



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 12/4/2002

GAIN Report #HR2019

Croatia

Grain and Feed

Update

2002

Approved by:

Paul Spencer-MacGregor

U.S. Embassy Vienna

Prepared by:

Andrea Misir

Report Highlights: In 2002, weather conditions were favorable for grain production and it is expected that Croatia will export wheat and of corn. The export destination of the wheat is uncertain as the government attempts to sort out a potentially WTO-inconsistent export subsidy policy. Corn will likely be exported to Bosnia-Herzegovina, Albania, Greece and Italy. Fall rains made it difficult to plant winter wheat and policy changes in 2003 will further decrease wheat area.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1], HR

I SITUATION AND OUTLOOK

Wheat and corn are among the few agricultural products that Croatia has in surplus and, from time to time, exports. Weather conditions in Croatia in 2002 were good for grain production and there is a surplus of wheat and a surplus of corn. Surpluses resulted in the very low prices, that is, for wheat Kn0.7/1kg (\$0.09/1kg = \$90/MT) and for corn Kn 0.63/1kg (\$0.085/1kg = \$85/MT) and possibly significant exports.

Wheat

This summer wheat producers threatened government with roadblocks if the government did not intervene with the price support. The resulting policy was a high minimum price for small farmers (\$130/MT) and a commitment by the government to pay export subsidies to wheat traders that purchased the wheat. The program may cost up to KN 143,000,000 (over \$19 million) and will support the export of up to 250,000MT of wheat. Beginning in January 2003, a new law on subsidies will be in place (see Policy), and it may reduce Croatia's current problems with wheat surpluses.

Less than 50% of planned production of winter wheat area has been sown in this fall. Rain has prevented farmers from taking their tractors into the field. In addition, a crucial government subsidy payment will come after the planting season for winter wheat and there is little money for inputs. As a result, next years crop is forecast to be lower. Some say that Croatia may be forced to import wheat and this could result in a political pressure on the government to withdraw this year's subsidy for wheat exports.

Corn

Corn producers are having difficulties with the tail end of the harvest because of extensive rain. Some of them are claiming that they are not harvesting because of the low prices (Kn0.63/1kg or \$85/MT). It is estimated that the production is over 2 million MT and at current prices, 200,000MT should be exported. Target countries for Croatian corn are Bosnia and Herzegovina, Albania, France and Greece. Low prices are the combined result of good production this year and last year's stocks. Some farmers will store their harvest and wait for the better market prices in the spring. Some farmers will expand pork production and use corn for feed.

Barley

Both the production and importation of barley have increased in last two years. The main reason is a new malting facility in Western Slavonia with a capacity of 50,000MT per year. The winter (2001) crop had a subsidy of 1000Kn/ha (\$134/ha), and the spring (2002) barley was subsidized with Kn1500/ha (\$201/ha). For the 2002-2003 cropping season, the government increased amount of subsidy to Kn1650/ha (\$222/ha). Next year's crop will be similar because demand is stable.

II STATISTICAL TABLES

Wheat

PSD Table						
Country	Croatia					
Commodity	Wheat				(1000 HA)	(1000 MT)
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	215	215	220	219	0	150
Beginning Stocks	429	326	329	331	329	291
Production	800	800	950	943	0	675
TOTAL Mkt. Yr. Imports	50	12	50	7	0	30
Jul-Jun Imports	50	12	50	7	0	30
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1279	1138	1329	1281	329	996
TOTAL Mkt. Yr. Exports	200	100	250	250	0	0
Jul-Jun Exports	200	100	250	250	0	0
Feed Dom. Consumption	50	45	50	40	0	45
TOTAL Dom. Consumption	750	707	750	740	0	696
Ending Stocks	329	331	329	291	0	300
TOTAL DISTRIBUTION	1279	1138	1329	1281	0	996

Corn

PSD Table						
Country	Croatia					
Commodity	Corn				(1000 HA)	(1000 MT)
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	200	350	380	380	390	389
Beginning Stocks	351	350	48	200	298	348
Production	800	1850	2100	2110	2000	2150
TOTAL Mkt. Yr. Imports	182	16	100	205	20	8
Oct-Sep Imports	182	16	100	205	20	8
Oct-Sep Import U.S.	0	0.5	0	154	0	0
TOTAL SUPPLY	1333	2216	2248	2515	2318	2506
TOTAL Mkt. Yr. Exports	5	18	50	17	50	200
Oct-Sep Exports	5	18	50	17	50	200
Feed Dom. Consumption	1190	1898	1800	1950	1900	1900
TOTAL Dom. Consumption	1280	1998	1900	2150	2000	1900
Ending Stocks	48	200	298	348	268	406
TOTAL DISTRIBUTION	1333	2216	2248	2515	2318	2506

III NARRATIVE ON SUPPLY AND DEMAND, POLICY AND MARKETING**Production**

Croatia had good weather for grain production during the growing month but is has been a very rainy Fall. The harvest and planting of the new crops has been difficult. A large percentage of wheat is still not sown and some of the sown wheat has problems with germination because fields are waterlogged. On average, there were adequate inputs (fertilizer, etc) in 2001/2002 but because of new subsidy system for 2002/2003 (under which farmers will get first payments after harvest) there is a fear that farmers will not have enough money for the initial inputs.

