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Global Agricultural Information Network

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Serbia

Grain and Feed Annual

Grain and Feed Annual

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Report Highlights:

The MY2015/16 wheat crop is reported to be 8 percent higher than last year or approximately 600,000 HA planted area. With estimated wheat yields of approximately 4.2 MT/HA, total production is expected to be 2.5 million MT. A good MY14/15 wheat crop means available almost 1 million MT of wheat available for export. The spring planting will start the first week of April, when crops will be planted on approximately 2.7 million HA. This area combined with the 730,000 HA already planted last fall makes total planted area for all crops in Serbia an estimated 3.43 million HA. For MY2014/15 corn planted area was reported as 1.18 million HA, with total corn production estimated at record levels of 7.7 million MT. After two years of problematic corn production and export, Serbian corn farmers are enjoying an excellent year, with a record high average yield of almost 6.5 MT/HA. From October 2014

to March 2015, Serbia exported approximately 1.9 million MT of corn. With an additional 1 million MT of exports by the new harvest, Serbia could set a record of almost 3 million MT of corn for MY2014/15.

Executive Summary:

Serbia's total planted area for all crops is estimated to be 3.43 million HA, with winter crops unchanged from last year. Approximately 730,000 HA were planted last fall (i.e. wheat, rye, oats and barley) and spring crops (i.e. corn, sunflower, soya, sugar beet, tobacco, vegetables, forage crops, etc.) will be planted on approximately on 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 Serbia only irrigates about 5 percent of its arable land. Planting of spring crops begins mid-April. Total planting costs have reportedly increased 10 percent compared to the previous year. Due to the mild winter and high precipitation levels during the past month, the moisture level of arable land is high and many farmers are still waiting for land to dry to start the spring planting. Serbian farmers are expected to plant approximately 15 percent less sugar beet and 6 percent sunflower seeds, with increasing the planted area for soybeans, currently a more profitable crop.

The MY2015/16 wheat crop is reported 8 percent higher than last year or approximately 600,000 HA planted area. With estimated wheat yields of approximately 4.2 MT/HA, total production is expected to be 2.5 million MT. For the past three years, total wheat planted area has been stable between 550,000-600,000 HA. Good MY14/15 wheat crop made almost 1 million MT of wheat available for export. Over the last several years, Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats. Persistently high summer temperatures have devastated their spring crops. Also winter planting has proven to be more cost effective than the spring crops since they do not use certified seeds, but still get higher yields than for spring crops.

Good weather conditions with a lot of moisture and mild winter, created good conditions for the development of the MY14/15 wheat crop. Serbian farmers planted 556,000 HA of wheat in fall 2013 which enjoyed an average yield of 4.3 MT/HA. These total productions reached 2.4 million MT. According to the Novi Sad Institute for crops and vegetables, the wheat crop was of good quality but with some problems of yellow rust (*Puccinia striiformis*) that was noticed too late and affected some wheat yields. By the end of the MY14/15, Serbia is expected to be able to export approximately 700,000 MT and to have high ending stocks of approximately some 350,000 MT. This is mostly due to the increase in price and lower exports from January 2015. Wheat prices in Serbia rose from the harvest in July 2014, from 17.5 din/kg (USD 158/MT) to a peak of 22din/kg (USD 198/MT) by the end of November 2014. From December 2014 until mid-March 2015, wheat prices have remained steady (22din/kg or USD 198/MT). Since mid-March 2015, wheat prices have fallen to 19.5 din/kg (USD 176/MT), mainly as a result of the significant wheat stocks in the country and very limited exports of only 15-20,000 MT per month, mainly to neighboring countries by trucks.

For MY2014/15, corn planted area was reported as 1.18 million HA, with total corn production estimated at record levels of 7.7 million MT. After the last couple years of problems with corn production and export, Serbia's corn farmers are enjoying a year with record high average yields of almost 6.5 MT/HA. For MY14/15 Serbian corn exports are looking much more promising than in the last two years which were affected by aflatoxin (compared to MY2012/13, corn exports increased 200%). Serbian exported approximately 1.9 million MT of corn from October 2014 to March 2015 and is expected to export 1 million MT more before the end of September 2015, reaching record level of exports of almost 3 million MT. The price of Serbian corn after the harvest was only 13 din/kg (USD

117/MT), thus very competitive with Hungary, Romania and Bulgaria. Prices very gradually increased from 15 din/kg (USD 135/MT) in January 2015 to 16.5 din/kg (USD 149/MT) in March 2015.

For MY 2015/16, Serbia's corn planted area is projected to be 1.1 million HA, about the same as last year. Total corn production is forecast at 7.15 million MT, which equates to an average yield of 6.5 MT/HA.

In MY2014/15, barley was planted on 91,778 HA, of which 70,000 HA was winter barley and 21,778 HA was spring barley. MY2014/15 barley production reached record high volumes of 367,112 MT, with an average yield of 4 MT/HA. In MY2015/16, barley area is projected to be between 92,000 and 98,000 HA, of which 73,000 HA was planted last fall as winter barley and an additional 19-25,000 HA will be planted as spring barley. It is projected that average yields will be approximately 4.1 MT/HA and that total barley production could reach 389,500 MT.

