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Required Report - public distribution

**Date:** 3/31/2014

**GAIN Report Number:** RB1403

## Serbia

### Grain and Feed Annual

### Grain and Feed Annual

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**Report Highlights:**

MY2014/15 wheat area is estimated at 550,000 hectares (HA), approximately 8 percent lower than last year. Wheat production is forecast at 2.4 million metric tons (MT), assuming normal weather.

MY2014/15 corn planting intentions are forecast at 1.3 million HA, slightly higher than the previous year. Corn production is projected at 6.8 million MT. From October 2013 to February 2014, Serbia exported 1 million MT of wheat due to the excellent wheat quality and competitive price compared to other countries in the region. In 2012/13, Serbia produced 62 percent more corn than in the previous year, when corn production and exports were reduced by more than 50 percent because of the weather.

Serbia is expected to return to the world market in MY 2013/14, with approximately 2 million MT of corn exports.



**Executive Summary:**

Total planted area during the fall and spring for all crops in Serbia is estimated at about 3.5 million HA, similar to the previous year. Approximately 700,000 HA were planted in the fall, and the remaining 2.8 million HA will be planted this spring.

The MY2014/15 wheat crop is reported to be 8 percent lower than last year, with only 550,000 HA planted area. With estimated wheat yields of approximately 4.4 MT/HA, total production is expected to be 2.4 million MT. For the past three years, total wheat planted area has been increasing. In fall 2012, Serbian farmers planted a larger wheat area, which resulted in over 1 million MT for exports. During the last several years, Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats. Persistently high summer temperatures have devastated their spring crops. Also winter planting has proven to be more cost effective than the spring crops since they do not use certified seeds, but still get higher yields than for spring crops.

Good weather conditions with a lot of rain and warm weather during 2013, created excellent conditions for the MY2013/14 wheat crop development. Given Serbian farmers planted a record area of 600,000 HA of wheat in the fall (up 25 percent from the previous year) and there were record yields of almost 5 MT/HA, total production reached a record high of 2.94 million MT. According to the Novi Sad Institute for crops and vegetables, the wheat crop was of excellent quality and quantity. Serbia is expected to be able to export about 1.2-1.4 million MT of wheat during MY2013/14, due to the abundant crop. Wheat prices in Serbia rose significantly from the harvest in July 2013 (16din/kg or US\$188/MT) to November 2013 (20din/kg or US\$235/MT). From November 2013 until February 2014, wheat prices have remained steady (20din/kg or USD235/MT). Since March 2014, wheat prices have begun to increase again, mainly as a result of the political uncertainty in the Ukraine which has prompted an increased demand for Serbian wheat.

In MY2012/13, corn exports only reached 575,000 MT. This was less than the ten year average, due to the significantly reduced crop size and problems with aflatoxin in MY2012/13. The corn harvest started almost a month earlier in fall 2013, along with the sunflower and soya harvest.

For MY2013/14 corn planted area was reported as 1.25 million HA, with total corn production estimated at 6.4 million MT. After last year's extreme summer drought reduced Serbia's average corn yields to only 2.7 MT/HA and total production to only 3.5 million MT (a decline of over 50 percent), MY2013/14 looks much more promising. The price of Serbian corn increased during MY2013/14 from 13 din/kg (US\$153/MT) in October 2013 to 17.50 din/kg (US\$206/MT) in March 2014.

For MY 2014/15, Serbia's corn planted area is projected to be 1.3 million HA, a 4 percent increase. Total corn production is forecast at 6.8 million MT, which equates to an average yield of 5.2 MT/HA.

In MY2013/14, barley was planted on 86,000 HA, of which 60,000 HA was winter barley and 26,000 HA was spring barley. MY2013/14 barley production reached record high volumes of 344,000 MT, with an average yield of 4 MT/HA. The barley was the best quality its been in the last five years. In MY2014/15, barley area is projected to be about 85,000 HA, of which 65,000 HA was planted last fall as winter barley and an additional 20,000 HA will be planted as spring barley. It is projected that

average yields will be approximately 3.8 MT/HA and that total barley production could reach 320,000 MT.

For MY2014/15, sources estimate about 700,000 hectares were seeded in the fall, of which about 550,000 went to wheat and 150,000 HA went to rye, oats, barley, rapeseeds alfalfa and clover. It is estimated that in spring 2014 there will be an additional planting of 2.8 million HA of spring crops (i.e. corn, sunflower, soya, sugar beet, tobacco, vegetables, forage crops, small grains, and other crops), or 3.7 percent more than in spring 2013, bringing total planted area in Serbia to about 3.5 million HA.

Planting of spring crops starts the end of March/beginning of April. Total planting costs have reportedly increased 15 percent compared to the previous year. Due to the very warm winter and very low precipitation levels during the past three months, moisture levels are still an issue and farmers may have some difficulties with spring planting.

**Table 1: Final spring sowing area in 2013 and expectations for spring 2014**

<b>Crop</b>	<b>Sowing areas in HA</b>	
	<b>2013</b>	<b>2014 projected</b>
Small grains	160,000	160,000
Corn	1,250,000	1,300,000
Sugar beet	70,000	70,000
Sunflower	180,000	200,000
Soya	180,000	180,000
Tobacco	8,000	7,000
Vegetables	300,000	370,000
Forage crop	380,000	390,000
Other crops	170,000	120,000
<b>Total:</b>	<b>2,698,000</b>	<b>2,797,000</b>

Source: Serbian Chamber of Commerce

## **Commodities:**

Wheat

## **Production:**

According to the Serbian Ministry of Agriculture, Serbian producers planted 600,000 HA of wheat in MY2012/13, or 25 percent more than the year before. This increase occurred for several reasons. First, wheat as a winter/spring crop suffered almost no damage from the extreme drought in the summer of 2012 and even experienced higher yields. Also, even with the significant size of the wheat crop in 2012, wheat prices increased during the harvest and remained stable at approximately 27 dinars/kg (USD\$318/MT) during the fall and winter. The wheat planted in the fall was at the optimal time for seeding and during the winter it was mostly covered and protected by snow. Spring and summer conditions were also very good with enough moisture and sunshine. This resulted in excellent wheat yields and good baking quality in MY2013/14.

