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Global Agricultural Information Network

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Serbia

Grain and Feed Annual

Grain and Feed Annual 2017

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Report Highlights:

Serbia's marketing year (MY) 2016/17 wheat crop was the largest in over twenty years at an estimated 3million metric tons (MMT), compared to 2.6 million last year. This record crop left 1.5 MMT of wheat available for export. The MY 2017/18 wheat planted area is reported to be 10 percent lower than last year or approximately 540,000 hectares (HA). For MY 2016/17, corn production reached a record level of 7.6 MMT. That is 25 percent more than the previous MY 2015/16. If corn exports reach 2.8 MMT in MY2016/17, Serbia will once again enter the list of top ten corn exporters in the world.

Executive Summary:

Serbia's total planted area for all crops is estimated to be 3.38 million HA, with 70,000 HA less winter crops planted than last year. Approximately 680,000 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 7-9 percent of its arable land. Planting of spring crops starts in the beginning of April. Total planting costs have reportedly increased 10-15 percent compared to the previous year, mostly due to the increased costs of diesel fuel. Despite the extreme cold and long winter without much snow, the condition of the fall crops is good and the moisture level of arable land is sufficient for farmers to begin spring planting.

The MY 2016/17, wheat crop was the largest in over twenty years at an estimated 3MMT, compared to 2.6 MMT last year. Serbian farmers planted 600,000 HA of wheat in fall 2015 which enjoyed an average record yield of almost 5MT/HA. This record crop in MY2016/17 left 1.5 MMT of wheat available for export. From July 2016 to February 2017, Serbia exported approximately 940,000 MT of which, 715,000 MT of wheat and 225,000 MT of wheat flour. As of March 2017, Serbia has 1.27 MMT of wheat available. Wheat exports in MY 2016/17 will be over 40 percent higher than in the previous year when the total export for the entire MY 2015/16 was 1.1 MMT. Exports were mainly destined for the EU and neighboring countries (i.e. Bosnia and Herzegovina, Montenegro, Croatia, Kosovo, Italy, Switzerland, Macedonia and Albania). The current Serbian, FOB Danube, wheat price is between USD140-150/MT, depending on the quality of the wheat.

The MY 2017/18 wheat planted area is reported to be 10 percent lower than last year or approximately 540,000 HA. With estimated good wheat yields of approximately 4.5 MT/HA, total production is expected to be 2.43 MMT. Winter crops generally (despite this year's drop) increased for the first time in five years. Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats due to the persistently high summer temperatures that have devastated spring crops. Also winter planting has proven to be more cost effective than the spring crops winter planting not use certified seeds but still obtain higher yields than spring crops.

For MY 2016/17, corn production reached a record level of 7.6 MMT, 25 percent more than the previous marketing year. Corn planted area in MY2016/17 was reported at 1.02 million HA and estimated average yields also reached record levels of 7.5 MT/HA. From October 2016 to February 2017, Serbia exported approximately 1.1 MMT of corn. Serbia is still left with huge stocks, since it has 2.8 MMT available for exports from MY 2016/17. The price of Serbian corn dropped significantly after the harvest, from 18.50 din/kg (USD 168/MT) to 14.50 din/kg (USD 132/MT), making Serbian corn competitive to corn from Hungary, Romania and Croatia. Exports of corn were slow due to low water levels on the Danube River last fall and a subsequent ban on river transportation during January - February 2017. Prices gradually increased from 14.50 din/kg (USD 132/MT) in the fall to 17 din/kg (USD 155/MT) by the end of February 2017.

For MY 2017/18, Serbia's planted area for corn is projected to be 1.1 million HA, about 10 percent more than last year due to the decreased wheat crop. Total corn production is forecast at 7 MMT,

which equates to an average yield of 6.4 MT/HA. Planting of corn will start in the beginning of April and due to favorable weather conditions no delays are estimated. Costs associated with the new corn planting season will be 10-15 percent higher due to the increased price of diesel fuel which is not subsidized by the state.

