USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 4/17/2006

GAIN Report Number: BU6004

Bulgaria

Poultry and Products

Meat Market Update

2006

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Report Highlights:
As of mid-April, poultry suppliers and traders report a full restoration of poultry sales and consumption to the previous levels. In the period October 05-March 06, lower poultry meat consumption was unexpectedly substituted with higher purchases of processed meat products made of beef and turkey, and by higher sales of beef meat, with even or slightly lower pork sales. It remains to be seen if this new consumption pattern will stabilize throughout 2006.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
[BU]

Summary

Note: This report is made based mainly on industry data and public information. Exports and import figures industry estimates or from official sources.

As of mid-April, 2006, the Avian Influenza/AI issue began slowly to die down. Consumption of poultry meat started to restore in March, and by April it is reported to be close to its previous levels.

Government efforts towards AI in the vet area slightly softened while the pressure on food processors continued to increase in order to meet stringent EU food safety criteria. Temporary or permanent shutting down of meat processors and slaughter houses (which do not meet these requirements) along with changes in the meat consumption patterns, have changed the traditional meat market picture in Bulgaria.

Consumption of poultry meat

Most meat traders, local producers and retailers agree that the drop in poultry meat consumption (chicken meat only) in the period October 05-March 06 was 30%-40%. However, as of April 06, consumption has restored to the previous levels. According to industry representatives, chicken meat consumption restored unexpectedly quickly, so major suppliers were not able to fully meet retail demand. This led to speculations about slight 10% temporary deficit of chicken meat. According to the Poultry Producers Association, local chicken meat production is likely to be able to reach 2005 annual volume or even slightly higher (2005 poultry meat production: 70,000 MT according to the MinAg, and 80,000 MT, according to the Association), see BU 5016, PSD poultry meat.

Local chicken products market (meat and eggs) is estimated by the industry at 400 million leva (about 200 million Euro) (source: Poultry Producers Association): It is not known exactly what were the actual losses to producers from the AI-related drop in consumption. In the winter months, producers reported accumulated stocks of about 9,000 MT-10,000 MT of chicken meat. A significant portion of these stocks has been sold as of mid-April, however, significant supplies were sold in January-March period below the production cost.

As of mid-April, all suppliers reported 20% or higher increase in their sales compared to March. Retail prices have increased to 2.70-2.80 leva/kilo (1.35-1.40 Euro) (whole birds, broiler meat) compared to 2.40 leva/kilo (1.20 Euro) estimated production cost. At the time of low sales (January-February), retail prices were down to 2.0 leva/kilo (1.0 Euro). According to the official statistics, the prices of chicken products for the first quarter of 2006 compared to the same period in 2005 were: 15.7% lower for frozen whole birds; 13.5% lower for chilled whole birds; 22.3% less for eggs (wholesale price) and 16.7% less for eggs in retail.

The largest suppliers suffered from the winter weak sales but reportedly adjusted. Currently, the market is divided among 25 industrial capacity (middle/large size) suppliers of which two have about 50% market share. The AI issue did not lead to any bankruptcies, re-shifting of market shares among market players, or stable lower production/consumption levels. The GOB has decided to allocate funds for poultry producers as a compensation for low sales, extra stocks and losses due to sales below production cost. The allocation is 1.5 million leva (0.750 million leva Euro), of which half will be provided by the national budget and the other half from the MinAg State Agriculture budget. This support is still pending awaiting for a MinAg decision about the distribution mechanism.

Exports of poultry products

Exports of poultry products (waterfowl, geese and ducks) were not affected by the AI problems either. In 2005, the Poultry Producers Association reported exports of about 8,000 MT of non processed poultry products and 3,000 MT processed products to the EU countries. For the first quarter of 2006, despite the regionalized temporary export ban by the EU, Bulgaria was able to export 2,000 MT.

Market of other types of meat

The low sales of chicken meat and eggs in October 05 –March 06 period has changed the meat consumption pattern in an unexpected way. It is still unknown if this change has been only temporary or is a sign of a lasting change.

