



Project no.
513705

Project Acronym
CEEC AGRI POLICY

Project title
**Agro economic policy analysis of the new member states,
the candidate states and the countries of the western Balkans**

Instrument Specific Support Action

Thematic Priority Scientific Support to Policies

D12-1 First 6-monthly report
MONITORING OF AGRICULTURAL POLICY,
MARKET AND TRADE DEVELOPMENTS IN
BOSNIA AND HERZEGOVINA
Due date of deliverable: December 2005
Actual submission date: December 2005

Start date of project: 01.05.2005

Duration: 24 Months

Organisation name of lead contractor for this deliverable :
FACULTY OF AGRICULTURE, UNIVERSITY OF SARAJEVO

Revision Final

Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission	
RE	Restricted to a group specified by the consortium (including the Commission	
CO	Confidential, only for members of the consortium (including the Commission Services)	

CONTENT

1	General review	3
1.1	General overview of agricultural and national economy developments.....	3
1.2	Overview of agricultural and rural sector development	3
1.3	Agricultural and rural policy developments	5
1.4	Issues related to the enlargement.....	6
2	Assessment and Outlook.....	7
2.1	Wine sector.....	7
2.2	Sugar sector.....	10

DOCUMENT HISTORY

Date	Author	Description
21.9.2005.	Milenko Blesic	Wine sector in Bosnia and Herzegovina
23.9.2005.	Aleksandra Nikolic	Sugar sector in Bosnia and Herzegovina
28.9.2005.	Sabajudin Bajramovic	General review of the situation in Bosnia and Herzegovina major's agricultural markets.
17.10.05	John Malcolm	Revisions
02.11.05	Sabahudin Bajramovic	Correction after J. Malcolm revision (part - General review of the situation in Bosnia and Herzegovina major's agricultural markets)
07.11.05	Milenko Blesic	Correction after J. Malcolm revision (part - Wine sector in Bosnia and Herzegovina)
10.11.05.	Aleksandra Nikolic	Correction after J. Malcolm revision (part - Sugar sector in Bosnia and Herzegovina)
2.12.2005	John Malcolm	Final version

1 General review

1.1 General overview of agricultural and national economy developments

In 2004, GDP in Bosnia and Herzegovina was 6,636 mills¹ EURO, and real growth rate in relation to previous year was 5%. GDP per capita was 1,732 EURO, which places Bosnia and Herzegovina on the bottom of European scale according to this macroeconomic indicator. National currency (convertible mark) is stable, firmly tied to EURO, so there is no significant inflation. Average inflation rate in 2004 was 0.4%.

Bosnia and Herzegovina is characterized by an outstandingly high unemployment rate that grows continually. The average recorded unemployment rate in 2004 was 43.2%. However, the grey economy absorbs a great part of labour force that is registered as unemployed.

Bosnia and Herzegovina has a very unfavourable goods and services trade balance that is getting worse year by year. The trade deficit in 2000 was -2,630 million EURO, and in 2004 it increased to -3,261 million EURO. Recent years have seen increases in both exports and imports of commodities: exports increased from 1,007 million EURO (2000) to 1,531 million EURO (2004); while imports increased from 3,637 million EURO increased to 4,791 million EURO (2004).²

Agriculture's share of the GDP is 18%, and of the GVA 12% (2002). According to official statistics, the share of the agri-food sector (agricultural production and food processing) in total recorded employment is 6.5% (41,000), although in reality the number engaged is significantly higher.

The share of agricultural and food products in total imports, at a little above 20% (2004), is much higher than in total exports at 6 % (2003).

1.2 Overview of agricultural and rural sector development

1.2.1 Production

Bosnia and Herzegovina has 2,450,000 hectares of agricultural land. There are 1 million hectares of ploughed fields out of which 40% are not used. Orchards account for 36,000 ha and vineyards around 4,000 ha. The remaining area comprises meadows (470000 ha) and pastures (935000 ha). Grains account for 54%, of the cultivated area, with wheat and maize the most important crops, fodder crops total 29%, vegetables 15% and crops for industrial use only 2%. In 2004, production rose due to very favourable weather conditions, but crop yields in Bosnia and Herzegovina remain far below the level of developed countries in Europe and the world. In 2004, average yields of crops were as follows: wheat 3.7 t/ha, rye 2.9 t/ha, barley 3.0 t/ha, maize (kernel) 5.1 t/ha, soybean 2.6 t/ha, tobacco 1.5 t/ha, sunflower 0.9 t/ha, potato 10.6 t/ha, onion 6.6 t/ha, silage maize 21.4 t/ha. Low yields are consequences of low input use, poor technical and technological farm equipment, lack of irrigation (only 0.4% of B&H land is irrigated) and land being farmed in small units.

