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**Republic of Serbia**  
**COMMISSION FOR PROTECTION OF COMPETITION**

**REPORT**  
**ON THE INQUIRY INTO**  
**COMPETITIVE CONDITIONS IN**  
**THE SUNFLOWER PRODUCTION**  
**AND SALES MARKET IN THE**  
**TERRITORY OF THE REPUBLIC OF**  
**SERBIA FOR THE PERIOD 2016-2018**

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## **1. Objective and purpose of the inquiry**

Pursuant to the provisions of Article 21 (1/6) of the Law on Protection of Competition (Official Gazette of the RS 51/09 and 95/13 – hereinafter, the Law), the Commission for Protection of Competition (hereinafter, the Commission) has conducted an inquiry into competitive conditions in the sunflower production and sales (purchase) market in the territory of the Republic of Serbia in the period 2016-2018.

For the inquiry-related purposes, the following two relevant markets have been identified, namely:

- 1. Sunflower production market, and**
- 2. Sunflower purchase market.**

The objective of the inquiry was the collection and processing of data on the production, purchase, import, and export of sunflower seeds and the identification of circumstances under which the purchase of the 2018 sunflower crop is carried out.

The purpose of the inquiry was to gain an understanding of the sunflower production and sales market from a market structure perspective and by observing the market shares of individual market participants, as well as to analyze the trends in sunflower purchase prices during the period observed.

The inquiry was conducted in the period January-September 2019, and included data on the production, purchase, export, and import of sunflower seeds, as well as on the export and import of crude and refined sunflower oil in the period 2016-2018.

The undertakings – sunflower oil producers have been the primary data source, to whom the Commission sent a special request for the provision of data and information. The undertakings have been requested to provide the following data for the period 2016-2018:

- total procured volume of sunflower, provided separately for national and foreign market;
- total value of the sunflower purchase, provided separately for national and foreign market;
- ending inventory balances per month;
- procured volume and the value of the sunflower purchase per supplier, specifying whether the supplier is a producer or buyer; and
- all agreements with the aforesaid sunflower suppliers.

The Ministry of Finance – Customs Administration has provided data on the import and export of sunflower seeds and crude and refined sunflower oil. In addition to said data sources, the inquiry relied on information provided by the Statistical Office of the Republic of Serbia, as well as other publicly available data and information on the production and export/import of sunflower in the Republic of Serbia and abroad.

## 2. Sunflower production

### 2.1. Global sunflower production

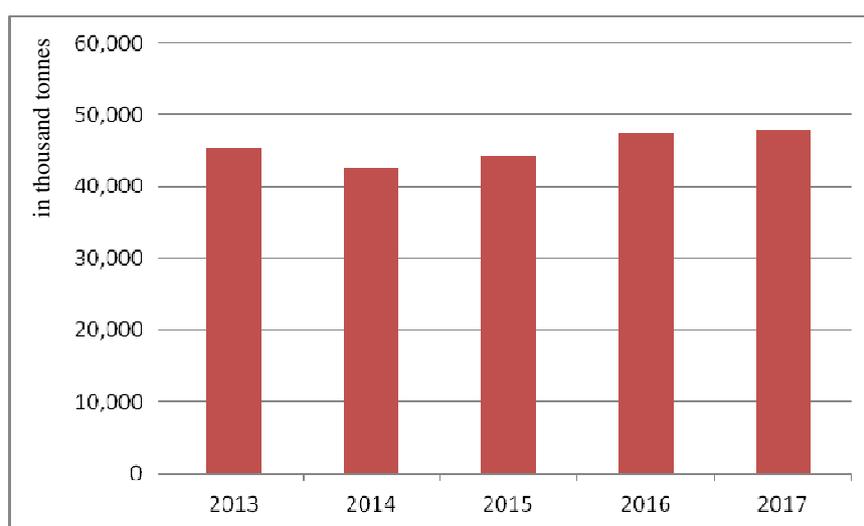
Sunflower seeds are mainly used for the oil production. They are nutrient-rich and contain 30-50% of oils, about 23% of protein, and 8% of carbohydrates. Sunflower seeds are rich in vitamins, including Vitamin E and B-complex vitamins, minerals, magnesium, selenium, copper, zinc, potassium, sodium, iron, manganese, phosphorus and calcium, as well as essential fatty acids, enabling its extensive use. The sunflower oil is used in the production of margarines, mayonnaise, stearin, pharmaceutical products, paints, varnishes, etc.<sup>1</sup>

Sunflower is sown in early April, while the seeds ripen from late August to early September.

According to the UN Food and Agriculture Organization (FAO), the average annual global production of sunflower seeds in the last five years was about 45 million tonnes, with the total harvested area of sunflower reaching about 25 million hectares.

In the period 2013-2017, the global sunflower production experienced no significant movements, increasing by 6% compared to the production level documented at the beginning of the observed period.

Chart 1 – Global sunflower production (2013-2017)<sup>2</sup>



Source: FAOSTAT

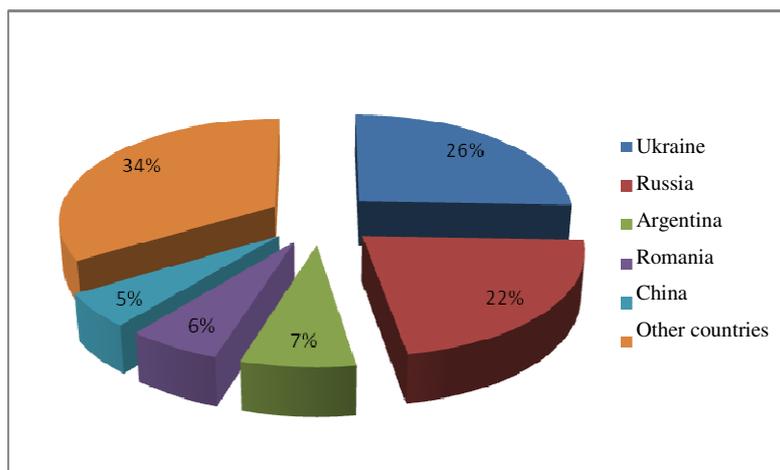
The largest sunflower producers are Ukraine and Russia, making up about one half of the total global sunflower production. The third leading producer is the European Union, with Romania, Hungary and Bulgaria at the forefront in the sunflower production, while Argentina and China are among other sizeable global sunflower producers.