The total sown area under wheat in season 2001/2002 was 219,000ha (although only 165,000ha fell under governmental subsidies). This resulted in wheat surpluses and low prices that rose only when a governmental subsidy of over \$19,000,000 was given to three companies under an export tender. The tender covers about 250,000MT of wheat and exporters are obliged to pay qualifying

small farmers a price of 1kn/1kg (\$130/MT). For 2002-2003, Croatia may have lower production or even a shortage of wheat because of problems planting the winter wheat crop and a new system of agricultural subsidies (see under Policy).

The total sown area under corn in season 2001/2002 was 389,000 ha and the production is over 2million MT. Prices are 22 percent lower than last year because of a bumper crop and stocks from last year. We see nothing at this point that would change the normal crop outlook for 2003.

Barley was sown on 48,000ha and the production is 170,000MT.

Production of rye was 7,343MT. The government will subsidize 4,000ha with 1650Kn/ha (\$221/ha).

Biotechnology

Draft legislation on biotechnology still has not been enacted but a future legislation will likely require product labeling. There is also strong opposition to the introduction of GM crops or to any type of field testing or research. The Croatian Tourism Ministry has in the past marketed the country as a producer of “healthy” foods and as a ‘natural’ destination to Western European tourists. These ads contained an explicit anti GMO message.

Consumption

At the moment consumption patterns are as follows:

Corn: 1.7 to1.9 million MT animal feed (industry and on farm use)

Wheat: 800,000MT (650,000MT industry, 100,000MT on farm use, 50,000MT seed)

Barley: 200,000MT (90,000MT on farm use, 65,000MT malting industry, 30,000MT mixed feed industry, 14,000MT other industry)

Cattle, hog and poultry numbers were devastated during the war (mid-1990's) and the recovery has been very slow. The government banned the imports of cattle from Western Europe after outbreaks of BSE and FMD and this has not helped the recovery. Poultry numbers are growing fast, hog numbers depend on corn prices, but the cattle numbers are stagnating. Statistics from 2001 shows: 438,000 of cattle, 1,234,000 hogs, and 11,747,000 chickens.

Policy

In 2002 the government provided an area payment for wheat of about Kn 1,610 (\$216) per hectare (ha) for a total of 165,000ha. For corn in 2002 the government provided area payment of 1000kn/ha (\$134/ha) for a total of 375,500ha. 18,000 ha of barley for feed was subsidized and malt barley was subsidized on 6,000ha. Area payment for winter barley was Kn1000/ha (\$134/ha), and for spring barley was Kn1500/ha (\$201/ha).

Wheat - Payments to Exporters

In 2002 the Government has budgeted Kn 143,000,000 (over \$19 million) in export support for wheat. Three domestic export companies were selected based on a tender earlier in the year. The government will reimburse these companies for the difference between the domestic purchase price (about \$140/mt in 2002) and the final sale price. Payments will be made in two installments: the first one at the end of December 2002 and second at the end of May 2003. According to Croatia's WTO schedule of commitments, Croatia's allowable export subsidies are zero.

The government will not purchase wheat intervention stocks this year.

2003 Policy

The Government of Croatia in July this year published a new Law on agricultural subsidies. This law will be applied starting in January 2003.

To be eligible for any kind of subsidy, farmers must be in the Register of agricultural households or in the Register of cooperatives. Registration will begin in December 2002, and will be finished by the end of January 2003.

There will be four new types of subsidies: production subsidies, capital investment subsidies, income support subsidies, and rural development. Production subsidizing will influence grain production the most. To be eligible for this subsidy, agricultural households must have a minimum volume of production (these are calculated using a 'factor' published by the government and are crop specific) and it must have minimum acreage for which subsidy will be given (for grain, the three hectares is the minimum). This will exclude numbers of small producers and may drive down wheat acreage. Wheat acreage will be further decreased with an additional measure that requires the farmer to prove that he has a signed contract with the buyer.

The Government announced a flour price for 2003 (based on an old Law on Agricultural Subsidies) 0,70kn/kg (\$0.09/ha) (farmers warehouse) for first class wheat. Since the price is low it will have no real influence.

Under the new Law, agricultural subsidies will be given out using a grains-based area payment. The hope is to make producers more responsive to changes in market prices. The payment for 2003 is expected to be 1,650Kn/ha (about \$222/ha). This new system will have overall limits imposed at the provincial level and subsidies will be reduced on a pro-rata basis if the limit is exceeded by a province. The maximum subsidy amount that an individual can receive is Kn 2 million (\$268,456). As part of the reform, in 2006 all agricultural entities will be included in VAT tax system.

Tariff tables

The Republic of Croatia became a member of WTO beginning in 2001 and has signed an additional 27 free trade agreements.

For more information on tariffs, please see the following web page: www.carina.hr

Old tariffs

	tariff
1001 / wheat and spelt	
100110 / durum	
100110105/ for sowing	2
100110202 / the rest	5
100190 / the rest	
100190109/for sowing	8.3
100190206/ the rest	9.6+3.8/100kg Max 56.3
100300/barley	
100300109/for sowing	10
100300206/for malt	5
1003003/for feed	10+3.5/100kg Max 35.5
100300907/the rest	10+4/100kg Max 35.8
1005/corn	
100510/for sowing	
100510103/ hybrid	5
100510901/the rest	5
100590/the rest	
100590107/white	18
100590204/yellow	Free
100590301/inkvartin	10
100590409/for pop corn	10
100590905/the rest	18

Exchange rate Kn 7.45 = \$ 1