¹ Source: Central bank of Bosnia and Herzegovina

² Source: Chamber of commerce of Bosnia and Herzegovina

Livestock numbers which were halved during the war, but since then number of livestock have risen year by year. In 2003 livestock numbers were as follows³: 501,000 cattle (of which 365,000 cows and heifers in calf) 385,000 sheep and above 8 million poultry. Total production included 83,000 tonnes of meat (live weight) and 530 million litres of milk. Bosnia and Herzegovina's livestock sector still lags behind developed countries in average yields which in 2003, were 1,900 litres of milk per cow, 47 litres of milk per ewe, 162 eggs per hen, 1.7 kg of wool per sheep and 8.8 kg of honey per beehive. These low average yields are mainly due to low quality nutrition, inadequate equipment, low technology, and insufficient education of the farmers.

1.2.2 Prices

Trade liberalisation and the increased number of bilateral trade agreement as a consequence, (such as free trade with neighbouring countries Croatia and Serbia and Montenegro) weak state support measures for only limited number of products (milk, tobacco), and insufficient processing capacity are among numerous factors that adversely affect Bosnia and Herzegovina's farmers. In addition, small plots, low levels of farm machinery, poor education of farmers and the lack of state support in input purchase are factors that combine to raise production costs and make many B&H agricultural products relatively expensive, some of them with costs above those in EU countries.

The general level of agricultural product prices in Bosnia and Herzegovina is relatively high, and it is obvious that B&H market has not been integrated in international trade frame yet. Production prices of the main agricultural products in 2003 in Bosnia and Herzegovina were as follows: Wheat 141,9 Euro/t, Corn 125,0 Euro/t, Barley 137,6 Euro/t, Soya 225,4 Euro/t, Potato 263,4 Euro/t, Dessert apples 334,6 Euro/t, Tobacco 1,037 Euro/t, Calves for slaughter (live weight) 2,353 Euro/t, Adult cattle for slaughter (live weight) 1,679 Euro/t, Pigs for slaughter (live weight) 1,104 Euro/toni, Poultry for slaughter (live weight) 1,018 Euro/t Lambs for slaughter (live weight) 2,604 Euro/t, Raw cows milk 253,1 Euro/1000 litres, Eggs for consumption 92,1 Euro/1000 pieces.

1.2.3 Agricultural Trade

The B&H agri-food sector is characterised by an undeveloped food processing industry that has not recovered from the war, poor support for domestic production, a lack of harmonisation with EU standards and legislation, low levels of market orientated production which lacks the critical mass needed for exporting, quality problems and high transport costs. These factors combine to cause B&H's remarkably unfavourable trade balance in agricultural and food products. In 2004, the recorded agri-food deficit was -904 mills EURO. Total import was 994 mills EURO and total exports only 90 mills EURO.⁴ Moreover, this agri-food trade imbalance has grown continually, from 2000 (-678 mills EURO) to 2004.

An analysis of agri-food trade shows that beverages and alcoholic drinks have the largest share of imports (114.4 mills EURO in 2004), followed by grains, (102.5 mills EURO), tobacco and tobacco surrogate products (84.4 mills EURO), sugar and sugar-based products (64.6 mills EURO) and milk and dairy products with (58.4 mills EURO). The main exporters

³ Source: FAO STAT and own estimations;

⁴ Source: Chamber of commerce of Bosnia and Herzegovina

to B&H are Croatia (29%) and Serbia and Montenegro (17%). Imports from EU-15 countries amount to 22.6% and from EU-25 countries 48.2% of total agricultural and food imports

As regards agri-food exports, processed fruit and vegetable products earned 9.9 mills EURO in 2004, grain-based products 9.9 mills EURO, beverages and alcoholic drinks 9.2 mills EURO, table fruit 7.4 mills EURO and vegetables and edible roots with 6.1 mill EURO. As with imports, the most important export markets are also Croatia (37.7%) and Serbia and Montenegro (30.8%). EU-15 countries account for 14.9% and EU-25 countries 22.5% of total agri-food exports.

