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## **Report Name:** Grain and Feed Annual

**Country:** Serbia

**Post:** Belgrade

**Report Category:** Grain and Feed

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### **Report Highlights:**

Farmers in Serbia are preparing for spring planting that should take place at the beginning of April. On March 15, Serbia imposed a state of emergency that includes a police curfew due to the spread of the COVID-19 virus. This will likely delay spring planting due to limitations on the movement of farmers, the lack of seasonal workers and difficulties in obtaining planting material. Marketing year (MY) 2019/20 wheat crop was average at an estimated 2.5 million metric tons (MMT), 22 percent lower than MY2018/19, which was one of the largest in over twenty years at an estimated 3.2 million metric tons (MMT). MY2020/21 wheat planted area is reported to be same as last year or approximately 570,000 hectares (HA). For MY 2019/20, corn production reached a level of 7.7 MMT. That is nearly 10 percent more than in MY 2018/9, which was recorded as good year for corn production. For MY2020/21, it is expected that corn planted area will be similar to last year at about 950,000 HA.

Under the state of emergency, borders are closed, and only foreign nationals with residence permits and foreign diplomats engaged in activities in Belgrade are able to enter the country. Citizens arriving in-country are mandated to quarantine for 28 days. Moreover, the military is guarding hospitals. Citizens over 65 years of age in urban areas and 70 or older in rural areas are banned from leaving their homes with the risk of being fined (\$1,500). All schools, kindergartens and universities are closed. Effective March 18, additional measures were added to the state of emergency. A curfew for all residents, with few exceptions, was implemented for working days from 5:00 p.m. to 5:00 a.m. and from Saturday 1 p.m. to Monday 5 a.m. (fine for breaking the curfew is \$1,500). Only supermarkets and pharmacies are open with reduced working hours. Public transportation is completely suspended. Farmers are asking the government for a special permit for free movement and to remain in the fields until 8 p.m. to complete spring planting.

### **Executive Summary**

For marketing year (MY) 2020/21 Serbia's total planted area for all crops is estimated at 3.42 million HA, unchanged from last year. Approximately 720,000 HA or 6 percent more than last year were planted last fall (i.e. wheat, rye, oats and barley) and spring crops (corn, sunflower, soya, sugar beet, tobacco, vegetables, forage crops, etc.) will be planted on approximately 2.7 million HA. This year's crop yields and agricultural production will depend on weather conditions during the vegetation period of the crops, as irrigation accounts for about 8-10 percent of arable land.

In the current difficult situation with a state of emergency, farmers are starting to plant spring crops in the beginning of April, depending on the crop. Even with late planting due to extreme dryness, warm weather during the winter months and limited precipitation, the condition of the fall crops is good. The moisture level of arable land is sufficient for farmers to not have difficulties with spring planting.

In marketing year (MY) 2019/20, the wheat crop was average at an estimated 2.5 million metric tons (MMT), nearly 22 percent lower than MY2018/19, which was one of the largest in over twenty years at an estimated 3.2 million metric tons (MMT). This record crop left 1.4 MMT of wheat available for export but with low quality and high prices resulted in export numbers approximately 40 percent smaller than in average years. The MY2020/21 wheat planted area is reported to be similar to last year or approximately 570,000 HA. With estimated good wheat yields at approximately 4.7 MT/HA, total production is expected to be 2.7 MMT.

For MY2019/20, planted area for corn was approximately 970,000 HA, an increase of 10 percent compared to last year and 20 percent compared to the past ten-year average. Total corn production for MY2019/20 is 7.7 MMT which equates to an average yield of 7.6 MT/HA. Planting of corn will start at the beginning of April, and it is estimated that for MY2020/21 planted area will be similar to that of last year, 950,000 HA.

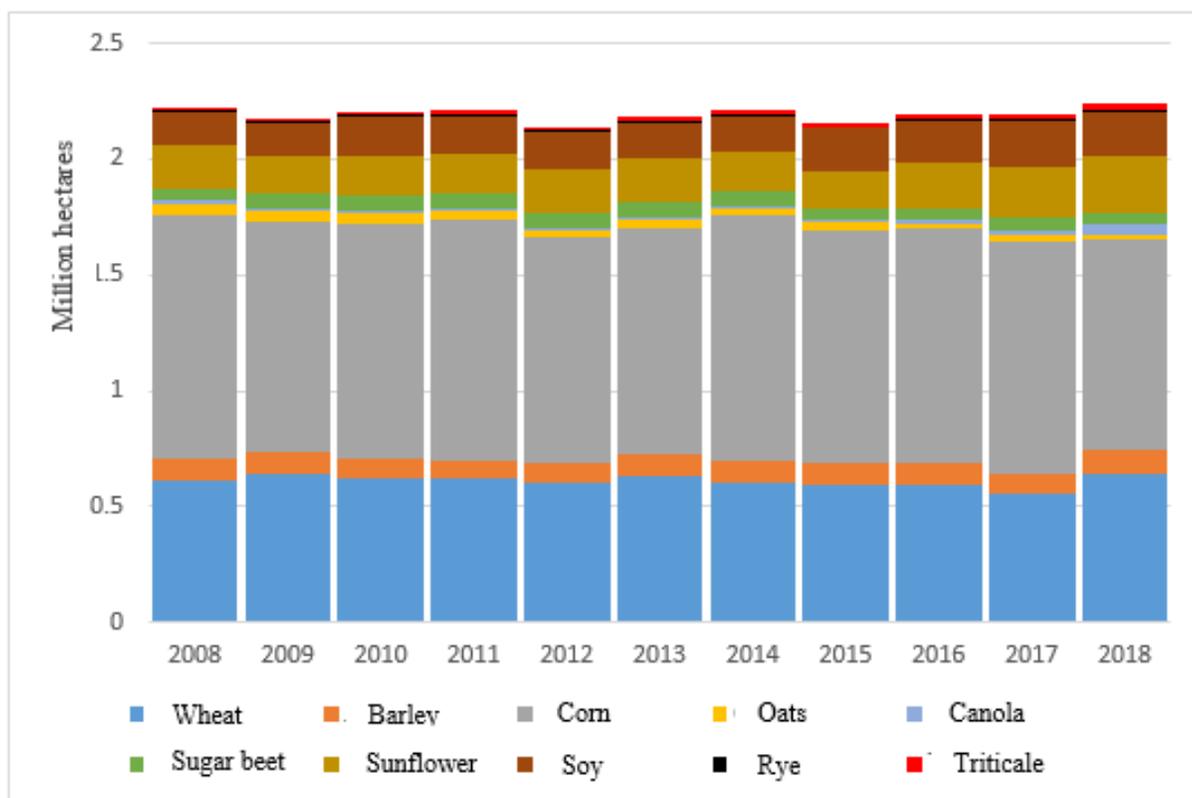
In MY2019/20, warm weather conditions and not enough precipitation during spring but significant during the summer months led to average yield and production of sunflower and soybeans. Sunflower was planted last spring for MY2019/20 on 220,000 HA and, with average yields of 2.7 MT/HA, reached a production of 600,000 MT. But due to high supply, the price of sunflower was low throughout the year, and farmers will most likely plant around 10 percent less in MY2020/2021 (200,000 HA)