The share of the ten largest global sunflower producers in the total global production is about 75%, while the top-five countries constitute 2/3 of the global production.

<sup>1</sup> Source: <https://victorialogistic.rs/poljoprivreda/suncokret-iz-drugog-ugla>. Accessed on September 23, 2019.

<sup>2</sup> The 2018 data were not available during the report drafting process.

Chart 2 – Structure of the sunflower production market in 2017



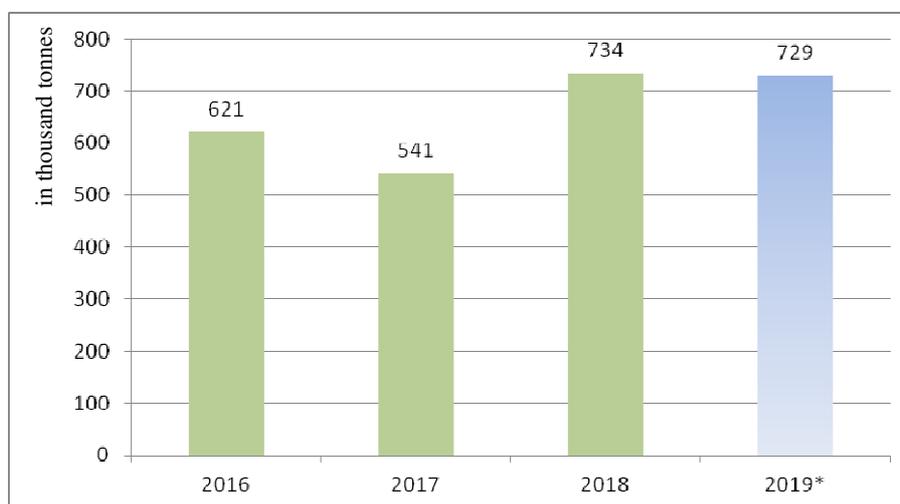
Source: FAOSTAT

## 2.2. Sunflower production in Serbia

According to data for 2016 and 2017, Serbia is the 16<sup>th</sup> largest global sunflower producer, making up 1.1-1.3% of the total global production.

The chart below illustrates the production of sunflower seeds in the observed three-year period, with the 2019 expected production levels.

Chart 3 – Sunflower production in Serbia (2016-2019\*)



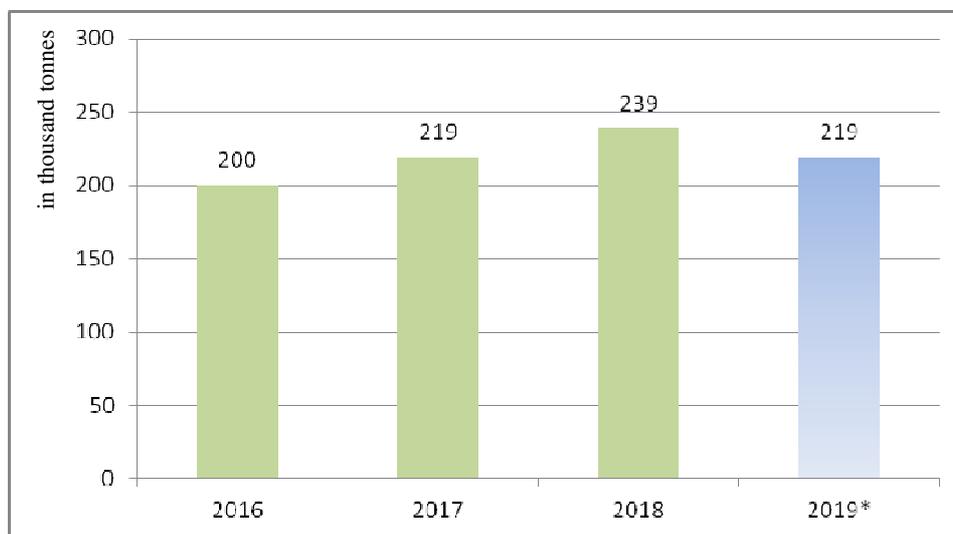
Source: Statistical Office of the RS ([www.stat.gov.rs](http://www.stat.gov.rs))

\*expected production

The sunflower production in Serbia showed a variable trend in the observed period. Following a decline in production by 13% in 2017 compared to the previous year, the 2018 production levels exceeded 700 thousand tonnes, representing an increase of 36% over the previous year. Based on the 2019 expectations, the sunflower production will suffer a minor decline compared to 2018, amounting to 729 thousand tonnes.

The total harvested area noted positive developments between 2016 and 2019 when, as forecasted, a certain degree of reduction in the harvested area of sunflower and return to the 2017 levels will occur.

Chart 4 – Sunflower harvested area (2016-2019\*)



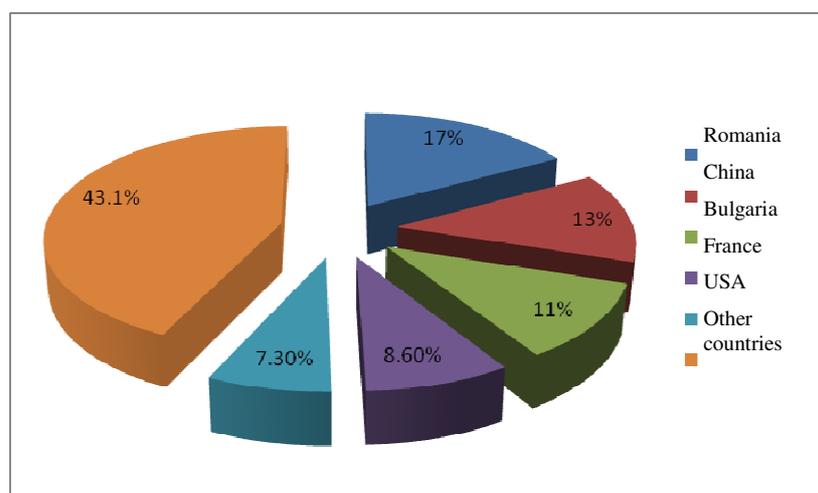
Source: Statistical Office of the RS ([www.stat.gov.rs](http://www.stat.gov.rs))

### 3. Sunflower import and export

#### 3.1. Sunflower import and export – World

The largest sunflower exporter in the world is Romania, exporting 16-18% of the total global sunflower production volumes annually. In addition to Romania, other top exporting countries are also Bulgaria, USA, China, and France, while the top-five exporters share in the total world exports of sunflower seeds is 55-60%.

