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Update on Wheat and Corn

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Report Highlights:

The Serbian Government has extended a ban on wheat and corn exports for a period of 120 days, until March 5, 2008, in order to halt sharp increases in bread and meat prices and insure sufficient grain supplies in the local markets. After several weeks of delay, corn harvest is about 90 percent completed, with total area harvested estimated at 1.207 million HA and total production projected at about 4.3 million MT. Planting of the new wheat crop has been hampered by delays in corn harvest, unfavorable weather conditions and insufficient supply of certified planting seeds.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Belgrade [YU1]
[RB]

Policy Update: Serbia Extends Ban on Wheat and Corn Exports

The Serbian Government issued a decree, on October 26, extending a three-month ban that was first imposed on August 4, 2007 on wheat and corn exports in order to halt sharp increases in bread and meat prices and to insure sufficient grain supplies in the domestic market. The extension of the ban will be effective for 120 days until March 5, 2008. The extension, however, will not include soybean and sunflower crops, as was the case with the August ban, due to the fact that almost all of these two crops have already been sold to local processors. In addition to the ban on wheat and corn exports, the new decree established export quotas of 80,000 MT for wheat flour and 143,000 MT for corn grits and meal for the four-month period. The Ministry of Finance's Customs Directorate will be responsible for the utilization and monitoring of these export quotas. The Serbian Ministry of Agriculture defended its decision to extend the export ban on wheat and corn exports stating that it was necessary to avoid critical shortages of these commodities and to halt further increases of wheat flour and animal feed in the local markets. Although wheat and corn prices in Serbia seem to have stabilized in the first few weeks following imposition of the ban in August, prices continued to increase during September and October.

The Republic of Srpska, an entity of Bosnia-Herzegovina populated mostly by ethnic Serbs, will be exempted from the Serbian export ban, according to an agreement reached between the Serbian government and the Republic of Srpska. Based on this agreement, Serbia will provide the Republic of Srpska with about 5,000 MT of corn on a "loan-basis" to mitigate the impact of poor corn production that resulted from severe drought conditions the region had this year.

Progress of Crop Harvest and New Planting

As of the end of first week of November, the harvest of the soybean crop has been completed, with area harvested of 147,000 HA and average yield of 2.24 MT/HA. Sunflower harvest, estimated at 130,000 HA, has also been completed with an average yield of 2 MT/HA. Corn harvest is close to being completed, at 90 percent, while sugar beet is about 65 percent completed, with an area of 80,000 HA and an average yield of 39 MT/HA.

For the new planting season, about 1.1 million hectares are expected to be seeded in Serbia in the 2007/08 crop year. Wheat planting intention is projected to be around 600-650,000 HA, while barley planting is projected at 83,000 HA and rye and oat at around 106,000 HA. About 80,000 HA are expected to be planted to forage, 30,000 HA to vegetable crops and about 22,000 HA to rapeseeds.

Due to unfavorable weather conditions and heavy rainfalls, seeding of the new crops is progressing very slowly. Wheat planting so far has been completed only on about 58 percent of the targeted area, about 336,000 HA. It is projected that total wheat planted area for the 2008 crop will not exceed 600,000 HA, about 50,000 HA less than originally planned but about 6.7 percent higher than the previous year harvest. According to a recent report by the Ministry of Agriculture in early November, seeding of barley is 88 percent completed, rape oil 99 percent completed and forage 83 percent completed.

Wheat Update

Final official estimates of the 2006/07 wheat crop put total wheat area harvested at about 570,000 HA, of which 290,000 HA was in the Vojvodina region and 280,000 HA in the Central Serbia region. Total wheat production is estimated at about 1.955 million MT, with the average wheat yield in the Vojvodina region estimated at 4.3 MT/HA, compared to 2.53 MT/HA in Central Serbia. The marketing quality of the harvest was reportedly as 45 percent of the wheat crop classified as first class, 35 percent as second class and 18 percent classified as third class category.

