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Bulgaria

Grain and Feed

Grain and Oilseeds Market Update

2006

Approved by:
Susan Reid

U.S. Embassy

Prepared by:
Mila Boshnakova

Report Highlights:
Bulgarian MY06/07 wheat and sunflower exports to date have been record high at 830,000 MT and 316,000 MT, respectively. Corn exports are likely to increase in early 2007. Encouraged by good export demand and expectations for upcoming EU direct payments, farmers increased planted acreage under wheat and rapeseeds. Domestic demand for sunflower, corn and wheat for biofuels in MY06/07 is likely to be slightly higher.

Includes PSD Changes: No
Includes Trade Matrix: No
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Sofia [BU1]
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Note: Information in this report is based on official Bulgarian Ministry of Agriculture data, industry sources' estimates, and FAS trade interviews.

Domestic supply in MY06/07

MY06/07 Production

As of late November, the MinAg announced final harvest data for sunflower and corn as well as final planted areas under fall crops

Table 1. MY06/07 grain and oilseeds production as of end-November

MY06/07 grain and oilseeds production as of end-November				
	Planted area, HA	Loss, HA	Harvested area, HA	Production, MT
Wheat	941,879	19,379	922,500	3,177,000
Barley	189,229	10,038	178,888	515,000
Rye	6,034	NA	4,300	11,000
Triticale	6,602	NA	5,953	17,000
Rapeseed	20,174	3,228	16,655	33,000
Sunflower	713,000	2,800	710,200	1,150,000
Corn	334,000	6,800	327,200	1,512,000
Source: MinAg data, industry estimates				

Corn

MY06/07 corn area is estimated by FAS at 334,000 HA (same as the previous FAS data). As of end-November, the MinAg reported 99% of planted area to be harvested with total produced corn of 1.5 MMT. The average yield to date is reported at 4.63 MT/HA. Good warm weather helped the farmers to harvest in time, and at good moisture level so additional drying is not likely to be needed.

Sunflower

Sunflower harvest was completed at end-October. According to MinAg data, total harvested area was slightly above 700,000 HA and production was record high at 1.15 MMT. Average yields were reported at 1.62 MT/HA. These results are exceeding the last FAS estimates, and are the highest for both acreage and production for the last 10 years.

Fall planting

The weather since September was unusually mild and warm with above average temperatures. Favorable climate conditions helped for the corn and sunflower harvest. Most farmers were able to plant fall crops in the optimum time, unlike in the fall of 2005. According to the MinAg, most wheat and barley were planted in the optimum agronomic period (until early November). This estimate corresponds with farmers' reports from around the country.

Wheat has been planted on 1,034,200 HA, and winter barley on 170,500 HA. Thus, planted wheat areas this year exceed last year with 800,000 HA while barley acreage is about 20,000 HA lower.

Warm weather was a reason for higher pest infestation. In the period November 22-24, the National Plant Protection Office made on observation on mice population in fall crops. The survey showed higher mice infestation, especially in those wheat fields planted after sunflower. The negative effect is in lower number of seeds/plants and is currently estimated at a 3%-4% loss. The experts, however, anticipate much higher infestation after the winter.

Rapeseeds planted area has doubled as projected by FAS Sofia in August (BU6005) and reached 43,500 HA. Warm weather helped the rapeseeds to develop good vegetation mass but many farmers are afraid that a sharp and unexpected cold spell may kill the crop. According to seed suppliers, if the MY07/08 crop produces good yields comparable to this year crop, rapeseeds acreage may further increase next year to over 50,000 HA.

Table 2. MY07/08 fall crops planted areas, projected average yields and production

MY07/08 fall crops planted areas, projected average yields and production			
	Planted area, HA	Yield, MT/HA	Production, MT
Wheat	1,034,000	3.2	3,300,000
Barley	170,000	3.0	510,000
Rapeseeds	43,500	1.6	70,000
Source: MinAg data, industry estimates			

Trade

Wheat

Wheat quality issues

Wheat quality is reported as not very good, with the first class milling wheat estimated at not more than 20%. A cool and rainy spring was the major reason for deteriorated quality in 2006 compared to 2005. Most farmers and traders report gluten content at 17-20 vs. usual rate of above 25. According to the latest official quality tests (MinAg data), average moisture content was between 9.9% and 14.0% with some lots reaching 14.5% to 16.3% due to rains. The hectoliter mass varies considerably from 70.1 to 85.0 kilograms/hectoliter (87.7% of all tested samples have a hectoliter mass over 76 kilograms/hectoliter); gluten content, from 10% to 29%; protein content from 8.2% to 15.8% d.s. No significant share of germinated wheat was reported (up to 1.6%), as well as no damage from fusarium.