Table 1: Final spring sowing area in 2014 and expectations for spring 2015

Crop	Sowing areas in HA	
	2014	2015 projected
Small grains	160,000	160,000
Corn	1,180,000	1,100,000
Sugar beet	70,000	60,000
Sunflower	200,000	188,000
Soya	180,000	216,000
Tobacco	7,000	8,000
Vegetables	440,000	450,000
Forage crop	310,000	400,000
Other crops	250,000	118,000
Total:	2,797,000	2,700,000

Source: Serbian Chamber of Commerce

Commodities:

Wheat

Production:

According to the Serbian Grain Fund, Serbian producers planted 556,000 HA of wheat in MY2013/14, or about the same as the year before. Steady planting of wheat and other winter crops occurred since winter crops suffered almost no damage from the extreme drought of the previous years and even experienced higher yields. The wheat planted in the fall was at the optimal time for seeding. However due to mild winter and very wet spring there was some yellow rust (*Puccinia striiformis*) that was not noticed in the right time and treated, so yields were affected. Even with high precipitation in spring and summer 2014, average wheat yields were 4.3 MT/HA and total production was 2.4 million MT (approximately 330,000 MT less than the previous year). Wet weather also influenced wheat quality

that was not very good, but exports continued from July harvest to December 2014 as prices were competitive. Domestic consumption of wheat is estimated at 1.2 million MT, with 1 million MT available for export and approximately 350,000 MT remaining as ending stocks.

Table 2: Wheat area and production, Serbia 2010-2015

Wheat	2010	2011	2012	2013	2014	2015 estimate
Area (HA)	488,000	490,000	480,000	563,000	556,000	600,000
Production (MT)	1,650,000	2,000,000	1,900,000	2,731,000	2,400,000	2,500,000

In fall 2014, Serbian farmers planted approximately 600,000 HA of wheat, or 8 percent higher than the previous year. With estimated average wheat yields of 4.2 MT/HA, total production could reach 2.5 million MT - more than sufficient to meet domestic consumption of approximately 1.2-1.3 MT, leaving again approximately 1 million MT for export and 200-300,000 MT for stocks. According to the Serbian Grain Fund, Serbia's wheat and wheat flour exports from July 2014 to March 2015 reached 514,378 MT or 40% less than the previous year (MY2013/14) when Serbia exported 1 million MT in the same period. Approximately 125,000 MT of Serbia's wheat exports were shipped by river barges to the Port of Constanza, Romania, while other quantities were exported to neighboring countries by truck, to Bosnia and Herzegovina (100,500 MT), Kosovo (92,000 MT), Macedonia (63,000 MT), Austria (38,5000 MT), Montenegro (32,000 MT), Croatia (12,000 MT) and the Netherlands (11,400 MT). Serbian wheat shipped to the Black Sea is mostly stored in Port of Constanza silos and shipped by sea vessels to North African countries (Tunisia, Algeria and Libya). Serbian market prices during July-December were lower and more competitive than other regional competitor's at 17.5 din/kg (USD 158/MT), but since December 2014 they have risen to 22 din/kg (USD 198/MT), and currently exports have slowed down.

Serbia had a mild winter this year that suited wheat development. The wheat harvest lasted long in the fall 2014, from mid-September to mid-December. The wheat was almost not covered by snow, but since the winter was mild with enough precipitation, the wheat did not suffer any frost damage. However, due to the wet and warm weather, some parts of the wheat crops are suffering from diseases typical for these weather conditions: yellow rust (*Puccinia striiformis*) and grey leaf spots (*Septoria tritici*). According to the Serbian Advisory Service, these diseases were spotted in time (February) and farmers were given adequate advice how to prevent their spread. To prevent the spread of these diseases it is important for the farmers to promptly apply adequate fungicides to provide for a healthier foliar mass and thus have a positive impact on the final wheat yield.

Since February and March were months with lots of rain, the fields are still wet and farmers are waiting for them to dry in order to till them and start spring planting. Winter wheat is mostly in good condition. According to the Agriculture extension workers in Vojvodina the wheat stalks will develop in April when the farmers will be ready to apply additional mineral fertilizers. Serbian farmers closely track wheat growing phases and diseases through the Agriculture Information System and Serbian Agriculture Extension Service.

The final crop size will depend on the weather conditions from March to July 2015. For MY2015/16, Serbia will have record high wheat stocks (over 350,000 MT) and probably a good crop, which will

guarantee a good supply and likely lower prices that will be attractive on the world market, storage capacity may be a problem.

Serbia's annual consumption of wheat seed is 150,000 MT from domestic and imported seed sources.

This year, seed companies in Serbia are offering more than 70 varieties of wheat planting seeds. The majority of the market (about 70 percent) is controlled by the local seed-producing institutes. About 50 percent of the wheat seeds are certified, while the rest are wheat seeds from the previous crop and are used by small Serbian farmers with limited financial resources who cannot afford to buy certified seeds.

In fall 2014, the price of seed wheat in Serbia was around 45 dinars/kg (USD 405/MT), or about 25 percent higher than in the fall of 2013.

Serbian farmers use less than half the amount of chemical fertilizers that farmers in developed countries use, due mostly to a lack of financing. As a result of the limited use of mineral fertilizers and certified planted seeds, crop yields in Serbia are much lower than in most EU countries. Mineral fertilizer prices are similar in the MY2015/16 planting season to those of MY2014/15. Almost half of the 800,000 MT of fertilizers used in Serbia annually are imported from Russia, Croatia, Romania, the Ukraine, and Hungary.