compared to last year. Serbia will have approximately 350,000 MT of sunflower seeds, sunflower edible oil and sunflower meal available for export.

Soybeans were planted last spring for MY2019/20 on 230,000 HA, and with average yields of 3 MT/HA due to weather conditions total production was 690,000 MT, 6.5 percent smaller than the previous year. Farmers will plant 8.6 percent more soybeans this year, instead of sunflower due to better prices. Approximately 250,000 MT of soybeans will be available for export.

In MY2019/20, barley was planted on 110,000 HA, of which 90,000 HA was winter barley and 20,000 HA was spring barley. MY2019/20 barley production was high at approximately 400,000 MT, with an average yield of 3.6 MT/HA, 15 percent less when compared to the previous year when Serbia had record production of barley. In MY2020/21, barley area is projected to remain unchanged at 110,000 HA (40 percent of planted barley will be barley for brewing and 60 percent for cattle feed).

**Chart 1: Crop planting in Serbia**



Source: SEDEV

## Wheat

Wheat Market Begin Year	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
Serbia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	648	650	580	570	0	570
Beginning Stocks	752	752	886	1109	0	1164
Production	3000	3200	2600	2500	0	2700
MY Imports	12	7	10	5	0	8
TY Imports	12	7	10	5	0	8
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3764	3959	3496	3614	0	3872
MY Exports	1078	1200	700	650	0	1400
TY Exports	1078	1200	700	650	0	1400
Feed and Residual	600	450	600	500	0	500
FSI Consumption	1200	1200	1200	1300	0	1300
Total Consumption	1800	1650	1800	1800	0	1800
Ending Stocks	886	1109	996	1164	0	672
Total Distribution	3764	3959	3496	3614	0	3872
Yield	4.6296	4.9231	4.4828	4.386	0	4.7368
(1000 HA) ,(1000 MT) ,(MT/HA)						

### Wheat Production

The MY2019/20 wheat crop was 2.5 MMT, planted on 570,000 HA and with average yields of 4.4 MT/HA. This is 22 percent less than in MY2018/19, when Serbia produced one of the largest wheat crops in over twenty years at an estimated 3.2 million metric tons (MMT). The wheat harvest in 2019 was extended, lasting from mid-June to mid-July 2019, mostly due to the heavy rainy season (May-July) and inability of farmers to enter into fields to harvest. This resulted in a solid wheat crop in size but of varying quality, depending on the region of production. For MY2020/21, farmers planted 570,000 HA of wheat in fall 2019 which, with average yields of 4.7 MT/HA, will lead to production of 2.7 MMT.

Harvest of MY2019/20 wheat lasted for the entire month, due to interruptions caused by heavy rains. Significant humidity just before (in May) and during the harvest (June-July) significantly reduced the quality of MY2019/20 wheat, especially by hectoliter weight (important for the bakery industry). In many areas, especially in Vojvodina, the weight was below 70 hl/kg while the average is 78-80 hl/kg.

**Table 1: Wheat area and production, Serbia MY2015-2020**

Wheat	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Area (HA)	556,000	600,000	540,000	675,000	570,000	570,000
Production (MT)	2,400,000	3,000,000	2,430,000	3,200,000	2,500,000	2,700,000

Source: Serbian Grain Fund

Even with unusually warm weather, limited precipitation and no snowfall as protection last winter, the wheat crop is in good condition and is developing well. March is the time of year when farmers apply different agro-technical measures on wheat (fertilizers and if necessary fungicides). Due to prolonged planting in the fall and adverse weather during planting that many farmers extended beyond optimal planting periods, wheat is currently in various stages of development. On several parcels, plants are in the initial phase with only 2 or 3 leaves, while there are also crops that are in the later phase of turning into stems, which is usually expected for this period of the year.

However, due to an extremely mild winter and the start of a wet spring, part of the wheat crop is suffering from the diseases yellow rust (*Puccinia striiformis*) and grey leaf spots (*Septoria tritici*). According to the Serbian Advisory Service, these diseases, if spotted in time and with adequate advice to farmers on how to prevent their spread, can be treated quite successfully. To prevent the spread of these diseases, it is important for farmers to promptly apply adequate fungicides to provide for a healthier foliar mass and thus have a positive impact on the final wheat yield. Due to warm weather a significant number of small rodents could be found in wheat fields and, farmers had to undertake eradication measures to protect their crop. The final crop size will depend on weather conditions from April to July 2020.