As per FAS Sofia forecast (BU6005), MY06/07 Bulgarian wheat exports sharply increased in the first post-harvest months. It slowed down since October. From July 1 until December 3, total wheat exports reached 833,429 MT, mainly to Spain and Romania.

Exports for the last several weeks were as follows: for the period October 30- November 5, 28,165 MT of which 23,500 MT for Israel and 3,701 MT for Romania; the week of November 5-12, 5,000 MT for Israel; and for the period November 13-19, 23,446 MT for Tunisia (23,000 MT) and India (235 MT). Other export destinations include Georgia and Italy. Exported wheat is mainly of milling or close to milling quality. Expectations are for total MY06/07 wheat exports to be above 1.2 MMT.

Barley

Since July 1 until December 3, barley exports reached 108,867 MT. Exports for the period October 30- November 5 were 51,000 MT destined for Macedonia; and in the period of November 5-19, only 48 MT. Another export destination is Syria. Barley exports in MY06/07 are estimated to reach 140,000 MT.

Corn

Since September 1 until December 3, corn exports reached 24,257 MT, of which 5,500 MT for Algeria; 2,800 MT for Lebanon, 1,700 MT for Syria, and some to Macedonia. Industry is expecting active corn exports and high export figures, above 300,000 MT. The MinAg forecasts exports at up to 450,000 MT.

Sunflower

Total sunflower exports since September 1 until December 3 were 315,732 MT or 60% more than exports in the same period a year ago, mainly to Spain, Portugal and Turkey.

Exports for the period October 30-November 5 were 5,876 MT of which 3,322 MT for Turkey and 1,169 MT to Romania; in the period November 5 – 12, 40, 144 MT for Pakistan (29,210 MT) and Morocco (7,500 MT); in the week November 13-19, 16,862 MT to Portugal (12,775 MT) and Romania (1,632 MT); and from November 27 to December 3, 15,925 MT to Spain (12,000 MT) and Romania (2,450 MT).

Prices

Wheat and wheat products

Due to significant wheat exports and shortage of good quality milling wheat, local demand for milling wheat has skyrocketed. In line with the increasing international and regional wheat prices, domestic wheat prices have also climbed up to an average 280-290 leva/MT ($193/MT) (as of early December). In some areas such as Stara Zagora and Chaskovo, wheat prices reached record high 320 leva/MT ($213/MT).

Feed wheat is traded at lower levels at 190-246 leva/MT ($127-$164). However, as of early December, buyers were more inclined to buy lower quality wheat and prices of feed and milling quality wheat have got closer.

Wheat flour prices mirrored the trend with wheat prices, and are currently in a range of 456 leva/MT ($304/MT) to 530 leva/MT ($353/MT) depending on the quality grade. Retail wheat flour prices reached 740 leva/MT ($493/MT).

Bread prices followed the same trends and increased considerably, for the first time over the last 5-6 years. At many towns, the retail price per a kilo reached 0.90-1.0 leva/kg ($0.67/kilo). The aggregate prices include also higher expenses for improved food safety norms at mills and baking facilities; the cost of recent active investment in upgrading and modernization; and the increasing expenses for additives to improve wheat quality. According to suppliers of gluten additives, their current sales are record high, sometimes 4-5 times more than in the same period in 2005.

Higher bread price is often unaffordable for large social groups with lower income which causes social unrest and media speculations. On the other hand, the milling and baking industries are working, for the first time for the last 15 years, in an environment of no political or government pressure towards local prices.

Barley, corn and sunflower

Feed quality barley is traded at 207 leva/MT, however, supply is not available. In areas where the demand is higher (Stara Zagora and Chaskovo), barley prices reached 220-240 leva/MT ($147/MT).

Corn prices quickly achieved record high levels, unexpectedly for many experts. Currently, corn is traded at 250-270 leva/MT ($167-$180/MT) for a standard moisture content. Prices were very dynamic over the last 2-4 weeks jumping from 200 leva/MT to 250 leva/MT-270 leva/MT.

Sunflower prices are, in general, depressed due to abundant supply, however still attractive for farmers. Current prices are stable, between 300 leva/MT and 370 leva/MT, or around 343 leva/MT ($229/MT) with slight 3%-4% increase in South East Bulgaria. FOB Varna port prices are around 380 leva/MT and ex-work at about 340-370 leva/MT. Higher prices are applicable only to high oil content and good acidity content sunflower.