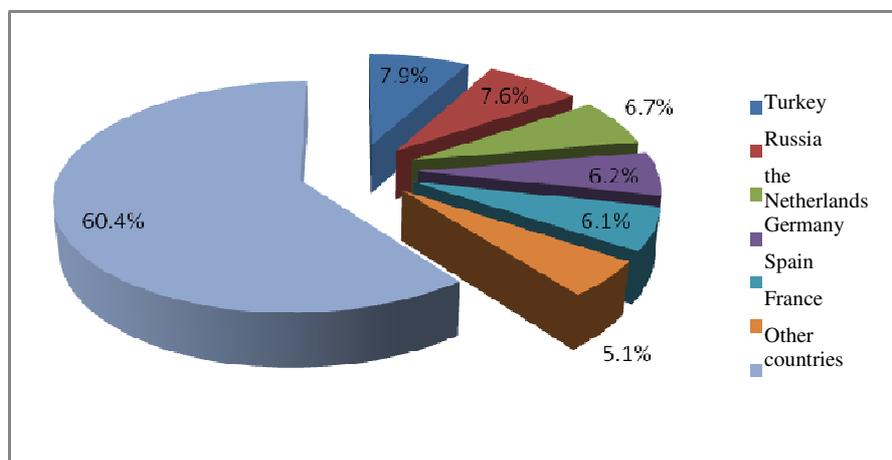
Chart 5 – Sunflower export structure, 2017



Source: [www.atlas.media.mit.edu](http://www.atlas.media.mit.edu)

The largest sunflower importers are the Netherlands, France, Spain, Russia, Turkey, and Germany, while the top-six importing countries make up about 40% of the total world imports of sunflower seeds.

Chart 6 – Sunflower import structure, 2017

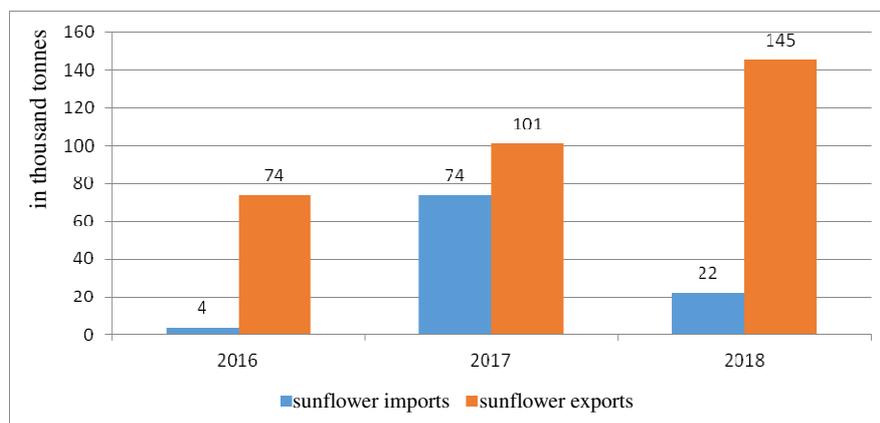


Source: [www.atlas.media.mit.edu](http://www.atlas.media.mit.edu)

### 3.2. Sunflower import and export – Serbia

The Republic of Serbia is a net exporter of sunflower seeds, with an average import price exceeding the average export price throughout the entire observed period. In the three-year period from 2016 to 2018, the sunflower exports almost doubled, with an average annual growth rate of about 40%.

Chart 7 – Sunflower import and export (2016-2018)



Source: CPC calculations based on the Customs Administration data

If we compare the production statistics and the Customs Administration data on the sunflower seeds export, it can be concluded that the 2016 sunflower export accounted for 12% of the domestic production, and about 20% of the domestic production volumes in 2017 and 2018.

The sunflower export market is relatively concentrated, where the top-five exporters make up 2/3 of the 2016 total exports, that is, over 80% of the total exports in 2017 and 2018. By far

the largest exporter is XXX with over 50% of the total exported quantity of sunflower seeds, while XXX and other companies are some of the most prominent sunflower exporters.

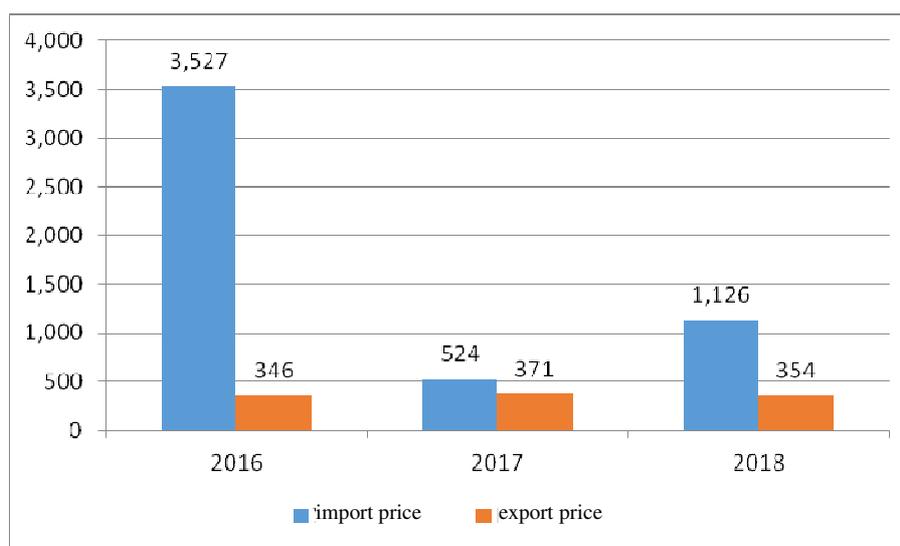
Sunflower seeds are mostly exported to BiH (about 50% in 2016), as well as to the neighboring EU countries (Hungary, Romania, Italy), while are mostly imported from Bulgaria, Romania, and Hungary.<sup>3</sup>

The sunflower imports showed a variable trend in the observed period. The average import price hit the lowest level in 2017 as the Serbian sunflower import volumes reached their three-year high, while the highest average prices are recorded in 2016 when a record-low sunflower import was documented. In comparison to the domestic sunflower seed consumption for sunflower oil production purposes, the share of imported inputs is relatively insignificant and remains below 4%, reaching only 14% in 2017.

