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Report Name: Serbia Grain Summer Update 2022

Country: Serbia

Post: Belgrade

Report Category: Grain and Feed

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Report Highlights:

Persistent drought from May to August 2022 has damaged most of the spring crops in Serbia, mainly corn, soya, and fruits. Crop yields are forecast to decline by 20-30 percent, with total losses potentially reaching $ billion. At the end of July, Serbia eliminated its export ban and export quotas on wheat and corn that was implemented March 10, 2022. Due to the low level of the Danube River and the river traffic ban, grain exports from Serbia have been insignificant.

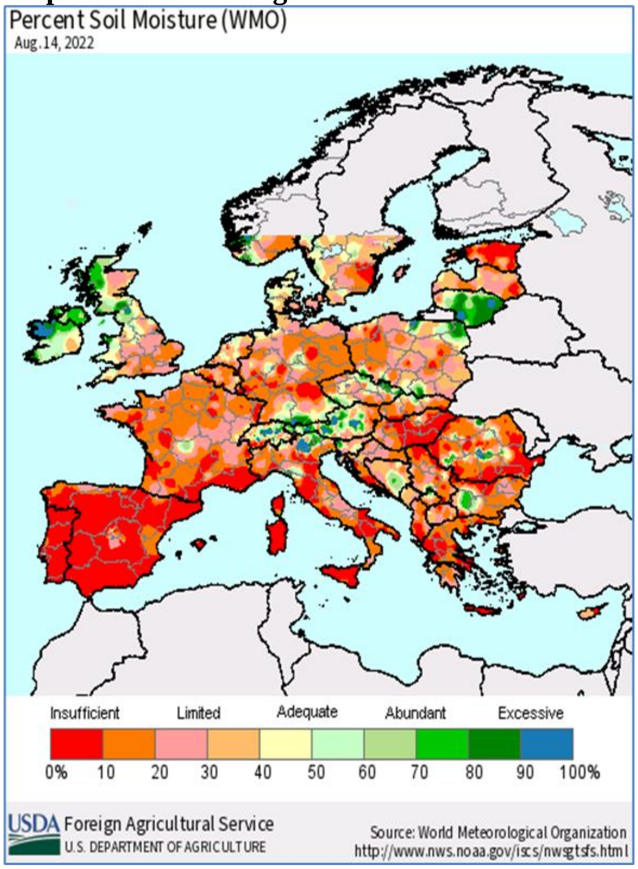
General Information:

Since May, and throughout the summer, Serbia has been hit by an extreme drought with record dry weather and high temperatures nearly matching the drought of 2017, one of the worst on record. Serbian agriculture experts estimate that total losses in agriculture production will be close to $1 billion. Major crops affected by drought are corn, sugar beet, soybeans, sunflower, fruit, and vegetables. Agriculture in Serbia is the economic and development engine for rural areas. It is also the only sector in Serbia's economy with a positive foreign trade balance - contributing about 10 percent to the country's GDP. Drought will also drive food prices up, pushing the average Serbian consumer to spend over 60 percent of their monthly income on food, and will reduce agriculture export revenue which accounts for over 20 percent of total Serbian exports.

Independent agriculture experts have publicly announced estimates of the drought's impact in the absence of any data from Serbian government officials. According to these experts, this year's drought reduced agricultural production by 20-30 percent compared to the average annual production, resulting reduced value of about $1 billion. The final estimates will be known by the end of the season, after the completion of the harvest. The average annual value of Serbia's agricultural production is $6-8 billion. The Serbian Ministry of Agriculture announced that it will release the first estimates in mid-September. The Ministry will also announce short-term drought response to support farmers. Long-term measures currently available include subsidizing 50 percent of the total cost of insurance premiums or pay 50 percent of cost to build new irrigation systems.

During winter, temperatures were not extremely low, and there was not enough snow coverage for the wheat crop protection. Despite these winter conditions, the wheat crop did not suffer damage. Spring conditions were good for wheat growth with enough moisture, prior to the harvest the entire region was hit by extreme drought conditions that did not negatively affect the grains planted last fall (wheat, barley, oats, rye) in Serbia.

