

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 12/21/2009

GAIN Report Number: RB9010

Serbia

Post: Belgrade

Wheat and Corn Update with PSD Data Statistics

Report Categories:

Grain and Feed

Approved By:

Hoa Huynh

Prepared By:

Tatjana Maslac

Report Highlights:

Total Serbian wheat production in MY08/09 is estimated at 2.13 million MT. Three weeks of heavy rain just before the harvest time deteriorated the quality of wheat. Unfavorable autumn weather and low prices have cut wheat sowings this autumn by over 100,000 HA. It is estimated that MY09/10 wheat planted area of about 370,000-400,000 HA will be the lowest area sown to this crop in the past 10 years. Total corn crop for MY09/10 is estimated at 6.4 million MT. In MY08/09, with exported 1.46 million MT of corn valued at 160 millions EUR, Serbia was among top ten world corn exporters. Barley production for MY08/09 was estimated at 280,000 MT, 20 percent lower than previous year.

General Information:

1. Wheat Update

Final official estimates of the MY08/09 wheat crop put total wheat area harvested at about 570,000 HA, of which 240,000 HA was in the Vojvodina region and 330,000 HA in the Central Serbia region. Total wheat production is estimated at 2.13 million MT, with the average yield of 3.7 MT/HA. The quality of the new wheat crop is below average in Serbia due to heavy rain season just before the harvest time. A part of wheat crop had to be additionally dried since moisture level was up to 19 percent (normal moisture level is up to 14 percent).

Wheat harvest was delayed three weeks because of the heavy rain in June and lasted by mid-July. Wheat harvest was marked up by large wheat stocks from the previous harvest, low local and world wheat prices and number of farmers' protests that were unsatisfied with wheat prices offered by the millers and not much support from the state.

In order to help farmers with large wheat stocks and to increase wheat market price, State Commodity Reserves purchased through, Novi Sad Commodity Exchange, 65,714 MT of the new wheat crop from registered farmers and cooperatives at price of 13 dinars/kg (206 USD/MT), 3 dinars/kg more than the regular market price. Beside this quantity, 35,000 MT of wheat was borrowed by the state (will be returned by the end of 2009) and additional 50,000 MT of wheat was exchanged for mineral fertilizers and seeds by the State Commodity Reserves. Despite the Government efforts, total wheat quantity purchased by the state was not enough to have some positive effects on the local wheat market price.

After completing wheat harvest for MY08/09 Serbia had around 1 million MT of wheat in surplus above its own total consumption needs. Large wheat stocks, low quality wheat and no demand for exports pushed wheat prices down to 8.40 dinars/kg (133 USD/MT). Harvest wheat prices were low (8.40-10 dinars/kg) and only in the beginning of November price started to increase and reached currently 11 dinars/kg (175 USD/MT). Price increase is the result of two factors: 1) demand for wheat increased because of the low price and wheat is used more than corn in the cattle feed and 2) area planted with wheat this autumn will be probably up to 35% less than in the previous year.

Planting of the new wheat crop has been hampered by several factors. This was including unfavorable weather conditions (first was too dry and than in October was cold and with heavy showers) and due to unsold wheat stocks farmers did to have money for purchasing new production inputs. Although the optimal time for seeding the wheat crop in Serbia is between the first week of October and the first week of November, planting so far has been completed only about 60 percent of the targeted area. Heavy October rains and wet fields have delayed the completion of wheat seeding in various parts of Serbia. According to Yugoslav Wheat Association it is expected that Serbia this year will plant

between 370,000 and 400,000 HA of wheat or about 30-35 percent less than in previous year. These will probably be the lowest area sown to this crop in the past 10 years. Last time low wheat planting happened in MY07/08, when wheat was planted on 488,000 MT. For the new wheat planting, Serbian Government is subsidizing price of 100,000 MT of mineral fertilizers with 10,000 dinars/MT (159 USD/MT) or about 30% of the price.

Even with record low planted area Serbia with large ending stocks of MY08/09 of 460,000 MT will have enough wheat for its own needs and for exports. Due to low quality, wheat will mainly be exported for the cattle feed. In MY08/09 Serbia exported 146,960 MT of wheat and 144,000 MT of flour mainly to neighboring countries. In MY09/10 it is expected that Serbia will export around 500,000 MT of wheat and flour. According to Serbian Grain Association, if local price of wheat increase above the level of 13.5 dinars/kg (215 USD/MT), that is current world price, Serbian millers will probably turn to imported wheat of lower price and better quality.

2. Corn Update

Area planted to corn in Serbia in MY09/10 is estimated at 1.20 million HA, about 9 percent less than in MY08/09. This year most Serbian farmers used good quality corn hybrids and applied good measures during planting season. Corn harvest started before usual time due to dry, warm weather and used new early hybrids of corn.

Total corn production this year is expected to be about 6.4 million MT, which is among the record high crops in the past decade. Average corn yield is forecasted at 5.28 MT/HA, but in fields with adequate application of inputs (fertilizers and pesticides) yield could even reach 6.5 MT/HA, a record high.