Unlike the average import price, the average export price remained relatively constant, fluctuating around 350 EUR/t.

The most significant sunflower seed importers in 2017 and 2018 were XXX and XXX, while the share of the top-five importers in the total imports was increased from 57.3% in 2016 to 80.7% in 2018.

Chart 8 – Average import and export price of sunflower seeds (EUR/t)

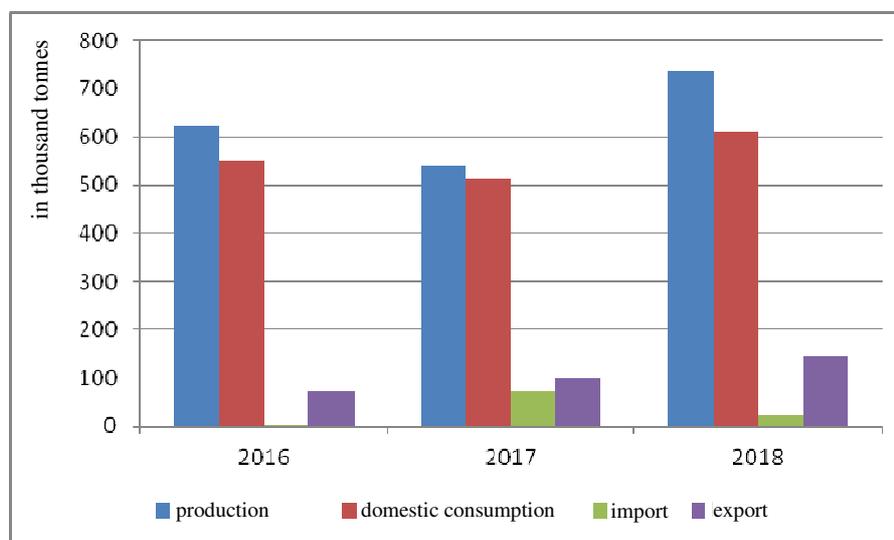


Source: CPC calculations based on the Customs Administration data

The chart below gives a comparative overview of the production, import, export and estimated domestic consumption of sunflower seeds, derived by adding up the imports to the production and then subtracting the exports, free of the sunflower inventory. The estimated domestic consumption of sunflower seeds in the observed period ranged between 500 and 600 thousand tonnes, while a decline in the sunflower production in 2017 was partly offset by increased imports.

<sup>3</sup> Source: Association Serbia Grains, Monthly Report, July 2017 <https://www.zitasrbije.rs/pdf/103.pdf>

Chart 9 – Sunflower production, import, export, and consumption (2016-2018)



Source: Economic Analysis Division calculations based on data provided by the Statistical Office of the RS, Customs Administration

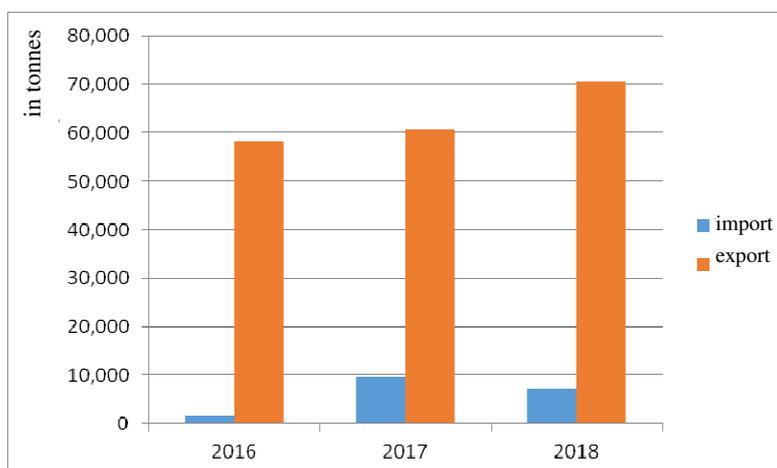
## 4. Sunflower oil import and export

### 4.1. Crude sunflower oil

The Republic of Serbia is a net exporter of crude sunflower oil. The crude oil exports show an upward trend in the observed three-year period, with an average annual growth rate of about 10%.

The largest exporters of crude sunflower oil are companies XXX and XXX, making up about 2/3 of the total exports. On the import side, two companies have dominated the market, namely XXX and XXX, accounting for a combined market share of 95% of the total crude oil imports in 2018.

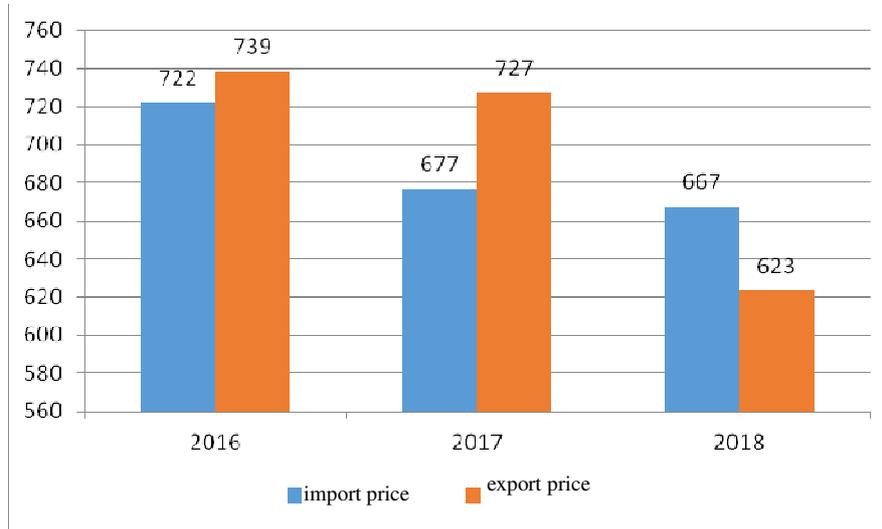
Chart 10 – Crude sunflower oil import and export (2016-2018)



Source: CPC calculations based on the Customs Administration data

The average import and export price of crude sunflower oil showed a negative trend in the observed three-year period. The average export price decreased by 16% in the observed period, while the average import price dropped by 8%.