1.3 Agricultural and rural policy developments

Agricultural policy in Bosnia and Herzegovina is realized on several levels: entity, canton, municipality, but not on the state level. This causes different subsidies and other stimulating measures for the same product in different parts of the country, so the farmers are faced with different conditions depending on location. The problem that there is no common ministry of agriculture on the state level is also detected in the study "Functional review of agricultural sector in Bosnia and Herzegovina" within the frame of CARDS programme (2004). A general problem of the lack of institutional capacities for development, coordination and monitoring of agricultural policy and legislation is emphasised in this study. Such a lack on state level is particularly problematic when Bosnia and Herzegovina and European integrations are concerned, that is, international agricultural trade, policy and legislation. Within the frame of the Ministry of trade of Bosnia and Herzegovina, a department in charge of issues related to agricultural policy on state level, was established in 2004. This is considered as the first step towards better and more efficient coordination. The final aim is common ministry of agriculture on state level. Currently, two separate entity agricultural development strategies are being designed in Bosnia and Herzegovina, which is the fact that does not indicate interest to achieve the aim set in mentioned study.

From the total budget of Bosnia and Herzegovina (all levels), which was 2,044 mills EURO in fiscal 2003, only 1.7%, respectively 35 mills EURO, were allocated in agriculture.

Key priorities for Bosnia and Herzegovina, in terms of trade and price policy, are: increment of production on domestic market, establishment of the new system of agricultural products standardization and certification, establishment of quality management system, development of individual markets in order to increase agricultural export and to decrease trade deficit, membership in WTO and establishment of closer relations with EU. As for the structural policy and rural development policy, following tasks are priorities: to remove mine-fields from agricultural and forest land surfaces, to increase natural production capacities, further support to return of displaced persons though programmes that offer employment out of agriculture as well, improvement of living conditions in rural areas through better infrastructure and development of small and medium enterprises, institutional reform and increment of efficiency in agriculture and food industry.

1.4 Issues related to the enlargement

Bosnia and Herzegovina (the state and its entities) wishes to further align with the EU with the objective of becoming a Member State. At present Bosnia and Herzegovina, is still in the early stages of aligning its policies, institutions and legal framework with EU policies. As the Functional Review (a study supported by the CARDS program) clearly points out, a major problem within the process of EU alignment is the non existence of a state policy for agriculture and EU integration and the resulting lack of inter-entity co-operation and co-ordination. Currently the implementation of the functional review recommendations should be used to raise general awareness in both entities that improvements of agricultural administration and of co-ordination are urgently needed.

2 Assessment and Outlook

2.1 Wine sector

Introduction

Bosnia and Herzegovina is a producer of wines and a net wine importer. With a pre-war vineyard area of around 6,000 ha and installed winery capacities of around 375,000 hl, B&H's wine sector was ranked as next to last among the former Yugoslav republics.

2.1.1 Wine consumption

There are no reliable data on wine consumption in Bosnia and Herzegovina. FAO, OIV, and USAID variously estimate B&H wine consumption between 1.8 and 5 litres per person a year). Local experts estimate consumption at around 2 litres per person per year, slowly increasing since 2001.

Market information, including demographics and consumer preferences, has not been developed. USAID estimates that 70-75% of commercially produced B&H wine is sold on the domestic market. For a long period men above 30 were the leading wine consumers, but during last few years women become the fastest growing segment and some estimates say they consume more than half of the wine sold in B&H. Young people still prefer beer to wine. Traditionally, and regardless of world trends, consumption of white wines is higher than that of red wines. Most wine consumers buy cheaper, low-quality wines. The exception is middle-aged businessmen buying the most expensive and usually top-quality wines.

2.1.2 Wine imports

The average wine import to B&H for period 1999-2003 is around 34,000 HL, but with significant fluctuations from year to year. The average value of import was 5.6 million USD, varying from 2.3 to 9.4 million USD). During the same period the negative trade balance varied from 2 to 8 million USD (the average being around 4.4 million USD).