Table 3: Prices of fertilizers and diesel (in Din and US\$)

Commodity	March -2013		March-2014		March-2015	
	Din/MT	USD/MT	Din/MT	USD/MT	Din/MT	USD/MT
Fertilizer	37,000	435	37,000	435	37,600	339
Urea	44,000	519	42,000	490	40,500	365
Diesel	153 din/lit	1.80 USD/lit	155 din/lit	1.82 USD/lit	149 din/lit	1.34 USD/lit

Source: Novi Sad Commodity Exchange

Note: Please note that there was a significant change in dinar/USD rate, thus it looks from the table above that prices in USD are lower this year, which is not the case since prices for fertilizer and urea increased in the local currency (dinar). Diesel for spring planting is cheaper, due to lower world fuel prices that are influencing prices in Serbia as well.

Wheat is an important crop in Serbia, which not only takes up significant planted area but is important for crop rotation, farmers' cash flow ("first vapor in the year") 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 significant role in the sowing structure, for crop rotation purposes;
- Structural shifts whereby large family farms are buying and renting land from elderly households and the government is improving the growing technology, therefore yields are increasing as more land is

cultivated by professional producers who are better informed about new technologies and modern production equipment;

- Serbia is still 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 increasing;
- The wheat production (both in terms of area and yields) increasing in the CIS countries (Commonwealth of Independent States), especially Russia, Ukraine and Kazakhstan;
- Increased wheat production and new agrarian policies (subsidies, export ban ...) have been more common in the CEFTA (Central European Free Trade Agreement) countries;
- The current Serbian agrarian policy of subsidies per hectare is very good for wheat farmers.

The main barriers to developing larger wheat production areas are:

- Serbian farmers still consider wheat to be low investment crop and are unwilling to put too many resources into it;
- There are still significant fluctuations in wheat prices, planted areas and yields, which make the regional markets unpredictable;
- Serbia is still lagging behind in quality and the offering of domestic seed varieties. Foreign companies still have not established serious breeding program in the region.

Consumption:

Total domestic consumption of wheat in Serbia for MY2014/15 is estimated to be approximately 1.2-1.3 million MT annually. Serbia's annual consumption of wheat seed is approximately 150,000 MT. Wheat for human consumption is estimated at 1 million MT annually with per capita consumption at 180 kg, which is significantly higher than consumption levels in most European countries. Currently, there are estimated 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 3.8 million MT. Wheat milling capacity is estimated at about 2.5 million MT, but only 60 percent of this capacity is 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 million tons. There are six large companies involved in pasta production and over 600 small private pasta producers in Serbia.

Feed consumption, mostly for cattle, varies between 100,000-200,000 MT, depending on the quality of the crop in a given year. Due to the low price of the wheat, mediocre quality and abundant crop in MY2014/15, more than the usual amounts were exported for feed consumption. In MY2014/15, Serbia began separating high quality wheat for human consumption from wheat sold at lower prices and mainly used for feed. For the wheat crop of MY2014/15, the Novi Sad Commodity Exchange listed different prices for wheat depending on the wheat quality parameter hectoliter weight, since wheat above 76 hl/kg is considered human consumption quality, while below 76 hl/kg is mostly sold as feed wheat.

Quality of wheat:

The overall quality of the MY2014/15 wheat crop was reported to be good, with some disease, but generally at the level of the five-year average. There was a significant quantity of wheat with a hectoliter weight below 76 hl/kg that was exported for feed consumption. The percentage of moisture was high, while the proteins were good. Serbia still has a 30 years old regulation that classifies wheat into 1st, 2nd and 3rd quality classes. The Ministry of Agriculture is planning to adopt by the end-2015 a

new Rulebook on quality and other parameters for wheat and other food grains for the milling and baking industry. The new Rulebook will harmonize Serbia's wheat quality standards with international standards. It will determine the minimum parameters that wheat must have to be declared as fit for human consumption, and below which it can only be sold for cattle feed. The key problem for Serbian wheat producers is the mixing of different wheat qualities when stored and the inability to always offer a consistent quality for export. Once the Rulebook is adopted Serbian producers and storing facilities will have to separate wheat for human and cattle consumption, which will also assist exporters in fulfilling international trade contracts. It is also planned that through the Rulebook, Serbia will also prescribe trade classes of wheat. The Serbian Grain Fund is proposing that wheat will be separated into quality groups such as A/A1 (elite wheat for improvement), B/B1 wheat (wheat for bread and other milling wheat) and wheat for feed. This is based on the Hungarian model of dividing wheat into four classes.

Table 4: MY14/15 Wheat Quality Parameters

Parameter	Average values of Serbian MY14/15 wheat crop
Hectoliter Weight	76 hl/kg
Moisture	13.8%
Proteins	12.60%
HTM (kg/hl)	79
Hagberg Falling Number	259
Alveogram W	182
Wet Gluten Content	28%

Source: Serbian Grain Fund

Trade:

In MY2013/14, Serbia exported record high volumes of wheat and flour, 1,087,481 MT of wheat and 188,382 MT of flour. Part of Serbia's wheat trade is shipped by truck to neighboring Bosnia and Herzegovina, Montenegro, Macedonia and Albania, while the largest quantities of wheat are shipped by barge to Port Constanza, Romania. Serbian wheat is mostly sold to foreign international companies FOB at the Port on the Danube in Serbia. Serbian (higher quality) wheat is sold to Spain, Germany, Italy and France. Serbian wheat flour is mostly sold to Montenegro, Bosnia and Herzegovina, Kosovo, Macedonia and Albania.