Due to very favorable weather conditions during spring and summer, according to Serbian farmers, both crops will have excellent yields and production. Sunflower was planted last spring for MY 2016/17 on 220,000 HA and with average yields of 3 MT/HA reaching production of 650,000 MT. This record production was 43.6 percent higher than in MY 2015/16. In MY 2016/17, Serbian sunflower seed exports are estimated at 154,000 MT, and sunflower oil at 100,000 liters. The current price for sunflower seeds is 38 din/kg (USD 345/MT). This spring, Serbian farmers will plant approximately the same area for sunflower, 220,000 HA, the same as the previous year.

Soybeans were planted last spring for MY 2016/17 on 185,000 HA, and with good average yields of 3.5 MT/HA, production reached a record of 650,000 MT. This is 30 percent higher than last year. Serbia will have approximately 170,000 MT of soybeans available for export. The current price of soybeans is 40 din/kg (USD 364/MT). There is high demand for Serbian soybeans in the EU due to the fact that it is GMO-free. This spring, Serbian farmers will increase areas with soya to approximately 200,000 HA due to soya's stable prices and high demand.

In MY 2016/17, barley was planted on approximately 91,886 HA, of which 70,000 HA was winter barley and 21,886 HA was spring barley. MY 2016/17 barley production reached record high volumes of approximately 400,000 MT, with an average yield of 4.3 MT/HA. In MY 2017/18, barley area is projected to be between 92,000 and 95,000 HA, of which 77,000 HA was planted last fall as winter barley and an additional 15,000-18,000 HA will be planted as spring barley. It is projected that average yields will be approximately 4 MT/HA, and that total barley production could reach approximately 380,000 MT.

Table 1: Final spring sowing area in 2016 and expectations for spring 2017

Crop	Sowing areas in HA	
	2016	2017 projected
Small grains	185,000	170,000
Corn	1,000,000	1,100,000
Sugar beet	50,000	50,000
Sunflower	220,000	220,000
Soya	185,000	200,000
Tobacco	15,000	15,000
Vegetables	480,000	450,000
Forage crop	400,000	350,000
Other crops	165,000	165,000
Total:	2,700,000	2,720,000

Source: Serbian Chamber of Commerce

Commodities:

Wheat

Production:

The MY 2016/17 wheat crop was the largest in over twenty years at an estimated 3.0 MMT, compared to 2.6 million last year. Serbian farmers planted 600,000 HA of wheat in fall 2016 which enjoyed an average record yield of almost 5.0 MT/HA. This record crop left 1.5 MMT of wheat in MY2016/17 for exports.

Table 2: Wheat area and production, Serbia 2011-2016

Wheat	2011	2012	2013	2014	2015	2016
Area (HA)	490,000	480,000	563,000	556,000	600,000	540,000
Production (MT)	2,000,000	1,900,000	2,731,000	2,400,000	3,000,000	2,430,000

The MY 2017/18 wheat planted area is reported to be 10 percent lower than last year or approximately 540,000 HA. With estimated good wheat yields of approximately 4.5 MT/HA, total production is expected to be 2.43 MMT. For the past five years, total wheat planted area has been stable at 540,000-600,000 HA.

Winter crops generally (despite this year's drop) increased since for the past five years, Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats due to the persistently high summer temperatures that 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.

In the fall 2016, wheat planting lasted very long, since farmers were leaving corn to dry in the field and with this delayed planting of wheat. Optimum time for the fall wheat planting is until beginning of November, while Serbian farmers were planting wheat until mid-December 2016. Approximately 50 percent of wheat that was planted in the optimum time is in very good condition this spring, 30 percent of wheat that was planted with some delays in November is in good condition, while 20 percent of wheat that was planted late, in December, still did not complete tillering and wheat experts are not sure how the wheat crop will develop further.

Despite the extreme cold and long winter without much of snow, during the past months, the condition of the wheat is good, except in some areas with wheat that was planting late in December. Extremely cold weather conditions during the mid-autumn and winter have contributed to the reduction in the number of rodents and insects, so the wheat will not be damaged by pests. Weather conditions were also unfavorable for the development of plant pathogenic fungi, often disease of the wheat leaves, except grey leaf spots (*Septoria tritici*), that can effect up to 0-5 percent wheat depending on the locality. It is estimated that due to extreme temperature it will be probably 5-8 percent damaged wheat crops. The final crop size will depend on weather conditions from March to July 2017.