Chart 11 – Average import and export price of crude sunflower oil (in EUR/t)



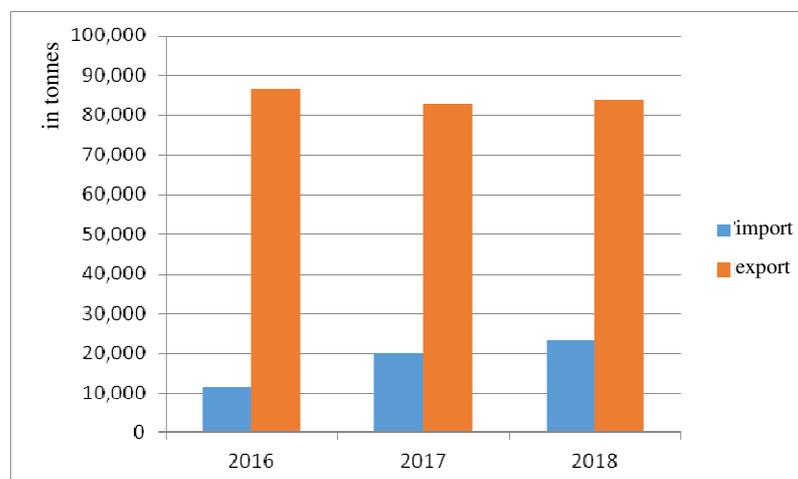
Source: CPC calculations based on the Customs Administration data

In response to a decline in the average export price by 15% in 2018 compared to 2017, the average import price in 2018 for the first time exceeded the average export price.

#### 4.2. Refined sunflower oil

The Republic of Serbia is a net exporter of refined sunflower oil. The refined sunflower oil export did not vary significantly in the observed period, while the import grew at an average annual rate of 45%.

Chart 12 – Import and export of refined sunflower oil (2016-2018)



Source: CPC calculations based on the Customs Administration data

Similar to crude sunflower oil, the average import and export price of refined sunflower oil showed a negative trend in the observed three-year period. The average export price in the observed period fell by 11%, while the average import price dropped by 6%.

The average import price was somewhat above the average export price throughout the entire period observed, while in response to a decline in the average export price by 8% compared to 2017, the difference between the prices reached 14% in 2018.

Chart 13 – Average import and export price of refined sunflower oil (in EUR/t)



Source: CPC calculations based on the Customs Administration data

The largest importer of refined sunflower oil is company XXX, importing about 95% of the total imported volumes of refined sunflower oil, while the major exporters are companies XXX and XXX, accounting for a combined market share between 75-85% in the total exports.

## 5. Sunflower purchase

### 5.1. Quantity of crop purchases

The total sunflower seed purchase in the domestic market is estimated based on information provided by undertakings – sunflower oil producers, namely:

- Dijamant AD from Zrenjanin,
- Vital AD from Vrbas,
- Sunce AD from Sombor,
- Banat AD from Nova Crnja, and
- Victoriaoil AD from Šid.

Besides national sunflower oil produces, the data are also collected from companies Bimal Trading doo from Belgrade and Bimal Agri doo from Bečej, belonging to Bimal Group established in Brčko, BiH.<sup>4</sup>

<sup>4</sup> Bimal is a major sunflower oil producer in BiH. In the observed period, the company had no oil production capacities in the Republic of Serbia. Company Bimal Agri offers services including storage of oilseeds and grains, and the organization of agricultural production and local trade of raw materials in the region. XXX.

The undertakings were requested to provide information on the sunflower supply in two measurement qualities, namely:

- supply of mercantile sunflower seeds or the first net weight, i.e. quantity measured on a truck scale upon receipt of goods, and
- supply of sunflower seeds under the SRPS quality requirements, i.e. quantity measured with accruals quality upon which the sunflower payments are made.

Companies XXX provided information in a proper way. Company XXX only provided information on the supply of sunflower seeds under the SRPS quality requirements, on the ground that the information on quantity measured with accruals SRPS quality are directly entered into the company's IT system upon receipt of goods, while XXX provided information on the supply of prepared sunflower kernels in addition to information on the supply of mercantile sunflower seeds.

For reasons of comparability, information on the purchase of sunflower seeds under the SRPS quality requirements is used for the estimation of the total annual sunflower purchase, which represents an accounting category and most often only slightly deviates (lower values) from the total supply of mercantile sunflower seeds.

The sunflower oil producers have mostly purchased sunflower seeds from the domestic market, while certain (smaller) quantity was also procured from foreign sources in 2017 and 2018, where the share of imports in the total sunflower supply of individual producers mostly remained under 10%.

The sunflower oil producers make direct sunflower purchases from sunflower producers, other buyers and/or sunflower producers who are also acting as buyers.

XXX

The sunflower oil producers most often rely on sunflower suppliers from which they predominately make purchases, while procuring the crop from a larger number of suppliers, producers and/or buyers throughout the year towards minimizing the risk of supply disruptions. As a consequence of this, a supplier providing a substantial quantity of sunflower seeds in a single year may deliver comparatively insignificant amounts of sunflower seeds or completely disappear from the list of suppliers in the next year (or month).

The sunflower oil producers also make sunflower seed purchases from one another.

