

Voluntary Report – Voluntary - Public Distribution

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Report Name: Grain Situation Update

Country: Bosnia and Herzegovina

Post: Sarajevo

Report Category: Grain and Feed

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Report Highlights:

Spring planting in Bosnia and Herzegovina (BiH), which usually takes place in April, is expected to be less costly this year as diesel and fertilizer prices decreased slightly since last year. Corn in marketing year (MY) 2023/2024 is expected to be planted on 202,000 hectares (HA) with anticipated production of 900,000 metric tons (MT). Winter wheat for MY 2023/2024 was planted on 62,000 HA with an expected production of 279,000 MT. Wheat area increased by 21 percent compared to MY 2022/2023, when 280,753 MT of wheat was harvested on 51,046 HA. Farmers decided to plant more wheat because the crop is harvested in July and less exposed to prolonged summer drought. Although BiH moderately increased grain production over the last ten years due to adverse weather conditions and increased input prices, the country remained a net grain importer.

Introduction

Projections for MY 2023/2024 crops in this report are based on the views of the Foreign Agricultural Service analyst and are not official USDA data.

Post and USDA official data both follow the marketing year of July to June for wheat and barley and October to September for corn.

Executive Summary

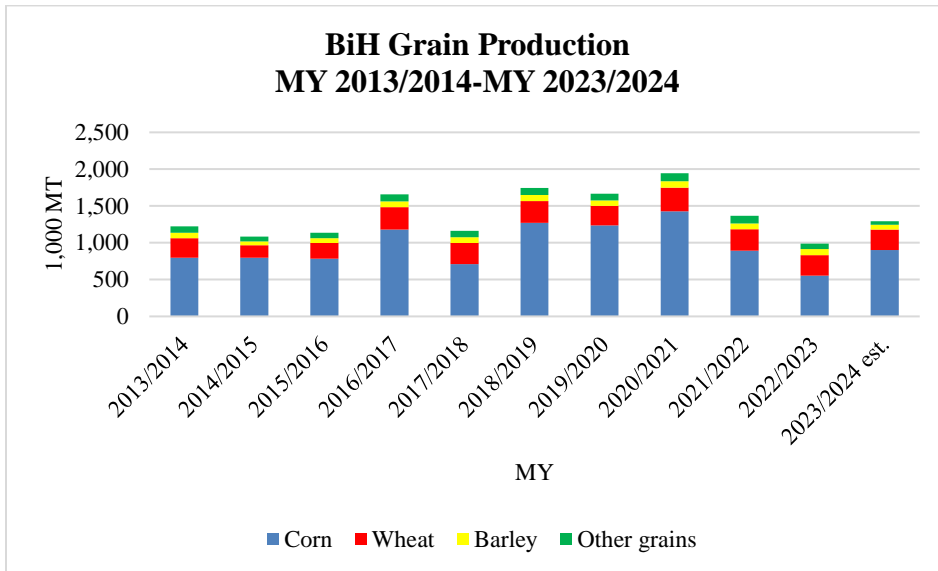
The planting season in BiH for spring crops typically starts in early April. The corn crop is projected at 202,000 HA, spring barley at 8,500 HA, oats at 4,000 HA, triticale at 1,400 HA, and rye at 620 HA.

During the last two seasons, extremely hot summers, a lack of precipitation/irrigation, along with decreased use of fertilizer significantly affected corn production. In MY 2022/2023 corn was harvested on 135,000 HA, and production totaled only 552,300 MT (average yield of 4.1 MT/HA). This was a 38 percent decrease in production compared to MY 2021/2022, when production totaled 893,124 MT (average yield of 4.5 MT/ha). While farmers are currently reporting increased corn seed prices and a lack of desired hybrids, fertilizers and fuel are more affordable than last spring.

MY 2023/2024 wheat area increased 21 percent compared to MY 2022/2023, when 280,753 MT of wheat was harvested on 51,046 HA. Despite the increase in area, MY 2023/2024 wheat production is projected at 279,000 MT (average yield of 4.5 MT/HA), similar to last year, given the reported low application of fertilizer (less than 50 kg/HA). Winter crops are becoming more popular because they are less vulnerable to heatwaves and droughts, which often occur later in summer.

