USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 3/22/2013
GAIN Report Number: RB1302

Serbia

Grain and Feed Annual

Annual Report on Wheat, Corn and Barley

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Report Highlights:
Wheat production in Serbia from the record planted area of 600,000 Ha is estimated to be 2.4 million MT, leaving almost 800,000 MT of wheat for export. Total corn production fell 45 percent due to the pro-longed drought, with MY12/13 total production reaching only 3.5 million MT. In MY13/14, Serbian farmers are expected to plant corn on 1.25 million HA, resulting in production of about 7 million MT, if yields and weather are normal. In MY 11/12, Serbian corn exports hit a record 2.4 million MT, but in MY12/13, corn exports will fall to only 470,000 MT, due to the lower production and high profile concerns about aflatoxins. Serbia will lose about 670 million USD in corn exports in 2013. Contaminated corn triggered aflatoxin levels in milk above the EU norm, prompting, significant trade problems and financial losses.

Executive Summary:
Last summer Serbia suffered an extreme drought, with record dry weather and high temperatures even exceeding previous drought years of 2001, 2004, and 2008. The Serbian Chamber of Commerce estimates total losses in agricultural production were around 2 billion USD. Agriculture in Serbia is the economic and development engine for rural areas. Agriculture is also the only sector in the Serbian economy with a positive foreign trade balance and contributes about 10 percent to the country's GDP.

In August, 2012, the Serbian Ministry of Agriculture announced a number of measures to assist farmers hurt by high input prices and the drought, including: exempting farmers from paying irrigation fees for 2011 and 2012; exempting farmers from paying leasing fees for state-owned agricultural land for 2012; adding a one-year grace period for repaying the principal on state-subsidized farm loans. The Serbian government also authorized the continued distribution of diesel fuel at state-subsidized prices to farmers for the fall planting season. The Ministry of Agriculture also increased livestock subsidies until the end of the year. Approximately 126-160 USD million was set aside in the 2012 state budget for this purpose. Also, last fall, the State Commodity Reserves bought approximately 150,000 metric tons of mercantile corn for Serbia's strategic reserves and all customs duties and levies on imports of all types of grains were removed until the next harvest.

Total planted area for all crops during the 2012 Fall and 2013 Spring seasons is estimated to be approximately 3.45 million HA, similar to the previous year. With almost 600,000 HA planted, the MY 2013/14 wheat crop is reported to be 25 percent higher than last year. With estimated wheat yields of about 4 MT/HA, total production is expected to be 2.4 million MT. For the past three years, total wheat planted area has been declining, as farmers switched from wheat to other more profitable crops such as corn, soybeans, sugar beets, and sunflowers. However, for the first time since 2007, Serbia planted in the Fall of 2012 a bigger wheat area which will leave almost 800,000 MT for export after local consumption of 1.45 million MT. Serbian farmers are turning more to winter crops, mainly because of a fear that extreme dry summers will continue to devastate their spring crops and because winter planting is less expensive than spring crops since they do not use certified seeds, but still get higher yields than for spring crops.

The MY 2012/13 wheat crop of 1.9 million MT, with an average yield of 4 MT/HA, was good. Beside barley, wheat was almost the only crop in Serbia that was not damaged by the extreme drought last summer. The extreme weather conditions also did not affect the baking quality of the wheat flour, which showed excellent wheat quality parameters. Wheat prices in Serbia were steady and high from July 2012 to February 2013, at around 27 dinars/kg (US$3/MT). Since March, wheat prices have started to fall, sinking to 23 dinars/kg (US$/MT), exactly the same price as in March 2012. Further shifts in the wheat price until the harvest in July will depend on the demand for wheat for feed. The recent aflatoxin concerns with corn may affect the prices for wheat, although the local dairy herd has been reduced as a result of the drought, higher input prices and reduced revenue as a result of declines in consumer demand for milk due to the aflatoxin scare.

On September 20, 2012, the Serbian Government formally suspended customs duties on imports of wheat and oilseed until June 30, 2013 (beginning of the new harvest) and on imports of corn, soybeans, and sunflowers until August 31, 2013 (beginning of the new harvest). The suspensions are part of a

package of Government measures intended to reduce the impact of the heavy domestic field crop losses sustained because of the local drought.