Domestic support

As of end-November, the use of the two domestic support programs (BU6005) was as follows:

- Wheat subsidy: Total 2,851 applications were submitted for 15.7 million leva ($10.5 million) for 629,500 HA.
- The soft-term credit line for purchase of fertilizers: 393 applications were submitted for 2.6 million leva ($1.7 million).

Since the deadline for submission of applications was November 30, the above figures can be considered as final. The MinAg has decided to make a final distribution of remaining funds proportionally to all applicants.

Grain intervention

In November, the State Reserve placed a purchase through the three commodity exchanges for 60,000 MT starting from 225 leva/MT. Earlier in August, the Ag Minister announced plans for purchase of 113,000 MT to refill stocks, at 200 leva/MT in line with farmer's claims. However, the intervention was delayed and wheat prices have increased due to lower quality, active exports and higher international prices. It still remains to be seen if the State Reserve will offer a competitive price to farmers and traders or will lower the volume for its intervention. In either scenario, the intervention is not likely to impact the grain market and prices.

MY05/06 and MY06/07 Supply and Demand

Corn

Table 3. MY05/06 and MY06/07 corn supply and demand

Corn Supply and Demand, 000 MT		
	MY06/07 (estimate)	MY05/06
Beginning stocks	461	503
Production	1,500	1,586
Imports	6	4.3
Total supply	1,967	1,632
Use for seeds	10	9.7
Food and industrial use	250	250
Feed use	889	935
Exports	450	438
Ending stocks	367	461
Source: MinAg Corn and Sunflower Bulletin, October 2006		

Imports

Corn imports is MY05/06 were only 4,300 MT or 48% less than in the previous year. Most of this volume was seed corn for planting from EU, USA, Argentina, Romania and Croatia. These imports are projected at about 6,000 MT in MY06/07, again, mainly in a form of seed corn. Imports are usually half of total seed consumption, estimated in MY06/07 at 9,700 MT.

Consumption

The corn consumption pattern is not likely to change in MY06/07 and will be relatively stable at 1.1-1.2 MMT leaving larger quantities for exports, up to 450,000 MT. Although the MinAg forecasts 889,000 MT for feed consumption, declining livestock numbers and the temporary ban on pork and poultry meat exports for 2007 may reduce this volume.

Industrial corn use is also projected to stay flat at 250,000 MT. The usual industrial corn products are starch, glucose, HFCS, corn flour, corn oil, corn semolina etc. Exports of corn starch in MY05/06 were 4,337 MT, 22% less than a year before, to Turkey (1,764 MT), Albania (1,015 MT), Serbia and Montenegro (671 MT) and Macedonia (458 MT).

Corn feed use in MY06/07 are likely to be slightly lower compared to the previous marketing year (890,000 MT vs. 930,000 MT, MinAg estimates) due to lower number of livestock and higher prices. Current corn prices are above the feed wheat price but are comparable, thus no significant substitution is likely. Total feed consumption in MY06/07 is estimated at 2,223,200 MT vs. 2,380,000 MT in MY05/06 (160,000 MT less). Usually about 40% of this volume is corn.

Exports

MY05/06 corn exports were 438,086 MT or 105,000 MT lower than in the previous year. North Africa and Middle East countries accounted for 262,968 MT or 60% of total corn exports. The second export market was EU with 132,000 MT or about 100,000 MT less compared to the previous year. Industry sources indicate that the decline in corn exports to the EU was a result of abundant supply at the common market, lower demand due to avian influenza/AI caused drop in consumption; and the fear to import feed from Bulgaria although no AI cases on domestic poultry have been reported. The third export market was the Balkan region with 43,000 MT.

Most of exported corn was declared as corn for industrial use (74%) with main importers Algeria, Spain, Egypt, Tunisia and Israel. Feed corn exports were (26% or 115,304 MT) destined for Syria and Romania.

Corn oil exports in MY05/06 were 6,129 MT, or 34% higher than in the previous year, mainly to Greece (3,477 MT and Turkey (2,651 MT). Bulgaria exports negligible quantities of corn flour (less than 100 MT).

Production cost and prices

As per MinAg estimates, corn production cost per a hectare in MY05/06 was between 410 leva and 890 leva ($270-$590/HA) or on average 10% higher than in the previous year, mainly coming from oil prices. Based on the average yield in the country, this translates into a cost per a metric ton of 77 leva to 169 leva ($51-$113/MT). Since ex-farm prices fluctuated from 140 leva/MT early in the season to 190 leva/MT by the end of the year ($93-$126/MT), most farmers enjoyed a good profit margin. In MY06/07, production cost continued to slide upward by 5%-10% due to higher prices of oil and hybrid seeds.