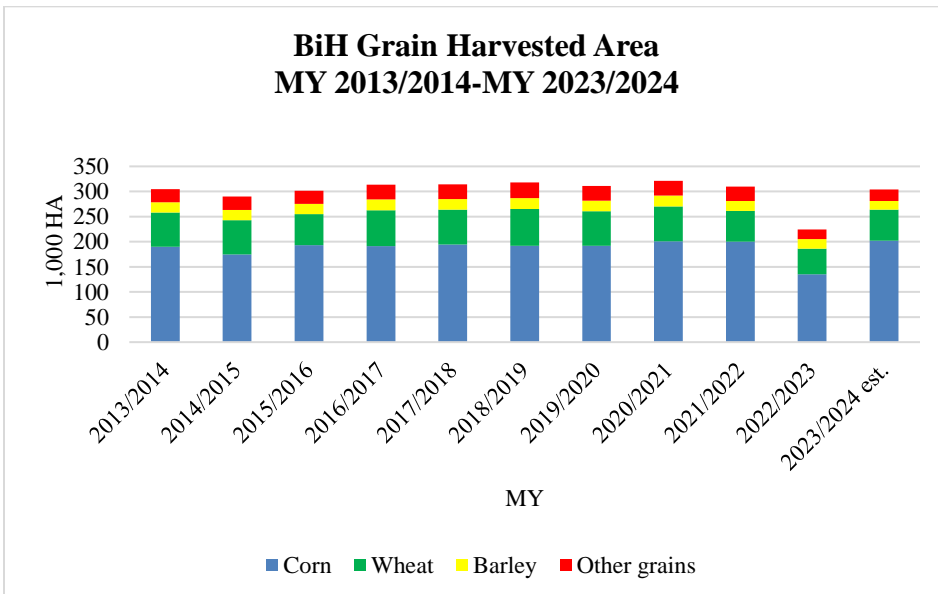
BiH had increased grain production over the last ten years due to favorable policy changes (such as higher subsidies) which provided and eased rent of agricultural land. However, unfavorable weather conditions, coupled with lower fertilizer usage significantly decreased grain production. Corn was particularly affected during the last two seasons. Despite shortcomings, MY 2023/2024 overall grain production is expected to increase by a minimum of 20 percent.

Graph 1



Source: BiH Agency for Statistics/FBiH Institute for Statistics/RS Institute for Statistics/FAS Sarajevo estimates

Graph 2



Source: BiH Agency for Statistics/FBiH Institute for Statistics/RS Institute for Statistics/FAS Sarajevo estimates