Map 1. Low Percentage of Soil Moisture in Serbia

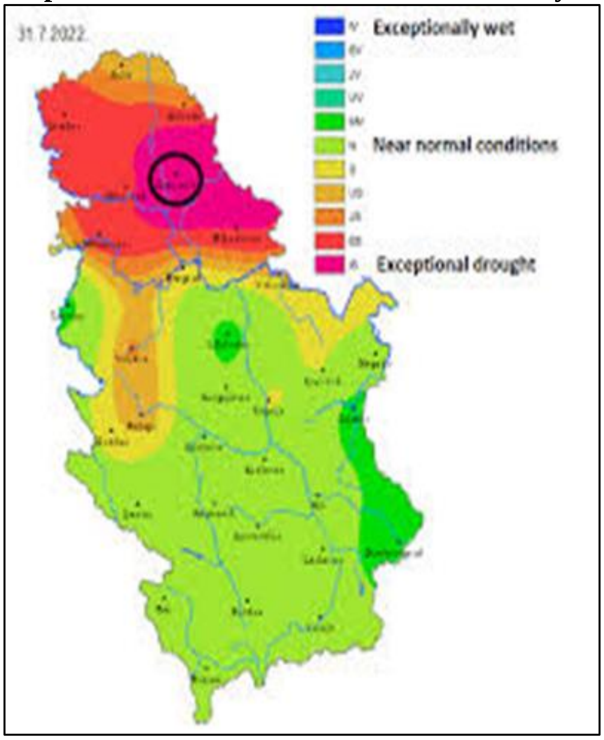


Source: IPAD/GMA/FAS/USDA

Wheat:

The wheat crop was not affected by the spring and summer drought because it was planted last fall and harvested in June. This year due to the extreme temperatures in May and the lack of precipitation, the wheat and barley harvest started three weeks earlier than usual and lasted from May 20 until June 10. Due to lower use of fertilizers and low precipitation during the crucial period when wheat grows, despite a 5 percent increase in the area planted, is lower than in MY2021/22. The planting area for wheat for MY2021/22 is estimated at 620,000 Ha. Overall production is estimated to be 3.2 MMT, which represents a 6 percent decrease compared to MY2021/22. With domestic consumption of around 1.7 MMT, Serbia will probably have 1.8 MMT of wheat available for export in MY2022/23. Beginning stocks in MY2022/23 are higher than the average at over 800,000 MT due to the government's policy to impose an export ban on wheat from March 10 to April 20. The government also imposed export quotas on wheat and corn. However, on July 21, export quotas were eliminated, and the export of wheat and corn from Serbia is unrestricted. The average wheat yield for MY2022/23 is estimated at 5 MT/HA and has exhibited great diversity in different parts of Serbia, ranging between 3.5 MT/HA (in Central Serbia) and 8 MT/HA (in some parts of Vojvodina).

Map 2: Moisture conditions in Serbia on July 31



Source: @skomimaster

In MY2021/22, Serbia exported over 1 MMT of wheat and around 120,000 MT of wheat flour. Despite imposing an export ban and export quotas, wheat exports from Serbia in MY2021/22 were almost the same as in the previous year, when Serbian wheat was too expensive and not competitive on the world market. Shipments of wheat mostly went to the Black Sea Port of Constanza (Romania) by river barges (over 500,000 MT), while other significant wheat quantities were exported to Italy and neighboring countries (Croatia, Albania, Kosovo, Bosnia and Herzegovina, North Macedonia) by rail or trucks.

Table 1: Wheat and flour exports in MY2020/21 and MY2021/22

Month	Wheat MY20/21 in MT	Flour MY20/21 in MT	Wheat MY21/22 in MT	Flour MY21/22 in MT
July	47,317	6,931	129,076	9,191
August	105,123	10,257	130,375	12,559
September	38,109	10,117	156,087	13,948
October	35,943	14,077	85,792	10,284
November	34,271	9,977	65,832	11,896
December	48,184	10,616	63,462	9,717
January	62,342	6,594	36,531	5.858

February	59,232	9,127	57,389	8553
March	125,925	9,527	58,440	10,640
April	123,978	8,898	33,981	49
May	61,406	9,675	158,017	19,163
June	36,381	9,369	88,901	11,761
TOTAL:	**778,211**	**115,165**	**1,063,883**	**123,619**

Source: Serbian Grain Fund

Current wheat prices increased more than 40 percent from July 2021 to July 2022. The price of wheat increased significantly to $360/MT with the start of the Russia-Ukraine conflict in February 2022. From the inception of the export ban resulting in increased wheat supply on the local market, wheat prices decreased but increased in August 2022, between $320/MT and $330/MT.