The MY 2012/13 corn planted area was reported at 1.3 million HA, with total corn production originally estimated to be 7 million MT. However, the extreme summer drought reduced Serbia's corn production by nearly 45 percent to only 3.5 million MT, with an average yield of 2.7 MT/HA. The fall 2012 corn harvest started earlier, due to record high summer temperatures that caused the corn to mature earlier than usual. Total MY 2011/12 Serbian corn exports reached a record high of 2.4 million MT, valued at 624 million EUR (811 million USD). However, for the first five months of MY 2012/13 (October 2012-February 2013), Serbia only exported about 360,000 MT of corn. This is half of what was exported in the same period in MY11/12 and less than the ten year average, due to the significantly reduced crop size and problems with aflatoxin.

For MY 2012/13, Serbia's corn planted area is projected to be 1.25 million HA, with total corn production forecast at 7 million MT, which equates to an average yield of 5.6 MT/HA. The price of Serbian corn during CY2012 was the maximum price ever obtained. Even before and after the corn harvest (August-September) when corn prices usually decline, prices continued to increase. In September 2012, the price of corn reached a peak of 26.8 dinars/kg (315 USD/MT).

In MY 2012/13, barley was planted on 78,000 HA, of which 50,000 HA was winter barley and 28,000 HA was spring barley. MY 2012/13 barley production totaled 269,000 MT, with an average yield of 3.45 MT/HA. Barley was not significantly affected by the summer drought and the quality remained good. In MY 2013/14, barley area is projected to be about 85,000 HA, of which 70,000 HA was planted last fall as winter barley and an additional 15,000 HA will be planted as spring barley. It is projected that average yields will be approximately 3.5 MT/HA and that total barley production could reach as much as 300,000 MT.

For MY 2013/14, sources estimate about 750,000 hectares were seeded in the fall, of which about 600,000 went to wheat and 150,000 HA went to rye, oats, and barley. It is estimated that in the spring planting an additional 2.7 million HA will be planted to spring crops (i.e. corn, sunflower, soya, sugar beet, tobacco, vegetables, forage crops, small grains, and other crops), bringing total planted area in Serbia to about 3.45 million HA.

Table 1: Final spring sowing area in 2012 and expectations for spring 2013

Crop	Sowing areas in HA	
	2012	2013 projected
Small grains	160,000	160,000
Corn	1,300,000	1,250,000
Sugar beet	60,000	70,000
Sunflower	160,000	180,000
Soya	165,000	180,000
Tobacco	6,000	8,000
Vegetables	300,000	300,000
Forage crop	360,000	380,000

Other crops	60,000	170,000
Total:	**2,576,500**	**2,698,000**

Source: Serbian Chamber of Commerce

Commodities:

Wheat

Production:

According to the Serbian Ministry of Agriculture, for MY12/13, Serbian producers planted 480,000 HA of wheat. With yields averaging 4 MT/HA, production reached 1.9 million MT or about 7.5 percent less than MY11/12, but sufficient for domestic needs. Harvest of wheat last year was completed in June, earlier than usual due to the extreme high temperatures, with yields above Serbia's average for the last five years. Even with the extreme drought this year, wheat production was good and the baking quality of the wheat flour was considered to be excellent. Approximately 560,000 MT of MY12/13 wheat are expected to be available for export, which is above the average for the last five years.

Table 2. Wheat area and production, Serbia 2007-2013

Wheat	2008	2009	2010	2011	2012	2013 estimated
Area (HA)	488,000	570,000	488,000	490,000	480,000	600,000
Production (MT)	2,119,000	2,130,000	1,650,000	2,000,000	1,900,000	2,400,000

Due to very dry weather, autumn sowing of the new MY13/14 wheat crop started in September, earlier than usual. It was completed in optimum time by mid-November. Wheat planting was hampered by extremely dry soil, difficulties in preparing the soil and insufficient application of mineral fertilizers. Planted area for this year's wheat crop was 600,000 hectares (HA), or 25 percent higher than previous years. With estimated wheat yields of about 4 MT/HA, total production is expected to be 2.4 million MT. This is the first time since 2007 that Serbia has planted so much wheat and total production should be enough for both domestic consumption (1.5 MT) and exports (800,000 MT). MY12/13 wheat ending stocks are estimated at about 210,000 MT. The 25 percent increase in wheat planted area this year happened for several reasons. First, wheat as a winter/spring crop suffered almost no damage from the extreme drought in 2012 and is even experiencing record high yields. Even with the significant size of the wheat crop, wheat prices increased during the harvest and have remained stable at about 27 dinars/kg (318 USD/MT) during the fall and winter. Wheat prices only decreased to 23 dinars/kg (271 USD/MT) in March 2013. The cost of planting wheat also tends to be cheaper than planting other crops, since most farmers do not use certified seeds.