Total planting costs of wheat have increased 10-15 percent compared to the previous year, mostly due to the increased costs of diesel fuel. The current price of diesel fuel is 143 din/lit (1.30 USD/lit) for spring planting, compared to 128 din/lit (1.16 USD/lit) in March 2016.

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

Commodity	March-2015		March-2016		March-2017	
	Din/MT	USD/MT	Din/MT	USD/MT	Din/MT	USD/MT
Fertilizer	37,600	339	40,000	363	37,500	340
Urea	40,500	365	37,000	336	42,500	387
Diesel	149 din/lit	1.34 USD/lit	128 din/lit	1.16USD/lit	143 din/lit	1.30 USD/lit

Source: Novi Sad Commodity Exchange

Note: 1 USD equals 110 Serbian dinars.

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 a 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 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 (both in terms of area and yields) 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 Serbian agrarian policy of subsidies per hectare for the past two years has been less favorable to wheat farmers.

Consumption:

Total domestic consumption of wheat in Serbia for MY 2016/17 is estimated to be approximately 1.5 MMT annually. Serbia's annual consumption of wheat seed is approximately 150,000 MT. Wheat for human consumption is estimated at 1.2 MMT annually with per capita consumption at 180 kg, which is significantly higher than consumption levels in most European countries. Currently, there are an estimated 350 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 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.

Serbia's annual consumption of wheat seeds 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 local seed-producing institutes. About 60 percent of the wheat seeds are certified, while the rest are wheat seeds from the previous crop used by small Serbian farmers with limited financial resources to buy certified seeds. In the fall 2016, the price of seed wheat in Serbia was approximately 50 dinars/kg (USD 455/MT), or about the same as in the fall of 2015.

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. Almost 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 100,000-200,000 MT, depending on the quality of the crop in a given year. In MY 2016/17, Serbia was separating high quality wheat for human consumption from wheat sold at lower prices and mainly used for feed. For the MY 2016/17 wheat crop, the Novi Sad Commodity Exchange listed different prices depending on the wheat protein while listing wheat sold as feed separately. Prices are listed as wheat with 11.5 percent protein, wheat with 12 percent protein and wheat for feed, with protein content below 11.5 percent.

Quality of wheat

The overall quality of the MY 2016/17 wheat crop was reported to be good, with some disease, but generally at the level of the five-year average. The average hectoliter weight of MY 2016/17 wheat was 78.25 hl/kg. The percentage of moisture was on average 12.5 percent, while the average level of protein was 12.05 percent, considered to be good.

The Serbian government adopted the Rulebook on Quality of Grains, Milling and Bakery Products and Pasta in August, 2016 ("Official Gazette" No. 68/16). The 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 Serbian grains, especially in determining the level of hectoliters for wheat and the level of moisture in corn. Also in June 2016, the Serbian Grain Association adopted a Codex rules for good commercial practice in trade with grains, through which the Serbian market was offered wheat trading classes. Classes of wheat quality are in line with commercial classes, but contain a lower number of parameters, reflecting the lack of technical skill for exporters to identify all wheat quality groups.

Despite the new rulebook, challenges remain for Serbian wheat producers will still for 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 Serbian producers and operators of storage separate wheat for human consumption and cattle consumption, which will also assist exporters in fulfilling international trade contracts.

Table 4: MY16/17 Average Wheat Quality Parameters

Parameter	Average values of Serbian MY14/15 wheat crop
Hectoliter Weight	78.25 hl/kg
Moisture	12.46%
Proteins	12.05%
Hagberg Falling Number	297
Alveogram W	215
Wet Gluten Content	25.61%

Source: Serbian Grain Fund

Trade:

In MY 2015/16, Serbia exported high volumes of wheat and flour, approximately 1.1 MMT. 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 port on the Danube River in Serbia. Serbian wheat (higher quality) is sold to Spain, Germany, Italy and France. Serbian wheat flour is mostly sold to Montenegro, Bosnia and Herzegovina, Kosovo, Macedonia and Albania.