It is estimated that corn cost in MY07/08 will be negatively affected by faster growth in land rents and oil prices. In addition, there is no clarity about the direct subsidy payments which may put corn growers under higher competitive pressure.

Prices

- Ex-farm prices: Corn prices in MY05/06 started from post-harvest level of 135 leva/MT (November-December 2005). Due to declining stocks, late harvest of other feed grains and their jumping prices, corn price has quickly increased. Thus, corn price level during MY05/06 was little higher than in the previous year, especially after March 06, reaching 194 leva/MT in July 06 ($130/MT) or about 40 leva/MT more compared to a year before.

  Corn harvest in MY06/07 was slow at the beginning due to rainy September weather. Low initial supply led to higher corn prices. With the progress of harvest and increasing stocks, however, corn prices did not go down, mainly due to fast growing wheat and barley prices. Currently, corn prices are record high at $173/MT-$175/MT.

- Export prices: MY05/06 corn export prices were competitive and lower than in the previous year, due to good corn supply for a second year in a row. About 95% of exported corn was sold at FOB Black Sea port at on average $103/MT compared to $110/MT in MY04/05.

Trade regime

- Imports: Import duties for corn vary from 5% (seed corn) to 12.5% (other corn) and 15% (feed corn). Bulgaria has a TRQ of 100,000 MT (GATT) at 5% import duty but it is not used. Bulgaria also has various duty free TRQs for the EU (35,000 MT - 40,000 MT) but does not use them either. The same applies to duty free corn imports from Serbia and Montenegro.

- Exports: Bulgaria is granted duty free export TRQ for the EU market. In the period July 1, 2005 to June 30, 2006, this TRQ was 96,000 MT (HS#1005 10 90,1005 90). Actual exports to the EU in this period were 146,743 MT. The TRQ for the period July 1, 2006-June 30, 2007 is 104,000 MT as only 10,000 MT were exported to the EU as of late October.

  Bulgaria also exports to the EU (duty free) small quantities of corn oil (HS#1515). In 2005 these exports were 1,547 MT, and for the first eight months of 2006, 2,365 MT, mainly to Greece. Another export market for corn oil is Turkey (HS#1515 21), exports in 2006 (first eight months) were 1,549 MT, under a TRQ for 1,000 MT at 6% import duty. Corn starch is exported under a reduced duty (400 MT TRQ at a reduction of duty of 50%) to Macedonia. These exports in 2006 were 260 MT.

Domestic support

In August 2006, the GOB revised the excise taxes for farmers and reduced them as follows:
- for gasoline - 50 leva/1000 liters vs. regular tax of 430 leva/1000 liters
- for kerosene – 50 leva/1000 liters vs. regular tax of 430 leva/1000 liters
- for gas and biodiesel – zero tax.

Farmers have the right to apply for 73 liters/HA of their land at a reduced excise tax. Refunds are made once a year through local Customs offices.

In March 2006, MinAg allocated 10 million leva to support corn and sunflower farmers. The support was in a form of a subsidy of 14 leva/HA ($9.3/HA). The use of this subsidy was at 9.5 million leva for 203,168 HA of corn and 473,784 HA of sunflower.

Sunflower

Table 4. MY05/06 and MY06/07 sunflower supply and demand

Sunflower Supply and Demand, 000 MT		
	MY06/07 (estimate)	MY05/06
Beginning stocks	167	42
Production	1,100	926
Imports	4	8
Total supply	1,271	808
Use for seeds	4	3.9
Crush use	470	450
Other use	29	29
Exports	500	326
Ending stocks	268	167
Source: MinAg Corn and Sunflower Bulletin, October 2006		

The beginning stocks in MY06/07 are considered high, estimated at 167,000 MT. These stocks are a result of record high crop in 2005 (934,000 MT according to the MinAg, of which 904,000 MT black oil bearing and 31,000 MT black and white sunflower).

According to official data, planted areas in MY06/07 were over 713,000 HA of which 710,200 HA were harvested and production was reported at 1.150 MMT at 1.62 MT/HA average yield.

Imports

In MY05/06, sunflower imports were 5,194 MT oil bearing sunflower (4,251 MT from Moldova and 1,595 MT from Ukraine), and 2,400 MT seed sunflower (Austria, 518 MT and France, 514 MT) or slightly higher than in the previous years. Sunflower imports in MY06/07 are projected to be mainly in planting seeds at 4,000 MT.

Consumption

Seeds use: In MY06/07, use of seeds is likely to be at 3,900 MT or the same as in MY05/06 due to expected similar planted areas. This estimate, however, may change if sunflower prices are depressed and exports, as a main driving force for the farmer price, are not going at the desirable level. In MY06/07, more sunflower will be used for biodiesel production, however, this new market is still insignificant, will likely trade at the same price as for crushing, and is not projected to affect overall consumption level and average prices.