Serbia had a mild winter this year that suited wheat development. During December 2012, most of the wheat planting areas in Serbia were covered by significant amounts of snow, providing excellent protection for the new plants, while January and February were mild with enough moisture, making good conditions for wheat development. According to the Serbian wheat experts, the current wheat in

the fields is in excellent condition. Currently farmers are putting mineral fertilizers on fields and the necessary plant protection treatments. Final crop size will depend on weather conditions from March to July. For MY 13/14, sufficient wheat stocks and probably a good crop will guarantee a good supply and lower prices that are more competitive on the world market.

Serbia's annual consumption of wheat seed is 130,000 MT from domestic and imported seed sources. This year, seed companies in Serbia are offering more than 60 varieties of wheat planting seeds. The majority of the market (about 70 percent) is controlled by the local seed-producing institute. About 50 percent of 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 2012, the price of seed wheat in Serbia was around 27 dinars/kg (318 USD/MT), or about 10 percent cheaper than in the fall 2011. In September 2012, before the wheat planting season, the Serbian Commodity Reserves offered registered farmers close to 9,000 MT of mineral fertilizers paid for in-kind with wheat from their stocks.

Serbian farmers use less than half the amount of chemical fertilizers that farmers in developed countries use, due mostly to the 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 trending at about the same level in the MY 2013/14 planting season as in MY 2012/13. 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 -2012		March -2013	
	Din/MT	US$/MT	Din/MT	US$/MT
Fertilizer	40,000	471	37,000	435
Urea	44,000	519	44,000	519
Diesel	140 din/lit	1.75 US$/lit	153 din/lit	1.80 US$/lit

Source: Novi Sad Commodity Exchange

Consumption:

Total domestic consumption of wheat in Serbia for this year is estimated to be around 1.5 million MT annually. Wheat for human consumption is estimated at 1.2 million MT annually with per capita consumption at 180 kg, which is significantly higher than consumption levels in most European countries. Currently, there are about 370 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 120-250,000 MT, depending on the quality of the crop in a given year. Due to the low corn production in MY12/13, most probably feed consumption of wheat this year will increase to about 200,000 MT. The last time most of the wheat was used for feed was in MY 2009/10. However, the wheat quality in that year was very low and most of the exported wheat was destined for cattle feed. Serbia's annual consumption of wheat seed is 130,000 MT.

Quality of wheat:

The overall quality (90 percent) of the MY 2012/13 wheat crop was reported to be good. Due to the extreme drought last summer, more than 70 percent of wheat had very low moisture content (below 12 percent). The small percentage of moisture and foreign materials made it easier than usual to store the wheat. A high average protein content of 12.9 percent and hectoliter weight of over 81 kg/hl (showing milling quality of wheat) qualified most of the MY12/13 Serbian wheat as 1st class and very desirable for export. According to Serbian regulations, wheat is classified into 1st, 2nd and 3rd quality classes. The key problem for Serbian wheat producers is the mixing of different wheat qualities when stored and the inability to always offer for export a consistent quality, due to how the grain is handled and stored. According to the Serbian Grain Fund, they will request in 2013 that the Ministry of Agriculture prepare a Rulebook on Wheat Quality to help meet international norms.

Table 4: MY12/13 Wheat Quality Parameters

Parameter	Average values of Serbian MY12/13 wheat crop
Hectoliter Weight	81.32 kg/hl
Moisture	11.8%
Proteins	12.9%
Foreign Materials	4.4%
Hagberg Falling Number	396
Alveogram W	180.5
Wet Gluten Content	30%

Source: Food Processing Institute Novi Sad

Trade:

MY 2012/13 wheat production was 1.9 million MT and of excellent quality. Combined with ending stocks from the previous year, there are some 560,000 MT of wheat available for export. In MY2012/13, between July 2012 and February 2013, Serbia exported 324,614 MT of wheat and 88,753 MT of wheat flour, for a total of 413,367 MT.