According to the Serbian Grain Fund, Serbia's wheat and wheat flour exports from July 2014 to March 2015 reached a total of 514,378 MT (388,061 MT of wheat and 126,317 MT of flour) or 40% less than the previous year (MY13/14) when Serbia exported over a 1 million MT during the same period. Of the almost 1 million MT of wheat available for export in MY2014/15, it is estimated that total wheat exports by the harvest in June 2015 will reach a maximum 700,000 MT, leaving huge ending stocks of approximately 350,000 MT. This would be the largest ending stocks since MY2009/10.

In MY2014/15 approximately 125,000 MT of the Serbian wheat were shipped by river barges to the Port of Constanza, Romania, while other quantities were exported to neighboring countries by trucks, to Bosnia and Herzegovina (100,500 MT), Kosovo (92,000 MT), Macedonia (63,000 MT), Austria (38,5000 MT), Montenegro (32,000 MT), Croatia (12,000 MT) and the Netherlands (11,400 MT). Serbian wheat shipped to the Black Sea is mostly stored in the Port of Constanza silos and shipped by sea vessels to North African countries (Tunisia, Algeers and Libya). Serbian market prices during July-

December were lower and more competitive than other regional competitors at 17.5 din/kg (USD 158/MT), but have risen since December 2014 to 22 din/kg (USD 198/MT), causing exports to slow down.

Due to the low market supplies and high prices (22 din/kg or USD 198/MT) that started at the end of November 2014 (farmers stopped selling their wheat to see what will happen with price, as Serbia's wheat exports slowed down). In December 2014, Serbia's Ministry of Agriculture announced it would land 30,000 MT of wheat to the milling companies from the State Commodity Reserves and are also considering temporary remove of the import taxes on wheat. The custom tax for wheat imports from EU and CEFTA countries is 18 percent and 30 percent from all other countries. In January 2015, the State Commodity Reserves opened a public tender for the 30,000 MT of wheat to millers/bakers to be returned to the Reserves by July 30, 2015. The Government probably will not remove the import taxes as prices have started to decline as farmers have begun to put more wheat on the market. By mid-March wheat was sold for 19.5 din/kg (USD 176/MT).

The goal of the Commodity Reserves was to boost the very low wheat demand and to reduce wheat prices. After the Government tender and announcements and the fact that the new wheat crop will most probably be good many wheat farmers decided to offer their wheat on the market. Tender of 30,000 MT wheat is only one third of Serbia's monthly consumption, so other than psychological effect the offered wheat volume likely did not have much of an effect on the wheat prices.

Table 5: Wheat exports in MY14/15 (July 2014-February 2015)

Month	Wheat MY14/15 in MT	Flour MY14/15 in MT
July	106,672	15,287
August	104,930	15,905
September	76,090	16,002
October	37,812	18,465
November	14,157	17,981
December	12,467	17,078
January	15,198	11,691
February	20,735	13,908
TOTAL:	388,061	126,317

Source: Serbian Grain Association

If the weather remains fair over the next four months, wheat production in MY2015/16 could reach 2.5 million MT with estimated wheat yields of about 4.2 MT/HA. Total production would be enough for an estimated domestic consumption of 1.2 million MT and wheat exports of 1 million MT, leaving estimated MY15/16 wheat ending stocks approximately 300,000 MT.

Per the Stabilization and Association Agreement (SAA), approximately 95 percent of all EU imports became duty free effective January 1, 2014. The remaining items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities. These products include honey, fresh tomatoes, peppers, potatoes, leafy greens, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy and most dairy products.

The duty rate for imported wheat (tariff no. 100190 99 10) from EU and CEFTA countries is 18%, and for wheat flour (tariff n. 1101 11 15) from EU and CEFTA countries is 19.5%, while the general duty rate for wheat and wheat flour imports from other countries including the U.S. will continue to be 30 percent.

In 2014, there were approximately 200 exporters from Serbia with quantities ranging from 10 MT to 60,000 MT. The largest wheat exporters in 2014 were: Agroglobe, Novi Sad, MK Commerce, Novi Sad, Konzul, Novi Sad, Ciric and Son, Sakule, Agromarket, Kragujevac, Dumico, Belgrade and Glencore SRB, Novi Sad.

During 2014, approximately 209 Serbian companies exported flour mostly by truck to neighboring countries. The five largest exporters of wheat from Serbia in 2014 were: DPS Klas Group, Sabac, Zito Backa, Kula, Zitopromet-Mlin, Senta, Kikindski Mlin, Kikinda and Zitopromet-Ruma, Ruma.

The Serbian Grain Association (SGA) has approximately 40 members representing a sector valued at over USD 500 million. In May 2014, the SGA joined COCERAL (Europe's leading umbrella trade association for cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats). COCERAL is a strong advocate for the distributors, storage facilities and traders of these commodities with the European Commission and EFSA (European Food Safety Authority). This new membership is very important for Serbian producers and exporters of agriculture commodities, given Serbia's EU pre-accession negotiations.