B&H buys higher priced imported wine (1.75 USD/L) compared to the surrounding countries (Croatia: 0.81, Macedonia: 0.91, Slovenia: 0.62). Most of the wine imported to the Federation of B&H originates from Slovenia and Croatia, whereas the Republic of Srpska imports 85-90% of its wine from Serbia and Montenegro.

2.1.3 Vine production

Southern Herzegovina is the most significant and only productive winegrowing region in Bosnia and Herzegovina. The leading varieties are autochthonous Zilavka (white) and Blatina (red) wine varieties. Some of the bigger Blatina vineyards have rather small number of Vranac, Merlot, Cabernet Sauvignon, and Alicant Bouchet vines.

2.1.4 Vineyard area

The pre-war vineyard area in Herzegovina was around 6,000 ha, which decreased to an estimated 3,600 ha in 2003 (FAOSTAT). Many vineyards are very old and in urgent need of replanting. Around 80% of the total Herzegovina vineyard areas are vineyards for wine production, which has been the ratio during last 40 years.

Bosnia and Herzegovina does not have a vineyard register or cadastre yet. No differentiation is made between vineyards for quality and table wines. The old Yugoslav "appellation" system is still in use but a revision of the system is in progress in Western Herzegovina.

2.1.5 Structure of production

Lack of reliable data makes it almost impossible to categorise and review the structure of wine production. Pre-war wine production in Herzegovina was in the hands of a huge state owned agri-food company. All commercially produced wines were sold under that company's label and the whole production was organized in 5 industrial wineries. After the war a number of small or medium size private wineries (capacities between 100 and 1,500 HL) started to bottle their own wines. Their number increases year by year, but some have gone out of production mostly because lack of finance or marketing skills or due to periodical wine surpluses on local market. Problems with privatisation and modernisation caused 3 of the 5 former state owned wineries to get into difficulties with limited and low quality wine production.

Herzegovina grape production is dominated by many small vineyards (0.3 – 0.4 ha) with very few blocks exceed 10 ha. Most private wineries have their own vineyards. However, those vineyards usually are not enough for the installed capacities so the wineries buy wine grapes from neighbouring growers.

2.1.6 Wine yields

The estimated average yield of wine grapes is around 5.5 t/ha. The characteristics of the leading wine grape varieties and winery equipment in use allow production of around 410 HL of wine per hectare.

2.1.7 Wine production

OIV, FAOSTAT and information from local institutions puts the estimated average annual wine production at around 55,000 HL, with significant variations year by year (from 47,000 HL in 2000 to 75,000 HL in 2003). Informed but unofficial opinion is that commercial wine production in 2004 could be between 8 – 11 million litres. Vineyards planted after the war are coming into production thus causing a gradual rise in total output. Most of the new vineyards are planted with cv. Vranac (an indigenous Montenegrin variety), which can create some problems with production of QWPSR. Namely, current and most promising markets for Herzegovina wines recognize Vranac as exclusively Montenegrin vine and wine.

Domestic wine production is divided into four quality categories which could be called: top-quality PSR, good-quality PSR, table-quality PSR, and table quality w/o PSR. Lack of official controls has led to an unrealistically high proportion of commercially produced Herzegovina wine being declared as top-quality wine. In comparison with other countries in the region, the proportion of bottled middle quality wines is very low. Production of the lowest quality category - table wines – is relatively high. Expert opinion puts the approximate ratio among commercially produced Herzegovinian wines as 35% top –quality, 15% good-quality (middle quality) and 50% table wines.

2.1.8 Production cost and competitiveness

Climatic and soil conditions are well suited for wine production in the main B&H winegrowing region. Grape producers are paid on time; prices are favourable to vine growers (between 0.50 and 0.75 EUR/kg of grape, depending of grape quality), which ranks winegrowing among the most competitive plant productions in Herzegovina. There are not

reliable data on wine production costs, but they could be relatively high because of fragmented vineyards and small installed winery capacities.

Nevertheless, the average realized price for exported B&H wines is relatively low and amounts 0.61 USD/L (period 1999 – 2003). During the same period Croatia and Slovenia realized 1.10 and 0.77 USD/L respectively for their exported wines. On the other hand, Herzegovina wines attain reasonably high prices on domestic market in comparison with imported wines. The typical wholesale price for top-quality Herzegovina wines on B&H market vary between 3.50 and 6.00 EUR/750-mL glass bottle sealed with a cork; good-quality wines catches 2.00 – 3.00 EUR/750-mL glass bottle sealed with a cork, while wholesale price for table-quality wines range of 1.00 – 2.00 EUR/L bottle with a metal screw cap.