In MY2011/12, Serbia exported 263,459 MT of wheat and 145,369 MT of flour, plus an additional 70,000 MT to Kosovo, for a total of 470,000 MT. 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 were shipped by barges to Port Constanza, Romania. Serbian wheat is mostly sold to foreign international companies FOB at 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, Macedonia and Albania.

In July 2012, in order to stabilize the wheat market and to provide enough wheat for the State Commodity Reserves, the Serbian Government opened a tender for 100,000 MT of wheat at a gross price of 23 dinars/kg (271 USD/MT including VAT). However, since the net price was only 21.30 dinars/kg (251 USD/MT) and market prices were beginning to rise, Serbian farmers showed little interest in selling their wheat to the State Commodity Reserves. The Reserves only managed to buy about 10,000 MT of wheat.

As a part of a package of measures intended to reduce the impact of the heavy domestic field crop losses sustained because of the local drought, the Serbian Government in September 2012, formally suspended customs duties on wheat imports until June 30, 2013. After this period, the general duty rate for wheat imports will be 30 percent, including from United States, while for imports from EU countries the duty rate in 2013 will be 21 percent, and beginning in 2014 it will only be 18 percent.

Table 5: Wheat exports in MY12/13 (July 2012-February 2013)

Month	Wheat MY12/13 in MT	Flour MY12/13 in MT
July	48,521	10,252
August	69,275	19,061
September	48,265	10,741
October	21,484	8,188
November	20,418	10,469
December	79,313	12,159
January	25,517	8,396
February	14,821	9,487
TOTAL:	**324,614**	**88,753**

Source: Serbian Grain Fund

If the weather remains fair over the next four months, wheat crop production in MY2013/14 could reach 2.4 million MT with estimated wheat yields of about 4 MT/HA. Total production would be enough for estimated domestic consumption of 1.5 million MT and record wheat exports of 800,000 MT, while estimated MY13/14 wheat ending stocks would be about 320,000 MT.

Stocks:

It is estimated that currently Serbia has 740,000 MT of MY 2011/12 wheat in stocks. Domestic consumption until the new wheat harvest is estimated to be 440,000 MT and Serbia is expected to export an additional 90,000 MT thru July 2013, so current estimates for the ending stocks of MY 2012/13 wheat at the end of June are about 210,000 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 capacities to negotiate better prices with the farmers. However, for the past couple of years, the government has started to intervene by providing storage subsidies in order to support smaller farmers to store their wheat and then sell it later when wheat prices are more advantageous.

Policy:

On August 30, 2012 the Serbian Government adopted two new decrees that will allow agricultural producers to buy 70 million liters of diesel fuel for the fall sowing season at a subsidized price of 76 dinars (0.89 USD)/liter and will provide 10.5 billion dinars (124 USD million) for agricultural subsidies for farm land planted with field crops and potatoes. The 6,420 dinars/hectare (76 USD/HA) crop subsidy was promised to Serbian farmers but is only now been paid to the Serbian farmers. According to Serbia's current Agriculture Minister, agriculture's portion of the total state budget will grow from 2.4 percent in 2012, to 4.5 percent in 2013 and to 5 percent by 2014. Even with the adoption in March 2013 of the new Law on Incentives for Agriculture Production and Rural Development, the Ministry of Agriculture is still only paying the unpaid subsidies from 2012. The new subsidy plan adopted in February 2013 will not become operational until the payments from 2012 are completed in April.

On September 20, 2012, the Serbian Government formally suspended customs duties on imports of wheat and oilseeds until June 30, 2013 (the beginning of the new harvest). The suspensions are part of a package of Government measures intended to reduce the impact of the heavy domestic field crop losses sustained because of the local drought.

In December 2012, the Serbian Government adopted a budget for 2013. According to the Serbian Ministry of Agriculture, the total CY 2013 agriculture budget is set at 45 billion dinars (529 million USD). With this increase, Serbian agriculture will receive 4.5 percent of the total Serbian budget.

In January, 2013, the Serbian Government adopted a Law on Incentives for Agriculture Production and Rural Development, after three months of public discussion. This new law sets the minimum guaranteed annual amounts for incentives in agriculture and rural development. The goal of this law is to help direct long-term agricultural policy, reduce the ability of special interest groups to subvert long term agricultural goals, and to help registered farmers and investors with their financial planning. The law also dictates that the agriculture budget not be less than 5 percent of Serbia's total budget.