Table 2. PSD Wheat

Wheat	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Jul 2020**		**Jul 2021**		**Jul 2022**	
Serbia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	590	590	600	600	630	630
Beginning Stocks (1000 MT)	687	687	442	492	318	807
Production (1000 MT)	2700	2700	3000	3400	2900	3200
MY Imports (1000 MT)	16	15	15	15	10	10
TY Imports (1000 MT)	16	15	15	15	10	10
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	3403	3402	3457	3907	3228	4017
MY Exports (1000 MT)	961	960	1114	1200	500	1800
TY Exports (1000 MT)	961	960	1114	1200	500	1800
Feed and Residual (1000 MT)	550	550	550	500	600	500
FSI Consumption (1000 MT)	1450	1400	1475	1400	1475	1400
Total Consumption (1000 MT)	2000	1950	2025	1900	2075	1900
Ending Stocks (1000 MT)	442	492	318	807	653	317
Total Distribution (1000 MT)	3403	3402	3457	3907	3228	4017
Yield (MT/HA)	4.5763	4.5763	5	5.6667	4.6032	5.0794
(1000 HA) ,(1000 MT) ,(MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Wheat begins in July for all countries. TY 2022/2023 = July 2022 - June 2023						

Barley:

Barley was not affected by the spring and summer drought since it was planted last fall and harvested in June. The area planted with barley in MY2022/23 was approximately 110,000 HA or 5 percent higher than in the previous year, mostly due to higher demand. In MY2022/23, barley was planted on 90,000 HA as winter barley, and an additional 20,000 HA was planted as spring barley. At an estimated average yield of 5.1 MT/HA, production is estimated at about 560,000 MT for MY2022/23. Total barley consumption for the past five years has ranged between 350,000-450,000 MT, of which about half is for animal feed and the latter half is for the brewery industry. In MY2021/22 exports of barley were a record high of 120,000 MT, since there was no export ban or quotas on barley. The price of barley usually follows the price of wheat. The current market price for barley ranges from $320/MT - $340/MT. Demand for barley from Serbia was high because it was available when other crops were banned for export.

Table 3: Barley exports in MY2020/21 and MY2021/22

Month	Barley in 2020/21 in MT	Barley in 2021/22 in MT
July	22,888	23,640
August	4,590	3,826
September	6,685	25,223
October	4,766	4,313
November	10,546	3,891
December	1,761	2,938
January	5,973	2,323
February	8,826	6,981
March	17,536	8,605
April	7,017	2,103
May	4,317	1,258
June	7,184	34,375
TOTAL:	**102,089**	**119,476**

Table 4. PSD Barley

Barley	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Jul 2020**		**Jul 2021**		**Jul 2022**	
Serbia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	110	110	105	105	120	110
Beginning Stocks (1000 MT)	35	35	17	29	34	16
Production (1000 MT)	500	500	545	545	575	566
MY Imports (1000 MT)	4	2	1	2	2	2
TY Imports (1000 MT)	2	2	2	2	2	2
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	539	537	563	576	611	584
MY Exports (1000 MT)	117	103	79	120	150	140
TY Exports (1000 MT)	131	103	100	120	150	140
Feed and Residual (1000 MT)	225	225	270	260	250	250
FSI Consumption (1000 MT)	180	180	180	180	180	180
Total Consumption (1000 MT)	405	405	450	440	430	430

Ending Stocks (1000 MT)	17	29	34	16	31	14
Total Distribution (1000 MT)	539	537	563	576	611	584
Yield (MT/HA)	4.5455	4.5455	5.1905	5.1905	4.7917	5.1455
(1000 HA) ,(1000 MT) ,(MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Barley begins in October for all countries. TY 2022/2023 = October 2022 - September 2023						

Corn:

This spring, corn was planted on 950,000 HA, and production in MY2022/23 is expected to reach 6.2 MMT about 20 percent lower than average in Serbia. This is the second year in a row that a lack of precipitation in June, July, and August, along with very high temperatures decreased the corn crop significantly. Dry and warm conditions across Serbia, combined with lower use of agricultural inputs, such as fertilizers and plant protection products resulted to lower corn production in MY2022/23. Spring planting was 45 percent more expansive than last year. However, due to the export ban, Serbian farmers were not able to export corn from the beginning of March until the export ban was lifted. Usually, from March, Serbian farmers sell the previous year's corn stocks to fund the new planting season. A lack of precipitation and extreme temperatures affected corn growth from June to August and significantly impacted growth of the corn plants. The dry period has coincided with the critical corn pollination period thus increasing the risk for poor kernel development. According to the Serbian Grain Fund despite decreased corn production, the imposition of an export ban and export quotas for almost five months, Serbia will be able to export 1.6 MMT, which is a decrease of 46 percent compared to MY2020/21. Despite the drought, Serbia will have enough corn for domestic use (about 4.5 MMT) and ending stocks of about 300,000 MT of corn. In MY2022/23 it is expected that Serbia will produce around 6.2 MMT of corn and will export about 1.6 MMT as in the previous year with high ending stocks. Due to the extremely low water level on the Danube River, it is impossible to transit to the Port Constanza, Romania. Experts predict that river transportation will be limited until November 2022.