Stocks:

It is estimated that currently Serbia has 720,000 MT of MY2014/15 wheat in stocks. Domestic consumption until the new wheat harvest is estimated to be 355,000 MT and Serbia is expected to export an additional 200,000 MT thru July 2014, so current estimates for the ending stocks of MY2014/15 wheat at the end of June are high of about 350,000 MT. Small wheat 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.

Policy:

The Ministry of Agriculture and Environmental Protection 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. Although the Serbian Parliament adopted the Law on Incentives for Agriculture Production and Rural Development in January 2013 stipulating that the agriculture budget could not be less than five percent of Serbia's total budget, the Serbian Government adopted in December 2014 a final budget for 2015 of 1.12 trillion dinars (USD 10.9 billion) and only allocated 41.44 billion dinars (USD 406 million) to agriculture. This is only 3.7% of the total adopted budget and a significant decline from last year (more than 10%), but is attributed to overall budget restrictions.

In December 2014, the Ministry announced it would continue a 12,000 dinars/Ha (USD 118/HA) subsidy, of which 6,000 dinars/HA (USD 59/HA) would be paid for fuel, certified planting seeds and fertilizers, while a final 6,000 dinars/HA (USD 59/HA) would be made available as a direct payment according to the arable land registry. The Ministry of Agriculture and Environmental Protection limited

payment of incentives to smaller agricultural concerns by reducing the maximum farm size for registered agricultural households to be eligible to use State subsidies from 100 HA to 20 HA. In Serbia, approximately 94% of registered farmers have up to 20 HA of arable land, while the remaining 6% are big farmers with arable land over 20 HA.

Also, farmers that lease State owned agricultural land will not be entitled to State subsidies. Most of the other agricultural policy measures remained the same as in 2014, including the milk premiums and the introduction of two new incentives for livestock development.

On February 19, 2015, the Serbian Government adopted the Rulebook on the Allocation of Subsidies for Agriculture Production and Rural Development Measures for 2015. The rulebook covers direct incentives, rural development support, credit support and special incentives for investments in agriculture. The Ministry of Agriculture announced the following policy measures to support agricultural production: subsidized short and long-term loans for registered farmers; funds for development and improvement of livestock-farming (25,000 dinars/head, approximately USD 240/head) and breeding efficiency, preserving genetic resources and increasing milk production (7 dinars/liter of milk, approximately USD 0.07/liter); production incentives for wine, brandies and foods with designated geographic origins; subsidies for building and improving grain storage capacity and transshipping; and subsidies for organic food production.

For 2015, over 50% of the agriculture budget or approximately 24.5 billion dinars (USD 230 million) will be used to cover production subsidies (mainly for milk, livestock, and fruits), 7 billion dinars (USD 67 million) will be dedicated to diesel fuel payments and certified seed refunds to registered farmers, and 8 billion dinars (USD 78 million) will be for new investments in the food and agriculture sector, such as supporting further processing of agricultural products (e.g. new storage facilities, including cold storage for fruits and vegetables, as well as new processing capacities and incentives to modernize livestock production).

The Ministry of Agriculture has adopted a Rulebook on state-subsidized farm loans, which will be in dinars, without a foreign currency clause, and signed contracts with commercial banks and insurers. The annual interest rate on loans for livestock farming will be 4% and loans for other agricultural purposes 6%. The lending will come with repayment schedules ranging from one to three years, including a grace period of up to a year. Loans will be available to individual farmers and micro and small agricultural enterprises up to a maximum amount of 5 million dinars (USD 50,000) and for cooperatives of at least 10 members up to a maximum amount of 15 million dinars (USD 147,000). The government has decreased the fees charged to register farms and to seek various approvals relating to crop protection and improvement and soil improvement products.

In July 2014, the Serbian Government adopted a new Agricultural and Rural Development Strategy for the period 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements and defines the basic reforms that are needed in the agricultural sector. The strategy aims to proposed reforms that will improve Serbia's business environment and competitiveness, raise living conditions, and introduce greater stability for Serbia's farmers in rural areas. According to the Ministry of Agriculture, Serbia needs to define budgetary incentives and adopt laws and rulebooks that facilitate agricultural development, as well as greater farmer training and exposure to new technologies. In addition to the Agriculture and Rural Development Strategy, the Ministry of Agriculture is currently preparing a National Development Program for

Agriculture and Rural Development that will be valid from 2015-2020, with more specific measures for implementing Agriculture and Rural Development Strategy.

In January 2015, the European Commission set aside USD 220 million for 2015-2020 to support Serbia's agriculture and rural sector under its Rural Development Program for Serbia (IPARD). The program aims to increase food-safety in Serbia and improve competitiveness of the agro-food sector as well as to help Serbia progressively align with EU standards. The funding will be offered in the form of grants to co-finance appropriate investments up to a maximum public contribution of 70%, which should lead to a total investment in the sector of about USD 500 million. Grants will be provided for: farmers producing milk, meat, fruit and vegetables and other crops: micro-, small, and medium-sized enterprises processing milk, meat, fruit and vegetables: farmers that introduce organic production: and the development of private rural tourism facilities.