The law envisions three groups of government incentives:
1) Direct payments (i.e. production subsidies, compensation for agriculture inputs, and credit support);
2) Rural development payments (i.e. incentives to improve agricultural competitiveness and investments in sustainable rural development); and,
3) Specific incentives (i.e. funds to develop a market-information system in agriculture, provide extension services, and support science-based projects in agriculture).

In February, 2013, the Serbian Government (as a follow up to the Law on Ag Subsidies) also adopted a Rulebook on Payment of Agriculture Subsides. In this Rulebook, the Serbian Ministry of Agriculture specified the exact amounts that will be paid as direct payments, rural development payments and specific incentives. It also laid out the conditions for payments.

The Law envisages equal subsides for those owning and for those leasing land, regardless of their owner ship status. According to the law, farmers that want to receive state subsidy must be registered, while subsidies for crops can be paid only for a maximum 100 HA of arable land. The Ministry of Agriculture will set aside about 28 billion dinars (329 million USD) of the total agricultural budget for different direct payments (subsidies). The subsidies for crop production are set at 10.5 billion dinars (124 million USD) and will mainly consist of a payment of 6,000 dinars/HA (71 USD/HA) that will be paid per plant production surface. Also, the Ministry will pay significant subsidies for cattle breeding and for other types of designated herds and will allow for an additional premium for extra class milk. Also for 2013 incentives for organic production will be increased to 200 billion dinars (2.3 million USD). Applications for subsides can be filed from February (after adoption of the Rulebook on Payment of Agriculture Subsides) for spring planting.

Beside receiving 6,000 dinars/HA (71 USD/HA) for wheat crops registered farmers will be eligible for an additional maximum 6,000 dinars (71 USD/liter) support for diesel fuel for spring planting. The Ministry of Agriculture is also preparing to sign contracts with commercial banks to subsidize the interest rates for short-term commercial loans to agriculture producers. From the budget, the Serbian Government will set aside 500 million dinars (5.9 million USD) to subsidize interest rates. The goal of these loans is to help farmers during the planting season to finance purchases of agriculture inputs. The

Serbian Government will put aside 100 million dinars (1.2 million USD) to assist farmers in storing their crops in public storage facilities, so the farmer can wait for better prices rather than having to sell immediately after the harvest. Also the Rulebook includes 400 million dinars (4.7 million USD) to subsidize crop insurance. Only about 4 percent of all farms in Serbia are insured, even though the Serbian Government program has been in existence since 2004 and it subsidize up to 40 percent of the insurance premium for registered farmers.

Marketing:

The price of wheat at the beginning of the harvest (beginning of June) was 19 dinars/kg (223 USD/MT), whereas by the end of the harvest (end of June) it was 23 dinars/MT (270 USD/MT). It reached 27 dinars/kg (318 USD/MT) by September 2012. This represents a 50 percent increase over the price of 18 dinars/kg (200 USD/MT) in September 2011. From September 2012 until February 2013, the price of wheat remained stable at 27 dinars/kg (318 USD/MT). Only in March, as a result of significant quantities being offered after an extremely cold winter that closed the wheat market completely for three months, did the market price fall to 23 dinars/ kg (271 USD/MT). Further movement in wheat prices will depend on domestic and foreign demand for wheat for feed, due to the small corn stocks currently available.

In September 2012, the Serbian Government issued an announcement that the cost of "social bread", of flour type 500, could not exceed 48.5 dinars/loaf and that bakers would have to allow at least 40 percent of their production to be composed of this type of bread. For the past year, the price has been fixed at 44 dinars/loaf.

