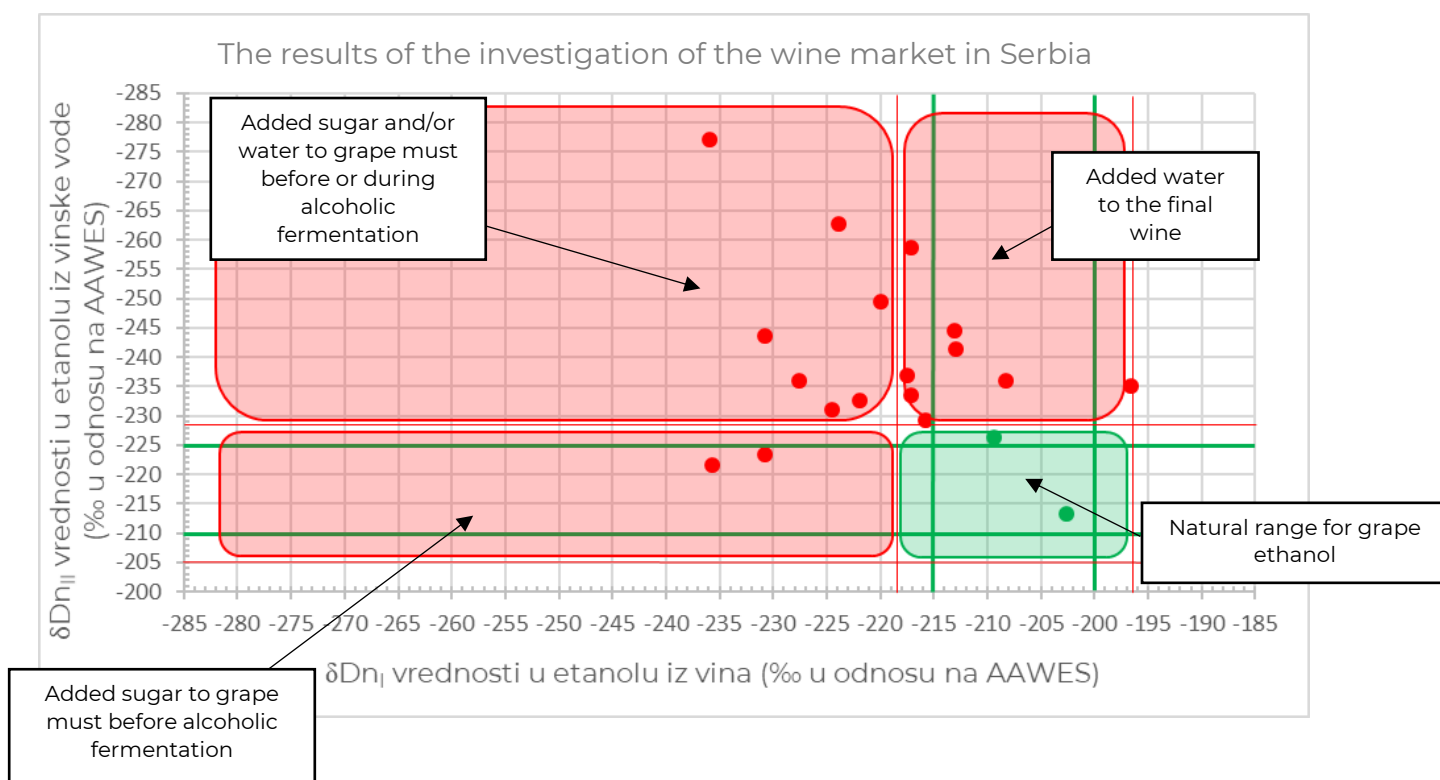
The wines in question were from Montenegro, the Republic of Moldova, Macedonia and the EU (mixture of wines from the EU - Spain). Out of 4 samples, only one wine passed the test, while 3 samples did not meet the quality requirements according to the Wine Law of the Republic of Serbia and in which added water was detected during the production process, as well as the origin of ethanol of a different botanical origin compared to grape ethanol.

Taking into account all tested wine samples (a total of 18 wine samples), only 2 samples passed the testing for the botanical origin of ethanol and the origin of water in the wine, while 16 samples failed the test. In percentage terms, this amounts to a total of 88.89% of detected non-conformities.

The laboratory reports for these 4 tested samples were also forwarded to the competent inspections at the Ministry of Agriculture of the Republic of Serbia, with the aim of initiating an extraordinary control. All samples that were tested were taken in pairs and "control samples" were set aside sealed in case super-analyses were required.

You can see more about the results of the wine authenticity test on the market of the Republic of Serbia at the following link:

<https://potrosacizakvalitet.com/%d0%b2%d0%b8%d0%bd%d0%b0-%d0%b8%d1%81%d0%bf%d0%b8%d1%82%d0%b8%d0%b2%d0%b0%d1%9a%d0%b5-%d1%82%d1%80%d0%b6%d0%b8%d1%88%d1%82%d0%b0/>



I. Analysis of results on the quality and authenticity of fruit brandies

According to the research conducted by the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association from Pančevo, as many as 85.71% of the analyzed fruit brandy samples from the Serbian market were counterfeit.