In June 2013, Serbian farmers harvested a record quantity of 2.94 million MT of wheat of excellent crop quality. Average wheat yields reached a record high of 4.9 MT/HA, while in some parts of Serbia wheat yields even topped 9 MT/HA. Domestic consumption of wheat is estimated at 1.5 million MT, 1.4 million will be available for export and some 140,000 MT will be left for stocks.

**Table 2: Wheat area and production, Serbia 2007-2013**

<b>Wheat</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014 estimated</b>
Area (HA)	570,000	488,000	490,000	480,000	600,000	550,000
Production (MT)	2,130,000	1,650,000	2,000,000	1,900,000	2,940,000	2,400,000

In fall 2013, Serbian farmers planted approximately 550,000 HA of wheat, or 8 percent lower than the previous year. With estimated average wheat yields of 4.4 MT/HA, total production could reach 2.4 million MT - more than sufficient to meet domestic consumption of approximately 1.5 MT, leaving 800,000 MT for export and 250,000 MT for stocks. According to the Serbian Grain Fund, Serbia's wheat exports reached a record 1 million MT from July 2013 to January 2014 or 45% higher than total MY 2012/13 exports. Serbian wheat exports were mainly destined for neighboring countries (i.e. Bosnia and Herzegovina, Montenegro, Croatia, Kosovo, Macedonia and Albania), but also Italy, Spain, Portugal, Tunisia, Angola and Libya. Serbian market prices during July-October were lower and more competitive than other regional competitor's at 16 dinars/kg (US\$188/MT), but have since risen to 20 dinars/kg (US\$235/MT) due to tighter supplies.

Serbia had a mild winter this year that suited wheat development. During the first two-weeks in January 2014, wheat planting areas in Serbia were covered by small amounts of snow, providing good protection from low temperatures. In the second part of January and February and March the weather was very mild, but lacked moisture. Due to the dry warm weather, field mice and other pests have caused some damage to the wheat crop, but not significantly. The first rain after two months of dry weather started in the beginning of March and this week long precipitation improved growing conditions for the wheat development at the last moment. According to the Serbian wheat experts, the current wheat in the fields is in excellent condition. For the past month, farmers have been putting mineral fertilizers on the fields and the necessary plant protection treatments. Final crop size will depend on the weather conditions from March to July 2014. For MY2014/15, sufficient wheat stocks and probably a good crop will guarantee a good supply and lower prices that will be attractive on the world market.

Serbia's annual consumption of wheat seed is 150,000 MT from domestic and imported seed sources.

This year, seed companies in Serbia are offering more than 70 varieties of wheat planting seeds. The majority of the market (about 70 percent) is controlled by the local seed-producing institutes. About 50 percent of the wheat seeds are certified, while the rest are wheat seeds from the previous crop and are used by small Serbian farmers with limited financial resources who cannot afford to buy certified seeds.

In fall 2013, the price of seed wheat in Serbia was around 36 dinars/kg (US\$423/MT), or about 15 percent higher than in the fall of 2012.

Serbian farmers use less than half the amount of chemical fertilizers that farmers in developed countries use, due mostly to the lack of financing. As a result of the limited use of mineral fertilizers and certified planted seeds, crop yields in Serbia are much lower than in most EU countries. Mineral fertilizer prices are similar in the MY2014/15 planting season to those of MY2013/14. Almost half of the 800,000 MT of fertilizers used in Serbia annually are imported from Russia, Croatia, Romania, the Ukraine, and Hungary.

**Table 3: Prices of fertilizers and diesel (in Din and US\$)**

Commodity	March -2012		March -2013		March-2014	
	Din/MT	US\$/MT	Din/MT	US\$/MT	Din/MT	US\$/MT
Fertilizer	40,000	471	37,000	435	37,000	435
Urea	44,000	519	44,000	519	42,000	490
Diesel	140 din/lit	1.75 US\$/lit	153 din/lit	1.80 US\$/lit	155 din/lit	1.82 US\$/lit

Source: Novi Sad Commodity Exchange

### **Consumption:**

Total domestic consumption of wheat in Serbia for this year is estimated to be around 1.5 million MT annually. Serbia's annual consumption of wheat seed is approximately 150,000 MT.

Wheat for human consumption is estimated at 1.2 million MT annually with per capita consumption at 180 kg, which is significantly higher than consumption levels in most European countries. Currently, there are about 370 wheat silos (of various sizes) in Serbia owned by milling companies, grain traders, and farmer cooperatives. The total capacity of these silos is estimated at 3.8 million MT. Wheat milling capacity is estimated at about 2.5 million MT, but only 60 percent of this capacity is currently utilized.

There are 120 industrial bread production facilities in addition to a large number of registered bakeries (1,700) with an annual capacity of about 1.5 million tons. There are six large companies involved in pasta production and over 600 small private pasta producers in Serbia.

Feed consumption, mostly for cattle, varies between 200,000-300,000 MT, depending on the quality of the crop in a given year. Due to the excellent wheat quality in MY2013/14, more wheat will likely go to human consumption than to feed consumption. In MY2012/13, Serbia suffered from a lack of corn for feed, so farmers used more wheat for that purpose. In MY2013/14, Serbia began separating high quality wheat for human consumption from wheat sold at lower prices and mainly used for feed.