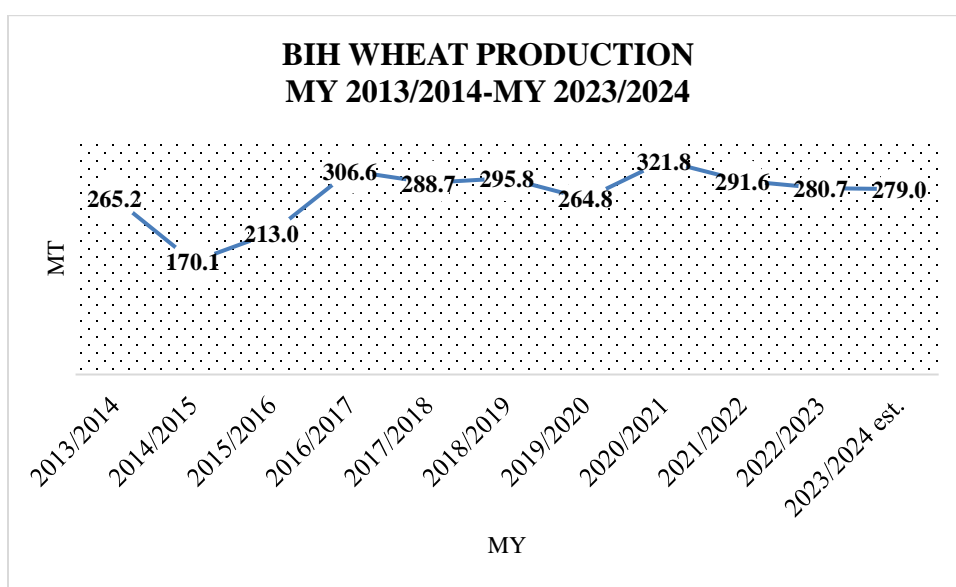
Wheat

Production

Winter wheat (MY 2023/2024) was planted on 62,000 HA, with an expected production of 279,000 MT. The wheat area increased by 21 percent compared to the MY 2022/2023 area, when 280,753 MT of wheat was harvested on 51,046 HA (average yield of 5.5 MT/HA).

During summer 2022, drought and extremely hot temperatures reduced soybean and corn yields, and also lowered quality. As a result, farmers decided to plant more winter wheat during the fall of 2022. Wheat, unlike spring crops, is harvested in July, prior to the peak of summer, when damaging drought and heat are common. Also, the government increased the wheat subsidy by 25 percent and provided additional subsidies for fuel and seeds. Farmers reported that fall planting in 2022 was the priciest ever. Seeds and fertilizers were the most expensive inputs, and there was also a lack of available fertilizers. Consequently, decreased use of fertilizer (less than 50 kg/HA) might reduce the MY 2023/2024 wheat yield. Aside from fertilizer, labor was at least 25 percent more expensive than the year before.

Graph 3



Source: BiH Agency for Statistics/FBiH Institute for Statistics/RS Institute for Statistics/FAS Sarajevo estimates

Old technology and outdated mechanization, coupled with low investment capabilities, affect wheat quality in BiH. BiH farmers report that they are unable to sell their wheat at prices that compete with cheaper wheat from neighboring countries such as Serbia. Farmers say that local mills prefer imported wheat because it is cheaper, while millers say they are unable to make good-quality bakery products solely from locally produced wheat.

Consumption

BiH requires 500,000 MT of wheat /MY with per capita consumption of approximately 150 kg.

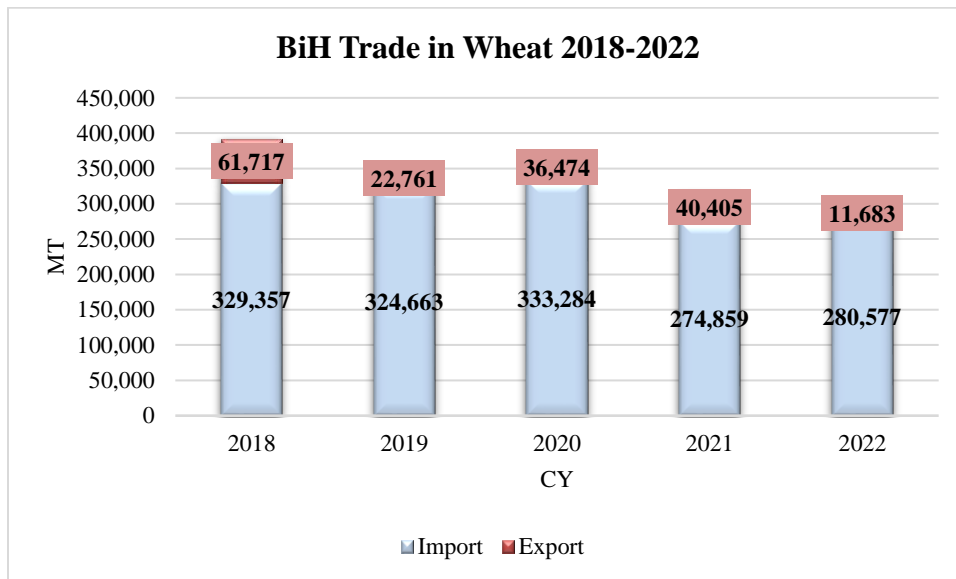
BiH is highly dependent on grain imports. Wheat and corn are mostly imported from Serbia, Hungary, and Croatia.