Association "CONSUMER MOVEMENT FOR FOOD QUALITY" is 14.09.2023. carried out its second market survey on food quality, and on that occasion 7 samples of fruit brandy were sampled from 4 stores in the territory of the city of Pančevo:

1. GOMEX,
2. MAXI,
3. UNVEREXPORT,
4. MERE MARKET

Sampling was carried out by the accredited and authorized laboratory EKO LAB DOO for quality management, Belgrade. 2 units of each product (with the same LOT numbers, same filling dates and times) were sampled, with one unit sampled for analysis and the other unit left for potential superanalysis. For each sample, a sampling record was made by the sampler from EKO LAB from Belgrade. The sampling was attended by members of the "CONSUMER MOVEMENT FOR FOOD QUALITY" Association.

Samples of fruit brandies were tested for authenticity (botanical origin of ethanol), and the tests were performed in the accredited laboratory ANA LAB DOO Pančevo, which specializes in isotopic tests in food.

Tests were performed using isotopic methods for stable isotopes of carbon and non-exchangeable stable isotopes of hydrogen in ethanol, according to accredited and official methods of the Republic of Serbia.

The action determined that as many as 6 samples out of a total of 7 fruit brandies did NOT pass the authenticity test, which represents as much as 85.71% of the total number of tested fruit brandy samples (7). All laboratory reports will be forwarded to the competent authorities for further steps in accordance with the regulations.

You can see more about the results of the action of testing the authenticity of fruit brandies on the market of the Republic of Serbia at the following link:

<https://potrosacizakvalitet.com/%d0%b2%d0%b8%d0%bd%d0%b0-%d0%b8%d1%81%d0%bf%d0%b8%d1%82%d0%b8%d0%b2%d0%b0%d1%9a%d0%b5-%d1%82%d1%80%d0%b6%d0%b8% d1%88%d1%82%d0%b0/>

Even after almost 5 months since the publication of the results of the action of testing the authenticity of honey, wine and fruit brandies on the market of the Republic of Serbia and the delivery of laboratory reports by the accredited laboratory ANA LAB DOO from Pančevo to the competent authorities of the Ministry of Agriculture, there is still no feedback on the extraordinary controls that have been carried out. market and removing suspicious products from the market. None of the competent authorities provided feedback to the Association "CONSUMER MOVEMENT FOR FOOD QUALITY" from Pančevo on possible measures taken. Also, none of the authorities initiated contact in order to establish a protocol regarding super-analyses on control samples intended for this purpose. The public is still not informed about the actions of the competent authorities in the investigation of economic fraud on the

market of the Republic of Serbia, as well as about the products offered to citizens through trade chains.

J. Report of the State Audit Institution on the Audit of Business Expediency - Food Safety in the Republic of Serbia

26.12.2023. the Report of the State Audit Institution on the situation in the food safety control system in Serbia was published, which pointed to the huge failures of the competent institutions that should deal with these issues. **The state auditor indicated that there are serious failures in the planning of activities and strategies in food quality control in the Republic of Serbia.**

The use of healthy and hygienic food is a basic human right, guaranteed by the Universal Declaration of Human Rights of the United Nations from 1948. In accordance with the Food Safety Act, the aim is to ensure a high level of protection of human life and health and the protection of consumer interests, including the principle of honesty and conscientiousness in the food trade, taking into account, when possible, the protection of animal health and welfare, as well as health plants and environmental protection. Unsafe food poses a threat to human health and the economy, and especially affects vulnerable and marginalized population groups. The food safety law established a food safety system in the Republic of Serbia. However, additional efforts are needed in order to arrange the planning and institutional framework and to improve public information about the existence of risks to human health caused by food.

The planning and legislative framework in the field of food safety is not fully established, because operational goals are not elaborated in detail, important areas are not fully regulated, such as food fraud, general conditions for food safety and food hygiene conditions in food business. Also, the Program and plans for managing crisis situations in the area of food safety have not been adopted.

The institutional framework provided by the Law on Food Safety was not effectively established, because the activities of the Expert Council did not sufficiently contribute to the risk assessment in the field of food safety at the national level. **The capacities of the National Reference Laboratory were not fully utilized, and 1.8 billion dinars were allocated for laboratory tests in other laboratories in the period from 2019 to 2022.** The coordination of inspection supervision was not effectively established due to the insufficient activity of the Working Group for Food and the failure to adopt Plans of official control. Monitoring of food is not carried out continuously.

While the Institute for Public Health of Serbia "Dr. Milan Jovanović Batut" annually reported to the public about the healthiness of food and bottled water, the rapid notification and warning system did not sufficiently contribute to the effective notification of the public about the existence of risks to human health caused by food.

The report, which describes in detail and explains all the omissions, mainly deals with economic fraud in food and notes that the competent institutions have not done

anything in this field, as well as that there is a lack of informing the public about actions related to these problems and what the authorities are doing to food fraud has decreased on the domestic market.

From the report of the State Audit Institution, it can be concluded that the food control system in the Republic of Serbia practically does not work. In addition, given that the Directorate for National Reference Laboratories does not work in accordance with its legal obligations, the market lacks control mechanisms based on expertly developed plans for risk assessment, monitoring and strategies to suppress all factors that can threaten the business of legal entities in the food sector. Republic of Serbia. This leads to a situation where domestic production is limited and left to fend for itself in the fight against unfair competition on the domestic market. Namely, there is a lack of support from official institutions that, according to the law, should deal with it. Also, there is a lack of interlocutors in the relevant Ministries. As a result, domestic production faces challenges in achieving export orientation, as the necessary quantities of domestic products that could be exported and generate profits are lacking. In this regard, we encounter a paradox where quality products, which are available in limited quantities, are exported, while food produced using substitutes is offered to our citizens, creating the illusion that consumers are buying authentic products.