### **Quality of wheat:**

The overall quality of the MY2013/14 wheat crop was reported to be excellent, considerably above the five-year average. The low percentage of moisture and foreign materials made it easier to store the wheat. A high average protein content of 12.3 percent and hectoliter weight of over 78 kg/hl (showing milling quality of wheat) qualified most of the MY2013/14 Serbian wheat as 1<sup>st</sup> class and very desirable for export. According to Serbian regulations, wheat is classified into 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quality classes. The key problem for Serbian wheat producers is the mixing of different wheat qualities when stored and the inability to always offer for export a consistent quality, due to how the grain is handled and stored.

According to the Serbian Grain Fund, for years they have been asking the Ministry of Agriculture to adopt a new Rulebook on Wheat Quality to help meet international standards in wheat trading.

**Table 4: MY13/14 Wheat Quality Parameters**

Parameter	Average values of Serbian MY13/14 wheat crop
Hectoliter Weight	78.08 kg/hl
Moisture	13.8%
Proteins	12.32%
Foreign Materials	4.4%
Hagberg Falling Number	280
Alveogram W	200
Wet Gluten Content	23%

Source: Serbian Grain Fund

### **Trade:**

In MY2012/13, Serbia exported 499,452 MT of wheat and 139,763 MT of flour, plus an additional 20,000 MT to Kosovo, for a total of 840,000 MT. Part of Serbia's wheat trade is shipped by truck to neighboring Bosnia and Herzegovina, Montenegro, Macedonia and Albania, while the largest quantities of wheat are shipped by barge to Port Constanza, Romania. Serbian wheat is mostly sold to foreign international companies FOB at Port on the Danube in Serbia. Serbian (higher quality) wheat is sold to Spain, Germany, Italy and France. Serbian wheat flour is mostly sold to Montenegro, Bosnia and Herzegovina, Kosovo, Macedonia and Albania.

In July 2013, Serbia's Commodity Reserve purchased 59,500 MT of the MY2013/14 crop at a price of 20 dinars VAT included (US\$235/MT). The transactions were done thru the Novi Sad Commodity Exchange and it was almost a "battle" amongst the farmers as the State offered 3-4 dinars above the wheat market price that was available at the time. Nearly 59,500 MT sold in a day. Registered farmers and agricultural cooperatives were allowed to buy between 5-50 MT each. However, this Government action did not have much of an effect on the wheat prices, given it represented only about 2 percent of MY2013/14's approximately 3 million MT wheat crop. The goal of the Commodity reserves was to boost the very low post harvest wheat prices, which didn't even cover wheat production costs. Many farmers chose to store their crop for a better price later in the year, than sell at the time of harvest.

MY2013/14 wheat production was 2.94 million MT and of excellent quality. This record high production is expected to result in approximately 1.2-1.4 million MT of wheat being available for export. The Serbian wheat market price during July-November was approximately 16-17 dinars/kg (US\$188-200/MT), which was lower and more competitive than wheat from Hungary and Ukraine (Serbia's top competitors). However by November 2013 the price was 20din/kg (USD235-247/MT). The price increase for Serbian wheat made it some of the most expensive in the region thus slowing the export boom by the end of 2013. It is estimated that wheat exports in MY2013/14 will reach 1.4 million MT. Serbia's exports were mainly destined for neighboring countries such as Bosnia and Herzegovina, Montenegro, Croatia, Kosovo, Macedonia and Albania, but also to Italy, Spain, Portugal, Tunisia, Angola and Libya. Between July 2013 and February 2014, Serbia exported a record quantity of 933,839 MT of wheat and 100,625 MT of wheat flour. By the beginning of February 2014, Serbia had 880,000 MT of MY2013/14 wheat left, along with the remaining stocks in the State Commodity Reserves. Thus there are only approximately 365,000 MT of wheat for export during February-June 2014.

**Table 5: Wheat exports in MY13/14 (July 2013-February 2014)**

Month	Wheat MY13/14 in MT	Flour MY13/14 in MT
July	241,615	10,567
August	200,983	12,315
September	182,138	14,467
October	98,585	12,569
November	112,387	15,718
December	59,288	14,288
January	18,532	9,098
February	20,311	11,603
<b>TOTAL:</b>	<b>933,839</b>	<b>100,625</b>

Source: Serbian Grain Association

If the weather remains fair over the next four months, wheat crop production in MY2014/15 could reach 2.4 million MT with estimated wheat yields of about 4.4 MT/HA. Total production would be enough for estimated domestic consumption of 1.5 million MT and wheat exports of 800,000 MT, while estimated MY14/15 wheat ending stocks would be about 250,000 MT.

Per the Stabilization and Association Agreement (SAA), approximately 95 percent of all EU imports became duty free effective January 1, 2014. The remaining items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities. These products include honey, fresh tomatoes, peppers, potatoes, leafy greens, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy and most dairy products. The duty rate for imported wheat (tariff no. 100190 99 10) and for wheat flour (tariff n. 1101 11 15) from EU countries is 18 and 20 percent respectively, while the general duty rate for wheat and wheat flour imports from other countries including the U.S. will continue to be 30 percent.