The MY 2016/17 record wheat crop left 1.5 MMT of wheat in MY2016/17 for exports. From July 2016 to February 2017, Serbia exported approximately 940,000 MT of which 715,000 MT of wheat and 225,000 MT of wheat flour. As of March 2017, Serbia has available 1.27 MMT of wheat. Domestic consumption by the new harvest in July 2017 is estimated at 400,000 MT, leaving over 860,000 MT of wheat for export. This would probably lead to high ending stocks of wheat of approximately 300,000 MT. Wheat exports in MY2016/17 will be over 35 percent higher than in the previous year when the total export for the whole MY2015/16 was 1.1 MMT. Exports were mainly destined for the EU and neighboring countries. The current Serbian FOB Danube wheat price is between USD 140-150/MT, depending on the quality of the wheat.

In October 2016, exports began to decrease in started from, mostly due to the increase in price as a result of transportation problems that arose from the Danube’s extremely low levels. In January and February 2017, wheat exports also dropped due to the ban on river transportation as a result of extreme winter weather that left the Danube frozen for over 40 days. Serbia exports approximately 55 percent of wheat and wheat flour to the CEFTA (Central European Free Trade Agreement) countries (country names) and the remaining 45 percent to the Romanian port of Constanza.

Low water levels in the Danube from October to December 2016 reduced loading of barges to nearly 50 percent and increased transportation costs nearly 30 percent, creating challenges for Serbian exporters to deliver previously contracted wheat and putting Serbia at a competitive disadvantage. In January and February 2017, due to ice cold weather in Serbia and throughout the region, the Serbian Ministry of Construction, Transport and Infrastructure declared the suspension of navigation on the Danube for all of Serbia. Temperatures below -20 C froze the Danube throughout the entire navigable course and

forced other countries along the Danube, including Austria, Croatia, Romania and Bulgaria, to suspend river traffic. Each month, river vessels and barges transport approximately 500,000 metric tons of agricultural commodities from just Serbia to the Black Sea region. This force majeure caused foreign buyers to seek out other countries and sources for purchasing wheat and other crops.

In August 2016, the Macedonian Ministry of Agriculture increased the cost for issuing phytosanitary certificates for imports of wheat by 833 percent, making the export of Serbian wheat unprofitable which in turn has put a stop to all previously agreed shipments. According to the Serbian Grain Fund, Serbian wheat exporters and Macedonian wheat importers are requesting that the Macedonian Ministry of Agriculture remove this non-tariff barrier urgently in order to continue the free trade agreement between the two CEFTA member countries. Macedonia is a regular buyer of Serbian wheat with average annual exports of wheat and flour from Serbia to Macedonia at approximately 100,000 MT. Due to MY 2016/17 significant wheat surpluses (over 300,000 MT) and competitive price, Macedonia halted imports from Serbia until September 2016, when high cost for issuing phytosanitary certificates for imports of wheat was decreased.

In October 2016, Serbian Ministry of Agriculture and Environmental Protection approved the exchange of seed wheat for mercantile wheat from MY 2016/2017 through the State Commodity Reserves. The goal of this activity was to assist wheat farmers in the fall planting season to sow certified wheat seeds of domestic varieties. Benefactors of this exchange were individual farmers that are active agricultural holdings, as well as cooperatives and legal persons who are registered as companies whose main activity is the cultivation of crops. The maximum quantity of seed which is given in exchange for the wheat farmer is 20 MT, while the authorized warehouse owners, cooperatives and other legal entities could request the maximum amount of 500 MT wheat seeds. The proposed parity is 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. That is one third of Serbia's monthly consumption; the small quantity of offered wheat likely did not have much effect on wheat prices.

Table 5: Wheat exports in MY16/17 (July 2016-February 2017)

Month	Wheat MY16/17 in MT	Flour MY16/17 in MT
July	180,087	18,429
August	193,760	23,885
September	147,574	22,419
October	56,012	23,250
November	43,684	27,366
December	36,823	23,297
January	20,470	13,993
February	36,010	20,667
TOTAL:	714,420	173,306

Source: Serbian Grain Association

The MY 2017/18 wheat planted area is reported to be 10 percent lower than last year or approximately 540,000 HA. With estimated good wheat yields of approximately 4.5 MT/HA, total production is expected to be 2.43 MMT. Approximately 1 MMT will be available for export, leaving the estimated MY 17/18 wheat ending stocks at 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. The duty rate for imported wheat (tariff no. 100190 99 10) from EU and CEFTA countries is zero percent and 19.5 percent for wheat flour (tariff n. 1101 11 15) from EU and CEFTA countries. The general duty rate for wheat and wheat flour imports from other countries including the United States will continue to be 30 percent.