III. SITUATION IN CROATIA

A. Wine authenticity testing campaign in the Republic of Croatia

After the market survey of honey, wine and fruit brandies on the market of the Republic of Serbia, the Cluster "UNITED FOR QUALITY" also established contact with the Association of Winemakers and Vinegrowers "GRAŠEVINA CROATICA" from the Republic of Croatia. The wine market in the Republic of Croatia is also in a very similar situation as it is in the Republic of Serbia, and communication between the two organizations has been achieved. The association of winemakers and winegrowers "GRAŠEVINA CROATICA" is also an active organization that protects the interests of Croatian winemakers and winegrowers and actively fights for their competitiveness on their national market.

As far as the Republic of Croatia is concerned, what is significant is the fact that a total of over 90% of the wines produced in the Republic of Croatia are under the protection of geographical origin and that only a small percentage of wines are of table quality. Wine varieties protected by Croatians include Graševina, Istrian Malvazija and Plavac Mali.

The problems that have been appearing on the Croatian market for a few years now are huge quantities of cheap white wine in PET containers of 1, 2, 3 and 5 liters at dumping prices from €1 to €3.7 for a couple of liters of wine, which is impossible to achieve in production. Croatian winemakers suspect economic fraud, but so far they

have not been able to prove it. The biggest problem is that such wines in PET packaging are marked with the name GRAŠEVINA, which is a wine variety that is protected by geographical origin in most cases. Lately, on the shelves of retail chains, as part of discount promotions, you can find wines like this, which also have a designation of geographical origin, which additionally kills the competitiveness of legal and registered producers.

The great suspicion of the Association of winegrowers and winegrowers "GRAŠEVINA CROATICE" is the increasing import of low-quality white wine from Kosovo, which bears the name of the same grape variety GRAŠEVINA, which is doubtful considering that there are no large areas under vineyards in Kosovo with this grape variety. Croatian winemakers suspect economic fraud, which they cannot confirm.

In some retail chains, three liters of Kosovo Graševina in cardboard packaging are sold for €3.69. First there was the bad weather that hit Orahovica and Feričanac, in June 2023, in addition to the constant rains, downy mildew was rampant and damaged the vines, and then a stormy storm leveled some vineyards to the ground. In the Ilok cellars alone, 40 hectares of vineyards had to be rebuilt. When everything is put together, imports are coming, but the imported wines are of lower quality, extremely bad, and controls on the market are insufficient. Tomislav Panenić, director of the "GRAŠEVINA Croatica" association, points out that the grape harvest in Croatia, but also in the surrounding countries, failed by about 20-25% in 2023, depending on the winegrower and the location.

In Slavonia, in the Croatian Danube region, the most represented variety is, of course, Graševina, which accounts for 25% of the total vineyard area in Croatia, 60% in that region, and 80% for some winegrowers. Fewer grapes will result in less wine. Of course, wines of a higher price class do not have problems with placement. But since the majority of citizens tend to buy cheaper wines that merchants often sell in plastic, at promotions, the question is what is already on the shelves. The year before last, in 2022, Croatia was rocked by an affair with Kosovo wines in which sugar and water were found instead of grapes. As many as 67% of Kosovo wine samples turned out to be fake wines. About 3.7 million liters enter Croatia every year from Kosovo alone, about 5% of Croatia's total annual consumption, as well as 13% of Croatia's total wine imports, of which Graševina is the most represented, which grows there on only 200 hectares. If we are talking about a liter of wine from some of Croatia's most famous wineries, which can achieve the lowest price costs, the lowest price of cheap wine - if it is real - can amount to €4. There is no calculation that can justify a price below that. However, in retail chains, during promotions, three liters of Kosovo Graševina in cardboard packaging are sold at a price of €3.69.

In December 2023, representatives of the "GRAŠEVINA CROATICA" winegrowers' association conducted a similar investigation of the wine market for authenticity and detection of illegal production practices on the territory of the Republic of Croatia, and on that occasion used the laboratory services of the ANA LAB accredited laboratory from Pančevo, Republic of Serbia.

The test results confirmed that out of a total of 7 analyzed submitted samples, even 6 were falsified and that in fact it was not wine at all, but a mixture of added water and industrial ethanol with a small percentage of wine.

In the following period, these results of the analysis of the wine market in the Republic of Croatia were communicated to official professional organizations in the Republic of Croatia, which accepted the results of the analyzes from the accredited laboratory ANA LAB from Pančevo and gave support to winemakers and winegrowers to continue fighting for their competitiveness on the market. Competent institutions of the state of Croatia responded in a similar pattern as their Serbian counterparts did previously after the publication of the results of food testing actions on economic fraud, namely that the laboratory that performed the analyzes is not on the list of authorized laboratories of the European Union. Croatian winemakers continue to demand stricter controls on the market and the import of wine into the territory of Croatia, and therefore the European Union. They believe that this attitude of the competent inspections is just a replacement of these, because it is an accredited laboratory that is accredited according to the principles of the international standard ISO/IEC 17025:2017, like all other laboratories in the world, which is the first prerequisite that the results of those analyzes are valid and accurate and as such have their own weight in court.