Total planting costs of wheat might be lower due to decreased price of fertilizers and fuel. Prices of fertilizers decreased for 10 percent comparing to last spring, while diesel fuel price is recording a drop of 5 percent. Price of seeds remained the same as last year.

**Table 2: Prices of fertilizers and diesel (in Din and US\$)**

Commodity	March-2018		March-2019		March-2020	
	Din/MT	\$/MT	Din/MT	\$/MT	Din/MT	\$/MT
Fertilizer	37,500	372	35,800	354	32,000	316
Urea	42,500	421	36,200	358	32,500	320
Diesel	143 din/lit	1.42 USD/lit	160 din/lit	1.58 USD/lit	152 din/lit	1.50 USD/lit

Source: Novi Sad Commodity Exchange

Note: \$ 1 equals 101, 00 Serbian dinars.

Wheat is an important crop in Serbia, which not only takes up significant planted area but also plays a major role in crop rotation, farmers' cash flow and contracting with cooperatives (often farmers borrow

wheat, fertilizer and other crops). Wheat production has undergone a transformation from a highly profitable subsidized culture to a more vulnerable commodity not assured for most wheat farmers.

The main factors influencing trends in Serbian wheat production are as follows:

- Competition from other field crops (corn, sunflower, barley, soy), which for the past few years have been more profitable than wheat;
- Wheat is practically the only winter crop grown in Serbia and therefore plays a significant role in the sowing structure for crop rotation purposes;
- Serbia is still a low wheat quality supplier to the EU, but for the last few years with increasing use of foreign wheat varieties, the quality and yields have been improving;
- Rising wheat production (in terms of both area and yields) especially in Russia, Ukraine and Kazakhstan;

### **Wheat Consumption**

Total domestic consumption of wheat in Serbia for MY2019/20 is estimated to be approximately 1.8 MMT annually. The annual consumption of wheat seed is approximately 200,000 MT; feed consumption totals up to 300,000 MT. Wheat is mostly used for human consumption, and it is estimated that for MY2019/20 annual consumption will be 1.3 MMT. Per capita consumption of wheat is estimated at 180 kg, which is significantly higher than consumption levels in most European countries. This is mostly the result of specific customs in every day diets and low income that lead to more consumption of bread and pasta, replacing meat.

Currently, there are over 400 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 4.2 MMT. Wheat milling capacity is estimated at about 2.5 MMT, with 60 percent of this capacity 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 MMT. There are six large companies involved in pasta production and over 600 small private pasta producers in Serbia.

Annual consumption of wheat seeds is approximately 200,000 MT from domestic and imported seed sources. Every year, seed companies in Serbia offer more than 70 varieties of wheat planting seeds. Local seed-producing institutes control the majority of the market (about 50 percent). Approximately 60 percent of wheat seeds are certified, while the rest are wheat seeds from the previous crop used by small farmers with limited financial resources to buy certified seeds. In the fall of 2019, the price of seed wheat was approximately 50-60 dinars/kg (\$500-600/MT), or about the same as in the fall of 2018.

Farmers use less than half the amount of chemical fertilizers that farmers in developed countries use, due mostly to a lack of financing. Because of the limited use of mineral fertilizers and certified planted seeds, crop yields in Serbia are much lower than in most EU countries. Nearly half of the 800,000 MT of fertilizers used in Serbia annually are imported from Russia, Croatia, Romania, the Ukraine, and Hungary.

Feed consumption, mostly for cattle, varies between 200,000-300,000 MT, depending on the quality of the crop in a given year. A strong rain season leading to and during the wheat harvest (June-July 2019), for MY2019/20, wheat is of low quality and mostly of feed quality. By mixing with stocks of MY 2018/19 higher-quality yield and imported wheat mostly from Hungary, farmers were able to enhance a wheat quality necessary for milling and confectionery industry.

### **Wheat Quality**

The overall quality of the MY2019/20 wheat crop was reported to be of lower than average. High humidity at the time of harvest negatively impacted weight (hectoliter mass), a measure of the volume of grain per unit. Weight is usually expressed as kilograms per hectoliter and is a good indication of grain-soundness. Millers usually use test weight as an indication of expected flour yield.

MY2019/20 average hectoliter weight was below 75 hl/kg. The percentage of moisture was on average 12 percent, while the level of protein present ranged from 12.5 percent (wheat sold for human consumption) to 11.5 percent (wheat sold as feed). Prices at market were based on the level of hectoliter mass: below 74 kg/hl (only for feed); between 74-76 kg/hl (feed and milling); and, above 76 kg/hl (milling wheat).

Serbia adopted the Rulebook on Quality of Grains, Milling and Bakery Products and Pasta. This rulebook sets the minimum quality requirements for grains for use in food processing that are in compliance with EU directives on minimum quality. Methods of quality are compliant with ISO standards and other internationally recognized methods that will resolve a long-standing problem in exports of grains, especially in determining the level of hectoliters for wheat and the level of moisture in corn. But despite this rulebook, challenges remain for wheat producers regarding the mixing and mingling of different wheat qualities when stored and inconsistency in offering constant quality for wheat exports. The rulebook also mandated that producers and operators of storage separate wheat for human consumption and cattle consumption, which will also assist exporters in fulfilling international trade contracts.

### **Wheat Trade**

In MY2019/20, wheat and flour exports were extremely low. From July 2019 to February 2020, Serbia exported only 330,000 MT of which wheat exports were 200,000 MT and flour exports were 94,595 MT, that is about 130,000 MT wheat-grain equivalent. Serbia exported from 14,000-32,000 MT monthly, much lower than the average of 50,000-70,000 MT monthly. This is 77 percent lower than last year's exports of 1.2 MMT. Most of the MY2019/20 wheat crop was of low quality for cattle feed. Despite the low quality, the price for Serbia wheat since harvest in summer 2019 showed an increasing trend and was not competitive. Farmers maintained their high prices and refused to sell wheat at the price for feed wheat. The wheat price trend defied any logic as supply was high and demand low.