Trade

In Calendar Year (CY) 2022, BiH imported 280,577 MT of wheat valued at \$108 million from Hungary, Serbia, and Croatia. BiH exported 11,683 MT of wheat, valued at \$4.8 million, mostly to Croatia.

The CY 2022 imports of wheat flour totaled 43,846 valued at \$20.4 million (80 percent from Serbia), and exports reached 15,778 MT valued at \$9.2 million (mostly destined to Montenegro and Macedonia). The next graphs show a five-year trend in the wheat trade.

Graph 4



Source: BiH Agency for Statistics

Stocks

The current wheat stocks are estimated at 100,000 MT.

BiH's grain market is quite small and grain mills are unable to create larger stocks, thus the effect of global wheat price fluctuations is significant. Around 10 percent of wheat stocks from the previous season are used as animal feed, and some is kept for on-farm use.

Corn

Production

Corn planting usually starts by early April and lasts for 2-3 weeks, depending on weather conditions. MY 2023/2024 corn is projected to be planted on 202,000 HA, with an expected production of 900,000 MT (average yield of 4,5 MT/HA).

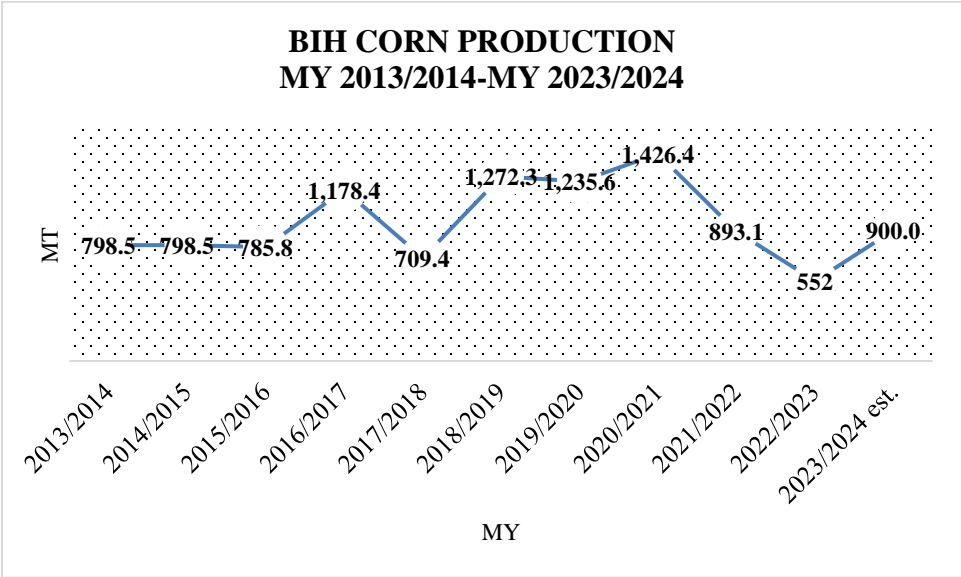
According to Ministry of Agriculture officials, 2023 corn area will be similar to or less than last year's crop because corn is harvested September/October and therefore at a significantly higher risk to summer

drought. In a good year, corn yields can reach 6-7 MT/HA on average, but weather conditions can significantly affect it. BiH already had two consecutive extremely dry summers (2021 and 2022), and less than 5 percent of the cultivated land irrigated. Corn planting may also be affected by a drop in the price of mercantile corn, and reportedly reduced livestock fund. There has been a significant increase in the price of corn seeds, which, depending on the type of hybrid, can be an additional 20-40 percent. The widespread 2022 drought resulted in a substantial reduction in production of corn seeds, resulting in a deficit of the best seeds. However, the overall number of seeds offered on the market should be sufficient. The government subsidizes 15 percent of the retail price for the use of domestic hybrid corn seeds.

Unlike in spring 2022, when the price of mineral fertilizers (especially nitrogen) was rising and stocks were low, the supply of fertilizers has stabilized. Prices this year are 10-35 percent lower, with a further downward trend expected (except for NPK which is up by five percent). Turkey, Croatia, and Serbia supplied most of the imported fertilizer in 2022. BiH's single producer of fertilizer GIKIL, in Lukavac, closed in 2021 due to a lack of environmental permits. The BiH government lifted a 5 percent import duty for 100,000MT of fertilizer in CY 2022 and for 370,00 MT in CY 2023.