Crush use: In MY05/06, crush use was estimated at 450,000 MT. Little higher consumption is likely in MY06/07 at 470,000 MT. This consumption level, however, will be very dependant on export opportunities for sunflower oil since local market is already saturated, and domestic sunflower oil consumption is stable.

Other use: No changes are likely in MY06/07, the projected level is at about 30,000 MT, the same as in MY05/06.

Exports

Sunflower exports in MY05/06 were lower than in MY04/05, 326,000 MT vs. 520,000 MT due to good supply in Black Sea region and depressed prices.

Out of total exports, 296,000 MT were oil bearing sunflower; 29,000 MT black and white sunflower, and 547 MT of seeds. The major buyers were EU (106,082 MT), Turkey (173,903 MT) and Romania (9,653 MT). Exports of white and black sunflower and planting seeds are destined mainly for the EU.

Production cost and prices

In MY05/06, sunflower production cost per a hectare was between 500 and 740 leva/HA ($333-$493) and were higher than in the previous year. Based on the average yield in the country (1.47 MT/HA), this translates into a cost per a metric ton of 340 leva/MT to 503 leva/MT. Thus, only those farmers with higher than average yields or lower production cost were able to make a good profit. Production cost in MY06/07 was 5%-10% higher, similar to the trends with corn.

Prices

- Ex-farm: After the initial depressed prices (375 leva/MT) in the first post-harvest months in MY05/06 due to difficult harvest campaign, sunflower prices began to increase in December 2005 and reached 400 leva/MT in May 06. Overall, ex-farm prices for the season were below the previous two years due to abundant supply in the region.

  In MY06/07, sunflower prices started from even lower level at 310 leva/MT (September, $207/MT) or 20% below the price a year before due to high ending stocks and record high domestic production.

- Export prices: In MY05/06, sunflower exported through Black Sea ports (145,000 MT) was traded at average $270/MT FOB Black Sea port. Sunflower destined for Turkey (135,000 MT) was exported at DAF Bulgarian border at average $273/MT.

Domestic support

See corn section for details on excise duties and subsidies.

Trade regime

Sunflower is imported at duties from 0% to 10%. Imports from EU, CEFTA, Moldova and Bosna and Herzegovina are duty free in 2006. Sunflower is exported to Turkey under duty free TRQ, 25,000 MT in the period January 1- August 31.

Table 5. Corn exports and imports, MY05/06

Corn exports, MY05/06, MT		Corn imports, MY05/06, MT	
Greece	13,601	Austria	379
Spain	74,265	Romania	398
Italy	12,597	Hungary	869
Portugal	23,000	France	416
Cyprus	7,995	Croatia	273
Macedonia	15,610	Argentina	459
Romania	24,003	USA	1346
Algeria	66,302	Greece	88
Egypt	35,018	Chile	50
Israel	30,942		
Lebanon	8,438		
Morocco	18,000		
Syria	58,246		
Tunisia	31,405		
Total	425,703	Total	6,351
USD	45,556,243	USD	7,813,200
Average price, USD/MT	107.01	Average price, USD/MT	1,230

Table 6. Sunflower exports and imports, MY05/06

Exports of oil bearing black sunflower, MY05/06, MT		Imports of oil bearing black sunflower, MY05/06, MT	
Turkey	173,903	Moldova	4,251
Spain	100,174	Ukraine	1,595
Romania	9,653	France	38
France	4,948		
Germany	476		
UK	169		
Total	296,433 ($81.3 million),av. price $274/MT	Total	5,914 ($2.0 million) Av. price $336/MT
Exports of black&white sunflower, MY05/06, MT		Imports of black&white sunflower, MY05/06, MT	
Austria	3,714	Germany	20
Germany	10,493	Turkey	40
Finland	4,774		
Denmark	2,330		
Norway	1,996		
Sweden	1,078		
Belgium	1,157		
Holland	699		
UK	366		
Total	28,583 ($12.3 million), av. price $429/MT	Total	62 ($33,220)
Exports of sunflower planting seeds, MY05/06, MT		Imports of sunflower planting seeds, MY05/06, MT	
Hungary	24	Turkey	352
Romania	12	Spain	323
Austria	407	Hungary	341
France	33	Yugoslavia	152
		Austria	518
		Italy	87
		France	514
Total	547 ($1.5 million) av. price $2,804	Total	2,366 ($16.0 million) av. price 6,786
Source: MinAg Corn and Sunflower Bulletin, October 2006			