2.1.9 Wine exports

During the period 1999 – 2003 the average annual B&H export of wines was around 20,000 HL, varying from 4,400 HL in 2000 to almost 35,000 in 2003. According to USDA FAS Office at the U.S. Embassy in Sarajevo, Croatia receives 90% of B&H wine exports. Serbia and Montenegro, Slovenia, and Austria receive about 9%, while remaining 1% is distributed between Germany, Sweden, Canada, and USA. The average annual value of wine exports for the same period was around 1.2 million USD, varying from 0.3 in 2000 to 2.8 million USD in 2003. The volume of wine exports has been growing since 1998 but the value has not grown in line with the volume, which indicates low quality of exported wines. Exporting to EU countries is still difficult because of incompetence and inefficiencies on the official control systems and lack of agencies authorised to certify the quality and safety of wines.

2.1.10 Policy issues

One of the first and most important preconditions for improvement of the B&H wine sector is adopting a new and effective wine law. The sector is still regulated by the old Yugoslavian wine law and regulations. Meanwhile, all the other former Yugoslav republics (except Serbia and Montenegro) have adopted wine laws and regulations which are harmonised with EU wine legislation. Other preconditions for modernising the B&H wine sector are the establishment of a vineyard cadastre and a register of grape and wine producers plus revision of the current "appellation" system. All those activities should be followed by strengthening the responsible institutions.

Consumer preferences, tradition and the characteristics of B&H wines make domestic sales and neighbouring countries the most promising markets for the near future. Some problems have arisen because of different legislation systems in B&H's constituent countries make inter-country wine trade almost impossible. Harmonisation or unification of the constituent countries' labelling and tax laws is a priority for B&H wine sector development.

Almost all elements of the EU's wine CMO pose big challenges for the small, weak and unorganised B&H wine sector. Wine surpluses in Europe and the support provided to their EU competitors are the most obvious concerns of local wine producers. The sector players recognise the necessity for change: the establishment of a land and vineyard cadastre, a register of recognised wine producers, support and orientation for the modernisation of vineyard management and wine production, and the implementation of an EU-conforming structure of market regulation and quality control system. However, most of this could not be achieved without state institutional and financial support and must be accompanied by a market-orientated attitude towards meeting consumers' demands. Fortunately, the relatively long period expected before B&H accession to the EU gives some time for the sector to reorganise.

2.2 Sugar sector

Introduction

In former Yugoslav times Bosnia and Herzegovina produced small quantities of sugar beet (161,129 t in 1991⁵) and had one sugar producing plant in Bijeljina (capacity 400,000 tonnes of sugar beet per year). The low sugar import prices and high beet transport costs drastically reduced the competitiveness of this sugar plant and production stopped just before the war (1992-1995). In spite of the fact that plant was not damaged during the war, sugar production has never been restarted. The Bijeljina sugar plant is still state owned. In order to restart sugar beet processing it has to be privatised. The process of change in the state food industry is very slow and is done without any strategic plan. Therefore it is not easy to estimate how long it will take to privatise this sugar plant, but the most optimistic scenario is in two years (2007/08).

That means, today there is no any officially registered sugar beet production in B&H. All B&H sugar needs have to be satisfied by imports (some of which are re-exported by B&H merchants).

2.2.1 Sugar consumption

It is very hard to follow sugar consumption paths in B&H, because of disorganised official statistics. The official state census due in 2001 was not conducted and all data are more or less estimations. Moreover, it is possible not to report real output levels in order to avoid taxes. Administrative difficulties make it very hard to estimate real sugar consumption (households and processing) as well as to estimate sugar stocks that could be used for illegal trade.

According to FAOSTAT household consumption increased from 13.5 kg per capita in 1999 to 28.9 in 2001 and slightly decreased in 2002 at 28.5 kg per capita. Most recent B&H official sources estimate household consumption at 20 kg per capita. This average consumption per capita is low compared with EU-15 (36 kg per capita in 2002⁶).

