



CHAMBER OF
COMMERCE AND
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AGRIBUSINESS

SECTORIAL OVERVIEW JUNE/JULY 2016

IN FOCUS

BAYER CONTINUES TO NEGOTIATE WITH MONSANTO

After the American company Monsanto rejected the first bid of the German company Bayer for the acquisition worth 62 billion USA, yet another bid followed, which was deemed to be more successful. However, although this next bid was higher by 2 billion USA, the acquisition failed since the management of Monsanto considered it to be still financially inappropriate.

A DECLINE IN THE PRICES OF AGRICULTURAL PRODUCTS

A decline of the prices of agricultural products in July was mostly impacted by a decline of wheat and maize prices. The price of wheat decreased as a result of its record level of stocks indicating the previous high production of this crop, whereas a drop in price of maize was influenced by favourable weather conditions for production in the USA.

INCREASING PRICES OF MILK AND MEAT

Unlike a drop of the value of cereals, the prices of milk and meat record a growing trend. The prices of milk have increased on the global level due to the EU's decision to limit production, while the growth in price of meat has been influenced by the increased price of pork meat.

PRICES OF SUGAR ARE SUBSTANTIALLY HIGHER

An increase of the sugar price on the market has been caused by the reduction of its export from Brasil and India, as two biggest global producers. The higher price on the global market positively impacts the export of sugar from Serbia.

RECORD WHEAT HARVEST

The domestic market of cereals has been entirely marked with wheat harvest. There has been a record yield.



WHEAT

The price of wheat, on the global market, decreased by 7% in the second quarter of 2016, if compared with the same quarter of the previous year. The price declined by 12% in July, as compared with June. The reason is the record level of stocks in the countries that are the largest producers as well as higher yields recorded in the Black Sea countries.

The domestic market of cereals is under the pressure of the record harvest of wheat. The average price in June amounted to 17.75 RSD/kg without VAT. In order to protect a great number of small producers that do not have their storage capacities, the Ministry of Agriculture has made a decision to enable the access to public storages in order to wait for more favourable period for sale.

Serbia is a net exporter of wheat. In June this year, a surplus of 6.3 m € was achieved and is higher by one fourth than it was in June of the previous year. Higher price of maize, in relation to wheat, caused higher demand of wheat for production of fodder, as substitute for maize. In the course of the economic year 2015/2016, the export value of wheat was 1,124 mil. t, and it was mainly exported to Romania, Bosnia and Herzegovina, Macedonia and Albania.



MAIZE

The World Bank's expectations indicate a growth in production of maize. Good conditions necessary for growing maize in the USA, EU and Ukraine will impact the increase of its production by the end of 2016. It is expected that the increase of maize production will be followed up by the reduction of demand, which will additionally impact a decline in price.

The price of maize in Serbia, in June, achieved the level of 20.5 RSD/kg without VAT, which has been the highest price recorded for the last three years. The pressure on price increase has been made by the record export in May this year, when a total export was 220 t. In the first half of the year, Serbia exported maize in the value of 200 m €. The largest importer of Serbian maize is Rumania with the share of 60%, whereas the rest was exported to the markets of Bosnia and Herzegovina, Italy, Albania, Macedonia, Austria, Russia and Germany.



MILK AND DAIRY PRODUCTS

EU considerations about reducing the production of milk by the end of 2016 had a positive impact on the trend of milk prices in July. According to the EU estimations, the milk market is not balanced because of its low demand. The reasons of low demand are the sanctions towards Russia and China's lower demand for dairy products. In addition to the recovery in July, the prices of milk and dairy products are at the lowest level in relation to the previous five years.

In the previous period, a decline in the milk price on the global market influenced the domestic market as well. According to the latest available data for June 2016, the prices of milk and dairy products in Serbia are lower, if compared with the previous month. As compared with the same period of the previous year, the price is lower by 3 %.



MEAT AND MEAT PRODUCTS

Since the second quarter of 2016, the meat prices have been recording a growing trend on the global market. A growth in prices was caused by the increase of the price of pork meat that, in July, was 7 %, if compared with June. The reason of this increase is the lack of fattened pigs in the EU and the increase of its demand in Asia, particularly in China.

Since Serbia depends on import of pork meat, a rise of prices on the global level influenced the growth of prices in the domestic market.

In addition to its import dependence, a small number of fattened pigs in the domestic market also impacts the increase of prices.



OTHER FOOD PRODUCTS

The prices of sugar on the global market have been showing a continuous trend of growth since the beginning of 2016. The sugar price on the global level increased by 43% in July 2016, as compared with the average of the previous year.

The growth of prices on the global level has facilitated the export of sugar from Serbia. Inter-monthly growth rate of the quantity of the exported sugar amounts to 10.7 percentage points, whereas the export value of sugar, in relation to May, rose by 12%. The total export value of sugar amounts to around 10 m €.