Macedonia, one of Serbia's larger export markets for wheat and flour began blocking wheat and flour imports from Serbia in February 2013. Macedonia's Food and Veterinary Agency rejected Serbian wheat and flour imports, reportedly for higher than permitted heavy metal levels. On July 1, 2013, Macedonian introduced a new domestic purchase requirement as a pre-condition to import wheat and flour. For every kilo of imported wheat grain traders had to purchase 3 kilos of domestic wheat and for every kilo of imported flour they were required to purchase 4 kilos of domestic flour. Annually Serbia exports 50,000 MT of wheat (valued at US\$13 million) and 45,000 MT of flour (valued at US\$18 million) to Macedonia. The Serbian Ministry of Agriculture sought a Central European Free Trade (CEFTA) Agreement Joint Committee meeting on July 22, 2013, to solve these trade problems with Macedonia. CEFTA, which was established in 2006, was intended to enable free trade amongst its members (Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo). The Joint Committee meeting agreed that the Macedonian measures would be removed (effective August 31, 2013 for the wheat and September 15, 2013 for the wheat flour).

#### **Stocks:**

It is estimated that currently Serbia has 880,000 MT of MY2013/14 wheat in stocks. Domestic consumption until the new wheat harvest is estimated to be 375,000 MT and Serbia is expected to export an additional 365,000 MT thru July 2014, so current estimates for the ending stocks of



MY2013/14 wheat at the end of June are about 140,000 MT. Small wheat producers usually sell their crops to traders and milling companies' immediately after the harvest. The milling companies take advantage of their large storage capacity to negotiate competitive prices from the farmers. However, for the past couple of years, the government has started to intervene by providing storage subsidies in order to allow smaller farmers to store their wheat and then sell it later when wheat prices are more advantageous.

**Policy:**

On June 18, 2013, in order to avoid in 2014 the aflatoxin problems experienced in 2013, the Serbian Ministry of Agriculture published instructions for storing the MY2013/14 crop. The instructions include the following: 1) the grain storage company must clean and disinfect all parts of the storage facility at least 10 days before delivery of new grains; 2) during storage, the company must constantly control the condition and quality of the goods; 3) after delivery of the grains, the company must check daily the humidity, temperature and all other health aspects of the stored goods. According to the Ministry of Agriculture, all companies involved in grain storage must follow the instructions relating to good manufacturing and hygiene practices, especially those pertaining to Hazard Analysis Critical Control Point (HACCP). The instructions can be found at the following Ministry of Agriculture's web page: [www.mpt.gov.rs/download/uputstvohccp.pdf](http://www.mpt.gov.rs/download/uputstvohccp.pdf).

In July 2013, the Serbian Ministry of Agriculture adopted a new Rulebook on the Conditions and Application System for the Eligibility to Obtain State Subsidy for the Costs of Storage of Agricultural Products in Public Warehouses ("Official Gazette RS" no. 61/13 dated 07/12/13). Subsidies for storage of wheat, corn, raspberries, blackberries and sour cherries can be requested by individual farmers, cooperatives, or legal entities.

In July 2013, the Serbian Ministry of Agriculture also adopted a Rulebook on the Conditions for Entitlement for Fuel Subsidies ("Official Gazette RS" No. 67/13 dated 31/12/13), according to which registered farmers can submit their application for state subsidies for fuel by September 1, 2013.

In November 2013, the Serbian Parliament adopted a new Law on Commodity Reserves ("Official Gazette RS" No. 104/13) that should help stabilize market prices and facilitate implementing more EU-compatible intervention mechanisms. The greatest contribution to price stability will come from improving the efficiency of import and export market chains, thus reducing price volatility. The Law on Commodity Reserves defines the phases of commodity procurement, specifies how the commodities should be stored, outlines the system for issuing commodity loans, and specifies how/when stocks should be replenished. According to the new law, the Ministry of Agriculture (agriculture inspection), Ministry of Trade (Market inspection), Ministry of Energy (oil reserves) and Ministry of Finance will each have a role in checking commodity reserves. The new law distinguishes between maintaining strategic reserves for food security purposes and regulating commodity reserves for purposes of stabilizing agro-food markets.

In mid-December 2013, the Serbian Government adopted a final budget for 2014 allocating approximately 5.65 percent, or 47 billion dinars (550 million USD), to agriculture. This is slightly higher (1.15 percent) than last year's agricultural allocation. In January 2013, the Serbian Parliament adopted the Law on Incentives for Agriculture Production and Rural Development that stipulated that the agriculture budget may not be less than 5 percent of Serbia's total budget. For 2014, approximately 31 billion dinars (US\$365 million) will be used to cover production subsidies (mainly for

milk, livestock, and fruits), 10 billion dinars (US\$114 million) will be dedicated to diesel fuel payments and certified seed refunds to registered farmers, and 6 billion dinars (US\$71 million) will be for new investments in the food and agriculture sector, such as supporting further processing of agriculture products (e.g. new storage facilities, including cold storage for fruits and vegetables, as well as new processing capacities and incentives to modernize livestock production).

In January 2014, the Serbian Ministry of Agriculture, Forestry and Water Management presented a new Draft Serbian Agriculture and Rural Development Strategy for 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements. The proposed reforms will try to improve Serbia's business environment and competitiveness, raise living conditions, and introduce greater stability for Serbia's farmers in rural areas. The strategy also more uniformly and equitably divides state agricultural resources amongst all potential stakeholders. The Ministry is planning outreach activities throughout Serbia and has already posted the draft Strategy for public comment (<http://www.mpt.gov.rs/articles/view/13/3451/index.html>). Adoption of the new Strategy likely will be one of the first tasks of the Minister of Agriculture in the new Serbian Government (elections just concluded on March 16, 2014, and the government is being formed).