XXX

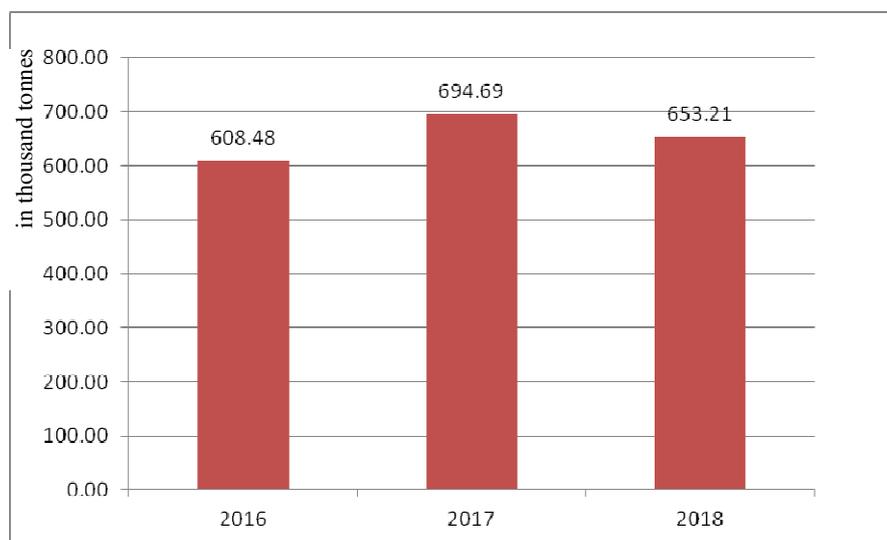
To assess the total purchased quantity of sunflower seeds, these cross-company purchases are excluded from the total sunflower purchases to avoid any duplication in the quantity of supplied sunflower seeds.

Among other leading sunflower suppliers, who are also buyers, but not producers of sunflower oil, are XXX, etc.<sup>5</sup>

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<sup>5</sup> XXX.

Chart 14 – Sunflower purchase in the domestic market (2016-2018)



Source: CPC calculations based on information provided by undertakings

The figures shown in the above chart reflect the total purchases of sunflower seeds made from the domestic market in the respective calendar year.

Table 1 – Sunflower purchase in the domestic market (in tonnes)

[...]

Source: Economic Analysis Division calculations based on information provided by undertakings

The estimated total purchase of sunflower seeds in the observed three-year period fluctuated between 600-700 thousand tonnes per year. The estimated sunflower purchase reached the highest levels in 2017, when the quantity of purchased sunflower seeds increased by 14% compared to the previous year, followed by a 6% decline in 2018, making the 2018 sunflower purchase higher by 7% than the 2016 sunflower purchase.

The structure of the sunflower purchase market did not vary significantly in the observed three-year period. The largest buyers are oil mills XXX and XXX, followed by XXX, while the three undertakings have purchased over 80% of the total purchased quantity of sunflower seeds.

Chart 15 - Structure of the sunflower purchase market in 2018

[...]

Source: CPC calculations based on information provided by undertakings

If we compare the estimated data on sunflower purchase and the statistics of total production of sunflower seeds, it can be concluded that the estimated purchase for 2016 and 2018 properly reflected the domestic production of sunflower seeds, while the 2017 sunflower purchase overestimated the produced quantity of sunflower seeds by around 30%. Given that significant imports of sunflower seeds are documented in 2017, it can be assumed that the difference partly results from the fact that individual undertakings have purchased sunflower from other buyers in the domestic market, previously (partly) procured from foreign sources.

Table 2 – Sunflower production and purchase

Year	Production (in tonnes)	Purchase (in tonnes)	Purchase (in %)
2016	621,127	608,483	98%
2017	540,590	694,692	129%
2018	733,706	653,207	89%

Source: CPC calculations based on information provided by undertakings, Statistical Office of the RS

However, if we compare the data on sunflower purchase and the statistics of realized production of crude and refined sunflower oil in 2016 and 2017, it can be concluded that the production of crude and refined sunflower oil increased by 15% and 10%, respectively, which does not vary significantly from the increase in the total sunflower purchase made by sunflower oil producers in the observed period.

Table 3 – Sunflower purchase, production of crude and refined sunflower oil (in tonnes)

Year	Sunflower purchase	Crude oil production	Refined oil production
2016	608,483	210,464	164,033
2017	694,692	241,730	179,927
2016=1.00	1.14	1.15	1.10

Source: CPC calculations based on information provided by undertakings, Statistical Office of the RS

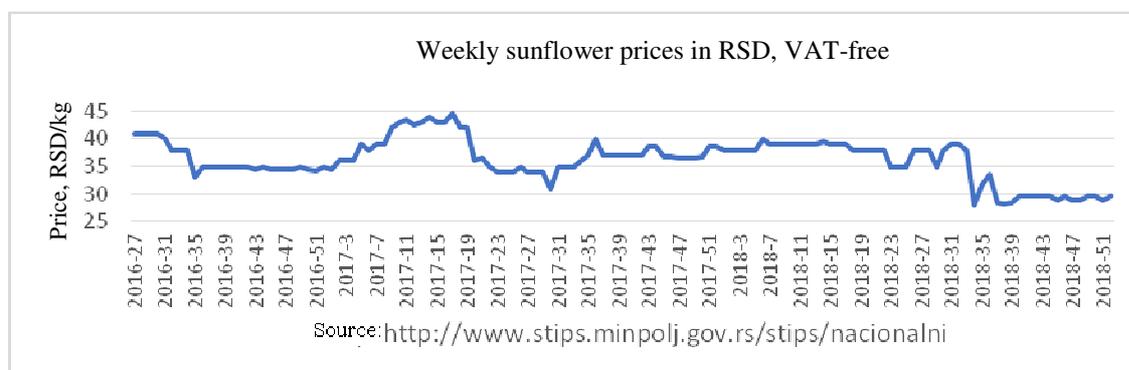
The sunflower purchase is seasonal. Sunflower seeds are mostly purchased from August to December when the current year's sunflower crop is purchased, and from January to July when the previous year's sunflower crop is purchased. About 70-75% of the total quantity of sunflower seeds are purchased from August to October, while the lowest purchase is made in June and July, prior to the fall harvest season.

## 5.2. Purchase prices

To gain an understanding of the sunflower purchase market from a price perspective, the weekly price level changes of sunflower seeds in the period between January 2016 and December 2018 are analyzed. The price per kilo of sunflower seeds, in bulk, VAT-free, is taken as a weekly price quotation, while the database of the Serbian Agricultural Market Information System (SAMIS) of the Ministry of Agriculture [Forestry and Water Economy of the Republic of Serbia] is taken as the data source on sunflower prices.

The weekly price quotation is calculated as the simple arithmetic mean of prices in Subotica and other cities (Pančevo, Sremska Mitrovica, Šabac, Novi Sad) in the respective week. A graphical illustration of the sunflower price level changes is given in the chart below.

