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## **Bosnia Herzegovina**

### **Grain and Feed**

#### **Annual**

#### **2002**

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**Report Highlights: Total 2002/2003 wheat production will be around 195,000 MT, down 35% compared to last year. Bosnia Herzegovina (BiH) usually imports 50 – 70% of its wheat needs. With the lower forecast crop, wheat import needs could be as much as 100,000MT higher in 2002/2003 or nearly 450,000MT. Winter wheat planted area is down and this, along with changes in government support, should result in an increase in corn and soybean area.**

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
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## **Summary**

Under the 1995 Dayton Peace Agreement, Bosnia Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). Due to this dual governmental structure there is no common agricultural policy at the national level. Also, there is no official crop data available on countrywide basis and producer support programs vary by Entity.

F BiH accounts for roughly a quarter of the country's wheat production, and the RS accounts for three-quarters. This Fall, the ratio changed to one-third for the FBiH and two thirds for the RS because of a significant decline in wheat area in the RS. In general, the total sown area for wheat in 2002/2003 is down 35% in comparison to 2001/2002. Due to bad weather conditions and heavy rainfall, this Fall's corn crop was harvested later and wheat and barley area decreased. Because of this it is expected that next year's corn and soybeans area will increase. This fits well with the Entities policies for the livestock sector regeneration.

This year was good for corn production in BiH. The total production was 912,000 MT with an average yield of 4 MT/ha. This is an increase of 30% over last year.

Total sown area for barley, rye and oats in the F BiH is 11,070 ha and in the RS is 30,000 ha. Average yields for those grains are 2,4 – 2,6 MT/ha.

Farmers have been somewhat discouraged by bad weather and slow payments from the Direkcija za robne rezerve. The slow corn harvest hurt winter wheat and barley planting..

## **Wheat production**

This year's planting intentions for wheat in the F BiH was 29,000 ha and in the RS 65,000 ha. In F BiH 90% was sown and in the RS about 70%. Therefore, the final sown area for wheat is 72,000 ha. An average yield is 2,7 MT/ha and the total 2002/2003 production will be around 195,000 MT, down for 35% then the last year. The decline is due to several reasons. Rainfall during October's slowed the corn harvest and winter wheat sowing was delayed. The winter wheat planting was eventually completed in the second half of November but many farmers simply gave up because it was rather late and yields were expected to be lower. There is also a general problem with crop rotation in the RS. Due to a two crop rotation system (wheat and corn) there have been serious problems with plant disease in past three years, especially mold. It is estimated that because disease, the yields for wheat were 30-40% lower in the past three years. In part to address the disease issue, it is expected that next year RS production policy will change in favor of corn and soybean, production. The RS Government will most likely support the soybean production with free seeds and chemicals.

This year the Republika Srpska Commodity Reserve purchased 12,000 MT of wheat from farmers at the minimal purchase price of 270 KM/MT (\$140) and committed to pay in two installments. Due to financial difficulties, the payments were delayed. This is also negatively influencing farmer incentives to produce wheat.

Finally, production costs for wheat are higher than in neighboring countries. Wheat quality is also lower because of disease and insufficient use of chemicals and fertilizers.

**Wheat Consumption**

Traditionally, food use wheat consumption is about 150 kg per capita, or about 550,000 MT nationally. Due to the low quality of wheat produced, 100,000 - 150,000 MT is usually used for feed. Higher quality wheat is imported from the United States, Hungary, Serbia and Croatia. Food and feed use total consumption is therefore about 650,000 - 700,000 MT annually.

**Corn Production**

In the FBiH this year corn area was 58,000 ha and in the RS on 170,000 ha. The total area for corn was 228,000 ha. An average yield was 4 t/ha and therefore the total production was around 912,000 MT. The corn harvest was slow due to bad weather conditions and the late harvest decreased planted area for winter wheat. Because of this, it is expected next year's corn and the soybeans area will be higher. Both Entities Ministries of Agriculture intend to support an increase in domestic animal breeding and meat and milk production with production subsidies next year. This should result in an increase in corn feed use.

**Corn consumption**

Per capita consumption is about 20 kg, total 75,000 MT. Corn is mostly used for animal feed.

**Domestics support policy**

In the Federation of BiH the minimal purchase price for grains is the same as last year – 0.25 KM/kg (\$0.13) for wheat and rye and 0.20 KM/kg (\$0.10) for corn and barley. Subsidies are paid for seed wheat, barley and rye - 0.10 KM/kg (\$0.05). Wheat and corn production subsidies are 50KM/MT (\$26.04), for barley - 60 KM/MT (\$31.25) and for rye - 70 KM/MT (\$36.46).