The Serbian Grain Association (SGA) has approximately 40 members representing a sector valued at over USD 500 million. In October 2016, the FAO and the European Bank for Reconstruction and Development (EBRD) launched new projects to help Serbia export grains and oil crops to new markets. Through the project, the FAO will mostly assist private and public sectors in the area of phytosanitary certificates are required for export of wheat to Egypt and corn to China and Indonesia. In March 2017, SGA signed an agreement with the UN's Food and Agriculture Organization (FAO) for improvement of production and exports of grains and oil crops. The Agreement on Cooperation will establish institutional, professional and financial support for SGA in order to improve the agriculture sector in Serbia. Also, the agreement includes cooperation in numerous activities aimed at long-term development and improvement of production and storage of grains and oilseeds.

Stocks:

As of March 2017, Serbia has 1.27 MMT of wheat available. Domestic consumption until the new harvest in July 2017 is estimated at 400,000 MT, leaving over 860,000 MT of wheat for export. This would probably lead to high ending stocks of wheat of approximately 300,000 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. Since 2015, 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 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.

In mid-December 2016, Serbian Parliament approved agriculture budget for 2017 set at 43.78 billion dinars (USD 374 million), an increase of 3.3 billion dinars (USD 28 million) or 8 percent compared to 2016. Agriculture makes up 4 percent of the total state budget for 2017. The 2017 agriculture budget will introduce new "start-up" credits for young farmers in poor areas of Serbia, as well as incentives for purchasing new agriculture machinery, irrigation equipment and insurance policies for production.

In February 2017, Serbian Government adopted the new Rulebook on Allocation of Subsidies for Agriculture Production and Rural Development, planting subsidies for crop production in Serbia will be 4,000 dinars (USD 36) per hectare. Of the 4,000 dinars per hectare, half will be earmarked to purchase seeds and the other half to purchase mineral fertilizers. According to the new Rulebook on subsidies the state support for milk production in 2017 will stay the same as previous years (7 dinars [USD 0.06] per liter). Livestock production subsidies will range from 100 dinars (USD 0.91) for laying hens to 25,000 dinars (USD 227) per cow. Incentives for beehives will be 720 dinars (USD 6.55) per hive. Serbian Government is also offering covering of 40 percent of the storage costs for farmers. For support to organic production the State has set aside 90 million dinars (USD 818,000) and for preservation of plant and animal genetic resources approximately 65 million dinars (USD 590,009). In 2017, the Serbian Government allocated approximately 43.78 billion dinars (USD 374 million), some 9 percent higher than in 2016 when agriculture budget was 40.16 billion dinars (USD 365 million). The total agricultural budget for 2017 consists of direct payments (farmers subsidies) for what will be accounted 18.67 billion dinars (USD 170 million), support for rural development with 2.85 billion dinars (USD 26 million), credit support to agriculture producers of 670 million dinars (USD 6.1 million), specific incentives of 255 million dinars (USD 2.3 million) and funds for IPARD support of 250 million dinars (USD 2.3 million).

The Law on Pre-Harvest Financing of Agricultural Production became effective in June, 2016. Adoption of this law arose from the need to increase the volume of primary agricultural production by improving existing financing. The law allows the use of future production (crops, fruits, vegetables, etc.) to be used as a form of collateral to secure a loan. The law also envisages that the contract relating to the financing be entered into a registry, so it will be possible to check whether a parcel of farmland is encumbered with a loan. The registry managed by the Agency for Agricultural Registries, become operational also in 2016, but due to the lack of the State Compensation Fund that should be established by the state, this law is not in fully used in Serbia. The whole project was financed by the European Bank for Reconstruction and Development (EBRD) who helped the Serbian Ministry of Agriculture and Environmental Protection draft the law and the software for the registration of contracts, along with the UN Food and Agriculture Organization (FAO).