Chart 16 - Sunflower price changes in the period 2016-2018



The above chart allows us to identify the sunflower price level changes during a year, where the lowest prices of sunflower seeds are, by default, recorded in the month of August – at the very beginning of the harvest season and purchase of the current year’s sunflower crop, between the Week 30 and Week 35. The lowest sunflower price in 2016 was documented in the Week 35, amounting to 33.00 dinars per kilo, while the lowest price of sunflower seeds in 2017 was in the Week 30, reaching 31.00 dinars per kilo.

In the Week 34 of 2018, a more significant decline in the price of sunflower seeds is recorded, dropping from 38.00 to 28.00 dinars per kilo, which was also the lowest recorded purchase price in the observed three-year period. Following a certain recovery in the Week 35 and Week 36, the sunflower purchase price returned at the level of around 29.00 dinars per kilo, where it remained until the end of 2018.

The following chart shows the average annual purchase prices of sunflower seeds for the observed six undertakings. The average annual purchase price is calculated by comparing the total annual value of purchase, VAT-free, and the total purchased quantity of sunflower seeds.

For undertakings not separately reporting the value of purchase, the said value is calculated by multiplying the purchased quantity for each month by the presented average purchase price in that month, and then by adding up the monthly volume, on one hand, to the value of purchase, on the other, to obtain the annual amounts. The average annual purchase price is obtained by comparing the two values.

Given that the observed time period of the analysis is a calendar year and not a crop year which runs from August of the current year to July of the following year, the above-mentioned calculation of the average purchase price should be taken as an approximation. This particularly relates to 2018, when a more significant decline in the purchase price of the 2018 sunflower crop is recorded (purchased *from* the month of August) compared to the 2017 sunflower crop (purchased *until* the month of August). XXX

However, noting that about  $\frac{3}{4}$  of the total annual quantity of sunflower seeds is purchased in the second half of a calendar year, or, more precisely, from August to December, and that the current year’s crop is predominately or exclusively purchased in the said period, there are

reasonable grounds to believe that the indicated price deviations from the actual average purchase price on this basis have not been significant in 2018.

XXX

Chart 17 – Average purchase price of sunflower seeds in RSD/kg, VAT-free

[...]

Source: CPC calculations based on information provided by undertakings

XXX

The average purchase price for the observed six undertakings, calculated as the simple arithmetic mean of their average purchase prices, was by 16% lower in 2018 than the average purchase price in 2017.

When interpreting the presented data on the average purchase prices, the following remarks should be taken into account:

XXX

Table 4 gives comparative values of the average purchase price in each of the observed years, the standard deviation as an absolute measure of dispersion or deviation from the average values, and the coefficient of variation as a measure of relative deviation that allows the measures of variability of data series in the same units and with different arithmetic means, as in this case. The value of this coefficient shows the arithmetic mean for grouped data - the lower the coefficient of variation, the higher the arithmetic means for grouped data and vice-versa, the higher the coefficient of variation, the higher the deviation from the average values.

Table 4 – Average purchase prices of sunflower seeds (in RSD/kg), 2016-2018

Indicator	2016	2017	2018	Index 2018 (2017=100)
Average purchase price (RSD/kg)	37.75	38.73	32.60	84
<i>Standard deviation</i>	1.61	0.93	2.99	
<i>Coefficient of variation</i>	4.3%	2.4%	9.2%	

Source: CPC calculations based on information provided by undertakings

As noted from the table above, when compared to the data for previous years, the data for 2018 show the lowest mean value of purchase prices, but the highest value of the coefficient of variation and the standard deviation, indicating on relatively higher deviations between buyers in terms of purchase prices relative to the previous years. However, it should be recalled that, when interpreting said values, it is necessary to take into account that the amounts of the coefficient of variation and the standard deviation are particularly affected by XXX.

Table 5 gives the average purchase prices at the beginning of the purchase season.

[...]

Table 5 – Average purchase prices at the beginning of the purchase season (in RSD/kg)

Indicator	2016	2017	2018	Index 2018 (2017=100)
<b>Average purchase price (RSD/kg)</b>	<b>35.60</b>	<b>37.04</b>	<b>29.27</b>	<b>79</b>
<i>Standard deviation</i>	3.82	1.91	1.58	
<i>Coefficient of variation</i>	10.7%	5.1%	5.4%	

Source: Economic Analysis Division calculations based on information provided by undertakings

The above table paints a somewhat different picture of the correlation between the average purchase prices of sunflower seeds in the observed period. First off, a relatively uniform decline in the average purchase price in 2018 compared to 2017 can be noted, ranging from XXX, which on average represents a 21% decrease. We can also note that the standard deviation has the lowest value in 2018, while the coefficient of variation is slightly above the 2017 values, but below the values for 2016.

Given that Table 5 shows the average monthly prices at the beginning of the harvest season, i.e. the current year's crop purchase season, and not the annual average that includes the previous year's and the current year's sunflower crop purchases, it can be assumed that said values somewhat better reflect the condition on the market in terms of the 2018 sunflower crop purchase prices. However, recognizing that undertakings have presented their average purchase prices in different manners (with or without the direct purchase costs, for mercantile and prepared sunflower seeds, as well as with other costs of the structured finance), it cannot be stated with certainty that the calculated coefficients faithfully represent the true correlation between the prices at which oil mills have purchased sunflower seeds on the market in the observed period.

To identify potential reasons for the decline in the average purchase price of the 2018 sunflower crop compared to the 2017 sunflower crop, the average export price level changes of sunflower seeds, crude and refined sunflower oil are observed during the reporting period.

Table 6 provides a comparative overview of the average purchase price of sunflower seeds, as well as the average export price of sunflower seeds, average export price of crude and refined sunflower oil in 2017 and 2018, and the respective index. For the sake of comparability, all prices are given in EUR/t. The average purchase price of sunflower seeds is converted into euro at the middle-exchange rate of the NBS for the respective year.