In MY 2022/2023, corn was harvested on 135,000 HA and production totaled only 552,300 MT (average yield of 4.1 MT/ha). This was a 38 percent decrease in production compared to the previous year, when production totaled 893,124 MT (average yield of 4.5 MT/ha). The main reasons were low fertilizer usage and unfavorable weather conditions (unusually hot temperatures in June and July 2022, along with drought).

Graph 5



Source: BiH Agency for Statistics/FBiH Institute for Statistics/RS Institute for Statistics/FAS Sarajevo estimates

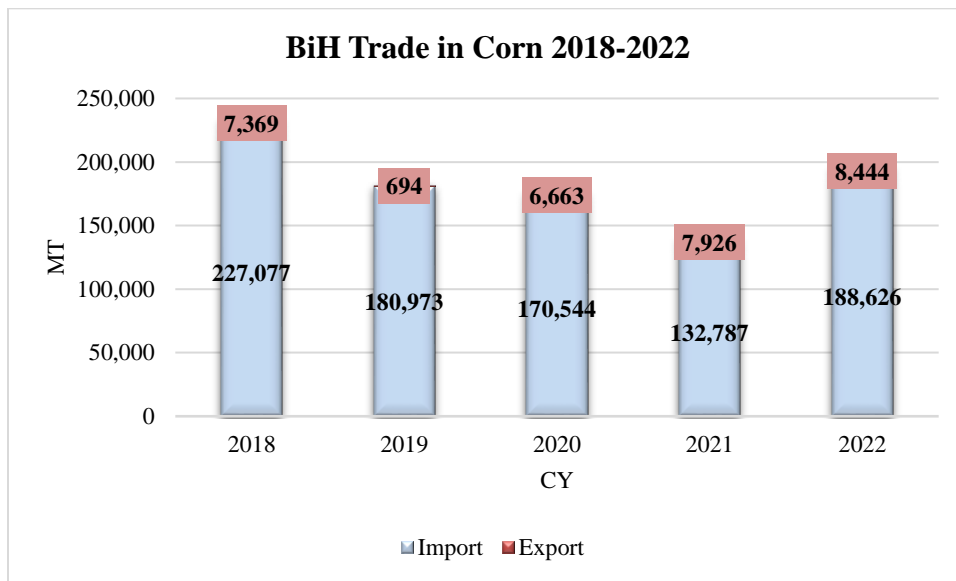
Consumption

BiH requires 1.1 MMT of corn per year, which is largely used for feed.

Trade

In CY 2022, BiH imported 188,626 MT of corn valued at \$68.7 million. Serbia supplied 86 percent of the imported corn. BiH exported 8,444 MT of corn valued at \$4.1 million. The next graph shows the five-year trend in the corn trade.

Graph 6



Source: BiH Agency for Statistics

Stocks

Corn stocks are estimated at 150,000 MT.