The corn harvest started in mid-August, almost a month earlier than normal due to the extreme drought. The corn cobs are very small with damaged kernels and many full of worms. There are a significant number of corn fields without cobs at all and with corn stalks a mere 50 cm high. Even irrigated corn is suffering as agronomists indicate that irrigation was done too late and without adequate quantities of water. The current corn kernel moisture is 12.5 percent. In an average year corn has 16-20 percent moisture and needs to be dried artificially or naturally to 14-14.5 percent, mostly to meet requirements stipulated by international grain traders.

Table 5: Corn exports in MY2020/21 and MY2021/22

Month	MY2021/22 in MT	MY2021/22 in MT
October	458,695	136,615
November	492,793	201,487
December	380,559	132,923
January	243,216	98,504
February	286,578	161,629
March	361,636	133,266
April	254,641	12,870
May	164,441	166,517
June	170,832	162,643
July	92,044	101,154
August	100,171	N/A
September	91,878	N/A
TOTAL:	**3,097,484**	**1,307,608**

Source: Serbian Grain Fund

Corn prices on the Novi Sad Commodity Exchange increased slightly in July when the export quotas were eliminated. The current price for corn on the Novi Sad Commodity Exchange is between 33.50 din/kg ($305/MT) and 34.10 din/kg ($310/MT). Since the end of July, exports of corn from Serbia have stopped due to the record low level of the Danube River preventing the passage of ships on river barges or vessels to the Port of Constanza, Romania. Under normal conditions 80 precent of Serbia's corn for export transits from the Port Constanza while the remainder is shipped by train or trucks to Italy, Albania, North Macedonia, Kosovo, Montenegro, Bulgaria, Greece, Bosnia, and Herzegovina, and Germany.

Table 6. PSD Corn

Corn	**2020/2021**		**2021/2022**		**2022/2023**	
Market Year Begins	**Oct 2020**		**Oct 2021**		**Oct 2022**	
Serbia	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	1000	1000	1020	1020	1000	950
Beginning Stocks (1000 MT)	692	692	939	1096	845	1002
Production (1000 MT)	8100	8100	6000	6000	6200	6200
MY Imports (1000 MT)	4	4	6	6	5	5
TY Imports (1000 MT)	4	4	6	6	5	5
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	8796	8796	6945	7102	7050	7207
MY Exports (1000 MT)	3157	3000	1500	1500	1600	1600
TY Exports (1000 MT)	3157	3000	1500	1500	1600	1600
Feed and Residual (1000 MT)	4400	4400	4300	4300	4300	4300

FSI Consumption (1000 MT)	300	300	300	300	400	400
Total Consumption (1000 MT)	4700	4700	4600	4600	4700	4700
Ending Stocks (1000 MT)	939	1096	845	1002	750	907
Total Distribution (1000 MT)	8796	8796	6945	7102	7050	7207
Yield (MT/HA)	8.1	8.1	5.8824	5.8824	6.2	6.5263

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2022/2023 = October 2022 - September 2023

Soybeans, corn, and fruits have also been affected by the drought of 2022. Average soybean yields are expected to decline by 20-30 percent, corn yields by 20-25 percent, and fruit yields 20-30 percent. The sunflower crop is expected to be slightly affected (about 5-10 percent) by drought since it is a most resistant crop to high temperatures and lack of participation. Only about 5 percent of farms in Serbia are insured, while only around 10 percent of crop and oilseeds production is irrigated. The Serbian Chamber of Commerce estimates that Serbia will have enough food for domestic supply, but much smaller quantities will be available for export. The price of Serbian grains and oilseeds will remain very high. This is a result of the smaller supply of grain in the Black Sea region due to the Russian-Ukrainian conflict and very high input costs.

Attachments:

No Attachments.