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GAIN Report #MK1002

## **Macedonia (Skopje)**

### **Grain and Feed**

### **Update**

## **2001**

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#### **Report Highlights:**

**Macedonia expects d lower production of wheat and corn in MY2001/2002 due to the dry weather. Imports of wheat are estimated to reach 160,000 MT and imports of corn -100,000 MT. The most likely suppliers are Serbia and some other countries in the region.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Sofia[BU1]MK

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## Weather

Like most countries in the region, Macedonia has suffered from two consecutive dry years - CY2000 and CY2001. The severe drought in CY2000 caused a delay in planting and sprouting of the fall crops (wheat and barley) due to the lack of sufficient soil moisture. The winter of 2000/01 was with no sufficient snowfall and was followed by very dry conditions during the spring and summer of 2001. As a result, spring crops (corn and sunflower) were the hardest hit by drought in MY2001.

The average wheat yields were estimated to be record low- below 2.0 MT/HA ranging from 0.3 MT/HA to 2.8 MT/HA. Farmers unions estimated the average wheat yields to have fallen to 1.3 MT/HA. Some harvest losses were caused by the military actions in Kumanovo region. These fields were either not harvested at all, or were burned by fires. The lack of diesel and its high price also limited usage of combines thus leaving fields not harvested or harvested by hand. Currently, transportation and other logistics of grains are extremely difficult due to unstable political and economic situation.

## Production

Wheat production estimates vary considerably from 150,000 MT to 275,000 MT. The variations are caused by the lack of reliable and correct statistical information as well as due to some political and economical implications. The Ag Office MY2001/2002 wheat harvest is estimated to be about 215,000 MT compared to 300,000 MT in MY2000 and 320,000 MT in MY1999. The reduction is due mainly to the drought (two consequent years of dry conditions) and much less due military actions in grain areas. Crop area in MY2001/2002 was only 1.7 percent higher than in the previous crop year. Both the Government and grain farmers, however, have a different estimate for wheat production at 160,000 MT.

Barley crop area estimates vary from 46,000 HA to 53,000 HA. Barley yields were reported to be about 2.0 MT/HA ranging from 1.1 MT/HA to 2.3 MT/HA. Total production estimates also vary from 93,000 MT to 130,000 MT. The Ag office estimates are given in the table below.

Corn production will be the hardest hit by drought. Although no data is available at this time about crop area and yields, total production is expected to be low. Estimates vary between 100,000 MT and 150,000 MT, as the AgOffice estimates is for 100,000 MT.

**Table#1. Crop Area, HA and Production Estimates, MT for grains and oilseed in Macedonia in MY2000/2001 and MY2001/2002**

<b>Crop Area, HA and Production Estimates, MT for grains and oilseed in Macedonia in MY2000/2001 and MY2001/2002</b>				
	Crop Area, HA		Production, MT	
	MY2000	MY2001	MY2000	MY2001
Wheat	115,000	118,000	320,000	215,000
Barley	53,000	50,000	140,000	110,000
Corn	45,000	43,000	125,000	100,000

**Table #2. Macedonia: Wheat Supply and Demand for MY98/99, MY99/00, MY00/01 and a forecast for MY01/02 in 000' MT**

	MY98/99	MY99/00	MY00/01	MY01/02
Area Harvested	114	114	115	118
Beginning Stocks	25	30	30	25
Production	336	330	320	215
Imports	104	120	105	160
Total Supply	465	480	455	400
Exports	0	0	0	0
Human Consumption	330	350	330	290
Feed Consumption	105	100	100	90
Ending Stocks	30	30	25	20
Total Distribution	465	480	455	

Note: Data in this table is based on FAS office observations, official and trade estimates. Human consumption includes 30,000 MT used for planting seeds. Feed consumption includes 10,000 MT estimated crop loss.

## Demand and Trade

Similar to every year, a significant percentage of wheat crop will remain with farmers to be used as feed for livestock. In MY2000, out of total 380,000 MT produced wheat crop, about 158,000 MT or 57 percent were purchased or traded on the market. The rest remained on farms as on-farm livestock feed.