How the Croatian media (Poslovni dnevnik) from 26.02.2024. year states:

Of the seven analyzed wines from the shelves, as many as six were adulterated

Author: Ana Blašković, February 26, 2024 at 08:20 (<https://www.poslovni.hr/hrvatska/od-sedam-analiziranih-vina-s-polica-patvoreno-cak-sest-4430692>)

THE MARKET WAS FLOODED WITH WINES WITH PRICES AT WHICH THE QUALITY IS IMPOSSIBLE TO PRODUCE.

"After honey and olive oil, the most important varieties of domestic wine have been targeted by the "swindlers" for some time now: Graševina, Istrian Malvasia and Plavac Mali.

Convinced that wine counterfeiting is not an exception but a well-established business in which millions of liters and euros are lost at the expense of producers, local winemakers visited some of the largest retail chains, bought suspicious samples and submitted them for analysis. The results were devastating: out of seven wines purchased, six were adulterated.

Tomislav Panenić, president of the regional organization of winemakers and vineyards Graševina Croatica, points out that the market was "flooded by wines of poor quality at a price at which it is not possible to produce them".

"We removed some of the suspicious wines from the shelves of our retail chains and were amazed at the results. The mixture is some wine, a lot of water, acids and added

alcohol", the former Minister of Economy tells us about the wines sold in Interspar and Kaufland.

A laboratory check by Ana Laba from Pančevo in neighboring Serbia, who is accredited for analyzing the quality and authenticity of food, "shows the presence of added water" and/or "ethanol of botanical origin from C4 industrial plants (corn and/or sugar cane)". These are samples of 'Graševina' and 'Malvazije Istarska', which are bottled and put on the market by KG Zelina, 'Graševina' and 'Graševina 2022.' Iločki polje and 'Plavac malog 2019' produced and bottled by Vina Miličić.

"It turned out that, without exception, all our most important varieties of wine - Graševina, Istrian Malvasia and Plavac Mali - are being adulterated on a massive scale. All the varieties that have the highest turnover, so it's easy to lose track of individual fillings because they sell quickly, and most of them at special prices," he says.

Although they do not pose a direct health hazard, 'creative' blends violate legal regulations on the use of protected labels, permitted oenological practices and processing, labeling, marketing, as well as excise duties.

Croatia is slowly disappearing from the wine map of the world: in about 20 years, the area under vineyards fell from 58 thousand hectares to less than 17 thousand hectares/R. Anić/PIXSELL

In short, they do not meet the minimum quality requirements, and are sold below the real production costs, according to the winemakers. Such a practice puts serious producers in a disadvantageous position in negotiations with retail chains because they demand similar price levels as adulterated wine, which, they say, is impossible if the production is according to the letter of the law.

Do you know that the lowest purchase price of grapes last year was at least 70 cents per kilogram, which means that the value of grapes in a liter of wine is 1 euro per kilogram (about 0.7 liters of wine is obtained from a kilogram of grapes), they ask how it is possible that a liter of wine on the shelves of shopping centers with all costs, from packaging to distribution, is sold at promotional prices closer to the prices of liters of water?

Panenić is resolute: "I can't help asking the question whether a really extremely low price is a sufficient argument for retailers to put on the shelf, and for customers to consume wines that have been manipulated and can easily have negative consequences." I'm afraid that wine processors, because they can't be called producers, played too much, seeing such a space in our market and established an excellent source of income for them. We have to take off our gloves, there is no more room for either ignoring the problem or giving in. "Whoever downplays the problem has no good intentions towards Croatian winemakers."

He notes that he understands the desire of every retailer to have products on the shelves with particularly low prices that are attractive to customers who highlight them in promotional catalogs, "but if the wine is below the lowest possible production

price, something is wrong. Our production inputs are not unknown and it is very easy to calculate the production price. But, when all objective criteria disappear, then you can only offer counterfeit and counterfeit wines on the shelves at the lowest prices to customers," Panenić is sharp.

Balling of those responsible

In the first days of January, Graševina Croatica forwarded the results of the analyzes to the State Inspectorate, the Croatian Agency for Agriculture and Food, and the Customs Administration. Almost two months later, no sign or word from the institutions.

From the Agency for Agriculture, the ball is passed to the State Inspectorate. "HAPIH, at the request of the DIRH, conducts laboratory analyzes of product samples, including wines, which were sampled during the implementation of official controls of the DIRH, and issues an opinion based on the results of the analysis. The State Inspectorate of the Republic of Croatia is also responsible for recalls and withdrawals of products from the market", they say. The Customs Administration, which is responsible for excise duties, says that the application has been forwarded for "proceeding to regional customs offices that will carry out supervisory activities".

However, whether the inspection carries out supervision or not, the State Inspectorate did not want to answer decisively. They point out that the applications received "can be used" as a reason for conducting surveillance.

"If (...) an inspection is carried out, the applicant is informed in writing about the established factual situation and the measures taken after the inspection has been completed", they said. We did not receive a clear answer to the request to clarify whether this means that the supervision was not carried out at all or is ongoing.

Significantly, they say that the sampled wine is sent to an authorized laboratory for analysis, and their list is published on the website of the European Commission. When asked if referring to them means that they do not take into account the analyzes of a laboratory that is not on that list, such as the one mentioned from Pančevo to which domestic winemakers turned, they say: "The Agricultural Inspection is obliged to deliver official wine samples to authorized laboratories (...), and on inspection it is evident that the laboratory from your inquiry is not on the list".

