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## **Bosnia-Herzegovina**

### **Oilseeds and Products**

### **Market Update**

## **2003**

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**Report Highlights:** Bosnia Herzegovina's (BiH) only oilseed processor, Bimal, was recently privatized and is back on line. In the early 1990's, it supplied 85% of BiH food oil needs.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Vienna [AU1], BK

## Summary

Bosnia Herzegovina's (BiH)<sup>1</sup> only oilseed processing company is "Bimal," located on near a river port in Brcko. The company almost closed completely during the 1992-1995 war and throughout the post-war privatization process production was very low. Bimal was privatized recently and is ramping up production. Before the war, it supplied 85% of BiH's food oil needs. The company also produces protein components for livestock feed, mainly for export.

A while ago, the company announced an ambitious plan for 2003 to process up to 100,000 MT of raw seeds (40% rape seed, 40% sunflower seed and 20% soybeans). The factory's total capacity is 120,000 MT of raw seeds, which should yield 35,000 – 40,000 MT of refined oil. Bimal announced that they intend to purchase locally produced oilseeds to the extent possible. However, local production is insufficient and any big increase in area is not realistic. The company will probably have to look for foreign suppliers of raw materials such as Hungary and Serbia.

Per capita vegetable oil consumption in BiH is approximately 12 liters and national annual consumption is 45,000 MT.

## Production

Sunflower seed production in 2001 was limited to about 175 hectares and it's decreasing every year. Production of rapeseed has decreased every year since 1992 and is almost non-existent now. In recent years, there was little or no market for either crop.

Production of soybeans is close to 3,500 ha annually and it is more important for the Republika Srpska (RS). Only around 400 ha of soybeans were sown in the Federation in 2002. Although there has been a decrease in area in past few years, production could grow in the RS in next few years because of the crop rotation, and serious problems with plant diseases on wheat and corn, especially mold. The RS Government hoped to support soybean production with free seeds and chemicals this year, but so far nothing has been officially announced. One reason for the delay could be the elections in October 2002 and the slow establishment of a new Government. Another reason is budget limitations.

[For more information on oilseeds production please see GAIN reports BK1003, BK 0005 and BK0002 that may be downloaded from <http://www.fas.usda.gov/scripts/attacherep/default.asp>]

## Prospect for the Sector

As Bimal ramps up production, sentiment in the agricultural sector is that local production of oilseeds will grow significantly. However, there are many underlying reasons why oilseed production is unlikely to grow in the near term. These include: a lack of government technical support or credit; weak farmer institutions (such as buyer cooperatives that could help lower input prices); low quality seed; and, a lack of knowledge on the part of farmers on how to grow commercial oilseed crops. At least 12,000 ha of fertile land in the

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<sup>1</sup>Under the 1995 Dayton Peace Agreement, Bosnia and Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). Understanding this dual governmental structure is important to understanding agricultural policy in the country. There is also the Brcko District with a special administrative status. In part because of this division, there is no official crop data available on a country-wide basis and producer support programs vary by Entity.

north of the country (in the Posavina region) has been abandoned for several year and brush will need to be cleared using heavy machinery before it can be farmed.

Furthermore, in relation to local growing conditions, Bimal has set quite high criteria for the quality of raw oilseeds (e.g., for the sunflower seed the oil content minimum 44%, the water content at the delivery point maximum 8% and maximum 2-3% of other ingredients). Farmers are afraid that they may not be able to meet these requirements since there is a lack of drying facilities for seeds.

### **Subsidies**

The Government support to the agricultural production is generally insufficient and almost always comes late. It is difficult for farmers to decide on the production for the next growing season because they never know what the Government policy will be.

Bimal is located in the Brcko District, which has a special administrative status and its own Department of Agriculture and Forestry. This Department already made decision to support producers of soybeans and sunflower seed with 230KM (\$125) per hectare, one hectare minimum. However, the production capacity of the Brcko District is limited to total 23.000 ha of arable land reserved mainly for wheat, corn, fruits and vegetables.

The RS Government subsidizes the production of soybeans for sowing with 100 KM/MT (\$54) and mercantile soybeans with 50 KM/kg (\$27).

There are no subsidies in the Federation of BiH for oilseeds production.

### **Biotechnology**

BiH does not have any laws enforced that regulate genetically modified (GM) crops. However, there are some reservations regarding GM foods generally. A Bimal representative has stressed that the company's official policy is not to process any GM oilseeds.

### **Prices and Tariffs**

At this moment Bimal is contracting farmers in the Brcko District for production of sunflower seed and soybeans at the price set at 480 KM/MT (\$260).

There is also another type of contract that Bimal offers to farmers with unspecified price that will be determined according to market prices at the point of sale/purchase.

The prices for imported bottled oil at the supermarket shelves are as follows: sunflower seed oil imported from Hungary 1,75 KM (\$0.95), Serbia 1.97 KM (\$1.07), Croatia 2 KM (\$1.08), Slovenia 2.03 KM (\$1.10). The cheapest is German oil imported in bulk and bottled by a local company Prodex Grude, 1,73 KM (\$0.94)per liter. The most expensive is Hungarian corn oil at 2.22 KM (\$1.20). There are also some bottled soybean oil imported from Spain, at 1.99 KM (\$1.08), and rapeseed oil imported from Austria sold at 1.76 KM (\$0.95).

Tariffs are set at 5% (ad valorem). There are no quantitative or other restrictions for import of vegetable oil.

**Trade data**

In previous years BiH imported all of the vegetable oil consumed, both as bottled oil and bulk refined oil for re-packaging. The oil comes mainly from Hungary, Germany, U.S.A., Croatia and Yugoslavia.

The most of U.S. vegetable oil has been supplied under the food aid program. From 1997 through 2001 approximately 28,400 MT of vegetable oil was delivered (according to BICO data). Eighty five percent of that quantity was supplied under USDA's food aid/monetization program. In 2002, 7,200 MT of sunflower oil was supplied to a private voluntary organization located in Banja Luka for monetization purposes. The oil is sold at price of \$707 per metric ton (exchange rate of 1.84 KM for \$1.00). Almost two years ago, this organization was selling the same oil for around \$450 to \$550 per metric ton. The proceeds will be used different projects that support the agricultural production in BiH.

In 2002 The Federation of BiH imported around 36,000 MT of edible oil. Official data for the Republika Srpska imports for 2002 was not available, and for 2001 the RS statistics office reported on around 800 MT of edible oil imported. There is a large amount of 'unofficial' vegetable oil imports.

Currency note: \$1.00 = 1.84 KM (BiH Convertible Mark) as of March 25, 2003.

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