In the Republika Srpska the minimal purchase price is set for wheat and rye at 0.27 KM/kg (\$0.14). Subsidies are paid for seed wheat 0.05 KM/kg (\$0.03) and seed corn 0.50 KM/kg (\$0.26).

Generally, farmers face a high degree of policy uncertainty with regard to agricultural price and subsidy payments.

**Grain trade/ imports**

BiH usually imports 50 – 70% of its wheat needs. In 2001/2002 imports were about 350,000 MT. 107,000 MT of U.S. wheat was imported under the food aid program. The rest of wheat was imported from Hungary, Croatia and Serbia. Since the 2002/2003 wheat area is decreased and the yields are expected to decrease too, imports could go up for additional 100,000 MT.

In 2001 BiH imported around 95,000 MT of corn.

64,000 MT or 67% came from Hungary and 10,000 MT or 10,5% from Serbia.

73,000 MT of feed concentrates with corn as a main component was also imported in 2001 from Hungary and Serbia.

Last year's imports of rye were 40 MT, barley 6,342 MT and oats 1,280 MT.

### Tariffs

Currently, there are no quantitative restrictions for imports of grains to country. Tariff rates are:

	Tariff %
<b>1001 / wheat and spelt</b>	
1001 10 / durum	5
1001 10 00 10/ for sowing	0
1001 90/the rest	
1 v001 90 10 00/ for sowing	0
1001 90 99 00/ the rest	5
<b>1003 00/barley</b>	
1003 00 10 00/for sowing	0
1003 00 90 00/the rest	5
1003 00 90 10/for malt	5
<b>1005/corn</b>	
1005 10/for sowing, hybrids	5
1005 90/the rest	10
1005 90 00 90/for feed	0

An additional 1% of customs fee is applied on all imported goods.

For Croatia, Slovenia, Yugoslavia (Serbia and Montenegro) and Macedonia tariffs are generally lower because of the free trade agreements signed between the countries.

Croatia will be charged only 40% of normal customs duties in 2003 and 0% starting from January 1, 2004. Slovenia shall pay 50% of import duties in 2003, 30% in 2004 and 0% starting from January 1, 2005. Yugoslavia will be charged 40% of import duties as of January 1, 2003 and 0% as of January 1, 2004. Customs duties for Macedonian products will be reduced to 50% as of January 1, 2003, 40% as of January 1, 2004 and 0% as of January 1, 2005. BiH is not a member of the WTO.

### Food Aid

Since 1995, the U.S. Department of Agriculture has provided food aid that is distributed through private voluntary organizations (PVOs) throughout country. In most cases, the commodities are sold by PVOs at on the local market and the proceeds from the sale are used to support agricultural development programs. Wheat is by far the largest commodity provided by USDA and 250,000MT of high quality U.S. wheat was donated to BiH between 1998-2002.

A shipment of 21,400 MT of high quality U.S. milling wheat was delivered recently to the port of Ploce. The price at the Port was 240 KM/MT (\$125). The price for U.S. wheat sold earlier this year was 221 KM/MT (\$115.10). The second shipment of 30,000 MT is expected to arrive in January 2003.

Interest for U.S. wheat is quite high although prices have risen. Local millers usually blend U.S. wheat with lower quality wheat. Regular buyers of U.S. wheat are “Klas” Sarajevo, “Zitopromet” Mostar, “Ljubace” Tuzla and many other smaller mills.

Currency note: US\$1,00 = 1,92 KM (Convertible Mark) as of December 12, 2002.

### Wheat PS&D

PSD Table						
Country	Bosnia-Herzegovina					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	103	0	110	110	0	72
Beginning Stocks	191	130	160	169	107	116
Production	269	0	297	297	0	195
TOTAL Mkt. Yr. Imports	400	0	350	350	0	450
Jul-Jun Imports	400	0	350	350	0	450
Jul-Jun Import U.S.	0	0	0	107	0	54
TOTAL SUPPLY	860	130	807	816	107	761
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	150	0	150	150	0	100
TOTAL Dom. Consumption	700	0	700	700	0	650
Ending Stocks	160	169	107	116	0	111
TOTAL DISTRIBUTION	860	169	807	816	0	761

## Corn PSD

PSD Table						
Country	Bosnia-Herzegovina					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	208	0	213	0	210	228
Beginning Stocks	60	0	50	0	70	0
Production	475	0	640	0	800	912
TOTAL Mkt. Yr. Imports	135	0	200	0	50	95
Oct-Sep Imports	135	0	200	0	50	95
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	670	0	890	0	920	1007
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	520	0	745	0	775	850
TOTAL Dom. Consumption	620	0	820	0	850	925
Ending Stocks	50	0	70	0	70	0
TOTAL DISTRIBUTION	670	0	890	0	920	925