While they are waiting for the reactions of the authorities, in Graševina Croatica they are already announcing that they will spread the causes to all other large retail chains.

Reputational damage

In Croatia, about 144 million kilograms of grapes are produced annually, from which about 100 million liters of wine are obtained, while about 25 million liters are imported. Retail chains are an important distribution channel because about 35 million liters of wine are sold through them. According to AC Nielsen's data for 2019/20, large PET

packaging and 'bag-in-box' make up 70 percent of sales, and these are most often at promotional sales.

While inspections remain silent, consumers are deceived every day, producers and budgets suffer damage (not to mention reputational damage), and wine production is continuously falling. In the last 20 years or so, the area under vineyards fell from 58 thousand hectares to less than 17 thousand hectares today. The trend is clear, Croatia is slowly disappearing from the wine map of the world, so instead of shifting responsibility, the state could start by sorting out the mess that reigns on the market."

The response of the competent inspectorate of the Republic of Croatia to reports in the media about the extent of counterfeiting of wine present on the market of that country, which seems to be a frequently repeated phrase in other parts of the region, was also noted. The key argument of the Croatian inspectorates and ministries is the claim that counterfeit wines do not pose a risk to the health of customers, and therefore there is no need to withdraw them from the market. (ref. <https://plavakamenica.hr/2024/02/26/udruga-grasevina-croatica-uhvatila-ilocka-polja-pg-zelinu-i-vina-milicic-u-krivotvorenju-vina/?fbclid=IwAR0NryURCAIGwBXN4kGwhx80ySCYoelxyqk0s40CQ9bexC2KAeQveGaXE6E>)

This argument of the competent Croatian authorities is very similar to the comment made last year by Mr. Nenad Vujović, Assistant Minister for Inspections at the Ministry of Agriculture and Forestry of the Republic of Serbia, for RTS1. Speaking on the subject of the increased number of counterfeit honey, wine and brandy on the market of the Republic of Serbia, Mr. Vujović said that such products are not unsafe for health, and that quality is another story that we can discuss and talk about. (<https://www.rts.rs/lat/vesti/drustvo/5298764/vino-rakija-med-ispravnost-analize.html>).

These controversial comments by the relevant authorities sound like a distortion of reality, because products that do not meet the regulations should not be available on the market. Comments of this type, made by their managers, not only support the fraudsters to continue their illegal activities, but also imply that they will not be punished, since their products are supposedly considered safe for the health of citizens. Openly providing support to fraudsters in this way, which can be interpreted as a message "don't worry, we are with you", is not in accordance with the ethical principles that the competent authorities should maintain in their work. This threatens the security of the market not only in terms of health safety, but also in every other aspect, including fair conditions for all participants who place their products on the market, in accordance with the existing regulations that everyone must comply with.

The problems with the circulation of counterfeit wine detected in the territory of the Republic of Serbia, but also in the Republic of Croatia, point to economic frauds spilling over into the national markets in the region, where loyal wine producers in the region, as well as end consumers, are the most harmed by these fraudulent actions.

The trend of counterfeit wine coming from North Macedonia, Kosovo and the Republic of Moldova, passing through the Republic of Serbia and the Republic of Croatia, represents a trend that we all face together, and which has an impact on the competitiveness of the wine and viticulture industries in the region.

Wine producers and winegrowers from the Republic of Croatia will further take further steps to the competent institutions both in Croatia and in Brussels, based on the evidence obtained about fraudulent activities on their market, in order to protect their production and their market, because it is already indicative that due to very bad climatic disasters that caused great damage to the vineyards, there is almost no real wine left in stock, and the situation is similar in Italy and Slovenia. In addition, these fake cheap wines continue to fill the shelves of retail chains in the Republic of Croatia, and now there is a determined fight and stricter control of such economic frauds and the removal of these products from the market of the Republic of Croatia. The Association of Winegrowers and Vinegrowers "GRAŠEVINA CROATICA" comments that these economic frauds, which have been confirmed by laboratory analyses, are directly related to the illegal actions of using refined ethanol as a surrogate, which is a tax crime, because in that case they are criminal actions that are connected with the evasion of taxes and excise duties, as well as customs offenses, because refined ethanol is an excise goods, so the Association of winegrowers and winegrowers hope that this will be an additional basis for strengthening the control of wine at the borders of the Republic of Croatia.

Since the "UNITED FOR QUALITY" Cluster is registered and works on the territory of the Republic of Serbia, in this respect it can only make recommendations regarding the national framework. In this regard, we see a proposal for solving the problem of economic fraud in food as follows:

IV. Strategy of the organization of the national working body for the fight against economic fraud

Introducing an effective strategy to combat economic fraud requires the coordination of various government agencies to ensure a comprehensive and decisive response to this serious challenge. The organization of **the National Working Body for Combating Economic Fraud on the Food Market** plays a key role in this strategy, bringing together representatives of key sectors such as the Ministry of Finance (Tax Police and Customs Administration), the Ministry of the Interior, the State Security and Information Agency, the Ministry of Foreign Affairs and the Interior trade (market inspection and consumer protection), the Ministry of Justice (representatives of the prosecution for economic crime), as well as representatives of the "UNITED FOR QUALITY" cluster in front of loyal and registered food producers. **The leadership of the National Working Body for Combating Economic Fraud should answer and submit reports directly to the Prime Minister's Office of the Government of the Republic of Serbia and the Presidency of the Republic of Serbia.**

Our proposal also includes the engagement of the Security and Information Agency in the fight against economic fraud on the market of the Republic of Serbia.