In January 2014, the Serbian Government adopted the Decree on agriculture subsidies for 2014. According to the new Decree on Subsidies for Agriculture and Rural Development ("Official Gazette" Republic of Serbia No. 8/14, date 01/29/14), registered farmers will receive 12,000 dinars/HA (US\$141/HA) - 6,000 dinars (US\$70.5) per planted area and 6,000 dinars (US\$70.5) to purchase diesel fuel, certified seeds, and/or mineral fertilizers. The Decree increased the subsidies for the livestock sector from: 4,000 (US\$47) to 5,000 dinars (US\$59) per breeding sow; 4,000 (US\$47) to 7,000 (US\$82) dinars per breeding sheep and goat; and 1,000 (US\$12) to 2,000 dinars (US\$23.5) per lamb. The Ministry earmarked 230 million dinars (US\$2.7 million) for beekeeping subsidies offering 500 dinars/bee hive (US\$5.8/bee hive), 93 million dinars (US\$1.1 million) for organic production, and 80 million dinars (US\$941,000) for purchasing food processing equipment. The Serbian Government also set aside 1 billion dinars (US\$11.8 million) to subsidize interest rates for short-term farm loans for agricultural capital improvements (i.e. greenhouses and cold storage facilities).

At the beginning of 2014, the Serbian Ministry of Agriculture, Forestry and Water Management, announced that USD 100 million provided by the Abu Dhabi Fund for Development (ADFD) would be available to build irrigation systems on approximately 25,000 hectares of arable land during 2014. Serbia currently has 11 irrigation projects with building permits ready to be implemented immediately. Most of the projects will be built in Vojvodina and few will be constructed in Central Serbia. The funds will be used mostly for digging the canal network and for converting the systems that were used in the past only for drainage and creating new irrigation for agricultural land under drought conditions. According to Ministry of Agriculture a second tranche of ADFD loans (an additional US\$ 100 million) will soon be available for Serbian farmers to invest in new farms, grain and oilseeds storage, greenhouses, agriculture machinery and improving food processing capabilities.

In March 2014, the Serbian Ministry of Agriculture, Forestry and Water Management adopted a new Rulebook on state-subsidized farm loans in dinars ("Official Gazette" RS No. 30/14, dated 03/14/14), without a foreign currency clause. The annual interest rate on loans for livestock farming will be 4 percent and loans for other agricultural purposes 6 percent. The lending will come with repayment

schedules ranging from one to three years, including a grace period of up to a year. Loans will be available to individual farmers and micro and small agricultural enterprises up to a maximum amount of 5 million dinars (US\$ 60,000) and for agriculture cooperatives of at least 10 members up to a maximum amount of 15 million dinars (US\$ 176,000). Serbian farmers will be able to use loans for development of crop production, investments in agriculture mechanization and other equipment (for irrigation and farming) and for production of value added products such as processed fruits, vegetables, herbs and flowers

Since the Regulation on Subsidies in Agriculture and Rural Development have been in effect, Serbian farmers have received US\$14.3 million in support according to the Serbian Ministry of Agriculture. Payments include outstanding subsidies from last fiscal year. The livestock sector received the majority share of the total (US\$13.2 million), with close to a third (US\$4.5 million) going to the dairy sector for 4th quarter 2013 payments.

#### **USDA/OCBD Activity:**

In September 2013, USDA co-organized a workshop “Futures and Options Markets for Agricultural commodities” in Belgrade. Experts from USDA-ERS presented mechanisms for a futures and options market and described the conditions and advantages of such trading systems, including discussing the possibility of upgrading Serbia’s Novi Sad Commodity Exchange (NSCE) to include a futures and options market for grains and oilseeds. The workshop was attended by 55 participants, mostly from Serbia’s agribusiness and grain trading companies.

#### **Marketing:**

The Serbian wheat market price during July-November was approximately 16-17 dinars/kg (US\$188-200/MT), which was lower and more competitive than wheat from Hungary and the Ukraine (Serbia’s top competitors). However by November 2013 the price was 20din/kg (USD235-247/MT). Now, in March 2014, the price is 21-22 dinars/kg (US\$247-259/MT). Further movement in wheat prices will depend on whether the political turmoil in the Ukraine continues to create uncertainty and fluctuations in export prices. The average export price of wheat and corn from Russia and Black Sea ports increased approximately 5-6 percent in March 2014. This also affected Serbian wheat prices, as a result of increased demand for Serbian grains as replacement for grains from the Ukraine.

In January 2014, the Serbian Government adopted a Rulebook on mandatory production and trade of bread from flour type “T-500” (“Official Gazette RS” No. 8/14 dated 01/29/14), so called “social bread”. The rulebook is valid from February 1 to July 31, 2014. Under this Rulebook bakers must allocate at least 40 percent of their production to this type of bread, using wheat flour type “T-500”. Also the production price cannot exceed 39.39 dinars/loaf (US\$ 0.46/loaf) and that the trade margin cannot exceed a maximum 6 percent.

#### **Production, Supply and Demand Data Statistics:**

<b>Wheat Serbia</b>	<b>2012/2013</b>		<b>2013/2014</b>		<b>2014/2015</b>	
	<b>Market Year Begin: Jul 2012</b>		<b>Market Year Begin: Jul 2013</b>		<b>Market Year Begin: Jul 2014</b>	
	<b>USDA</b>	<b>New</b>	<b>USDA</b>	<b>New</b>	<b>USDA</b>	<b>New</b>