Marketing:

The Serbian wheat market price during July-November 2014 was approximately 17.5 dinars/kg (USD 158/MT), which was lower and more competitive than wheat from Hungary and the Ukraine (Serbia's top competitors). However by the end of November 2014 the price was 22 din/kg (USD 198/MT). After some announcements from the Serbian Government and forecast that the new wheat harvest will be good, from mid-March 2015 the price decreased to 19.5 din/kg (USD 176/MT), that is making Serbian wheat again competitive in the world market. The current price of wheat from Hungary is 21 din/kg (USD 189/MT) and from the Ukraine is 22 din/kg (USD 198/MT). Wheat prices will probably decline even more in the coming months due to the large quantities of wheat available in country three months before the harvest.

On January 31, 2015 the Serbian Government adopted a Decree on mandatory production and sale of „social“ bread from flour type „T-500“, valid thru July 31, 2015. The maximum retail price of this bread is limited to 46 dinars (EUR 0.38/loaf) and bakers must dedicate at least 40% of their daily production to bread from flour type "T - 500".

Production, Supply and Demand Data Statistics:

Wheat Serbia	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	600	563	520	556		600
Beginning Stocks	243	243	395	161		356
Production	2,940	2,700	2,400	2,400		2,500
MY Imports	7	18	10	15		16
TY Imports	7	18	10	15		16
TY Imp. from U.S.	0	0	0	0		0
Total Supply	3,190	2,961	2,805	2,576		2,872
MY Exports	1,195	1,300	800	700		1,000
TY Exports	1,195	1,300	800	700		1,000

Feed and Residual	400	300	300	320		300
FSI Consumption	1,200	1,200	1,200	1,200		1,300
Total Consumption	1,600	1,500	1,500	1,520		1,600
Ending Stocks	395	161	505	356		272
Total Distribution	3,190	2,961	2,805	2,576		2,872
1000 HA, 1000 MT, MT/HA						

Commodities:

Corn

Production:

For MY2014/15 corn planted area was reported as 1.18 million HA, with total corn production estimated at record levels of 7.7 million MT. After the last two years of problems with corn production and export, Serbian corn farmers are having an excellent year with record high average yields of almost 6.5 MT/HA. The corn harvest last fall lasted unusually long due to wet fields from mid-September through mid-December. Corn yields in some parts of Vojvodina reached a record high of 10-15 MT/HA, while corn yields in the areas south of the Danube were lower, approximately 6-8 MT/HA. Frequent and heavy rains last fall postponed the corn harvest. Due to very wet weather during the summer months, the moisture level of the corn in the fields at the beginning of the harvest was above 20 percent and farmers delayed harvest, keeping the corn longer in the fields to reduce the moisture levels. Otherwise, farmers would have to pay the additional cost of artificial drying of the corn to approximately 14 percent of humidity level most traders and exporters are requiring. The record corn crop in MY2014/15 not only in Serbia, but in the whole region, created very low prices but also put pressure on the farmers to sell because of the limited storage.

Due to the limited storage space for corn most of the corn in October and November 2014 (almost 800,000 MT) was directly transported from farms to river ports and loaded on river barges for export. Domestic consumption of corn in Serbia is estimated at 4.2 million MT, leaving Serbia approximately 3 million MT of the new corn crop for export. From October to December 2014, Serbia exported record amounts of corn over 1 million MT. Such large corn exports were never performed before in such a short period of time.

For MY14/15 Serbian corn exports are looking much more promising than in the last two years due to the problems with aflatoxin (corn exports increased 200 percent compared to MY2012/13). From October 2014 to March 2015, Serbia exported approximately 1.9 million MT of corn and is expected to

an export additional 1 million MT through the end of September 2015, reaching a record level of almost 3 million MT.

For MY 2015/16, Serbia's corn planted area is projected to be 1.1 million HA, a 7 percent decrease from the previous year. Total corn production is forecast at 7 million MT, which equates to an average yield of 6 MT/HA. The price of Serbian corn after the harvest was only 13 din/kg (USD 117/MT), thus very competitive compared to Hungary, Romania and Bulgaria. Corn prices have been very gradually increasing since January 2015 from 15 din/kg (USD 135/MT) to 16.5 din/kg (USD 149/MT) in March 2015.

Corn accounts for about 37 percent of total planted area of field crops in Serbia. This year corn planting in Serbia is expected to start mid-April and last until mid-May. Corn farmers have been advised to plant seeds much deeper in the soil to adjust for the soil moisture and anticipated hot weather during the growing season. It is predicted that MY2015/16 corn area will be approximately 80,000 HA less than last year. It is estimated that corn will be planted this year on 1.1 million HA and that total production could reach 7 million MT, assuming an average yield of 6 MT per hectare.

Corn is the main crop in Serbia that producers can easily store on their farms. Farmers harvest the crop in October and November and it can either be stored on farms to dry naturally or taken to drying facilities. When farmers select 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. The 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 24,000 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 71 percent of the corn seed market, while the remain 29 percent of the market is shared by approximately 15 foreign companies that are present in the Serbian market (i.e. KWS, Limagrain, Syngenta, Monsanto, Dekalb, Agrimax, Maisdour etc).

In July, 2014 DuPont Pioneer opened a research center to test new sunflower and corn hybrids in Stara Pazova, Vojvodina. The EUR 400,000 Investment is located on a property owned by Delta Agrar, part of Delta Holding, one of Serbia's largest agribusiness companies. DuPont Pioneer-Serbia has been present in Serbia since 1996 and has produced more than 70,000 tons of corn seeds since 2002 with Delta Agrar, exporting more than half to the EU, Russia and the Ukraine. DuPont Pioneer, in cooperation with Delta Agrar, produces 50 percent of all rapeseeds in Serbia, 28 percent of Serbia's hybrid corn seeds and 11 percent of the sunflower seeds.