The key to preserving economic stability

Economic frauds on the market, often called the "invisible enemy" of modern societies, represent a serious challenge to economic stability and sustainable development. In this context, the integration of representatives of the Security and Information Agency into the national working body for the fight against economic fraud and the gray economy becomes a necessary strategy. This integration is not only desirable but also imperative, given that economic frauds are increasingly manifesting as a form of economic warfare that has deep and harmful consequences for society.

First and foremost, the Security and Information Agency brings with it deep-rooted intelligence-gathering capabilities. Its ability to identify, analyze and act on complex networks of organized crime and corruption makes them key partners in the fight against economic fraud and the shadow economy. Her expertise in monitoring financial flows, identifying illegal transactions and infiltrating criminal groups enables more effective detection and suppression of illegal activities that undermine the legitimate economic system.

Second, the Security and Information Agency has a key role in protecting national security and sovereignty. Economic fraud and the shadow economy often serve as a source of financing for illegal groups and terrorist organizations, which is a direct threat to national security. The integration of members of this agency into working bodies to combat economic fraud on the market and the gray economy enables better coordination between the various security and economic sectors in order to prevent the abuse of economic power for the purpose of destabilizing society.

Third, the active involvement of members of the Security and Information Agency in the fight against economic fraud and the gray economy contributes to the broader picture of solving the problem of economic stability. The presence of members of the Security and Information Agency ensures that the approach to the problem of economic fraud and the gray economy is not limited only to economic aspects, but also takes into account broader security implications. This integrated and holistic understanding enables more effective planning and implementation of policies aimed at suppressing illegal activities, gray economy, black production, economic fraud and strengthening the legitimate economic system.

For this reason, we believe that the presence of members of the Security and Information Agency in the national body for combating economic fraud is of key importance for preserving economic stability and social prosperity. Their expertise, resources and operational capability make them indispensable partners in combating this serious problem. Only through the synergy of economic policy and security

capacities can we effectively respond to the challenges posed by economic fraud to our society and ensure a sustainable future for all citizens.

Here are the key elements of the strategy:

1. Coordination and communication:

- ✓ **Formation of the Central Coordinating Committee (CKO):** The CKO will be responsible for coordinating the activities of all agencies involved in the fight against economic fraud, **adopting and implementing all necessary strategies, plans, budgets for activities, issuing orders for the development of national legal and by-law frameworks.**
- ✓ This committee will meet regularly with representatives of the agencies to exchange information and plan joint operations.

2. Analytical capacities:

- ✓ **Establishing a Central Analytical Center (CAC):** Creating a central place to analyze data and information to identify fraud patterns and make informed decisions.
- ✓ **Improving technological capacity:** Investing in technological resources such as data analysis, artificial intelligence and software tools for tracking transactions.

3. Operational measures:

- ✓ **Joint Operations:** Planning and conducting joint operations between agencies to combat unfair practices.
- ✓ **Fighting on 2 fronts:** taking into account external and internal factors. The external front is the control of borders and border crossings for economic frauds that spill over to the domestic market (representatives of the Customs Administration). The internal front is the fight against internal factors that are connected with the gray zone of traffic, black production, unfair competition (representatives of the tax police, market inspection, MUP, BIA, Prosecutor's Office for Economic Crime).
- ✓ **Rapid response to information:** Establishing a rapid exchange of information between agencies to enable prompt action.

4. Legal aspects and prosecution:

- ✓ **Establishment of the Working Group on Legal Aspects (RGPA):** Bringing together representatives of the judiciary and the prosecution for the effective trial and punishment of perpetrators.
- ✓ **Drafting of national regulations:** Adopting a penal policy for persons who engage in economic fraud, encourage economic fraud or participate in economic fraud, based on the laws that have been active for years in the member states of the European Union (regulations, by-laws and legal acts on the repression of economic fraud)
- ✓ **Creation of specialized teams:** Formation of specialized teams within each agency that will deal exclusively with economic fraud.

5. International cooperation:

- ✓ **Cooperation with Interpol and Europol:** Strengthening cooperation with international organizations to combat transnational unfair competition.
- ✓ **Exchange of information with neighbors:** Regular exchange of information with neighboring countries to strengthen border control and suppress illegal activities.

6. Transparency and accountability:

- ✓ **Periodic reports and evaluations:** Regular submission of reports on the activities of the National Working Body and its evaluation to ensure transparency and accountability.

7. Prevention and education:

- ✓ **Awareness campaigns:** Organization of campaigns that raise awareness of the dangers of economic fraud in order to inform consumers, businesses and other relevant actors.
- ✓ **Trainings for employees:** Conducting trainings for employees in public agencies on recognizing and dealing with cases of economic fraud.

NOTE:

It is possible to integrate the representatives of the Ministry of Agriculture into the working body for the fight against economic fraud only after fulfilling all the requirements stated in the report of the State Audit Institution dated 27.12.2023. on issues of the food safety control system on the market of the Republic of Serbia. Only after the establishment of competent capacity and commissioning of all national reference laboratories within the Directorate for National Reference Laboratories (DNRL), as well as the subsequent formation of a strategy for monitoring and inspection supervision, representatives of this Ministry could join the working body for the fight against economic fraud on the market. Until those requirements are met, the working body for combating economic fraud should function without representatives of the Ministry of Agriculture.