Having in mind those official estimations basic calculations of sugar consumption in two sectors shows that household consumption is still significantly higher than processing (its share in total sugar consumption was about 70% in 2004 - see Annex)

Sugar usage by the food industry was estimated (on the basis of food industry output) to have increased from 8,210 tonnes in 1999 to 24,026 tonnes in 2004. However, the annual increase in sugar processing steadily declined from 44.8% (2000/1999) to 2.76% (2004/2003).

Bearing in mind the fact that average capacity utilisation in the food industry is about 30% and the process of privatisation is not yet finished, it is not expected that industrial consumption will increase significantly in future. The growth rate of sugar industrial use will follow the rate of economical development⁷.

⁵ FAOSTAT

⁶ FAOSTAT

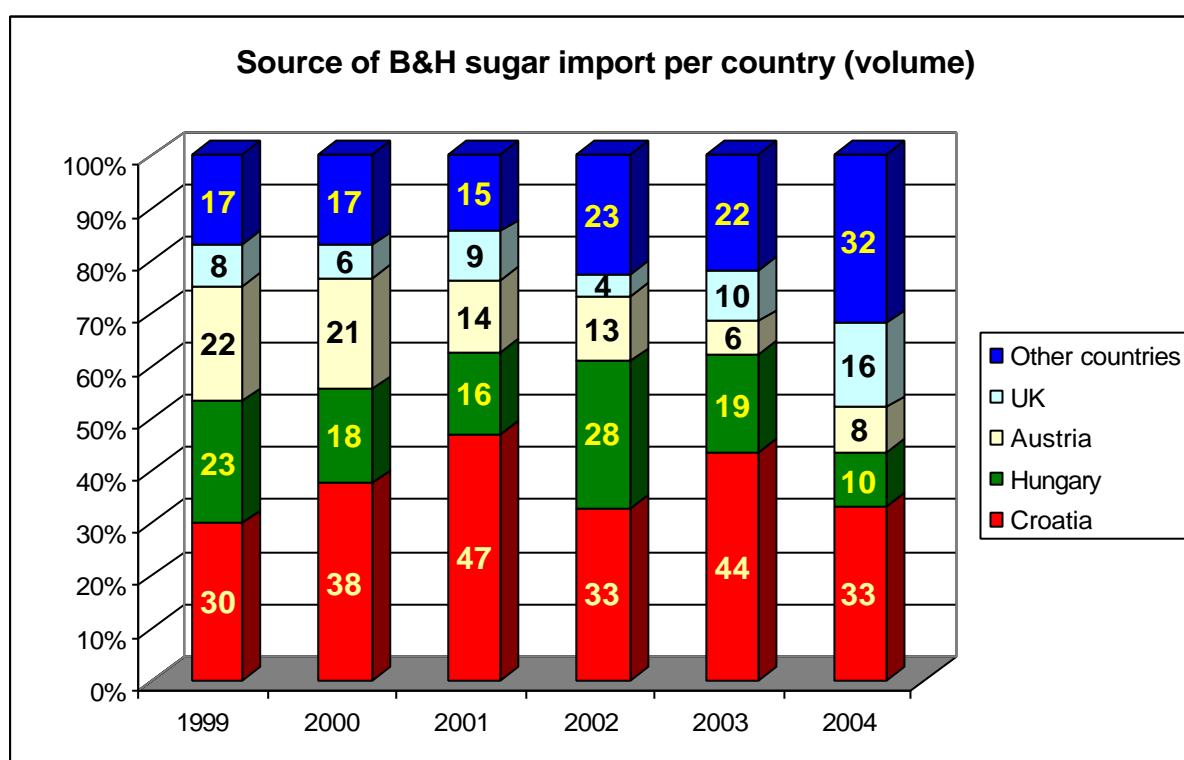
⁷ "...The food industry cannot be expected to compete on international markets for the time being. For the coming 5 to 10 years, the main task is to strengthen the competitiveness of local companies to be able to compete with imported food products. Some very narrow niche markets as processed fruit or speciality meat products

2.2.2 Sugar import

All B&H's sugar needs have to be met d by import. Hence the trend of sugar import increase from 129,471 t (39 million EURO) in 1999 to 213,758 t (65 million EURO) in 2004 is expected to continue. It is interesting that in 2004 sugar import was decreased by 17.8% comparing with sugar import in 2003. The explanation could be either reduced illegal re-exports to Serbia and Montenegro (due to loss of B&H's preferential position) or fewer non-registered exports to others countries or reduced possibilities to declare the imports of other goods as sugar in order to pay less customs duty, which is only 10% on sugar.