Lower-quality wheat and flour are mostly shipped by truck to neighboring Bosnia/Herzegovina, Montenegro, North Macedonia and Albania. Small quantities of wheat are shipped by barges to Port Constanza in Romania. Export of wheat is mostly by foreign international companies, FOB from Serbian ports on the Danube River.

The current FOB Danube wheat price is between \$173-\$193/MT for the old wheat crop and \$262-\$272/MT for wheat flour type 500. Price for the new wheat crop is still not listed.

Due to the low quality of wheat, the milling and confectionery industry requested the government remove the 18 percent import taxes for milling wheat. At end of December 2019, the government implemented a decision to remove custom tariffs for wheat of milling quality (tariff no. 1001 99 00 00) for the period January 1-April 30, 2020 (Official Gazette RS no. 94/19) from EU countries to 0%. This is mostly to assist millers to import higher quality wheat that will be used to enhance lower quality Serbian wheat. But since implementation, only 1,000 MT of milling wheat has been imported from Hungary.

Due to low-quality wheat currently offered on the local market and expected problems in exports due to a shortage of barges on the Danube, Serbia will not have significant export of wheat until the new harvest. It is expected that due to the coronavirus pandemic higher demand from neighboring countries for wheat and flour will occur in the following months. Due to higher demand for Serbian wheat and flour, prices slightly increased for the past week. It is estimated that total wheat exports in MY2019/20 will be approximately 650,000 MT, of which 450,000 MT of wheat and 150,000 MT of wheat flour, which is about 200,000 MT in wheat-grain equivalent, the lowest in last ten years.

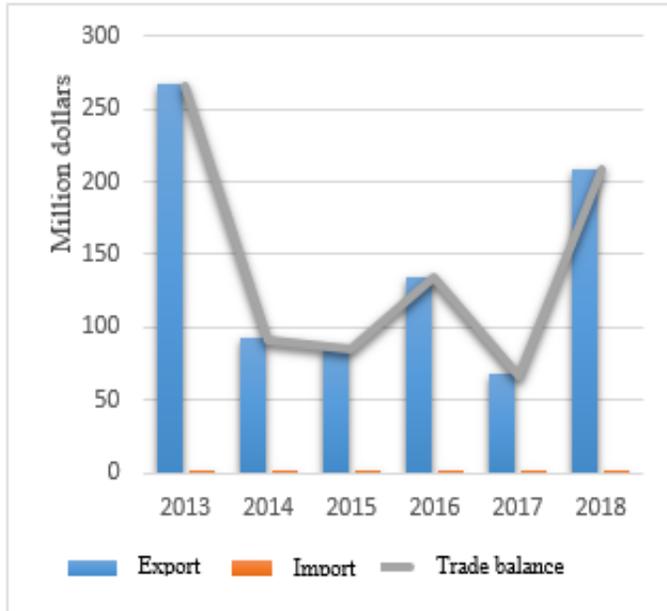
On March 16, the government issued a decree prohibiting the export of certain agriculture commodities over a 30-day period (“Official Gazette No. 28/2020):

1. Wheat flour (tariff no. 1101 00 11 00 and 1101 00 15 00);
2. Edible sunflower oil (tariff no. 1512 19 90 00);
3. White Sugar (tariff no. 1701 99 10 00);
4. Sunflower seeds (tariff no. 1206 000);

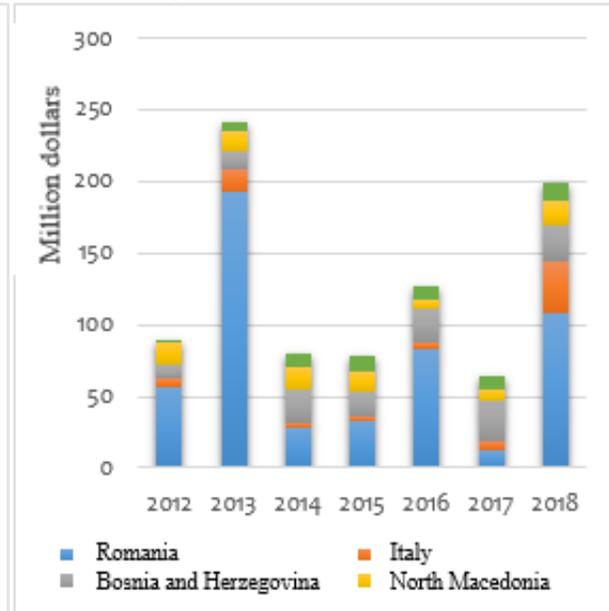
On March 17, the government issued another decree establishing exempted quotas on the above-mentioned agricultural commodities that are approved for export to CEFTA countries, including Bosnia/Herzegovina, North Macedonia, Kosovo and Montenegro (“Official Gazette No. 33/2020).

Export of goods from Serbia during the state of emergency is possible by trucks. Drivers are going through strict sanitary controls. With railway transportation, locomotives and workers are swapped out at the border. Barges and vessels are following safety protocols as well with the use of minimal crews on self-driving vessels or mandating that those who load/unload barges at the port remain at port.

**Chart 2: Trade balance of wheat 2013 – 2018**



**Chart 3: Export destinations for wheat**



Source: SEDEV

In November 2018, Kosovo imposed a blockade on all commodities exported from Serbia, coupling the blockade with a 100 percent tax. As a result, Serbia’s annual exports of nearly 100,000 MT of wheat and 15,000 MT of flour, valued at \$45 million have been banned completely. Kosovo traditionally was a main buyer of wheat and flour from Serbia, which is now displaced by Bulgarian and Croatian suppliers.

On March 15, Kosovo removed the 100 percent tax on Serbian raw materials (including corn and wheat). Later, on March 31, the 100 percent tax on processed food from Serbia was removed and replaced with and reciprocal measures. This decision will remain in place until June 15, 2020, when the results of its implementation will be reviewed. It will take time and effort to return to the Kosovo market after two years of absence. Due to the coronavirus crisis, the first truckloads of wheat were exported to Kosovo last week.