This comprehensive strategy, through the synergy of key agencies and carefully planned operations, should ensure an effective fight against economic fraud, thus improving market integrity, consumer protection and strengthening economic stability.

Based on the above, the hierarchical and structural representation of the National Working Body for Combating Economic Fraud could look like this:

1. National working body for combating economic fraud

- Management of the National Body:

- Director of the National Body
- Deputy Director
- Coordination Secretariat (Central Coordination Committee - CKO)

2. Research and Analysis Department

- Head of Research and Analysis Department
- Analysts for trend monitoring and fraud identification
- Experts in forensic analysis
- Specialized laboratories for the detection of economic fraud in food
- Transaction monitoring experts

3. Department for operational coordination

- Head of the operational coordination department
- Representatives of the tax police
- Representatives of the Ministry of Internal Affairs
- Representatives of the customs administration
- Representatives of the state security and information agency
- Representatives of the market inspection
- Representatives of other relevant authorities

Inclusion of representatives of the Cluster "UNITED FOR QUALITY" in the hierarchy of **the National Working Body for the fight against economic fraud** can best be achieved within **the Department for Operational Coordination**. This department would have the task of coordinating the activities of various authorities in order to work together to combat economic fraud. Representatives of the Cluster "UNITED FOR QUALITY" can contribute to the exchange of information, providing specific knowledge from the production sector, and active participation in research and analytical processes.

Thus, adding a sub-department or team within **the Operational Coordination Department** that would focus on cooperation with manufacturers. E.g:

Department for operational coordination

- Head of the operational coordination department
- Sub-department for cooperation with the Producer Cluster
- Coordinator for the cluster "UNITED FOR QUALITY"
- Analysts specialized in the production sector
- Cluster representatives as expert advisors

This subdivision would focus on establishing and maintaining cooperation with producers, exchanging information on the specifics of the sector, as well as implementing measures aimed at preserving product quality and suppressing unfair competition within that sector.

4. Department for legal affairs and sanctions

- Head of the Department for Legal Affairs and Sanctions
- Lawyers specialized in economic crime
- Professional associates for the preparation of judicial proceedings
- Sanctions Enforcement Coordinators

5. Department for technical and technological safety

- Head of the Department for Technical and Technological Security
- cyber security experts
- engineers for the analysis of technological systems
- experts in detecting and preventing espionage

6. Department for International Cooperation

- Head of the Department for International Cooperation
- Diplomats for cooperation with international partners
- Coordinators for the exchange of information with similar bodies in other countries
- Experts for the harmonization of legislation and standards

This structure enables effective communication, cooperation and specialization within **the National Working Body for the fight against economic fraud**. Departments and sectors work together to integrate various aspects of the fight against unfair competition, the protection of national borders, the implementation of internal market control and the provision of analytical and material evidence.

Independent internal control department

Also of great importance is the addition of **independent Departments of internal control** within the framework of **the National Working Body for Combating Economic Fraud**, which would have a significant role in ensuring the effective implementation of strategies for combating economic fraud and preventing corrupt elements. This department should have the task of monitoring, evaluating and ensuring that all activities of the National Body are aligned with the set goals and are carried out without corruption.

Department of Internal Control

- Head of the internal control department
- Inspectors for internal control

Activities of the internal control department:

1. Evaluation of strategies and activities:

- Regular assessment of the National Body's strategies to determine whether the objectives have been achieved and whether they have been properly implemented.
- Analysis of the effectiveness of implemented measures and identification of areas for improvement.

2. Proactive risk identification:

- Monitoring the environment and identifying potential risks that could affect the implementation of strategies.
- Analysis of trends and developments that could cause changes in risks.

3. Supervision of financial resources:

- Monitoring the expenses and budget allocation of the National Body in order to prevent irregularities and corruption.
- Proactive detection of irregularities in financial transactions.

4. Investigation of potential corrupt activities:

- Monitoring of connections with external entities that could be subject to corruption.
- Examining cases and situations that indicate corrupt practices within the National Body or in cooperation with other organizations.

5. Training and awareness of ethics:

- Conducting training for members of the National Body on ethical standards and recognizing corrupt practices.
- Promoting ethical behavior and responsibility among employees.

6. Cooperation with competent authorities:

- Coordination with anti-corruption authorities to identify and prosecute corruption cases.
- Exchange of information and best practices in the field of internal control with similar organizations.

7. Reporting on control status:

- Periodic reporting on the effectiveness of internal control, including recommendations for improvement.
- Transparency in informing the management of the National Body about potential risks and problems.

This Department plays a key role in maintaining the integrity of the National Body and ensuring that strategies against economic fraud are implemented with a high level of ethics and accountability.

Sub-department for cooperation with consumer associations

Also, part of our proposal for a strategy to combat economic fraud on the food market should include strengthening the activities of consumer associations, which can contribute to a more effective fight against economic fraud and at the same time encourage producer responsibility. This can be integrated into different segments of the National Body, but it is most logical to enter it in **the Department for Operational Coordination**, where coordination between different bodies is usually carried out.

Department for operational coordination

- Head of the operational coordination department
- Sub-department for cooperation with consumer associations
- Coordinator for cooperation with consumer associations
- Representatives of consumer associations as consultants

Activities of the subdivision for cooperation with consumer associations:

1. Consumer education:

- Implementation of educational campaigns for consumers on recognition of unfair competition, product quality and protection of their rights.
- Organization of workshops and seminars in cooperation with consumer associations in order to inform about issues important to consumers.