Traditionally around one third of the sugar is imported from Croatia another third comes from Hungary, Austria and the UK combined and the remaining third from all other countries.

Chart 1.



2.2.3 Re-exports

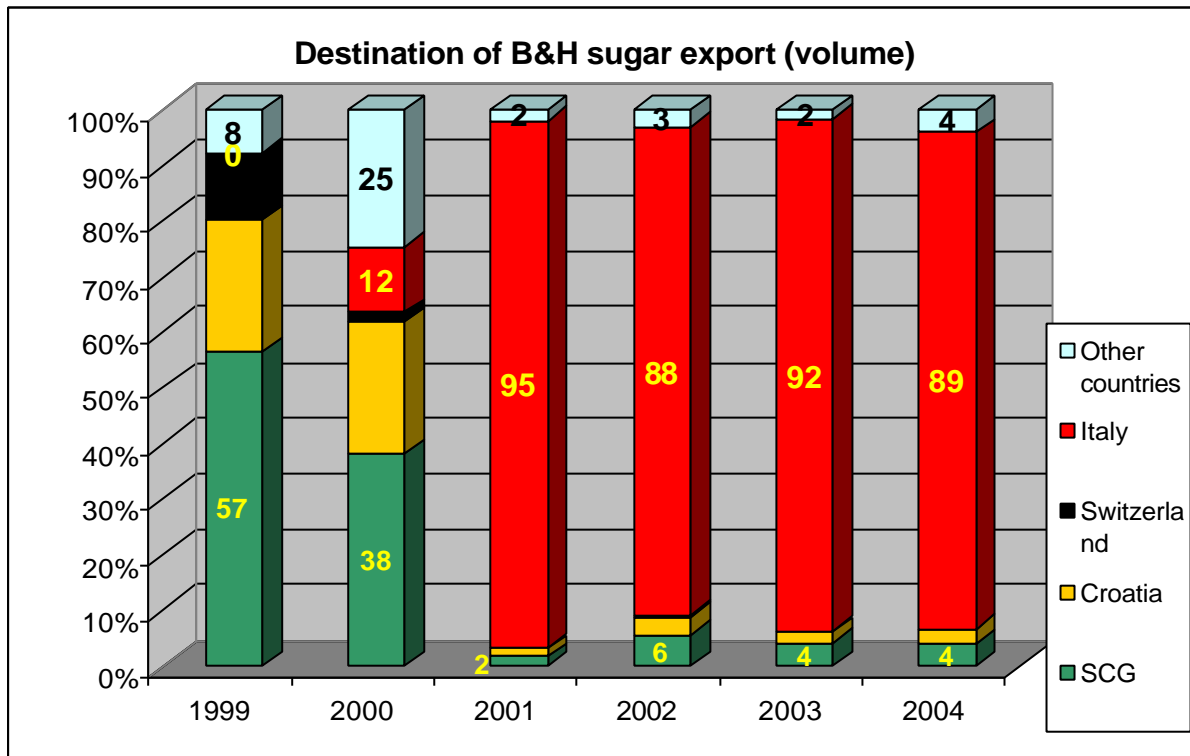
Bosnia and Herzegovina re-exports small quantities of sugar. From 1999 export was growing from 1,081 tonnes (667,117 EURO) up to 21,907 tonnes (2,450,528 EURO) and then in 2004 decreased to 17,647 tonnes, but value of export increased to 4.5 million EURO. The only explanation of this trend is increase of average sugar export price (from 111.86 EURO/t to 257.52 EURO/t).

Since the millennium around 90% of B&H's re-exports have gone to Italy with actual sending 15,700 tonnes in 2004 exceeding the approved EU quotas for B&H of 12,000 tonnes. Simple logic leads us to conclusion that B&H import sugar from Austria (EU) to re-export it to Italy

may have limited export potential...” – Agribusiness study for B&H, SEED 2001, pg.2, www.esiweb.org/bridgers

(EU). However, the situation is more complex. As has been mentioned, B&H borders are not fully controlled. That is why the non-registered, non-traceable (black) sugar import from neighbouring countries (Croatia and Serbia and Montenegro) is occurring. This non-registered low priced sugar then is re-exported at EU market. The traders are able to earn extra profit selling this sugar at very high EU prices which is misuse of EU funds. Therefore EU Commission has been forced to define B&H exports quota at 12,000 tonnes.