Marketing:

Serbian market prices during the wheat harvest in June-July 2016 decreased from 20 din/kg (USD 180/MT) to 14-14.5 din/kg (USD 127-132/MT), due to the Serbian and the world wheat record crop and increased supply. Serbian wheat crop represents 0.4 percent of the total world wheat production. Prices of wheat began to increase by the of November 2016, due to the difficulties in river transportation and slower than normal exports in October and November 2016. Since December 2016, prices of wheat have risen to 17.5-18.5 din/kg (USD 160-168/MT) despite decreased exports due to blocked river transport in January and February of 2017. Current wheat price is 18.5 din/kg (USD 168/MT). After five months of lower exports, March 2017 is expected to see the beginning of increases that will last until the new season in June-July 2017. Serbian wheat is competitive in the world market, compared to the current price of wheat from Hungary at 18 din/kg (USD 164/MT) and Ukraine at 20 din/kg (USD 181/MT). Wheat prices will probably decline in the coming months due to the large quantities of wheat currently available five months before the harvest.

Production, Supply and Demand Data Statistics:

Wheat	2015/2016	2016/2017	2017/2018
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Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Serbia						
Area Harvested	550	550	600	600	0	540
Beginning Stocks	398	398	526	356	0	329
Production	2600	2600	3000	3000	0	2430
MY Imports	8	8	10	7	0	8
TY Imports	8	8	10	7	0	8
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3006	3006	3536	3363	0	2767
MY Exports	880	1100	1300	1500	0	1050
TY Exports	880	1100	1300	1500	0	1050
Feed and Residual	400	350	600	334	0	400
FSI Consumption	1200	1200	1200	1200	0	1200
Total Consumption	1600	1550	1800	1534	0	1600
Ending Stocks	526	356	436	329	0	117
Total Distribution	3006	3006	3536	3363	0	2767
(1000 HA) ,(1000 MT)						

Commodities:

Corn

Production:

For MY 2016/17, corn production reached a record level of 7.6 MMT; that is 25 percent more than the previous marketing year in 2015/16. Corn planted area in MY 2016/17 was reported at 1.02 million HA and estimated average yields also reached record levels of 7.5 MT/HA. After MY 2015/16, when Serbian corn farmers experienced problematic corn production and export, Serbian corn farmers are enjoying an excellent year in MY2016/17. From October 2016 to February 2017, Serbia exported approximately 1.1 MMT of corn. Serbia is still left with large stocks, since it has in total 2.8 MMT of corn crop from MY 2016/17 available for export. After the harvest, the price of Serbian corn dropped significantly from 18.50 din/kg (USD 168/MT) to 14.50 din/kg (USD 132/MT), making it quite competitive with Hungary, Romania and Croatia. Export of corn was slow due to the same issues cited above with the Danube last fall and a ban on river transportation in January and February 2017. Prices gradually increased from 14.50 din/kg (USD 132/MT) in the fall to 17 din/kg (USD 155/MT) in by the end of February 2017.

The corn harvest last fall began on September 5, 2016 and lasted unusually long due to wet weather until the beginning of 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. Due to very wet weather during the summer months, the moisture level of corn in the fields at the beginning of the harvest was between 18 and 20 percent. As a result, farmers delayed harvest, keeping corn in the fields longer to reduce moisture levels. Otherwise, farmers would have to pay an additional cost for artificial drying the corn to preferred levels of humidity required by industry - approximately 14 percent. The record corn crop in MY 2016/17 was not only in Serbia, but in the whole region. This created low prices from the corn harvest that also put pressure on farmers to sell due to limited storage.

In MY 2016/17, Serbia produced 25 percent more corn than in MY 2015/16 when corn production was 6 MMT and about the same as in MY 2014/15 when there was record corn crop. Serbia usually consumes approximately 4.3 MMT domestically, leaving an estimated 2.8 MMT available for export in MY2016/17. The current market price for corn is 17 din/kg (USD 155/MT). The price of corn was high, approximately 18.50-20 din/kg (USD 168-182/MT) last summer at the start of the new harvest; as the harvest progressed, price dropped to 14-14.5 din/kg (USD 127-132/MT).