	<b>Official</b>	<b>Post</b>	<b>Official</b>	<b>Post</b>	<b>Official</b>	<b>Post</b>
<b>Area Harvested</b>	480	480	600	600		550
<b>Beginning Stocks</b>	361	361	183	93		140
<b>Production</b>	1,900	2,000	2,600	2,940		2,400
<b>MY Imports</b>	11	12	10	7		10
<b>TY Imports</b>	11	12	10	7		10
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	2,272	2,373	2,793	3,040		2,550
<b>MY Exports</b>	689	840	1,100	1,400		800
<b>TY Exports</b>	689	840	1,100	1,400		800
<b>Feed and Residual</b>	200	240	300	300		300
<b>FSI Consumption</b>	1,200	1,200	1,200	1,200		1,200
<b>Total Consumption</b>	1,400	1,440	1,500	1,500		1,500
<b>Ending Stocks</b>	183	93	193	140		250
<b>Total Distribution</b>	2,272	2,373	2,793	3,040		2,550
1000 HA, 1000 MT, MT/HA						

## **Commodities:**

Corn

### **Production:**

MY2013/14 corn planted area was reported at 1.25 million HA, with total corn production estimated at 6.4 million MT. Given the extreme summer drought the year before reduced Serbia's corn production by over 50 percent to only 3.5 million MT (only an average yield of 2.7 MT/HA), the MY2013/14 corn crop looks good. In fall 2013, the corn harvest started almost a month earlier along with the sunflower and soya harvest. Corn production in MY2013/14 is estimated to be of good quality and reached 6.4 million MT (70 percent higher than last year.) Corn yields for MY13/14 are ranging from 4 MT/HA to 8 MT/HA, with an average yield of 5.10 MT/HA. Domestic consumption of corn in Serbia is estimated at 4.3 million MT, leaving Serbia approximately 2 million MT of the new corn crop for export.

For MY2014/15, Serbia's corn planted area is projected to be 1.3 million HA, a 4 percent increase from the previous year. Total corn production is forecast to reach 6.8 million MT, which equates to an average yield of 5.2 MT/HA. The price of Serbian corn increased during MY2013/14, starting in

October 2013 at only 12.8din/kg (US\$151/MT) for the old crop and 13din/kg (US\$153/MT) for the new crop, but reaching 17.50din/kg (US\$206/MT) by March 2014.

Due to the warm weather in August 2013 that resulted in earlier maturing of corn, Serbian farmers started harvesting their corn together with the sunflowers and soybeans. Due to the unusual high temperatures during the harvest in September and October, some farmers left some corn crops in the fields longer in order to lower the moisture content and thus reduce the drying costs. Even though the extreme high temperatures in August damaged approximately 20 percent of the corn, MY2013/14 corn production reached a satisfactory level of about 6.4 million MT with an average yield of 5.1 MT/HA.

Corn accounts for about 37 percent of total planted area of field crops in Serbia. This year corn planting in Serbia is expected to start mid-April and will last until mid-May. Corn farmers have been advised to plant seeds much deeper in the soil to adjust for the soil moisture and anticipated hot weather during the growing season. It is predicted that MY2014/15 corn area will be about 50,000 HA more than last year. It is estimated that corn will be planted this year on 1.3 million HA and that total production could reach 6.8 million MT, assuming an average yield of 5.2 MT per hectare.

Corn is the main crop in Serbia that producers can easily store on their farms. Farmers harvest the crop in October and November and it can either be stored on farms to dry naturally or taken to drying facilities. When farmers select to store their grain on farm, they usually sell their crop during what is called the “second harvest” in March before the start of the new planting season. Naturally dried corn normally has moisture contents between 14 and 17 percent and is usually offered for sale in small lots.

Serbia’s requirement of commercially certified seed corn is estimated between 24,000 and 26,000 MT annually, depending on seed varieties and the area planted. There are two major players in the corn seed production business in Serbia: the Institute for Field and Vegetable Crops of Novi Sad (NS Hybrids) and the Maize Research Institute of Zemun Polje (ZP Hybrids). They are both semi-state owned institutes and currently control 35 and 32 percent, respectively, of the corn seed market in Serbia. The rest of the seed corn market is mostly shared amongst foreign companies with a presence in Serbia (i.e. Pioneer Hi-Bred, KWS, Lomagrain, Syngenta, and Monsanto).

Not only was corn production in MY2012/13 severely damaged by the drought that reduced corn yields by 50 percent, but the extreme temperature variations during the drought set up the conditions for aflatoxin problems throughout the region. In November 2012, an international testing and certification company “SGS,” publicly announced that almost 70 percent of Serbia’s total corn production was contaminated by aflatoxins and deemed unsuitable for human consumption. By December 2012, the dispute over the aflatoxin levels resulted in only small quantities being imported by neighboring countries. Under normal conditions, corn represents Serbia's top agricultural commodity, and the country ranks among the top ten corn-producing countries in the world.

In 2011, Serbia harmonized its rules on aflatoxin levels in milk with the EU’s, setting the limit at 0.05 micrograms/kg. However, the Serbian rule on aflatoxin B1 in cattle feed was not changed from 10 micrograms/kg. In March 2013, two weeks after aflatoxin levels exceeding the new milk tolerance began to appear, the Serbian Government increased the maximum tolerance level from the EU level of 0.05 micrograms/kg to the Codex Alimentarius level of 0.5 micrograms/kg for milk. The Ministry of Agriculture is currently considering returning the maximum level back to the EU level by May 2014, in

order to allow Serbia's domestic dairy industry to adjust and be able to export to the EU. The aflatoxin situation resulted significant trade losses for both corn and dairy exports in 2013.

To monitor the presence of Aflatoxin B1, the Ministry of Agriculture established a requirement that at least 200 samples of corn be taken from the 2013 harvest pre storage and at least 400 samples from storage. This increased sampling program was intended to provide an early alert to avoid a similar situation happening again, in which affected feed resulted in elevated aflatoxin levels in milk.