Consumption:

Total domestic corn consumption for the last five years has varied between 3.8-4.4 million MT annually. Serbia's MY2014/15 consumption requirement is estimated at approximately 4.2 million MT

annually. With most being used for animal feed and only 300,000 MT used for human consumption and increased starch production in Serbia. However, corn consumption for feed also has declined due to decreased livestock numbers as in most of the transition countries. In year 1990 2,168,000 heads of cattle were counted, of which 1,275,000 were cows and pregnant heifers; in 2014 there were only 1,102,000 cattle (742,000 cows and pregnant heifers). At the same time numbers in private ownership also decreased, partly as a result of rural depopulation.

Currently in Serbia there is one bio-ethanol plant built in 2007, in the city of Sid. It has a capacity of 100,000 MT per year. The factory is able to produce biodiesel per EU standard quality EN 14214. Due to the lack of government regulation on bio-ethanol production this factory is still not producing bio-ethanol, but is working as a crushing facility for sunflower and soya.

In 2011, Victoria Starch started to reconstruct a sugar factory in the city of Zrenjanin, with the intention of investing EUR 50 million to start production of liquid sugars and starch for export. Victoria Starch is planning to use modern wet-milling technology to process corn. The planned capacity of daily processing is 900 MT of corn, while annual production is planned at 300,000 MT to produce corn starch, fructose syrup 42 and 55. It was initially planned that the rebuilding and reconstruction of the factory would be completed by 2013, but so far it has not opened. Once starch and bio-ethanol production starts in Serbia, domestic corn consumption can be expected to drastically increase and thus there will be less corn for export.

Trade:

Serbia is a net corn exporter. In MY13/14 Serbia was one of the largest corn exporters in Europe. If corn exports reach 3 million MT in MY2014/15, Serbia will once again enter the list of top ten corn exporters in the world. Serbia typically produces more corn than it consumes, exporting to neighboring and Mediterranean countries. It often finds itself competing with regional corn producers from Russia, Ukraine, Romania and Hungary. In CY2014, corn was the leading Serbian agricultural export commodity.

In MY2013/14 Serbia exported 1.8 million MT of corn, while MY2012/13 Serbian corn exports were only 574,409 MT due to quality problems. In MY14/15 Serbia is continuing to enjoy record large exports of corn. For the first six months of MY2014/15 (October 2014 to March 2015) Serbia exported 1.9 million MT or about the same as for the whole MY2013/14. If Serbia can export trends continue, exports may reach a record level of 3 million MT in MY2014/15. Most of the corn that is exported is naturally dried with 14 percent moisture. Most of the exports that are going to Montenegro, Croatia, Bosnia and Herzegovina and Albania usually go by truck, while exports for Cyprus, Italy, Spain and Portugal is going via the Danube river to the Port Constanza to the Black Sea. Serbian companies also now have some new regular markets in South Korea and Japan for non-GMO corn.

The largest corn exporter in MY2014/15 is the Dutch company “Nidera” (approximately 40 percent of total exported quantities), followed by Cargill (approximately 20 percent) and ADM (approximately 15 percent). Most of the quantities were shipped by barges via the Danube to the Port Constanza, Romania.

Table 6: Corn exports in first half of MY14/15

Month	MY14/15 in MT
October	288,600
November	479,696

December	422,359
January	274,716
February	233,929
March	192,700
TOTAL:	1,892,000

Source: Serbian Grain Fund

Effective January 1, 2014, the duty rate for corn imports from EU countries is as follows: tariff no. 1005 90 corn is 24 percent, tariff no. 1005 10 seed corn is 9 percent and tariff n. 1101 11 15 corn flour is 20 percent. The general duty rate for corn, corn seed and corn flour imports from other countries including the U.S. is still 30 percent.

Stocks:

Corn ending stocks in MY2014/15 are estimated to be at a record high, almost 800,000 MT due to the record corn crop, compared to MY2013/14 ending stocks which were estimated to be 312,000 MT. Most of the stocks are in the farmers' hands and kept in open-air storage facilities to be naturally dried. These stocks are normally offered for sale in local markets starting in March in order to collect money for the new planting season.

Policy:

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

Due to the problems that Serbia had with aflatoxins in 2012, the Serbian Ministry of Agriculture launched an aflatoxin B1 monitoring program for MY2013/14 and MY2014/15 corn crops, in order to protect the food and feed supplies. This program systematically measures microbiological and biological contaminants in food and feed. It prescribes a certain number of samples according to a sampling plan and outlines the measures that must be taken if discrepancies are identified. If irregularities are detected in the corn crop, legal measures are taken including prohibiting the use of the corn for food or feed, continuing monitoring, and informing producers, distributors and consumers about the irregularities and removing the corn from the market.

An additional measure imposed by the Ministry of Agriculture in 2013 to prevent problems with future corn crops is that all storage facilities in Serbia selling corn to exporters must have a "veterinary control number" for exports of corn for animal feed. If corn is exported for human consumption this is not necessary. Registration of the facility for storage of corn as feed for livestock is regulated by the Veterinary Law. To obtain a "veterinary control number" the owner of a storage facility must apply at the Ministry of Agriculture, per the Veterinary Directive to be registered as an approved storage facility. These facilities are given export control numbers and are registered with the Ministry of Agriculture for export.