Last year, the Serbian Ministry of Agriculture harmonized phytosanitary certificate for export of wheat to Egypt. But since now no Serbian wheat was exported to the Egyptian market directly, only maybe in a mix shipment from silos from the port Constanza, Romania by big multinational companies.

**Table 3: Wheat exports in MY19/20 (July 2019-February 2020)**

Month	Wheat MY19/20 in MT	Flour MY19/20 in MT
July	30,235	12,089
August	31,095	13,727
September	32,175	12,500

October	23,922	12,845
November	14,309	12,220
December	23,792	13,406
January	18,081	7,509
February	34,307	10,299
<b>TOTAL:</b>	<b>207,916</b>	<b>94,595</b>

Source: Serbian Grain Fund

**Table 4: Customs tariffs of grains in Serbia for 2020**

Product	Custom tax for other countries (including U.S.)	Custom tax for EU countries	Custom tax for Russia, Belarus, Kazakhstan	CEFTA countries
Wheat	30%	0%	0%	0%
Corn	30%	0%	0%	0%
Barley	20%	0%	0%	0%

Source: Serbian Customs Office

The Serbian Grain Association (SGA) has approximately 49 members representing a sector valued at over \$500 million. Since 2016, the FAO and the European Bank for Reconstruction and Development (EBRD) have been working on different projects with the SGA in order to assist with the export of grains and oil crops to new markets. FAO experts focused on providing public sectors with the skill set to meet sanitary and phytosanitary requirements in the export of grains, wheat to Egypt and corn to China. In June 2019, FAO and EBRD supported SGA in organizing crop travel in Serbia and the first regional Grain Conference that was held in Belgrade on October 31, 2019.

In CY2019, the largest foreign buyers of grain and oilseeds from Serbia, FOB Danube Port were: COFCO (China), Cargill (U.S.), ADM (U.S.) and Ameropa AG (Switzerland). The largest domestic exporters were Agroglobe, Delta, Konzul, Matijevic and Agro-Export.

Main logistical bottlenecks for grains in Serbia:

1. Railways in bad state of repair (low maximum weight load and speed with only about half of the railway tracks allowing for speeds over 60 km/h);
2. Significant problems in river fleet (limited number of old and inefficient vessels) and the infrastructure of internal waterways downstream;
3. Still limited number of intermodal grain terminals;

### **Wheat Stocks**

As of March 2020, Serbia has 1.2 MMT of wheat available. Domestic consumption until the new harvest in June 2020 is estimated at 300,000 MT, leaving about 800,000 MT of wheat for export. Due to poor quality, the maximum amount exported will range from 100,000-150,000 MT of wheat which will lead to high ending stocks of over 1 MMT. Small 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. Total storage capacity for grains at Danube ports in Serbia is around 250,000 MT.

### **Wheat Policy**

The Ministry of Agriculture, Forestry and Water Management is responsible for the government's strategy in the field of international and domestic agricultural trade, food processing, rural development, environment, forestry, and water management. Since 2015, The Ministry has limited payment of incentives to smaller agricultural concerns by reducing the maximum farm size for registered agricultural households eligible to use federal subsidies, from 100 HA to 20 HA. Approximately 94 percent of registered farmers have up to 20 HA of arable land, while the remaining 6 percent are big farmers with arable land over 20 HA.

The maximum quantity of seed which given in exchange for the wheat to an individual farmer was 20 MT, while the authorized warehouse owners, cooperatives and other legal entities could request the maximum amount of 500 MT. The proposed parity was 1.8 kg of mercantile wheat for 1 kg of seed wheat. Total quantity of wheat that was accepted for exchange was 30,000 MT; one-third of Serbia's monthly consumption. The small quantity of wheat offered likely did not have much effect on wheat prices.

In January 2019, the government adopted the new Rulebook on Allocation of Subsidies for Agriculture Production and Rural Development. Planting subsidies for crop production were set at 5,200 dinars (\$51) per hectare, an increase of 1,200 din (\$11) per hectare compared to the previous year. State support for milk production in 2020 will remain the same as previous years (7 dinars [\$0.07] per liter). Livestock production subsidies will range from 100 dinars (\$1) for laying hens to 25,000 dinars (\$250) per cow. Incentives for beehives will be 720 dinars (\$7) per hive. The government is also offering to cover 40 percent of the storage costs for farmers. For support to organic production, the State set aside 350 million dinars (\$3.5 million) and for preservation of plant and animal genetic resources approximately 154 million dinars (\$1.5 million).

The Serbian Government according to the Decree on Subsidizing Diesel Fuel for Farmers provide subsidized diesel fuel at 20 dinars per hectare (\$0.20/lit) for a maximum 60 liters per hectare. Each farmer can obtain subsidized diesel for up to 20 hectares in total.

The Serbian Ministry of Agriculture are subsidizing loans for farmers in cooperation with commercial banks with covering part of the interest rates on these loans. Loans could be obtained through commercial banks for development of arable farming, fruit growing, viticulture, vegetable growing and floriculture, investment in agricultural machinery and equipment procurement (machinery and equipment for crop production). Loans are with a grace period of one to three years and are approved and paid in dinars - without a currency clause.

The fixed interest rate is 3% annually and 1% for farmers residing in an area with difficult working conditions in agriculture, or who has less than 40 years of life in the current year, or who is female.

In January 2019, Serbia began to use EU IPARD funds for agriculture and rural development. The initial round of applications for funds valued \$10 million in grants became available to agricultural producers for farm machinery and equipment. In total, throughout 2019 and the beginning of 2020, the Ministry of Agriculture released seven calls to apply for \$60 million of IPARD Funds. Besides machinery and equipment, the list of possible use included storage facilities, farms, greenhouses, orchards and food processing equipment.