Wheat prices in local markets in Serbia were steadily rising after harvest and throughout September and October. At the beginning of September, average wheat price was reported at 14.5 din/kg (USD 272 MT) and reached the highest level of 19.50 din/kg (USD 366 MT) during the week of October 8th. Wheat prices started to slightly decline during the last week of October following the announcement of extending the ban on wheat exports for 120 days. The average wheat price at the Novi Sad Commodity Exchange during the week of October 29 was reported to be between 18.50 din/kg (USD 347 MT) MT and 18.80 din/kg MT (USD 353 MT). These prices were about 5 percent lower than their highest levels in October and they seem to have been stabilized in recent weeks. High wheat prices have significantly impacted the price and availability of wheat flour in the local markets. Some flourmills are currently having difficulties meeting bakers' needs. Out of 38 flourmills currently operational in Serbia only 10 mills are reportedly to have sufficient wheat supply to operate at full capacity. At the present time, bakers are paying between 24 and 27 din/kg (USD 0.46–0.51) for flour while selling the 500 g loaf of bread at 30 dinars. It is anticipated that the price of wheat flour provided to the bakers will be increased from 29 to 34 din/kg by the middle of November.

With the export ban in place until March 2008, total Serbian wheat exports for MY 2007/08 are not expected to exceed 200,000 MT. Serbian wheat exports in the Jan-July period totaled 310 000 MT, of which 180,000 MT were from the new crop and 138 000 MT were exported in July only.

Planting of the new wheat crop has been hampered by several factors including delayed corn harvest, unfavorable weather conditions and the lack of production inputs for many farmers. 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 on only about 58 percent of the targeted area. Heavy October rains and wet fields have delayed the completion of wheat seeding in various parts of Serbia. In addition, some farmers are having difficulties procuring certified seeds, especially drought resistant varieties, due to insufficient supplies in the market. It is expected that about 400,000 HA of the targeted wheat area will be seeded by certified seeds, while the remaining area will be planted with seeds from last year's crop.

Corn Update

As of the first week of November and after several weeks delay, corn harvest in Serbia is about 90 percent completed. Total area harvested of MY 07/08 is estimated at about 1.207 million HA, with total production projected to be about 4.3 million MT and an average yield about 3.6 MT/HA. Due to severe drought conditions during the planting season, about 75,000 HA of the area sowed to corn were re-seeded with another crop. Weather conditions during growing and harvest seasons were mostly unfavorable. Extreme heat waves and lack of rainfalls that dominated most of July inflicted significant damage to corn yields throughout Serbia. The decline in corn yield due to the drought and heat conditions varied considerably, ranging from 20 to 80 percent lower than normal levels, depending on the region, soil type and the variety of the seeds planted. About 100,000 HA planted to corn were harvested a month early and were used for forage.

With the expectation of a very short corn crop in Serbia and tight international markets, corn prices at the Novi Sad Commodity Exchange were rising sharply during the July-August period. The high corn prices were among the reasons cited by the Serbian government for imposing the initial export ban in August and later for extending the ban for another four months. The average price of naturally dried corn in September was about 14.5 din/kg (USD 272 MT) but climbed to 18 din/kg (USD 338 MT) in the first week of October. Prices then started to stabilize during the second part of October. In the first week of November, the average corn price was reported at 16.5 din/kg (USD 310 MT).

Serbian corn exports for the MY 2006/07 are estimated at about 825,700 MT. During the period January-September, corn exports totaled about 408,831 MT, valued at \$80.4 million, according to government data. Almost half of Serbia's corn exports went to EU countries, while the remaining balance was exported Bosnia-Herzegovina, Macedonia, Albania, Montenegro, Ukraine Croatia, Russia and China. The table below shows Serbia's corn exports during Jan-Sept 2007 by country of destination:

Corn Export Jan-Sept 2007.	
Country	MT
EU	193,007
Bosnia and Herzegovina	119,539
Macedonia	40,056
Albania	17,666
Montenegro	9,773
Ukraine	7,852
Russian Federation	3,132
China	2,897
Croatia	1,257
Others	13,652
Total	408,831