Production, Supply and Demand Data Statistics:

Wheat Serbia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: May 2011		Market Year Begin: May 2012		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	493	493	480	480		600
Beginning Stocks	322	322	261	364		214
Production	2,000	2,000	1,900	1,900		2,400
MY Imports	10	10	10	10		10
TY Imports	10	10	10	10		10
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,332	2,332	2,171	2,274		2,624
MY Exports	471	408	500	560		800
TY Exports	471	408	500	560		800
Feed and Residual	200	260	200	200		200
FSI Consumption	1,400	1,300	1,300	1,300		1,300
Total Consumption	1,600	1,560	1,500	1,500		1,500
Ending Stocks	261	364	171	214		324

Total Distribution	2,332	2,332	2,171	2,274		2,624
1000 HA, 1000 MT, MT/HA						

Commodities:
Corn

Production:
Corn was planted in spring 2012 on some 1.3 million HA and initial forecasts for production were 7 million MT (based on an average yield of 5.4 MT/HA). However, lack of precipitation in June and July together with very high temperatures over an extended period of time caused extreme stress to the corn plants. The dry period coincided with the critical corn pollination period, resulting in poor kernel development. According to the Serbian Farmers Association, average corn yields declined by as much as 50 percent in many areas of the country. The extreme drought decreased Serbian corn production to only 3.5 million MT and average yields to only 2.7 MT/HA. Within Europe, Serbia is in last place in terms of irrigated area with less than 5 percent of agricultural land covered by irrigation systems and only about 4 percent of farms insured against crop loss due to weather.

According to the Serbian Chamber of Commerce, with corn production in MY12/13 at only 3.5 million MT, Serbia will have enough corn for domestic supply but significantly smaller quantities than last year for export and will therefore lose at least 800 million USD in exports.

This spring, corn will account for about 46 percent of total planted area of spring field crops and about 36 percent of total field crops planted (both fall and spring). This year corn planting area is estimated at 1.25 million HA and is expected to start beginning in 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 MY 2013/14 corn area will be about 50,000 HA less than the previous year, due to the fact that many farmers are switching from corn to wheat production (due to last year's extreme weather conditions and the fact that corn prices were lower than wheat throughout 2012 and 2013). With planted corn on 1.25 million HA, total production could reach at least 7 million MT, assuming an average yield of 5.6 MT per hectare (if the weather conditions allow).

Corn is the one major 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 to the market in small lots.

Serbia's demand for commercially certified seed corn is estimated to be between 24,000 and 26,000 MT annually, depending on the seed varieties and the area planted. There are two major 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 currently controlling 35 and 32 percent, respectively, of the corn seed market in Serbia. The remainder of the seed corn market is shared mostly amongst the following foreign companies present in Serbia: Pioneer Hi-Bred, KWS, Lomagrain, Syngenta, and Monsanto.

Not only was corn production in MY2012/13 severely damaged by the drought that reduced corn yields by 45 percent, but the extreme temperature variations during the drought set up the conditions for aflatoxin problems throughout the region. In November 2012, an international testing and certification company "SGS," publicly announced that almost 70 percent of Serbia's total corn production was thought to be contaminated by aflatoxins and deemed unsuitable for human consumption. The Serbian Grain Fund disputed SGS' conclusions, saying most of Serbia's 2.3 million metric tons of corn was usable this year (32 percent for human consumption, 35 percent for cattle feed and only 35 percent having to be used for biofuels). In December 2012, the Serbian Ministry of Agriculture formed a working group to determine the exact percentage of contaminated corn. One week later, and after a Ministry of Agriculture inspection, the Working Group concluded that only 7 percent of this year's corn crop was contaminated and even that could be used for cattle feed if appropriate absorbents were used. By December, the dispute over the aflatoxin levels resulted in only small quantities being imported by neighboring countries. Under normal conditions, corn represents Serbia's top agricultural commodity, and the country ranks among the top ten corn-producing countries in the world.

Serbia is interested in EU Accession and has been harmonizing its regulations with EU norms. In 2011, Serbia harmonized its rules on the level of aflatoxin in milk with EU's, setting the limit at 0.05 micrograms/kg. However, Serbian rule on aflatoxin B1 in cattle feed was not changed from 10 micrograms/kg.

In March 2013, two weeks after high levels of aflatoxin began to appear in milk, the Serbian Government increased the maximum tolerance level from the EU level of 0.05 micrograms/kg to the Codex Alimentarius level of 0.5 micrograms/kg of milk. The Ministry of Agriculture will probably reduce the maximum level of aflatoxin in milk gradually back to the EU level to allow Serbia's domestic dairy industry to adjust. The Ministry also announced assistance to the farmers consisting of 300 kg of corn per dairy cow from Serbia's State Commodity Reserves and some absorbents to reduce the aflatoxin levels in the milk. However, the Director of the Serbian State Commodity Reserves noted that potentially one-third of the State's stocks could be contaminated with aflatoxin. To try to address the potential problems if farmers mix MY11/12 and MY12/13 corn, the Ministry has also recently issued guidance on proper handling and storage of corn stocks. The aflatoxin issue has prompted losses in the hundreds of millions of Euros, when both corn and dairy products are considered, since both corn and milk exports have almost completely stopped.