Table 6 – Comparison table of the average purchase price of sunflower seeds and the average export prices of sunflower seeds, crude and refined sunflower oil (in EUR/t)

Price	2017	2018	Index (2017=100)
Average purchase price of sunflower seeds	319	276	86.4
Average export price of sunflower seeds	371	354	95.6
Average export price of crude sunflower oil	727	623	85.7
Average export price of refined sunflower oil	834	766	91.9

Source: Economic Analysis Division calculations based on information provided by undertakings, Customs Administration

On the basis of the data outlined above, it can be concluded that the average purchase and export prices in 2018 have decreased in all observed categories compared to 2017. The average export price of crude sunflower oil fell by 16%, same as the average purchase price of sunflower seeds, while the average export prices of sunflower seeds and refined sunflower oil suffered a smaller reduction of 4% and 8%, respectively. Given the fact that the Republic of Serbia is a major exporter of both sunflower seeds and sunflower oil, crude and refined, this trend in the average export prices was likely to cause a decrease in the average purchase price of sunflower seeds in the domestic market.

An additional factor potentially causing the decline in the average purchase price of sunflower seeds in 2018 is the increase in sunflower inventory by about XXX on average per year. Chart 18 gives an overview of the total sunflower inventory of the observed undertakings in the month of December of the respective year.

Chart 18 – Sunflower ending inventory

XXX

Based on information provided by undertakings, the ending sunflower inventory, expressed in tonnes of the processing quality, amounted to only XXX of the total annual production in 2016, reaching XXX of the annual production in 2017. The ending sunflower inventory in 2018 amounted to XXX, which also represents a three-year maximum.

## **6. Conclusion**

The inquiry into competitive conditions in the sunflower production and sales (purchase) market is conducted with the purpose of providing an overview of the sunflower production and sales market, observed from a perspective of market structure and market shares of respective undertakings, as well as to analyze the changes in sunflower purchase prices in the observed period.

In conducting the analysis, the Commission collected and analyzed data on the import and export of sunflower seeds, crude and refined sunflower oil, provided by the Ministry of Finance – Customs Administration, as well as publicly available official statistics on the sunflower production in the country and the world. For analysis purposes, the Commission also collected and analyzed information provided by individual sunflower oil producers, as direct or indirect buyers of almost the entire production volumes of this oleaginous plant.

The Republic of Serbia is a major sunflower producer and a net exporter of sunflower seeds, crude and refined sunflower oil. The sunflower production and harvested areas have shown an upward trend, while about 20% of the total domestic production is placed on the foreign markets. In the three-year period observed, the sunflower export almost doubled, while the export of crude sunflower oil increased by 21%. Company XXX is the most significant exporter of sunflower seeds and crude sunflower oil. Company XXX is also the major importer of sunflower seeds, while the sunflower imports, apart from 2017 when the average import price reached a three-year low, have a negligible share in the domestic production.

The average export prices of sunflower seeds, crude and refined sunflower oil have witnessed a negative trend in the observed period, with a somewhat steeper decline in 2018 compared to 2017.

The sunflower oil producers have mostly purchased sunflower seeds from the domestic market, directly from sunflower producers, other buyers and/or sunflower producers who are also acting as buyers, as well as from one another. XXX

The estimated total purchase of sunflower seeds in the observed three-year period fluctuated between 600-700 thousand tonnes per year and reasonably reflects the domestic sunflower production, while the increase in the index of quantities purchased has not deviated significantly from the increase in the index of production of crude and refined sunflower oil.

The structure of the sunflower purchase market was relatively stable in the observed period. The leader in sunflower purchase in the domestic market is company XXX, followed by XXX and XXX, while the three undertakings have purchased over 80% of the total purchased quantity of sunflower seeds.

The sunflower purchase is seasonal, while about 70-75% of the total quantity of sunflower seeds are purchased from August to October. At the beginning of the purchase season, sunflower seeds are purchased at advance purchase rates, which do not necessarily represent the final prices, but which can be increased if a buyer assesses that the profit margin allows for the allocation of a part of said profits to sunflower sellers.

The analysis of the weekly price level changes of sunflower seeds in the period between January 2016 and December 2018, with the database of the Serbian Agricultural Market Information System (SAMIS) of the Ministry of Agriculture [Forestry and Water Economy of the Republic of Serbia] taken as the data source on sunflower prices, showed that the lowest sunflower prices are, by default, recorded in the months of August and September, at the very beginning of the harvest season and purchase of the current year's sunflower crop. The analysis also indicated that in the Week 34 of 2018, a more significant decline in the price of sunflower seeds has occurred, dropping from 38.00 to 28.00 dinars per kilo, which was also the lowest recorded purchase price in the observed three-year period.

The comparative analysis of the average annual purchase prices of sunflower seeds based on information provided by undertakings also showed a noticeable drop in the average purchase price in 2018 compared to 2017, when the sunflower purchase price reached record highs in the observed three-year period. The average purchase price for the observed six undertakings decreased by 16% in 2018 compared to the average purchase price in 2017, while the average purchase price at the beginning of the 2018 sunflower crop purchase season fell by 21% compared to the average purchase price for the 2017 sunflower crop.

A comparative review of the average purchase price of sunflower seeds, as well as the average export price of sunflower seeds and the average export prices of crude and refined sunflower oil, showed that the average prices in all observed categories have suffered a decline in 2018 compared to 2017. Given the fact that the Republic of Serbia is a major exporter of both sunflower seeds and sunflower oil, crude and refined, this trend in the average export prices, including a significant increase in sunflower inventory over the period observed, was likely to cause a decrease in the average purchase price of sunflower seeds in the domestic market.

In the present analysis, as was the case in previous inquiries into the crop purchase markets, the Commission encountered a problem of limited usability of available data. In the Commission's opinion, what matters for more proper assessment of the state of competition, as well as for informed agricultural policymaking, is the improvement of the quality and up-to-dateness of available statistics, notably as regards information on the total annual production, published at the end of the current year for the previous year.

Noting the importance of this crop for the development of food industry and the overall industrial development, and recognizing the conclusions of this inquiry, the Commission will put particular emphasis on due-diligence measures in the future to monitor the behavior of undertakings and identify particular circumstances prevailing in this market, which might indicate any violation of the Law.

The Commission wishes to express its gratitude to all undertakings for their timely and proper submission of requested data during the inquiry drafting process, and concomitantly invites all undertakings and other members of the expert public to submit their commentaries to the report.