The EU granted \$206.5 million in 2016 for the period 2014-2020, but Serbia was not able to make use of the funds until the beginning of 2019, due to the lack of EU accreditation for the national payment agency. The grants will finance refunds up to 75 percent from EU funds, and the State will cover 25 percent of the purchase. All payments must be made in advance (after obtaining approval from the Agrarian Agency for the project/purchase) and then farmers and processors can request refunds afterwards. Disbursement of refunds can take up to a year.

On July 22, the Serbian Parliament adopted a new Law on Commodity Exchange Official Gazette no. 52/2019). This law will have positive effect for further development of commodity trade. The positive effect of the Law should be felt by all participants in the agrarian market, from producers, through cooperatives, warehouses, to traders and exporters. The lack of legislation prevented the development of the commodity exchange and commodity market, which has now been eliminated after several unsuccessful attempts to pass the law. This law will provide a quality business environment for all participants in the commodity market. A key innovation is the guarantee that all stock exchange transactions that will be concluded through the commodity exchange. This system will operate on the principle of cumulative purpose accounts and guarantee deposits. In addition to the spot market, forward trading will be facilitated through the conclusion of forward contracts. This will allow farmers, millers and processors to hedge against price risk, to get a better price for their goods, or to plan procurement. In this way, they will be able to plan their business, and customers will receive the goods in accordance with the agreed quality and delivery time. Also, it will be possible to trade with available barge/vessel space for transport.

### **Wheat Marketing**

Market prices of wheat MY2019/20 since harvest in June-July 2019 started to increase, due to situation that farmers were storing new wheat and refusing to sell. Despite bad quality and very low demand and exports price of wheat was increasing since harvest. It also continued in the fall when price of wheat in October 2019 listed at Novi Sad Commodity Exchange was 17.60 din/kg (\$174/MT) and winter when in January listed wheat price was 19.3 din/kg (\$191), or 9.5 percent higher.

As of March 2020, wheat from MY2019/20 is offered for sale at a range between 17.80 din/kg (\$176) to 19.50 din/kg (\$193/MT). After very slow exports of wheat MY2019/20, sales are forecast to slightly increase due to the higher demand of wheat and flour from the neighboring countries due to higher demand from population in the state of pandemic. The new harvest season will begin June-July 2020 and since Serbia will have approximately 800,000 MT of wheat in stock most probably wheat prices will go down before the new harvest.

## Corn

Corn Market Begin Year	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
Serbia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	900	900	950	970	0	950
Beginning Stocks	438	438	512	443	0	853
Production	7000	7000	6750	7700	0	7000
MY Imports	10	5	5	10	0	10
TY Imports	10	5	5	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7448	7443	7267	8153	0	7863
MY Exports	2836	2700	2200	3000	0	2800
TY Exports	2836	2700	2200	3000	0	2800
Feed and Residual	3800	4000	4000	4000	0	4000
FSI Consumption	300	300	300	300	0	300
Total Consumption	4100	4300	4300	4300	0	4300
Ending Stocks	512	443	767	853	0	763
Total Distribution	7448	7443	7267	8153	0	7863
Yield	7.7778	7.7778	7.1053	7.9381	0	7.3684

(1000 HA) ,(1000 MT) ,(MT/HA)

### Corn Production

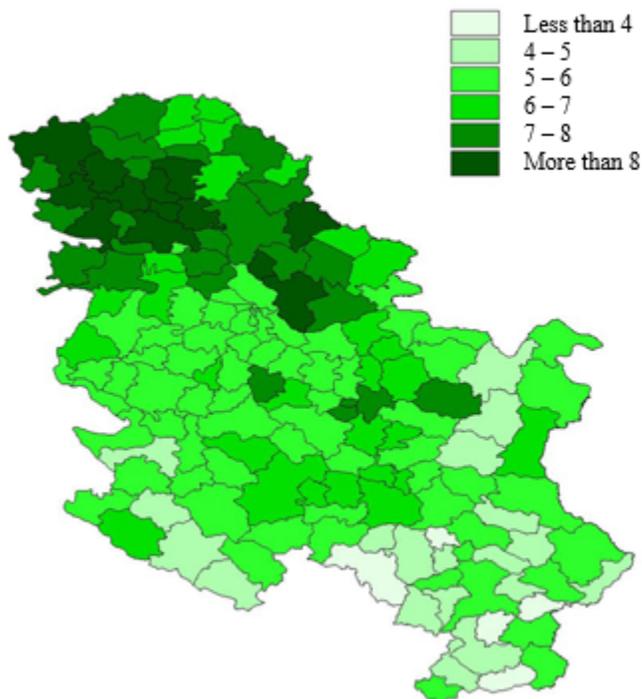
For MY 2019/20, corn production reached 7.7 MMT, nearly 10 percent more than the previous year and 20 percent compared to the last ten-year average. For MY2020/21, corn planted area is estimated to be similar to last year's 970,000 HA. If corn exports reach 3 MMT in MY2019/20, Serbia will once again enter the list of top corn exporters in the world. From October 2019 to February 2020, Serbia exported approximately 1.3 MMT of corn or 30 percent more than in the same period last year.

The corn harvest last fall began earlier than usual - end of August/beginning of September 2019 - and lasted until the end of November. Corn yields in some parts of Vojvodina reached a record high of 8-12 MT/HA, while corn yields in the areas south of the Danube were lower, approximately 4-8 MT/HA. Farmers left corn in the field longer due to warm weather, leading to 14 percent moisture levels from naturally drying. This in turn, reduced production costs. The record corn crop of MY2019/20 not only occurred in Serbia, but also throughout the region. This large supply created low prices that put pressure on farmers to sell due to limited storage.

