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ECONOMIC STUDIES

AGRIBUSINESS

SECTOR OVERVIEW OCTOBER 2016



IN FOCUS

Monsanto and Microsoft partnership for investing in new technologies

Microsoft and Monsanto Corporations have announced a partnership for investing in agro-technological start-up companies in Brazil. Monsanto will provide up to 92 m \$ to the fund managed by Microsoft, where it will assess the ideas for new digital tools that can be used in agricultural production. This initiative is only part of a global trend of searching for ideas to make use of new digital technologies for improvement in agricultural production.

Export of meat to Russia decreased by 90%

In the first eight months of this year, only 1,598 tons of meat of a total value of EUR 2.4 m were exported to the Russian market, which is 90% less than in the same period in 2015. The main reason for this decline is the high price of meat, i.e. high transport costs for domestic producers that are the result of inability to transport pork across the EU (due to vaccination against swine fever). Until 2014, Serbia did not export meat to Russia, and the opportunity arose in the middle of the same year and lasted until November 2015, the main factor was the depreciation of the ruble, which helped the competitiveness of domestic producers in relation to other exporters to the Russian market, as well as sanctions imposed by the EU. The greatest factor in weakening of exports was a significantly stronger Russian domestic production.

Prices of garlic in China

Prices of garlic in China, which is the world's greatest producer with a total share in exports of around 80%, almost doubled in the current year. The causes are bad weather and a flurry of speculative buyers. The price began to rise in late 2015, when the heavy rains and snow damaged the crops intended for harvest in this year. In addition to lower supply, a great influence was the influx of speculators caused by efforts to stabilize the stock market action late last year. Imposed restrictions on trade actions have caused a flurry of investments in commodity markets.

The pressure on the prices of olive oil

Since its 18-year maximum, \$ 5,886 / t, which was reached last year, the price of olive oil have fallen to a level of \$ 3,980 / t, with a increase in stocks of 28%. However, according to forecasts of the International Olive Oil Council (IOC) for the 2016/17 season, it is expected a decrease in production by 7% and prices have already begun to reflect the expected shortage of supply. The world's greatest producers are Spain, Italy and Greece, and only Spain is the greatest producer with somewhat under half of the total world's production.

Harvesting of apples began in Western Serbia

it is expected that the total harvest will be over 350,000 t. Due to evenly distributed rainfall, the quality of green Granny Smith variety is extremely high, first class accounts for about 95% of the harvest. Yet the demand and price of this variety is low, while the variety Idared is the most wanted and almost the entire harvest could be realized on the Russian market. The selling price of Granny Smith varieties for the purchase of first class is RSD 40 per kilogram, while the second class of between RSD 28 and RSD 30. A favorable opportunity for exports to Russia of the Idared variety is the fact that the largest European manufacturers (Poland, Italy) withdrew from this variety. Apple is grown on about 24,000 ha in Serbia, and the average annual production over the last three years amounted to 300,000 t.



GLOBAL AND DOMESTIC MARKETS

The level of food prices was higher by 0.7% in October in relation to September

Relative to the same period last year, prices increased by 9.1%. Notwithstanding a short-term decrease in prices in July, the overall price level is continuously increasing during 2016. In October, a vast increase was recorded in the price of sugar and dairy products, while grain prices recorded moderate growth. At the same time, there was a vast decrease in prices of oil and meat.

The increase in grain prices in October was the first recorded monthly increase after three months of decrease in prices. Prices increased by 1% when compared to September, and decreased by 9.6% in comparison to the same period last year. Although the harvest and weak demand affected the low price of rice, wheat prices were higher mainly due to a decrease in inventories of high-quality wheat. Corn prices have also been on the rise mainly due to the increased volume of trading in the USA.

World meat prices decreased by 1% in October when compared to the previous month

The fall in export prices of pork from the EU, which has been derived from excess in supply and lack of import demand from China, was the main cause of the fall in the level of meat prices. In addition, the price of beef from Oceania continued its decline under the influence of lower demand for imports from the USA due to increased domestic production. On the contrary, sheep meat from Oceania has reached its highest price level in the past two years because of reduced output in Australia and New Zealand.

Prices of milk and dairy products recorded a growth of 3.9% in October in comparison to September

Quotations were higher for almost all dairy products, especially when it comes to butter the main determinants of which were the reduced inventories, sustainable internal demand in the EU and the growth of buying interest from importing countries. Cheese prices were also strengthened, while the price of milk powder recorded moderate growth. The greatest influences on the movement of prices of dairy products is a monthly decline in production in the EU and lower output from countries of Oceania. Expectations point to a period of reduced export capacity, which will influence the further rise in prices.

Prices of sugar recorded the sixth consecutive monthly increase

The price increase in October compared to September amounted to 3.4%. Reports of declining production in India, the second largest world producer of sugar, specifically in the state of Maharashtra, which is the greatest manufacturer in India, show that imports will be required to satisfy domestic market. This fact, combined with reports of lower yields of harvest in Brazil, the world's greatest producer and exporter of sugar, contributed to an increase in sugar prices and points to the possibility of further increase during this year.