#### **Consumption:**

Total domestic corn consumption for the last five years has varied between 3.7-4.3 million MT annually. Serbia's MY2013/14 consumption requirement is estimated at approximately 4 million MT, while human consumption and corn seed is estimated at 300,000 MT annually. Most of the total corn production will be used for animal feed, while only a small amount will be used for human consumption and increased starch production in Serbia. Corn consumption for feed also has declined due to decreased livestock numbers.

Currently in Serbia there is one bio-ethanol plant built in 2007, in the city of Sid. It has a capacity of 100,000 MT per year. The factory is able to produce biodiesel per EU standard quality EN 14214. Due to the lack of government regulation on bio-ethanol production this factory is still not producing bio-ethanol, but is working as a crushing facility for sunflower and soya.

In 2011, the same agribusiness company in Serbia started to reconstruct a sugar factory in the city of Zrenjanin, with the intention to invest €50 million to start production of liquid sugars and starch for export. It was initially planned that the rebuilding and reconstruction of the factory would be completed by 2013, but so far it has not opened. Once starch and bio-ethanol production starts in Serbia, domestic corn consumption can be expected to drastically increase and thus there will be less corn for export.

#### **Trade:**

Due to the extreme drought and aflatoxin problems in 2012, Serbia's MY2012/13 exports were the lowest in years (only 575,000 MT). Consequently, they lost some of their traditional export markets (Cyprus, Italy, Spain, Portugal and North Africa), as well as some of their newer markets as well (South Korea and Japan.)

In regular years, Serbia is a net corn exporter. In MY2011/12, Serbia exported 2.4 million MT of corn (valued USD422 million), making it one of the largest corn exporters in Europe and among the top ten corn exporters in the world. Serbia typically produces more corn than it consumes, exporting to neighboring and Mediterranean countries. It often finds itself competing with regional corn producers from Russia, Ukraine, Romania, and Hungary.

For the past five years, corn has been Serbia's top agricultural export, followed by sugar, fruits, and vegetables. In 2012, Serbia exported 2.4 million MT of corn, while in 2013, Serbia exported only 575,000 MT. As a result of this decrease, Serbia has incurred almost US\$ 600 million losses in corn exports. Since Serbia's MY2012/13 production was so low (only 3.75 million MT), Serbia entered MY2013/14 with very low corn stocks (almost none). Due to the shortage of corn, Serbia's feed and livestock producers used wheat instead of corn for feed during MY2012/13.

During the first five months of MY2013/14 (October 2013-February 2014), Serbia exported 757,860 MT of corn. It is estimated that Serbian corn exports in MY2013/14 will reach 2 million MT. Most of the corn that is exported is naturally dried with 14 percent moisture. Most of the exports that are going to Montenegro, Croatia, Bosnia and Herzegovina, and Albania usually go by truck, while exports for Cyprus, Italy, Spain, Portugal and newer markets such as S. Korea and Japan, go via the Danube river thru the Port of Constanza to the Black Sea.

**Table 6: Corn exports in first half of MY13/14**

<b>Month</b>	<b>MY31/14 in MT</b>
October	165,062
November	199,604
December	190,949
January	71,863
February	130,382
<b>TOTAL:</b>	<b>757,860</b>

Source: Serbian Grain Fund

Effective January 1, 2014, the duty rate for corn imports from EU countries were as follows: tariff no. 1005 90 corn is 24 percent, tariff no. 1005 10 seed corn is 9 percent and tariff n. 1101 11 15 corn flour is 20 percent. The general duty rate for corn, corn seed and corn flour imports from other countries including the U.S. is still 30 percent.

#### **Stocks:**

Corn ending stocks in MY2012/13 were at a record low, almost zero (12,000 MT), while the ending stocks for MY2013/14 are expected to be around 470,000 MT. Most of the stocks are in the farmers' hands and kept in open-air storage facilities to be naturally dried. These stocks are normally offered for sale in local markets starting in March in order to collect money for the new planting season.

#### **Policy:**

In July 2013, the Serbian Commodity Reserves offered to exchange corn with aflatoxin levels exceeding the EU level in exchange for MY2012/13 corn within the permitted levels. The total quantity offered from the State Commodity Reserves was 111,000 MT. Corn was exchanged with registered farms and agricultural cooperatives at the parity level of 1 kg of affected corn for 0.8 kg of compliant corn. All the farmers who borrowed corn from the State Commodity Reserves were obliged to put up some kind of collateral to insure that the amounts would be returned from the new MY2013/14 corn crop.

At the same time, the Serbian Ministry of Agriculture launched an aflatoxin B1 monitoring program for the MY2013/14 corn crop, in order to protect the food and feed supplies. This program systematically measures microbiological and biological contaminants in food and feed. It prescribed a certain number of samples according to a sampling plan and outlines the measures that have to be taken if discrepancies are identified. If irregularities are detected in the corn crop, legal measures are taken including prohibiting the use of the corn for food or feed, continuing monitoring, and informing producers, distributors and consumers about the irregularities and removing of the corn from the market.

All storage owners that are selling corn to exporters must have a "veterinary control number" for exports of corn for animal feed. If corn is exported for human consumption this is not necessary.

Registration of the facility for storage of corn as feed for livestock is regulated by the Veterinary Law. To obtain a “veterinary control number” the owner of a storage facility must apply at the Ministry of Agriculture, Veterinary Directive to be registered as an approved storage facility. These facilities are given export control numbers and are registered with the Ministry of Agriculture for export. This measure was imposed by the Ministry of Agriculture in 2013 in order to prevent problems with the new crop that almost stopped all corn exports from Serbia in 2012.

After checking facilities authorized to store state stocks, the State Commodity Reserves discovered in 2013 that there was actually a physical shortage of goods compared to the grains registered per warehouse receipts. The Ministry of Trade inspection discovered a shortage of 46,000 MT of wheat and 32,000 MT of corn in 18 certified of the 88 registered grain storage facilities. The Ministry of Trade filed claims against the facility owners where shortages were identified. They were all given one month to restore their grain stocks in accordance to the warehouse receipts.

