

Voluntary Report - public distribution

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## Serbia

## Sugar

## Sugar Beet and Refined Sugar Update 2004

### 2004

**Approved by:**

Hassan F. Ahmed  
U.S. Embassy

**Prepared by:**

Hassan F. Ahmed  
Zlatko Jovanovic

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**Report Highlights:**

Good weather conditions in Serbia in 2004 contributed to a large sugar beet crop, estimated at 3 million MT. With higher than normal sugar content, refined Serbian sugar production is projected to reach 395,000 MT. The Serbian government announced its intention to eliminate all subsidies for sugar beet production. In August 2004, the EU Commission re-instated Serbia's privilege to export duty-free sugar to the EU and in October allocated to Serbia an export quota of 150,000 MT refined sugar annually. The Serbian government, however, has asked the Commission to increase the quota to at least 200,000 MT. As of mid December, total Serbian sugar exports in 2004 are reported to have reached 165,000 MT.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Belgrade [YU1]  
[SR]

## Sugar beet production

In 2004, total area planted to sugar beet in Serbia was estimated at 66 thousand hectares, almost all of which are located in the northern Serbian province of Vojvodina. With an average yield of around 45 MT per hectare, Serbia produced around 3 million MT of sugar beet this year. This harvest represents an increase of almost 70 percent in beet production over the previous year. Good weather conditions in 2004 contributed to higher than normal yield per hectare as well as good sugar content of the Serbian sugar beet crop.

Serbian sugar beet producers currently receive significant government subsidies under the so-called agricultural support for "industrial" crops. In MY 2004, the sugar beet subsidy was estimated to be between \$200 and 250 per hectare, depending on yield. For MY 2005, the Serbian government has announced its intention to eliminate all subsidies for sugar beet production. The exact level of subsidy to sugar beet farmers, if any, will not be known before the new agricultural policy is approved in January 2005.

## PSD Table

Country	Serbia and Montenegro					
Commodity	Sugar Beets					
	(1000 HA)		(1000 MT)			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		11/2002		11/2003		11/2004
Area Planted	0	56	0	65	0	68
Area Harvested	0	55	0	64	0	66
Production	0	2424	0	1738	0	3000
TOTAL SUPPLY	0	2424	0	1738	0	3000
Utilization for Sugar	0	2424	0	1738	0	3000
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	0	2424	0	1738	0	3000

## Refined sugar production

Refined sugar production in Serbia-Montenegro is projected to reach 395,000 MT in 2004, an increase of 77 percent over the previous year. The total capacity of sugar production is estimated at about 450,000 MT per year. There are nine sugar factories (out of thirteen) currently operating in Serbia-Montenegro, all located in Serbia. Eight of these factories were privatized between 2002-04. The Serbian company "MK Komerc" owns four factories, Italian company "SFIR" has two, and Greek company "Hellenic Sugar" owns two factories. Analysts believe that Serbia's refined sugar production could easily reach full capacity if its sugar exports continue to have uninterrupted access to the European Union sugar market.

## PSD Table

Country

Serbia and Montenegro

Commodity

Sugar, Centrifugal

(1000 MT)

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
<b>Market Year Begin</b>		12/2002		12/2003		12/2004
Beginning Stocks	0	105	0	107	0	92
Beet Sugar Production	0	282	0	223	0	395
Cane Sugar Production	0	0	0	0	0	0
TOTAL Sugar Production	0	282	0	223	0	395
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	90	0	100	0	35
TOTAL Imports	0	90	0	100	0	35
TOTAL SUPPLY	0	477	0	430	0	522
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	160	0	116	0	200
TOTAL EXPORTS	0	160	0	116	0	200
Human Dom. Consumption	0	225	0	230	0	240
Other Disappearance	0	0	0	0	0	0
Total Disappearance	0	210	0	222	0	240
Ending Stocks	0	107	0	92	0	82
TOTAL DISTRIBUTION	0	477	0	430	0	522

### Sugar Beet and Refined Sugar Production by Factory in Serbia in 2004

Sugar refinery	Net weight of sugar beet processed (1000 MT)	Percentage of sucrose (%)	Refined sugar produced (1000 MT)
Vrbas	488	14.9	67
Senta	423	14.8	55
Crvenka	563	15.1	67
Zabalj	328	13.7	41
Pecinci	317	13.7	38
Zrenjanin	104	14.8	13
Bac	281	14.2	34
Kovacica	238	14.1	31
Nova Crnja	249	13.8	32
<b>Total</b>	<b>2,992</b>	<b>14.5</b>	<b>395*</b>