The planting of corn will start at the beginning of April. For MY2020/21, planted corn area is projected to be 950,000 HA, almost the same as last year. Total corn production is forecast at 7 MMT, which equates to an average yield of 7.36 MT/HA. Corn accounts for roughly 35 percent of total planted area of field crops. This year's planting is expected to begin early April and last until mid-May. Corn farmers have been advised to plant seeds much deeper to adjust for soil moisture and the anticipated hot weather during the growing season.

The Serbian Meteorological Service is forecasting that from February to August 2020 weather in Serbia will be warm with low levels of precipitation. For March, June and August, it is forecast that precipitation will be lower than average, while in other months' precipitation will be average. The weather is forecast to be very warm, with a significant threat of drought.

**Map 1: Average corn yields 2011-2018 in MT/HA per municipality**



Source: Serbian Statistical Office

Corn is the main crop in Serbia that producers can easily store on their farms. Farmers harvest the crop in October and November. The crop is either stored on farms to dry naturally or taken to drying facilities. When farmers elect 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 20,000 and 25,000 MT annually, depending on seed varieties and the area planted. There are two large domestic 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 they currently control 19 and 24 percent, respectively, of the corn seed market in Serbia. This represents a huge decline in market share due to competition from foreign corn seed varieties that began entering the Serbian market several years ago. The largest player in the corn seed market for the past few years is U.S. Du Pont Pioneer with 28 percent market share of the entire seed market. Du Pont Pioneer and two domestic institutes account for 71 percent of the corn seed market, while the remaining 29 percent of the market is shared by approximately 15 foreign companies that are present in the market (KWS, Limagrain, Syngenta, Monsanto, Dekalb, Agrimax, Maisdour etc).

### **Corn Consumption**

Serbia’s MY2019/20 total consumption requirement is estimated at approximately 4.3 MMT annually, with most being used for animal feed (3.70 MMT), and 300,000 MT for residual. Corn consumption for feed has declined due to decreased livestock numbers as in most of the transition countries. In 1990, there were 2.16 million heads of cattle (1.28 million were cows and pregnant heifers). In 2019, there were less than 1 million cattle (700,000 cows and pregnant heifers) with the tendency to decrease even further. At the same time, there has been a trend of rural depopulation as well. FSI (food, seed and industrial) corn consumption is estimated for MY2019/2020 at 300,000 MT.

### **Corn Trade**

Serbia is a net exporter of corn. In MY2019/20, due to large production of 7.7 MMT of corn, it is expected that Serbia will export significant quantities of corn of up to 3 MMT. This is 300,000 MT more than in MY2018/19. Serbia is one of the largest corn exporters in Europe and, in record good years, among the top ten countries in the world. If corn exports reach 3 MMT in MY2019/20, the country will once again enter the list of top corn exporters in the world. Serbia typically produces more corn than it consumes, exporting to neighboring and EU/Mediterranean countries. In CY 2019, 40 percent of corn was exported by barges through the Danube to Port Constanza, Romania, 18 percent to Italy, 10 percent to Austria, and 6 percent to Bosnia/Hercegovina. The remainder was exported to Albania, Macedonia, Montenegro, Croatia, Turkey, and Slovenia. Competition comes from Russia, Ukraine, Romania and Hungary.

Serbia is seeking new markets for corn exports with a focus on China and Indonesia. All Serbian corn is GMO-free which makes it highly sought after in Japan and South Korea. From September 22 to October 1, 2019, Chinese experts visited Serbia to begin negotiations on harmonizing corn export certificates for China. They visited the Serbian Phytosanitary Directive, producers, storage facilities and ports. This harmonization process is still on-going.

The largest buyers of Serbian corn in MY2019/20 were the same as in previous years: COSCO (China), ADM (U.S.), Cargill (U.S.) and Ameropa (Switzerland). Most of the quantities were shipped by barges via the Danube to the Port Constanza in Romania.

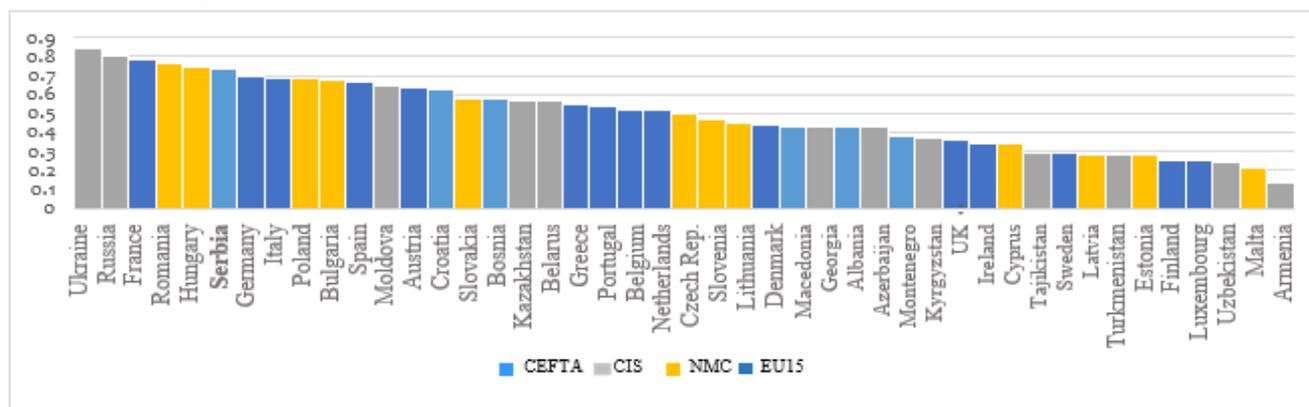
**Table 5: Corn exports in first half of MY19/20**

Month	MY19/20 in MT
October	245,460
November	261,122
December	347,537
January	213,237
February	217,995
<b>TOTAL:</b>	<b>1,285,351</b>

Source: Serbian Grain Fund

Effective January 1, 2014, the duty rate for corn imports from the EU and CEFTA countries, as well as from Russia, Belarus and Kazakhstan is as follows: tariff no. 1005 90 corn is 0 percent, tariff no. 1005 10 seed corn is 0-9 percent and tariff n. 1102 20 90 corn flour is 19.5 percent. The general duty rate for corn, corn seed and corn flour imports from other countries, including the United States, is still 30 percent.