Consumption:

Total domestic corn consumption for the last five years varied between 4.2 and 5 million MT annually. In MY 2012/13 feed consumption needs are estimated at about 3 million MT, while human consumption and corn seed combined is estimated at about 200,000 MT annually. Most of the total corn production will be used for animal feed, while the remainder will be used for human consumption

and for some starch production in Serbia. Corn consumption for feed continues to declining as livestock numbers also have been dwindling.

Currently in Serbia there is one bio-ethanol plant built in 2007, in the city of Sid with an annual capacity of 100,000 MT. The factory is able to produce biodiesel according to EU quality standard EN 14214. Due to the lack of government incentives on bio-ethanol production, the factory is not producing bio-ethanol and instead is crushing sunflower and soybean oil.

In 2011, the largest agribusiness company in Serbia started to refurbish a sugar factory in the city of Zrenjanin, with the intention of investing 50 million Euros to start producing liquid sugars and starch for export according to EU standards. The factory should be completed by the end of 2013. Once the starch and bio-ethanol production starts in Serbia, domestic corn consumption will increase significantly and there will be less corn for export.

Trade:

Serbia is a net corn exporter and until this year was one of the largest corn exporters in Europe. Serbia typically produces more corn than it consumes, exporting to neighboring and Mediterranean countries. From 2010 to 2012, some Serbian trading companies started to export non-GMO Serbian and Hungarian corn to South Korea and Japan. Annual export of corn to these two destinations was 400,000 MT annually (shipped by barges to Port Constanza on the Black Sea from where sea transportation was organized). In MY2011/12, Serbia exported 2.4 million MT of corn valued 624 million EUR (811 million USD), making corn the leading Serbian agriculture export commodity.

For the first five months of MY 2012/13 (October 2012-Febryary 2013), Serbia exported 359,876 MT of corn, or less than half the quantity exported during the same period in MY11/12 (791,047 MT). Due to limited supplies and the aflatoxin problems, corn exports during January-February 2013 almost stopped. Only small amounts of naturally dried corn continued to Montenegro, Croatia, Bosnia and Herzegovina, and Albania by trucks. Serbia's traditional exports to Cyprus, Italy, Spain, Portugal and North Africa, as well as the newer markets of South Korea and Japan, have almost completely stopped for now. It is estimated that total exports of corn in MY12/13 will be only 470,000 MT, a drop of almost 2 million MT compared to MY11/12. This represents financial losses of about 520 million EUR (670 USD/MT).

Table 6: Corn exports in first half of MY12/13

Month	**MY12/13 in MT**
October	159,279
November	114,870
December	52,896
January	16,504
February	16,327
TOTAL:	**359,876**

Source: Serbian Grain Fund

Stocks:

Corn ending stocks in MY2011/12 are estimated at 528,000 MT, while the ending stocks of corn for MY2012/13 are estimated at around 400,000 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:

On August, 2012, the Serbian Commodity Reserves announced that it would buy up to 200,000 MT of MY 2011/12 and MY 12/13 corn at the price of 29.70 dinars/kg (349 USD/MT). The government decided to purchase this amount of corn in order to increase state corn reserves, due to the diminished corn crop of MY12/13 which was reduced by 45 percent. Corn was bought from registered and non-registered farms and agricultural legal entities. The maximum amount bought from a family farm was 500 MT, while the maximum amount of 2,000 tons was bought from agricultural legal entities. Corn was purchased through Novi Sad Commodity Reserves. The State Commodity Reserves only had the finances to buy 151,318 MT of corn (not the full amount of 200,000 MT as initially announced).

The Serbian government will continue to support corn production through crop production subsidies of 6,000 dinars/MT (71 USD/MT) per hectare, fuel subsidies of up to 6,000 dinars/liter (71 USD/MT) of diesel fuel, competitive interest rates for loans through commercial banks, and subsidies for storage and crop insurance. [Please see the wheat policy section for more details.]