For MY 2017/18, Serbia's planted corn area is projected to be 1.1 million HA, nearly 10 percent more than last year due to the decreased wheat crop. Total corn production is forecast at 7 MMT, which equates to an average yield of 6.4 MT/HA. Corn accounts for roughly 37 percent of total planted area of field crops in Serbia. This year's corn planting in is expected to begin mid-April and last until mid-May. Corn farmers have been advised to plant seeds much deeper in the soil to adjust for soil moisture and the anticipated hot weather during the growing season.

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 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 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).

Consumption:

Serbia's MY 2016/17 total consumption requirement is estimated at approximately 4.5 MMT annually, with most being used for animal feed (4.2 MMT) and 200,000-300,000 MT used for human

consumption. 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 2016, there were 1 million cattle (700,000 cows and pregnant heifers). At the same time, there has been a trend of rural depopulation as well.

Trade:

Serbia is a net corn exporter. In MY 14/15, with 3 MMT, Serbia was one of the largest corn exporters in Europe. If corn exports reach 2.8 MMT in MY 2016/17, the country 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 EU/Mediterranean countries. It often finds itself competing with regional corn producers from Russia, Ukraine, Romania, Croatia and Hungary. In calendar year 2016, corn was the leading Serbian agricultural export commodity. In MY 2015/16, Serbia exported 1.6 MMT of corn, roughly 47 percent lower than in MY 2014/15. This was mostly the result of the lower corn crop (6 MMT) and higher non-competitive prices.

Due to winter hardship caused by the frozen Danube River, Serbia exported only 1.1 MMT of corn from October 2016 to February 2017. From October to December 2016, Serbia was exporting 250,000-300,000 MT of corn monthly. But the negative impacts from the Danube dropped corn exports to 76,000 MT in January 2017 and 156,000 MT in February 2017. Exports were mostly to areas as in the previous years: Montenegro, Croatia, Bosnia and Herzegovina, Albania, Romania, Cyprus, Italy, Spain, Libya, Morocco, Spain and Portugal. Serbia is seeking new markets for corn exports with a focus on China and Indonesia. In previous years, there was a small quantity of non-GMO corn exports to Japan and South Korea.

The largest corn exporter in MY 2015/16 was 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 port Constanza in Romania.

Table 6: Corn exports in first half of MY16/17

Month	MY16/17 in MT
October	207,257
November	361,992
December	321,554
January	75,858
February	156,173
TOTAL:	1,122,834

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 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.

Stocks:

Corn ending stocks in MY2016/17 are estimated to be at a record high, nearly 700,000 MT due to the record corn crop, compared to MY2015/16 with ending stocks estimated at approximately 300,000 MT. 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.

In November 2016, the U.S. company Canamer International from Winona, Minnesota www.canamer.com opened its first installation of grain storage systems (mostly for corn) in Serbia with the assistance of FAS Belgrade. To date, Canamer has built two grain storage units with the capacity of 1,000 metric tons each. Canamer International integrates equipment and materials imported from the United States that are produced by U.S. companies including Raven Industries www.ravenind.com and Airlanco www.airlanco.com.

Policy:

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

In November 2016, the Serbian government decided to purchase 51,256 MT of corn from MY 2016/17 for State Commodity Reserves. The conditions for selling corn to the state was that the corn be of domestic origin, produced in MY 2016/17 and stored in one of the state certified grain storage facilities throughout Serbia. The government offered a price of 16.50 din/kg (USD 150/MT) for purchases from registered individual farmers and farmer cooperatives. Minimum quantities of corn that were offered were 10 MT while maximum were 100 MT for individual farmers. For farmer cooperatives, the minimum quantities of corn that were offered were 20 MT while the maximum were 200 MT. State Commodity Reserves purchased this corn quantity through the Novi Sad Commodity Exchange with payment of 15 days maximum after corn delivery to one of the registered storages. With this corn purchase, the Serbian State Commodity Reserves was mostly filling its own stocks of corn, rather than affecting the domestic corn market supply and price.

