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Bosnia's Drought Damage Estimated at USD 176 Million

Report Categories:

Agricultural Situation

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Report Highlights:

Prolonged persistent heat and lack of precipitation for several months are seriously affecting corn, soybean, fruit and vegetable production in Bosnia and Herzegovina. However, only a few farmers can afford to pay the crop insurance. The Entity Ministries of Agriculture estimate damages at close to \$176 million. The current agricultural support funds cannot cover such emergency situations and the agricultural subsidy payments are already 3-8 months late. Feed prices have risen and many livestock farmers are considering downsizing their herds. There is an urgent need for feed for livestock and agricultural inputs for the Fall sowing. In the long term, investment is needed in irrigation systems, anti-hail and anti-frost nets, but historically there have been limited funds available to meet these needs. Consumer prices are expected to increase this Fall especially for meat, fruits, and vegetables.

General Information:

After almost three months without rain and persistent high temperatures since July, Bosnia and Herzegovina (BiH) is facing serious damage to its agricultural sector. A state of emergency has been declared in Orasje, Posavina Canton, in the Federation of BiH. Unofficial estimates place damages at \$88 million (KM 150 million) based on an average 30-percent lower yield for corn, fruit, and vegetable production. The 2015 agricultural support fund for the Federation totals \$38.2 million (KM 65 million) and has long suffered from budget shortfalls and commitments for unpaid subsidies inherited from the period 2011-2014 in the amount of \$20.6 million (KM 35 million). The current agricultural support fund did not envisage financing emergency situations and only provides a subsidy for up to 50 percent of the insurance fee paid by farmers to insure their crops. Few farmers can afford to pay the crop insurance and many insurance companies are reluctant to provide insurance to the sector given the high risk associated with it. The Federation 2015-2019 Agriculture Strategy recognizes the urgent need for investment in irrigation systems, anti-hail and anti-frost nets, but funds have rarely been available. The Ministry has no funds to assist farmers affected by the drought.

In addition to unpaid subsidies from the previous years, the 2015 subsidies are already late and the Ministry is currently processing subsidies for the first quarter of 2015. The unpaid subsidies and drought-related losses will negatively affect cash-flow and many farmers will have difficulty with the Fall sowing. Small dairy farmers are already being affected by the lack of feed, because grazing areas have been reduced and corn yields are expected to drop not only in BiH but also in neighboring countries like Croatia and Serbia who are BiH's traditional grain suppliers. This will affect large dairy operations, even if some have their own milk and feed production, as they depend on raw milk supplies from small farmers. The Federation Ministry of Agriculture has already noted the need to establish an agricultural relief fund for emergency conditions such as the May 2014 flooding and the current drought.

Unlike EU member states and candidate countries, BiH cannot access EU assistance funds because the country lacks an EU compliant structure, which requires a national-level managing authority and payment agency to ensure transparent utilization of the funds. Farmers will need assistance to feed their animals or will be forced to reduce their herds. They also will need inputs for the Fall sowing – seeds, chemical treatments and fuel. The Ministry of Agriculture has stressed the need to use drought-resistant grain varieties, but unfortunately the newest improved varieties have not been available to BiH's farmers since 2011, since the State Commission for Recognition of New Varieties and the Commission has not been operational due to political disagreements. Thus, the newer improved hybrids are not on the National List of Varieties and cannot be imported into BiH. The Federation Government is expected to hold a thematic session on agriculture in the near future to develop recommendations and measures to address the issues in this sector. One of the measures may be providing tax-free fuel for farmers who now pay full price for this input.

The Ministry of Agriculture of the Republika Srpska is estimating drought damages may reach \$87.9 million (KM 156 million). The main agricultural areas of Semberija, Posavina and Lijevce polje have been highly affected by the drought, causing significant losses in production in open field crops such as corn, soybeans, fruits and vegetables. The persistent heat is also adversely affecting livestock production, especially dairy, poultry and pig breeding. Farmers estimate that half the corn sown on

25,000 hectares (ha) has been irreversibly damaged. Some farmers have decided to harvest the corn now rather than in October and use it for silage. Only those farmers who have irrigation systems have kept their usual yields, but irrigated area represents only 2-3% of the total area. Soil moisture levels are minimal. Horticultural crops in open fields have also suffered great losses, while those under cover remain in good condition. BiH animal feed traders report a 20 percent price increase, due to reduced wheat yields and expected reduced corn and soybean crops this year. In addition to the drought, the recent storm followed by hail caused significant harm to agriculture fields in a number of municipalities. The total hail damage, according to estimates done by municipal experts, amounted to \$8.20 million (KM14.64 million). Unfortunately, weather forecasts for near term indicate that current weather conditions will continue further exacerbating the present problems. The Ministry of Agriculture is encouraging farmers to invest in irrigation and anti-hail nets.

Effects of the drought

Consumer prices - fruit and vegetable prices have increased 20-50 percent. Right now, meat prices are expected to drop because farmers are downsizing their herds due to a lack of feed and increased feed prices. Reportedly feed prices have already increased 20 percent. Pork meat prices have fallen 30 percent, due to the increased supply. However, by the Fall, meat prices are expected to rise again. Most farms only have a small number of livestock and will be hard hit by these conditions which will