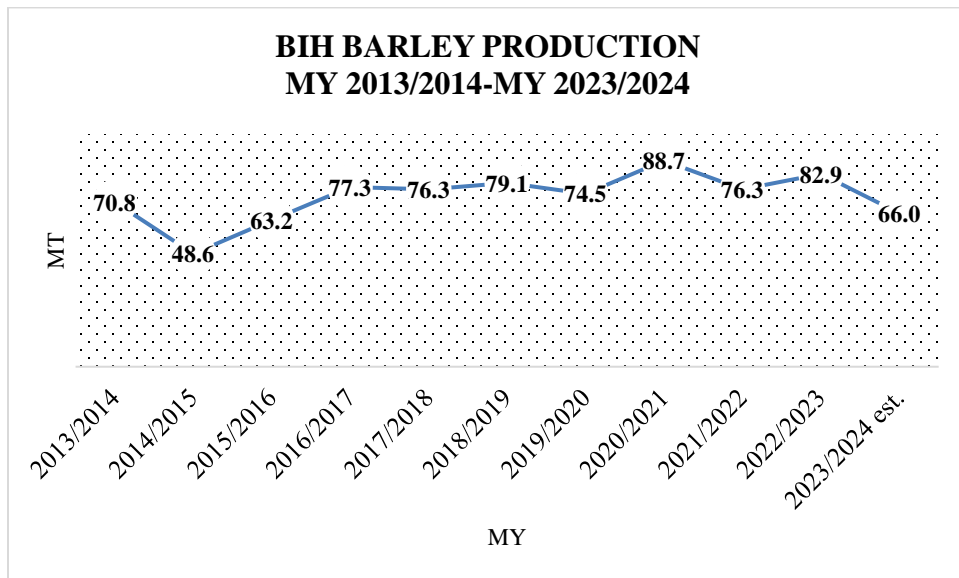
Barley

Production

Winter barley was planted on 14,152 HA with an expected production of 53,800. The area for MY 2023/2024 spring barley is estimated to be 3,200 HA.

The total 2022/2023 barley area was 19,269 HA with a production of 82,857 MT (an average of 4.3 MT/HA).

Graph 7



Source: BiH Agency for Statistics/FBiH Institute for Statistics/RS Institute for Statistics/FAS Sarajevo estimates

Consumption

Barley consumption is estimated at 60,000 MT and is used for feed.

Trade

The CY 2022 barley imports of 14,440 MT were valued at \$4.8 million. Barley exports were insignificant.

Stocks

N/A

Triticale

Production

The MY 2023/2024 triticale (winter) was planted on 11,263 HA with an expected production of 45,000 MT. Spring triticale area is estimated at 1,400 HA.

The total MY 2022/2023 triticale area was 5,090 HA with production at 20,900 MT (an average of 4.1 MT/HA).

Consumption

Triticale consumption is estimated to be 50,000 MT and is used for animal feed.

Trade

The CY 2022 triticale imports of 565 MT were valued at \$300,000, while triticale exports were insignificant.

Stocks

N/A

Oats

Production

The MY 2023/2024 oats (winter) was planted on 3,131 HA with an expected production of 10,000 MT. Spring oats area is estimated to be 4,015 HA.

Total MY 2022/2023 oats area was 11,070 HA with production of 44,280 MT (average yield of 4 MT/HA).

Consumption

Oats consumption is estimated at 30,000 MT and is used for animal feed.

Trade

The CY 2022 imports of oats totaled 2,848 MT and were valued at \$600,000. Oats exports were insignificant.

Stocks

N/A

Rye

Production

Winter rye was planted on 2,523 HA with an expected production of 7,600 MT. while spring rye area is estimated at 615 HA.

The MY 2022/2023 rye crop was harvested on 2,944 HA and production reached 8,830 MT (average yield of 3.0 MT/HA).

Consumption

Rye consumption is estimated at 10,000 MT per annum. Rye is primarily used for feed; however small quantities are used for baking.

Trade

CY 2022 rye imports of 744 MT were valued at \$300,000, while rye exports were insignificant.

Stocks

N/A

Grain Policy

BiH farmers have been able to increase wheat and corn production moderately over the last ten years primarily due to larger support provided by the agriculture ministries, improved technology, mechanization, land consolidation, and favorable concession contracts. However, adverse weather conditions and a sharp rise in agricultural inputs caused significant declines in grain production in MY 2021/2022 and MY 2022/2023.

Agricultural subsidies are provided at the entity, canton, and municipal levels. For example, wheat subsidies range from \$274 (KM500) to \$494.5 (KM 900) per hectare. Corn production is subsidized from \$209 (KM380) to \$250.5 (KM456) per hectare. The government also subsidizes agricultural fuel, fertilizer, and use of certified/domestic seeds to a certain amount. The CY 2023 overall entity agricultural support fund increased by 90 percent from CY 2022 and is forecast to reach \$189 million (KM 344 million).

Despite the rise in agricultural support, BiH farmers still receive substantially lower support when compared to the European Union farmers and have a limited access to the tax-free fuel.

BiH Council of Ministers removed the five percent duty for the import of 370,000 MT of mineral fertilizer in 2023.

Attachments:

No Attachments.