\* Projected Production; Source: Serbian Ministry of Agriculture

## Consumption

Total sugar consumption in Serbia-Montenegro in 2004 is estimated at 230,000 MT annually, or about 25 kilograms per capita. In the late 1990s, there was a drastic decline in domestic sugar consumption in Serbia, primarily due to the Kosovo crisis and worsening economic conditions in Serbia-Montenegro. Since 1999 Serbian economic statistics do not include consumption data for the Kosovo province population (about 2 million people) that traditionally has consumed much higher sugar per capita than other Serbian provinces. After 2000, Serbia sugar consumption started to recover but it is still below the level of mid 1990s. Sugar prices in the local markets are currently about 35-36 dinars per KG (\$595–612 MT).

## Sugar Trade and Export Policy

Sugar exports account for about 12 percent of total Serbian agricultural exports. Under the European Union Stabilization and Association agreement with the western Balkan countries that started in 2001, Serbia was able to export sugar free of tariffs and custom duties to EU member countries. In May 2003, Serbia's privilege to export duty-free sugar to the EU was suspended because of allegations of fraud and violation of trade regulations. Following the suspension of its privilege, Serbia put in place an effective system for issuing sugar export certificates and verifying the origin of its exported sugar. In August 2004, the EU lifted the suspension and re-instated the duty-free status for Serbian sugar exports to its countries.

In October 2004 the European Commission established duty-free sugar export quotas for each of the Balkan countries under the Stabilization and Association agreement. The EU commission assessed a new quota for Serbia-Montenegro at 150,000 MT refined sugar annually. The Serbian government, however, has asked the commission to increase the quota to at least 200,000 MT and the negotiations are still underway. Total Serbian sugar exports exceeded 165,000 MT by mid December, mostly to European countries as reported by trade sources. European Union countries have traditionally been the main buyers of Serbian sugar. Serbian sugar export prices are currently quoted between 785 and 812 USD per MT.

<b>Export Trade Matrix</b>			
<b>Country</b>	Serbia and Montenegro		
<b>Commodity</b>	Sugar Beets		
		Units: MT	
Time Period	CY 2001	CY 2002	CY 2003
Italy	73,442	109,562	71,777
Germany	957	16,158	22,442
Greece	44	17,879	10,736
Austria	2,664	14,066	9,978
Cyprus	-	600	-
France	-	596	-
Belgium	-	230	-
Switzerland	-	117	-
Total	77,107	159,208	114,933
Others not Listed	102	429	666
Grand Total	77,209	159,637	115,599

### Sugar Beet Seeds Industry

With an area planted to sugar beat of 65,000 hectares, Serbia requires around 100,000 units of sugar beet seeds. Most of the sugar beet seeds come from German genetics. Over 50% of the beet seeds are either directly imported by the German company "KWS" or produced in Serbia under "KWS" license. The local companies "Institute Novi Sad" and "Selekcija Aleksinac" cover around 18% of the Serbian market. Selekcija Aleksinac produces domestic sugar beet seeds using French genetics but has a relatively smaller share of the domestic market. Other foreign seed producers "Advanta", "Strube Dickmann", "Lion Seeds", "Syngenta-Hilleshog" together share about 28% of the market. Significant quantities of the sugar beet seeds produced in Serbia are exported to other countries such as Ukraine and Russia.

### Market shares of sugar beet seeds companies in Serbia in 2004

Seeds producer	Seed units sales in 2004	Share (%)
KWS	14,000	13%
INSTITUT PETAR DREZGIC (KWS*)	16,000	15%
BETASEME (KWS*)	13,000	12%
RATAR SID (KWS*)	15,000	14%
<b>KWS Subtotal</b>	<b>58,000</b>	<b>53%</b>
INSTITUT NOVI SAD	16,000	15%
SELEKCIJA ALEKSINAC	4,000	4%
<b>Local Companies Subtotal</b>	<b>20,000</b>	<b>18%</b>
STRUBE DICKMANN	8,000	7%
LION SEEDS	8,000	7%
ADVANTA	9,000	8%
HILLESOG - SYNGENTA	6,000	6%
<b>Other Foreign Companies Subtotal</b>	<b>31,000</b>	<b>28%</b>
<b>Total</b>	<b>109,000</b>	<b>100%</b>

*KWS\* - Serbian companies with licenses from the German seed company*