With the lower chicken meat sales, expectation were as follows:

- turkey meat consumption will also drop since turkey is a type of a poultry meat;
- chicken meat will be substituted by pork as ranking second in the traditional consumption pattern, followed by other meats and seafood.

According to retailers, sales of other than chicken products (red meats and seafood), have increased 10%-25% for the period October – March, however, the growth in sales in this category was uneven for various meats.

1. Turkey meat trade and consumption was not affected. Consumers did not associate turkey meat with the AI issue, so these sales were at the traditional level or slightly higher. Demand for turkey meat for processing has actually increased due to higher demand for processed meat products.

   According to U.S. Customs, U.S. exports of turkey meat to Bulgaria for the first 3 months in 2006 was 111% higher than a year ago. In 2005, U.S. exports of turkey meat to Bulgaria reached about 8.0 million USD, or about 5-fold increase, compared to 2004 annual exports.

   Total Bulgarian imports of poultry meat in 2005 were 44,054 MT (mainly turkey meat) which was 6.4% higher than in 2004 (41,388 MT). Imports in January and February 2006 were the same as a year before (source: MinAg).

2. Chicken meat was not substituted with pork meat. The replacement came from processed meat products, and beef meat. According to local processors/suppliers of processed meat products, their sales of beef and turkey salami in January-February, have increased unusually by 30% compared to the period before October 05, and by 38%-40% compared to the same period a year before.

   Suppliers of pork, both local and imported, did not register any higher sales. Pork, which has been the most expensive red meat on the local market in 2005, continued to be in shortage as throughout 2005, especially cuts for processing. Thus, pork prices before New Year have increased to 3.20-3.40 leva/kilo live weight/LWE (1.6-1.7 Euro) – due to traditional peak in pork consumption around holidays, but have gone down quickly to 2.60 leva/kilo LWE (1.30 Euro) in the spring 06.

   According to most retailers and local traders, pork was not chosen by consumers as a possible substitute of chicken meat , mainly to its high price. Therefore, most consumers increased their purchases of beef. Beef has never enjoyed a consumer interest in Bulgaria, and has been ranking on a third place after poultry and pork meat, mainly due to a lack of good local supply. However, consumption was slowly and steadily growing in recent years, mainly in food service outlets. In October-

November 05, key food chains and retailers begun carefully to watch the market trends and, accordingly, adjusted their policies to promote beef. This trend was recorded simultaneously by meat processors, retailers and food service experts.

According to one of the most popular food service chains which has been traditionally emphasizing on chicken meat, the new promotion of beef in their menu has been exceeding their expectations. At the same time, major beef importers for the food service outlets, also reported higher demand. For example, deliveries of U.S. prime beef were reportedly increased by 30%. It remains to be seen if this trend will continue in 2006 and if beef will hold up consumption interest.

Red meat exports

The drop in poultry sales in the EU led to another unexpected result - higher demand in the EU for Bulgarian lamb meat. Bulgaria is a traditional net exporter of lamb, along with Romania, and this product is currently exported to the EU markets without any limitations. As of mid-April, traders reported closed contracts for about 4,000 MT of lamb, more than the usual volume. Thus, local prices of lamb jumped upward for only 20 days.

Food safety

Due to upcoming EU accession, the pressure on the local meat and poultry industry has increased. The vet service has intensified its efforts to shut down those establishments which do not meet EU food safety standards. The industry has a deadline of September 2006 by which all existent plants should meet these criteria. As a result of this policy, the number of establishments was significantly reduced as follows:

Number of meat establishments in Bulgaria			
	December 04	February 06	Change
Poultry meat	59	48	-19%
Red meat	535	288	-47%
Total	594	336	-44%
Source: Association of Meat Processors			

The most affected are the red meat plants while the number of poultry establishments declined by "only" 19%. Overall, the number of meat plants dropped by 44%. It is likely that by September 2006, the trend will continue and the total number of plants may go below 300. This restructuring provides opportunities for larger plants and for various merger and acquisitions which are currently taking place.