2. Collection of information from consumers:

- Setting up mechanisms for reporting suspicious products by consumers.
- Establishing a centralized system for collecting information and feedback to consumer associations.

3. Cooperation in investigations:

- Developing communication channels between the National Authority and consumer associations to facilitate the exchange of information on potential fraudulent practices.
- Inclusion of representatives of consumer associations in research teams during relevant investigations.

4. Monitoring the market from the consumer's perspective:

- Working in partnership with consumer associations to regularly assess the quality of products and services on the market.
- Monitoring the needs of consumers and adapting the strategies of the National Body in accordance with this information.

5. Promotion of transparency:

- Encouraging proactive sharing of information with consumers about product safety and actions taken against unfair competitors.
- Organization of events and campaigns that promote transparency in business.

6. Advisory bodies:

- Inclusion of representatives of consumer associations in advisory bodies that contribute to decision-making and policies related to consumer protection.

This integration enables direct collaboration between the National Authority and consumer associations, leading to more effective identification and resolution of issues affecting consumers. Consumer associations play an important role in supporting market sustainability and protecting consumer interests from unfair practices.

Along with the activities of the **National Body for Combating Economic Fraud**, it is crucial to implement parallel initiatives that support competitiveness and increase the capacity of domestic registered producers. Also, it is important to develop a strategy for the promotion of cooperation and the introduction into legal channels of natural persons who produce and distribute products, especially in the context of alcoholic beverages and wine.

Parallel initiatives to support domestic producers:

1. Capacity support program:

- Development of a program that provides training, financial assistance and technical support to domestic manufacturers to improve their capacity, product quality and business efficiency.
- Creation of funds or subsidies for investments in modernization of equipment and technology.

2. Promotion of domestic products:

- Implementation of marketing campaigns that promote domestic products and encourage consumers to support local brands.
- Open communication with consumers about the advantages of domestic products in terms of quality, preserving tradition and supporting the local economy.

Strategy for cooperation and legalization of natural persons:

1. Cooperation program:

- Developing a program that promotes cooperation between natural persons who produce semi-finished products, especially in the alcoholic beverages and wine sector, and registered producers.

- Providing incentives and benefits for individuals who join registered producers and cooperate in a legal manner.

2. Regulation and supervision:

- Improving the regulatory framework to enable transparent business and clear rules for natural persons cooperating with producers.
- Increasing surveillance and inspection activities to ensure compliance with the law.

These initiatives not only support domestic producers but also create an environment that attracts individuals to legally participate in the economy, thus reducing the need for illegal activities.

V. Conclusion

From everything stated above, the "UNITED FOR QUALITY" Cluster is aware that there is already a certain level of cooperation between competent institutions, and we believe that the existing cooperation framework should be improved, including new actors, in order to raise the importance of the fight against economic fraud to a higher level. . Our goal is to take a more serious approach to solving these problems through the organization and more effective coordination of analytical, operational and legal capacities.

The fact is that we are faced with serious challenges of economic fraud in the production and trade of food and beverages, and their influence extends through social, commercial and economic aspects. This threat requires a determined and coordinated effort at the national level to preserve the integrity and authenticity of food.

Based on the above information, the conclusion is that the suppression of economic frauds related to food is a challenge that requires coordinated and decisive actions. Key strategies to address this issue include:

1. **Organization of the national working body:** Formation of an efficient national body dedicated to the fight against economic fraud in food production and trade. This body should be key in leading and coordinating activities at the national level.
2. **Independent internal control department:** Setting up an independent internal control department to ensure consistent enforcement of regulations and identification of potential fraud within the system.

3. **Cooperation with consumer associations:** Active cooperation with consumer associations to develop transparency and support consumers in recognizing authentic products.
4. **Support for domestic producers:** Development of parallel initiatives supporting domestic producers in order to improve their competitive position, raise production capacities and encourage the production of authentic products.
5. **Strategy for cooperation and legalization:** Development of a strategy that encourages cooperative production that connects individuals, agricultural farms and registered producers and at the same time fights against illegal activities, especially individuals who contribute to the placement and circulation of illegal products on the market.

The conclusion would therefore be that there is an urgent need to implement these strategies in order to preserve economic stability, protect the authenticity of products and ensure consumer safety.

The recent strategy of the President of the Republic of Serbia, Aleksandar Vučić, on further development and increasing the economic security of citizens, sets an ambitious goal of increasing the state budget three times in the next year, reaching a value of 100 billion euros. The "UNITED FOR QUALITY" cluster supports this policy and believes that, through joint efforts and our proposal to increase the competitiveness of domestic producers, we can contribute to the achievement of this ambitious goal. We believe that the formation of a national front in the fight against invisible threats, both external and internal, can significantly contribute to strengthening the capacity of the food industry in the Republic of Serbia, with a potential positive impact on the entire region of the Western Balkans. We are convinced that this is a key step towards building the prosperous country we all want.

In short, the Cluster "UNITED FOR QUALITY" is of the opinion that the previous activities of the competent authorities have not borne fruit to protect the market from various frauds, gray areas of traffic, black production and unfair competition, and now the request is to make all available capacities in the state available. In order to finally solve these problems in an adequate way. For these reasons, we appeal to the competent authorities that these problems must begin to be solved.

In Pančevo, on February 27, 2024.

Management Board of Cluster "UNITED FOR QUALITY"