In MY 2001/2002, domestic milling companies plan to purchase approximately 80,000 MT - 90,000 MT milling quality wheat from the local market. This is about 30 percent of the total needs of the country. About half of it, 40,000 MT, are expected to be purchased by the Commodity Stock Reserves, and the remaining will be traded on the open market and purchased by mills.

The beginning stocks of milling wheat in MY2001/2002 are estimated at 25,000 MT - 30,000 MT. Together with MY2001 commercial supply (90,000 MT), total supply for the marketing year is estimated at 120,000 MT which is 35 percent lower than in MY2000/01. Local consumption for milling wheat is estimated at 280,000 MT to 310,000 MT. According to the Commodity Stock Reserves (CSR), the shortcut will be met through imports, mainly from Serbia. The CSR estimates imports at about 150,000 MT - 170,000 MT.

This year wheat crop in Serbia is very good and exports are estimated to be high and at competitive prices. The major export markets are likely to be the countries in the region. Macedonia has preferences in trade (lower duties) with Serbia and traditional commercial contacts. Currently, there is an import quota of 20,000 MT of wheat from Serbia at 1.0 percent import duty and another 5,000 MT of wheat flour or 7,000 MT in wheat equivalent at reduced import duty. Due to the lack of financial resources, imports are likely to be in small-medium sized lots depending to the needs on the market, so the proximity of the Serbian suppliers is critical. The remaining imports of 120,000 MT to 130,000 MT will likely be sourced either from Serbia or from other regional suppliers.

Due to expected low corn crop, Macedonia will face a serious corn shortage. It is difficult to estimate possible import needs since the harvest will be completed by October. However, an early estimate is for not less than 100,000 MT (upon usual local consumption of 250,000 MT). Possible corn suppliers are likely to be the same as for wheat - Serbia, Hungary and some other regional suppliers.

## Prices and Local Market

Farm-gate wheat prices in Macedonia are set by the Government to protect wheat farmers. In the last three years, and in MY2001/2002, the price is 10 dinars/kilo (\$167/MT). A subsidy of 0.50 dinars/kilo is paid for the transportation expenses for the delivery of wheat from the farm to the warehouses of processors.

This government price, although extremely high compared to the other countries in the region, is not satisfactory for producers this year. They claim that the price does not exceed their

production costs due to higher expenses for fuel (30 percent increase compared to last year) and fertilizers, higher losses from low yields, fires and inefficient harvest. They request a governmental subsidy to cover the difference between the farm-gate/producer and market price. According to farmers, the government price for producers who had yields lower than 1.0 MT/HA, will not be able to cover the expenses for the fall planting. Various farmers unions, research and non governmental institutions are proposing an increase in the government prices up to 20 dinars/kilo (\$333/MT) to compensate for the record low yields. According to a local survey, a price of 16 dinars/kilo will be sufficient to cover the production costs and to provide some profit for "good" farmers with yields of 3.0 MT/HA to 3.5 MT/HA. For yields below 1.0 MT, the recommended price is 20 dinars/kilo. Farmers are also insisting to be exempted from VAT this year.

Local mills continue to complain about cheap, and reportedly illegal wheat flour imports on the market which force mills to compete on unequal basis and to underutilize their capacity. Reportedly, wheat flour mills currently use 60 percent of their full capacity. "Illegal" wheat flour is sold for 12.0 Dinars/kilo (\$200/MT) compared to local governmental wheat flour price of 22 Dinars/kilo (\$367/MT). It is estimated that last year "illegal" wheat flour imports were 8,500 MT.

Local banks are reluctant to provide credit to mills and other companies for purchasing of wheat due to overall economic and political instability. The usual interest rate on credits is 17-22 percent which is very high for almost all borrowers. Unlike previous years when wheat buyers were providing credit to farmers before the harvest against purchased wheat, this year traders/mills/companies are also reluctant to extend any financial assistance to farmers. As a result, purchases from the market will be done in small lots upon availability of financial resources.