During CY 2009 year corn prices were stable mostly due to increased demand for exports and pressure from rising prices in the world markets. Corn prices in the Serbian market for period July-August was 8.8-9.2 dinars/kg (140-146 USD/MT), with hitting its lowest value of 7.7-8.2 dinars/kg (122-130 USD/MT) in September and October 2009. In November the average price of corn is 9.5 dinars/kg (151 USD/MT), while export price FOB is between 105 and 110 EUR/MT (153-160 USD/MT). Increased demand for corn for exports and slight increase in the world market prices of corn resulted with price increase of local corn. Corn export prices in Serbia are currently competitive with neighboring countries since the price of Hungarian corn (for November delivery) is 114 EUR/MT (166 USD/MT). According to Official Sources, Serbia will have surplus of about 2 million MT of corn for export in MY09/10. Most of the corn exports to Mediterranean countries are done by river transportation through Danube Ports, from Serbia to Port Constanza in Romania. Transportation to

neighboring countries is performed by trucks and rail.

Serbia is one of the Europe's largest corn producers and in MY08/09 entered a list of 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 Russia, Ukraine, Romania and Hungary. Serbian corn exports for the MY08/09 are estimated at the highest level ever recorded at 1.46 million MT, valued at 160 million EUR (234 million USD). Almost half of Serbia's corn exports went to Montenegro, Croatia, Bosnia and Herzegovina, Albania, Greece, Cyprus, Italy, Spain and Portugal. In MY09/10 Serbia continued to have large exports of corn and in October 2009 exported a monthly record value of corn totaled 186,691 MT.

Corn Exports MY08/09	
Months	Exported Quantity in MT
October	146,280
November	157,419
December	138,624
January	93,594
February	76,432
March	113,095
April	176,559
May	179,863
June	140,029
July	65,950
August	88,333
September	84,560
TOTAL:	1,460,738

3. Barley Update

Barley is a secondary grain crop in Serbia. Area planted with barley has been steadily declining and ranged between 92,500 HA and 130,000 HA for the last seven years. In MY08/09 barley was planted on 126,000 HA, where of 76,000 HA of winter barley. Total production of barley was estimated at only 280,000 MT, 20 percent lower than previous year, with average yield of only 2.3 MT/HA. Low yields were result of damages by high spring temperatures and three weeks of rain just before the harvest. Feed barley prices usually follow the wheat prices, while brewing barley prices are generally about 20 percent higher. Current feed barley price is 9 dinars/kg (143 USD/MT), that is lower than wheat price (11 dinars/kg) due to the fact that supply of feed barley is higher than a demand.

Production, Supply and Demand Data Statistics :

Wheat Serbia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan	
			Data			Data			Data	
Area Harvested	556	556	556	487	487	487	560	600	560	(1000 HA)
Beginning Stocks	256	256	256	140	225	175	317	226	477	(1000 MT)
Production	1,994	1,994	1,994	2,100	2,100	2,100	2,100	2,200	2,000	(1000 MT)
MY Imports	88	100	100	8	10	3	25	10	5	(1000 MT)
TY Imports	88	100	100	8	10	3	25	10	5	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	2,338	2,350	2,350	2,248	2,335	2,278	2,442	2,436	2,482	(1000 MT)
MY Exports	448	375	375	281	459	130	250	350	440	(1000 MT)
TY Exports	448	375	375	281	459	130	250	350	440	(1000 MT)
Feed and Residual	150	150	150	150	150	150	160	160	160	(1000 MT)
FSI Consumption	1,600	1,600	1,650	1,500	1,500	1,521	1,600	1,600	1,550	(1000 MT)
Total Consumption	1,750	1,750	1,800	1,650	1,650	1,671	1,760	1,760	1,710	(1000 MT)
Ending Stocks	140	225	175	317	226	477	432	326	332	(1000 MT)
Total Distribution	2,338	2,350	2,350	2,248	2,335	2,278	2,442	2,436	2,482	(1000 MT)
Yield	4.	4.	3.5863	4.	4.	4.3121	4.	4.	3.5714	(MT/HA)
TS=TD			0			0			0	
Comments										
AGR Number	RB9010									

Comments To Post

Corn Serbia	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Oct 2007		Market Year Begin: Oct 2008		Market Year Begin: Oct 2009	
	USDA Official Data	New	USDA Official Data	New	USDA Official Data	Jan
		w		w		

										MT)
Total Supply	313	32 4	24	38 8	38 0	380	39 1	36 6	385	(1000 MT)
MY Exports	4	5	0	7	4	5	5	5	8	(1000 MT)
TY Exports	4	5	0	10	4	5	5	5	8	(1000 MT)
Feed and Residual	190	20 0	0	23 5	25 0	250	24 0	24 0	250	(1000 MT)
FSI Consumption	100	10 0	0	12 0	12 0	120	12 0	11 5	120	(1000 MT)
Total Consumption	290	30 0	0	35 5	37 0	370	36 0	35 5	370	(1000 MT)
Ending Stocks	19	19	0	26	6	5	26	6	7	(1000 MT)
Total Distribution	313	32 4	0	38 8	38 0	380	39 1	36 6	385	(1000 MT)
Yield	3.	3.	0.	4.	4.	2.222 2	3.	3.	3.090 9	(MT/HA)
TS=TD			-24			0			0	
Comments										
AGR Number	RB901 0									

Comments To Post