Marketing:

During the harvest (September-November 2014), Serbian traders/exporters paid between 13-14 dinars/kg (USD 117-126/MT) for the new corn crop. This was the same as the previous year MY2013/14.

During the first six months of MY2014/15, corn prices rose from 13 din/kg (USD 117/MT) in September/October 2014 to 16.5 din/kg (USD 149/MT) in March 2015. Most of this price increase is attributed to increased demand for Serbia's more price competitive corn compared to Romania and

Hungary. Serbian corn prices will most probably continue around level due to the record large stocks in the country.

Production, Supply and Demand Data Statistics:

Corn Serbia	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Oct 2013		Market Year Begin: Oct 2014		Market Year Begin: Oct 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,250	1,200	1,275	1,180		1,100
Beginning Stocks	202	202	826	312		819
Production	6,400	5,900	6,850	7,700		7,150
MY Imports	10	10	10	7		7
TY Imports	10	10	10	7		7
TY Imp. from U.S.	0	0	0	0		0
Total Supply	6,612	6,112	7,686	8,019		7,976
MY Exports	1,736	1,800	2,500	3,000		2,900
TY Exports	1,736	1,800	2,500	3,000		2,900
Feed and Residual	3,800	3,700	4,100	3,800		3,800
FSI Consumption	250	300	300	400		400
Total Consumption	4,050	4,000	4,400	4,200		4,400
Ending Stocks	826	312	786	819		776
Total Distribution	6,612	6,112	7,686	8,019		7,976

1000 HA, 1000 MT, MT/HA

Commodities:

Barley

Production:

Barley is a secondary grain crop in Serbia. Barley area has been steadily declining, ranging from 80,000-130,000 HA over the last eight years. Total production varies from 250,000-450,000 MT annually.

In MY2014/15, barley was planted on 91,778 HA, of which 70,000 HA was winter barley and 21,778 HA was spring barley. MY2014/15 barley production reached a record high volume of 367,112 MT, with an average yield of 4 MT/HA. Barley, like wheat, enjoyed good quality levels.

In MY2015/16, barley area is projected to be between 92,000-98,000 HA, of which 73,000 HA was planted last fall as winter barley and an additional 19,000-25,000 HA will be planted as spring barley. It is projected that average yields will be approximately 4.1 MT/HA and that total barley production could reach 389,500 MT.

Table 7: Area planted to barley from MY06/07 to MY15/16

Year	Barley		
	Harvested area HA	Yields	
		Total MT	Per HA/MT
2005/06	104,917	310,850	2.96
2006/07	93,520	275,640	2.95
2007/08	93,844	258,998	2.76
2008/09	92,417	344,141	3.72
2009/10	95,377	302,527	3.17
2010/11	84,166	244,268	2.90
2011/12	85,000	306,000	3.60
2012/13	78,000	269,000	3.45
2013/14	86,000	344,000	4.00
2014/15	92,000	367,000	4.00
2015/16	95,000	389,500	4.10

Source: Serbian Official Statistics

Consumption:

Total barley consumption in Serbia for the past five years has ranged between 270,000-400,000 MT, of which around half is for animal feed and half for the brewery industry. Consumption of brewery barley has been increasing due to increased demand from newly operational breweries following successful privatization efforts of several old Serbian breweries. Local breweries have been sold to several well-known Belgian, Canadian, German, Austrian, and Turkish companies. Barley used for breweries is now planted on almost 40 percent of total planted area for barley in Serbia and is continuing to expand every year. Barley for feed currently accounts for 60 percent of total barley produced in Serbia and is declining due to its low profitability.

Trade:

Barley is not a significant commodity in Serbia's overall grain trade. With the privatization of Serbian breweries that started in 2003, imports of brewery barley have been steadily rising.

In MY2014/15, imports of brewery barley are estimated at 16,000 MT and valued at over USD 3 million. Most of the barley imports are for the brewing industry and came from France, the Czech Republic, Hungary, Romania and Bulgaria. Total Serbian barley exports in MY2014/15 are estimated at 30,000 MT and destined mainly for the EU countries, Bosnia and Herzegovina and Montenegro.

Stocks:

Barley beginning stocks in MY2015/16 are estimated at 10,000 MT.

Policy:

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

Marketing:

The price of barley usually follows the price of wheat. The current market price of barley ranges from 17 din/kg (USD 153/MT) for feed barley to 22 din/kg (USD 198/MT) for brewery barley.

Production, Supply and Demand Data Statistics:

Barley Serbia	2013/2014		2014/2015		2015/2016	
	Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		Market Year Begin: Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	86	86	85	92		95
Beginning Stocks	33	33	27	27		10
Production	344	344	350	367		390
MY Imports	25	25	25	16		20
TY Imports	25	25	25	16		20
TY Imp. from U.S.	0	0	0	0		0
Total Supply	402	402	402	410		420
MY Exports	25	25	25	30		25
TY Exports	25	25	25	30		25
Feed and Residual	200	200	200	200		200
FSI Consumption	150	150	150	170		180
Total Consumption	350	350	350	370		380
Ending Stocks	27	27	27	10		15
Total Distribution	402	402	402	410		420

1000 HA, 1000 MT, MT/HA