Chart 2.



Having in mind that B&H is not sugar producing country, huge negative sugar trade balance is expected. From 1999 to 2003 this negative sugar trade balance was increasing from – 38.4 mill EURO to –65.2 mill EURO. In 2004 it was –60.1 million EURO (decreased for 7.89% in comparison with 2003).

2.2.4 Policy issues

The B&H government is still trying to establish proper mechanism to register and control money, people, goods and services flow on the border-crossing. This institutional failure make possible to ensure significant economical benefits for small group of people⁸ and to misuse EU support.

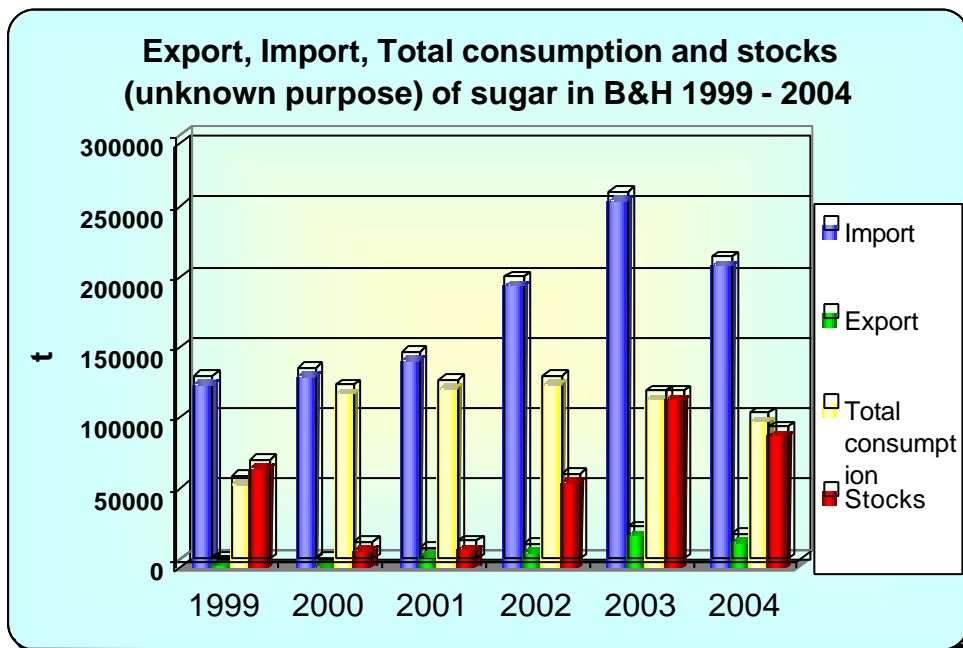
The biggest challenge for B&H is establishment of good, and reliable monitoring of sugar use in order to fulfil the requirements of the EU sugar CMO. Sugar importing and exporting is not currently fully registered in the official statistics.

⁸ Caušević, F.: International support policies for South Easter European Countries – Lessons (Not) Learned in B&H, www.esiweb.org/bridges/bosnia, 9.11.2005

On the state level there is no co-ordination between the two Entities Agencies for commodity reserves appointed to make food consumption balances and provide the proper food (including sugar) stocks. This is another institutional failure preventing reliable sugar consumption monitoring and making possible different misuse of budgetary money. That is why one of the top priorities has to be establishment of State Agency for commodity reserves, which will be able to calculate proper level of commodity stocks (including sugar). The efficient level of sugar stocks can not be the same like annual total consumption as it is in two last years (see Chart 3.).

From 1st July 2005 B&H sugar exports to EU have been regulated by an import quota of 12,000 tonnes⁹. Having in mind that B&H is not a sugar producer this quota is fair enough and it is one more type of support to reach stability and economic prosperity.

Chart 3.



⁹ <http://europa.eu.int/comm/trade/issues/bilateral/regions/balkans/index.en.htm>