For more details on Government Policy please see the wheat policy section.

#### **Marketing:**

During the harvest (September-October 2013), Serbian traders/exporters paid between 13-14 dinars/kg (US\$153-165/MT) for the new corn crop. This was 50 percent less than the prices they paid during the same period the year before (26 dinars/kg or US\$306/MT).

During the first six months of MY2013/14, corn prices rose from 13 din/kg (US\$153/MT) in September/October 2013 to 17.5 din/kg (US\$206/MT) in March 2014. Most of this price increase is attributed to increased demand for Serbian corn as a result of problems with shipments of Ukrainian corn. Serbian corn prices will continue to respond to developments in the Ukraine as they are the main corn producer (29 million MT) and exporter (18 million MT) in the region.

#### **Production, Supply and Demand Data Statistics:**

<b>Corn Serbia</b>	<b>2012/2013</b>		<b>2013/2014</b>		<b>2014/2015</b>	
	<b>Market Year Begin: Oct 2012</b>		<b>Market Year Begin: Oct 2013</b>		<b>Market Year Begin: Oct 2014</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Area Harvested</b>	1,300	1,300	1,250	1,250		1,300
<b>Beginning Stocks</b>	595	595	419	12		472
<b>Production</b>	3,500	3,750	6,000	6,400		6,800
<b>MY Imports</b>	25	2	25	10		6
<b>TY Imports</b>	25	2	25	10		6
<b>TY Imp. from U.S.</b>	0	0	0	0		0
<b>Total Supply</b>	4,120	4,347	6,444	6,422		7,278
<b>MY Exports</b>	601	575	1,600	2,000		2,500
<b>TY Exports</b>	601	575	1,600	2,000		2,500
<b>Feed and</b>	2,900	3,600	4,000	3,700		4,000



<b>Residual</b>						
<b>FSI</b>	200	160	300	250		300
<b>Consumption</b>						
<b>Total</b>	3,100	3,760	4,300	3,950		4,300
<b>Consumption</b>						
<b>Ending Stocks</b>	419	12	544	472		478
<b>Total</b>	4,120	4,347	6,444	6,422		7,278
<b>Distribution</b>						
1000 HA, 1000 MT, MT/HA						

### Commodities:

Barley

### Production:

Barley is a secondary grain crop in Serbia. Barley area has been steadily declining, ranging from 80,000-130,000 HA over the last eight years. Total production varies from 250,000-450,000 MT annually.

In MY2013/14, barley was planted on 86,000 HA, of which 60,000 HA was winter barley and 26,000 HA was spring barley. MY2013/14 barley production reached a record high volume of 344,000 MT, with an average yield of 4 MT/HA. Barley, like wheat, reached the highest quality it has ever experienced during the last five years.

In MY2014/15, barley area is projected to be about 85,000 HA, of which 65,000 HA was planted last fall as winter barley and an additional 20,000 HA will be planted as spring barley. It is projected that average yields will be approximately 3.8 MT/HA and that total barley production could reach 320,000 MT.

**Table 7: Area planted to barley from MY05/06 to MY13/14**

Year	Barley		
	Harvested area HA	Yields	
		Total MT	Per HA/MT
2005/06	104,917	310,850	2.96
2006/07	93,520	275,640	2.95
2007/08	93,844	258,998	2.76
2008/09	92,417	344,141	3.72
2009/10	95,377	302,527	3.17
2010/11	84,166	244,268	2.90

2011/12	85,000	306,000	3.60
2012/13	78,000	269,000	3.45
2013/14	86,000	344,000	4.00
2014/15	85,000	320,000	3.80

Source: Serbian Official Statistics

### **Consumption:**

Total barley consumption in Serbia for the past five years has ranged between 270,000-400,000 MT, of which around half is for animal feed and half for the brewery industry. Consumption of brewery barley has been increasing due to increased demand from newly operational breweries following successful privatization efforts of old Serbian breweries. Local breweries have been sold to several well-known Belgian, Canadian, German, Austrian, and Turkish companies. Barley used for breweries is now planted on almost 40 percent of total area in Serbia and is continuing to expand every year. Barley for feed currently accounts for 60 percent of total barley produced in Serbia and is declining due to its low profitability.

### **Trade:**

Barley is not a significant commodity in Serbia's overall grain trade. With the privatization of Serbian breweries that started in 2003, imports of brewery barley have been steadily rising.

In MY2013/14, imports of brewery barley are estimated at 35,000 MT and valued at over US\$ 8 million. The value is much higher than in previous years because higher quality barley is being imported for the brewery industry. Most of the imports came from Hungary, Romania, Russia, and Bulgaria. Total Serbian seed barley exports in MY2013/14 are estimated at 7,000 MT and destined for the EU, Bosnia, Montenegro, and the Ukraine.

### **Stocks:**

Barley beginning stocks in MY2014/15 are estimated at 31,000 MT.

### **Policy:**

The Serbian government will continue to support barley production through the same policies outlined in the wheat and corn policy section.

### **Marketing:**

The price of barley usually follows the price of wheat. The current market price of barley is 22din/kg (US\$259/MT).

### **Production, Supply and Demand Data Statistics:**

Barley Serbia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	78	78	85	86		85
Beginning Stocks	12	12	26	24		31
Production	269	269	300	344		320
MY Imports	25	25	25	35		20
TY Imports	25	25	25	35		20
TY Imp. from U.S.	0	0	0	0		0
Total Supply	306	306	351	403		371