**Chart 4: Competitiveness of corn per country**



Source: SEEDDEV, FAO

### Corn Stocks

Ending corn stocks in MY2019/20 are estimated to be at a high 850,000 MT, due to the strong corn crop yields in MY2018/19 and MY2019/20. Most of the stocks are in farmers' hands and kept in open-air storage facilities to be naturally dried. These stocks are normally offered for sale in local markets beginning in March in order to collect money for the new planting season.

## Corn Policy

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

On November 21, 2019, the government adopted a decision (11604/2019) that the Directorate for Commodity Reserves should make a natural exchange of up to 12,000 MT of mercantile corn for fattening cattle (17,00 kg of corn for 1 kg of cattle). Only registered farmers were able to apply for this exchange.

## Corn Marketing

Average corn price in CY2019 was 15.11 din/kg (\$150/MT), 5 percent less compared to the average price in CY2018. The highest price for corn in MY2019/20 was recorded in February 2020, 16.10 din/kg (\$160/MT). The lowest price of 13.90 din/kg (\$137/MT) was recorded during the harvest in October 2019 when the supply of new corn was much higher than demand. In November 2019, the price of corn slightly increased and reached 15.42/kg (\$153/MT) in January 2020. Currently, in MY2019/20, the price in March was recorded at 15.20 din/kg (\$136/MT). Due to large stocks and low demand, it is expected that the price of corn will continue to decline.

A portion of corn exports is shipped to neighboring countries (Bosnia/Hercegovina, Albania, North Macedonia, and Montenegro) by truck, while the majority is shipped by international companies via the Danube River on vessels and barges to the Black Sea region. The current price for corn is competitive, but due to the COVID-19 pandemic, currently there is limited demand for Serbian corn FOB Danube ports. Some smaller quantities of corn will be exported by truck to neighboring countries.

## Barley

Barley Market Begin Year	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
Serbia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	110	110	110	110	0	110
Beginning Stocks	10	10	41	34	0	32
Production	470	470	440	400	0	440
MY Imports	4	2	2	3	0	4
TY Imports	5	2	2	3	0	4
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	484	482	483	437	0	476
MY Exports	68	68	60	30	0	60
TY Exports	67	68	60	30	0	60
Feed and Residual	200	200	200	200	0	200
FSI Consumption	175	180	175	175	0	180

<b>Total Consumption</b>	375	380	375	375	0	380
<b>Ending Stocks</b>	41	34	48	32	0	36
<b>Total Distribution</b>	484	482	483	437	0	476
<b>Yield</b>	4.2727	4.2727	4	3.6364	0	4
(1000 HA) ,(1000 MT) ,(MT/HA)						

### Barley Production

Barley is a secondary grain crop in Serbia. Area increased over the past several years growing from 70,000 HA to about 110,000 HA. Total production varies from 300,000-470,000 MT annually.

In MY2019/20, barley was planted on 110,000 HA, of which 90,000 HA was winter barley and 20,000 HA was spring barley. Barley production reached a high of approximately 400,000 MT, with an average yield of 3.6 MT/HA, 15 percent less than the previous year when Serbia had a record production of 470,000 MT. In MY2020/21, barley area is projected to remain unchanged at 110,000 HA (40 percent of planted barley will be barley for brewing and 60 percent for cattle feed).

In MY2020/21, barley area is projected to be the same, on 110,000 HA (40 percent for brewery sales and 60 percent for cattle feed). It is projected that average yields will be approximately 4 MT/HA, and that total barley production could reach approximately 440,000 MT.

**Table 6: Area planted to barley from MY2013/14 to MY2018/19**

Year	Barley		
	Harvested area HA	Yields	
		Total MT	Per HA/MT
2013/14	86,181	344,557	4.00
2014/15	90,642	362,568	4.00
2015/16	90,803	390,453	4.30
2016/17	91,886	395,109	4.30
2017/18	95,000	380,000	4.00
2018/19	110,000	473,000	4.30
2019/20	110,000	400,000	3.60
2020/21	110,000	440,000	4.00

Source: Serbian Grain Fund

### Barley Consumption

Total barley consumption for the past five years has ranged between 300,000-400,000 MT, of which around half is for animal feed and half for the brewery industry. Consumption of brewery barley has been increasing due to constant demand from breweries. Local breweries have been successfully sold to

several well-known Belgian, U.S., Canadian, German, Austrian, and Turkish companies. Barley planted for brewery use continues to expand every year.

### **Barley Trade**

Barley is not a significant commodity in Serbia's overall grain trade. With increased planted area, exports of barley have increased, while imports declined. In 2018/19, due to a high production crop of 473,000 MT, Serbia exported a record high quantity of 67,744 MT. This is an increase of 65 percent compared to previous years.

In MY2019/20, it estimated that exports of barley will be up to 30,000 MT, much lower than the previous year mostly due to low quality. Exports are mostly to EU countries, Bosnia/Herzegovina and Montenegro. Imports of barley in MY2019/20 will be average at about 3,000 MT. Most of the barley imports are for the brewing industry and come from France, the Czech Republic, Hungary, Romania and Bulgaria. Total barley exports have significantly increased over the past years. This is mostly barley used for feed.

### **Barley Stocks**

Barley beginning stocks in MY2019/20 are estimated at 34,000 MT. Post projection for barley ending stocks in MY2020/21 is that it will be similar to MY2019/20 of about 36,000 MT.

### **Barley Marketing**

The price of barley usually follows the price of wheat. The current market price for barley ranges from \$173/MT to \$190/MT.

**Attachments:**

No Attachments