On September 20, 2012, the Serbian Government formally suspended the customs duties on corn imports until August 31, 2013 (the beginning of the new harvest). The suspensions are part of a package of Government measures intended to reduce the impact of the heavy domestic field crop losses sustained because of the local drought.

Marketing:

When it became clear that the corn crop would be almost half the norm, corn price at Novi Sad Commodity Exchange increased dramatically. Prices rose 18 percent in one month from 22 dinars/kg (USD259/MT) in the beginning of July to 26 dinars/kg (USD310/MT) by the beginning of August. This trend continued in the following weeks until the new corn harvest. The price of Serbian corn during CY2012 was the maximum price ever obtained for corn in Serbia. Even before and after the corn harvest (August-September), when corn prices usually fall, the prices continued to increase. In September 2012, the price of corn reached a maximum level at 26.8 dinars/kg (315 USD/MT). Between September and November 2012, the price of corn fell from 26 dinars/kg (310 USD/MT) to 24 dinars/kg (282 USD/MT). CY2013 started with the relatively high corn price of 24 dinars/kg (282 USD/MT) despite the aflatoxin issue because tight supplies. The price was 43 percent higher than the in January 2012. The current price of corn at the Novi Sad Commodity Exchange dropped to 20 dinars/kg (235 USD/MT) in March, due to the very low demand for MY12/13 corn.

Production, Supply and Demand Data Statistics:

Corn Serbia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,260	1,260	1,300	1,300		1,250
Beginning Stocks	1,022	1,022	393	528		408
Production	6,300	6,400	3,800	3,500		7,000
MY Imports	2	6	50	50		20

TY Imports	2	6	50	50		20
TY Imp. from U.S.	0		0	0		0
Total Supply	7,324	7,428	4,243	4,078		7,428
MY Exports	2,331	2,400	400	470		2,000
TY Exports	2,331	2,400	400	470		2,000
Feed and Residual	4,200	4,200	3,400	3,000		4,200
FSI Consumption	400	300	200	200		400
Total Consumption	4,600	4,500	3,600	3,200		4,600
Ending Stocks	393	528	243	408		828
Total Distribution	7,324	7,428	4,243	4,078		7,428
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 to 130,000 HA over the last eight years. Total production varied 250,000 to 450,000 MT annually.

In MY 2012/13, barley was planted on 78,000 HA, of which 50,000 HA was winter barley and 28,000 HA was spring barley. MY 2012/13 barley production totaled 269,000 MT and with an average yield of 3.45 MT/HA. The barley crop was not very affected by the summer drought and the barley production was of good quality. In MY 2013/14, barley area is projected to be about 85,000 HA, of which 70,000 HA was planted last fall as winter barley and an additional 15,000 HA will be planted as spring barley. It is projected that the average yield will be 3.5 MT/HA and that total barley production could reach almost 300,000 MT.

Table 7: Area planted to barley from MY05/06 to MY13/14

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	85,000	300,000	3.50

Source: Serbian Official Statistics

Consumption: Total barley consumption in Serbia for the past five years ranged between 350,000-400,000 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 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 area 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 MY2012/13, imports of brewery barley are estimated at 30,000 MT valued at over 7 million USD. The value is much higher than in previous years because higher quality barley is being imported for the brewery industry. Most of the imports came from Hungary, Romania, Russia, and Bulgaria. Total Serbian seed barley exports in MY2012/13 are estimated at 5,000 MT and sold to EU, Bosnia, Montenegro, and Ukraine.

Stocks:

Barley beginning stocks in MY 2013/4 are estimated at 6,000 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 is 22din/kg (259USD/MT).

Production, Supply and Demand Data Statistics:

Barley Serbia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	85	85	85	78		85
Beginning Stocks	14	14	12	7		6
Production	306	306	275	269		300
MY Imports	26	20	25	30		30
TY Imports	19	20	25	30		30

TY Imp. from U.S.	0	0	0	0		0
Total Supply	346	340	312	306		336
MY Exports	9	8	5	5		10
TY Exports	10	8	5	5		10
Feed and Residual	200	200	170	195		200
FSI Consumption	125	125	125	100		120
Total Consumption	325	325	295	295		320
Ending Stocks	12	7	12	6		6
Total Distribution	346	340	312	306		336
1000 HA, 1000 MT, MT/HA						