The Ministry of Agriculture put an additional measure in place to prevent high aflatoxin problems with future corn crops, requiring all storage facilities selling corn to exporters to 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 storage facility for 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:

In the summer of 2016, prior to harvest, corn prices reached a high level of 18.50 (USD 168/MT) and 20 din/kg (USD 180/MT). During the harvest (September-November 2016), Serbian traders/exporters paid between 14-14.50 din/kg (USD 127-131/MT) for the new corn crop. This was lower than in MY 2015/16, when the price during the period from September to December was 16-17 din/kg (USD 145-155/MT).

During the first six months of MY 2016/17, corn prices rose from 14 din/kg (USD 127/MT) in September/October 2016 to 17 din/kg (USD 155/MT) in February 2017. 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 are expected to continue around this level due to the record large stocks in the country.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year Serbia	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1050	0	1100	1020	0	1100
Beginning Stocks	701	701	596	409	0	717
Production	6000	6000	7500	7600	0	7000
MY Imports	8	8	10	8	0	7
TY Imports	8	8	10	8	0	7
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	6709	6709	8106	8017	0	7724
MY Exports	1513	1600	2500	2800	0	2600
TY Exports	1513	1600	2500	2800	0	2600
Feed and Residual	4300	4400	4400	4300	0	4200
FSI Consumption	300	300	300	200	0	300
Total Consumption	4600	4700	4700	4500	0	4500
Ending Stocks	596	409	906	717	0	624
Total Distribution	6709	6709	8106	8017	0	7724

(1000 HA) ,(1000 MT)

Commodities:

Barley

Production:

Barley is a secondary grain crop in Serbia. Barley area increased the past five years ranging from 86,000-92,000 HA. Total production varies from 300,000-400,000 MT annually.

In MY 2016/17, barley was planted on approximately 91,886 HA, of which 70,000 HA was winter barley and 21,886 HA was spring barley. MY 2016/17 barley production reached record high volumes of nearly 400,000 MT, with an average yield of 4.3 MT/HA.

In MY 2017/18, barley area is projected to be between 92,000 and 95,000 HA, of which 77,000 HA was planted last fall as winter barley and an additional 15,000-18,000 HA will be planted as spring barley. It is projected that average yields will be approximately 4 MT/HA, and that total barley production could reach approximately 380,000 MT.

Table 7: Area planted to barley from MY2011/12 to MY2017/18

Year	Barley		
	Harvested area HA	Yields	
		Total MT	Per HA/MT
2011/12	77,625	306,000	3.60
2012/13	77,335	296,939	3.40
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	93,000	380,000	4.00

Source: Serbian Grain Fund

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 constant demand from Serbian breweries. Local breweries have been successfully sold to several well-known Belgian, U.S., Canadian, German, Austrian, and Turkish companies. Barley used for breweries is now planted on nearly 40 percent of total planted area for barley and continues to expand every year.

Trade:

Barley is not a significant commodity in Serbia's overall grain trade. With increased area with barley, imports of barley have declined for the past several years from 23,000 MT in MY 2011/12 to only 3,500 MT in MY 2016/17. Most of the barley imports are for the brewing industry and come from France, the Czech Republic, Hungary, Romania and Bulgaria. Total Serbian barley exports in MY 2016/17 are estimated at 30,000 MT and destined mainly for the EU countries, Bosnia and Herzegovina and Montenegro.

Stocks:

Barley beginning stocks in MY 2017/18 are estimated at over 21,000 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 16.5 din/kg (USD 150/MT) to 17 din/kg (USD 155/MT).

Production, Supply and Demand Data Statistics:

Barley Market Begin Year Serbia	2015/2016		2016/2017		2017/2018	
	Jul 2015		Jul 2016		Jul 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	91	91	92	92	0	93
Beginning Stocks	19	19	18	7	0	21
Production	390	390	400	400	0	380
MY Imports	3	4	5	4	0	5
TY Imports	1	4	5	4	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	412	413	423	411	0	406
MY Exports	54	56	60	30	0	45
TY Exports	33	56	60	30	0	45
Feed and Residual	190	200	190	210	0	200
FSI Consumption	150	150	150	150	0	150
Total Consumption	340	350	340	360	0	350
Ending Stocks	18	7	23	21	0	11
Total Distribution	412	413	423	411	0	406
(1000 HA) ,(1000 MT)						