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Bulgaria Expects Higher Grain Crop

Report Categories:
Grain and Feed

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Report Highlights:

Bulgarian farmers increased their wheat planted area by 8% and reduced barley area by an estimated 7% in MY2016/17, according to the latest official report. Corn planting has been done at a much faster rate than in the previous season and in the optimum timeframe, however, total corn planted area is currently estimated by FAS/Sofia to decline by 10%. The spring weather conditions to date have been very good with abundant rainfall and mild temperatures which provided an optimistic start for corn and increased the yield potential for the winter grains. The temperatures in the second ten days of June exceeded 30 -35 C and while they were favorable for early barley and wheat harvest, they have begun to deplete soil moisture reserves for the spring crops.

The barley harvest began around June 15 and the wheat harvest commenced around June 20. First reported barley yields are 9% higher than a year ago.

FAS/Sofia projects higher than previously expected average yields for wheat, barley and corn. Total grain production is currently forecast to reach about 8.5 MMT or slightly more than in the last

season.

MY2015/16 grain exports have accelerated in April and May. As of June 20, the country has exported 3.2 MMT of wheat, 422,000 MT of barley, and 1.1 MT of corn. Although this may lead to slightly lower than previously projected wheat ending stocks, still the accumulated stocks are likely to couple with a bigger new wheat crop and may cause some logistical challenges while the heavy balance may depress the market prices.

General Information:

Supply Forecast and Trade

MY2016/17

The weather conditions in March, April and May were very favorable for crop development with abundant rainfall and average temperatures. Winter crops were in good condition, well-advanced (on average 2 weeks ahead of the normal development stage) with high biomass accumulation.

The spring planting started about a week later due to rains at the end of March but quickly accelerated in April and slowed down in early May again due to frequent rainfall. Most spring planting was done in the optimum timeframe. The temperatures were favorable, cooler at the end of March, above average in April and slightly below average in May and in the first half of June. The wet conditions resulted in higher pest and fungi disease infestation which caused more spraying and was a treat to wheat quality. Precipitation exceeded the average by 40 to 70 mm between 1 April and 15 May (MARS Bulletin Vol. 24 No.5). In the first half of May there were also hail storms in some locations which caused crop losses.

The soil conditions are adequate with good surface and sub-surface moisture reserves. The cumulated precipitation reached 100 mm almost everywhere in Bulgaria, exceeding the average by 50 to 100% (MARS Bulletin Vol. 24 No.5). These conditions were excellent for emergence, sprouting and development of the spring crops and ensured a promising start for corn and other minor spring grains. Very high temperatures in mid-late June began to affect the soil moisture reserves but may be still sufficient to provide good conditions for corn flowering and yield formation in early July. Provided that the weather cooperates in the remainder of the season, the country will likely have higher average yields for both winter and spring grain crops.

Data from the MinAg weekly updates of planted areas and from industry reports confirms the trend for higher planted area under wheat by 8%, 5% lower planted area under winter barley and 61% less spring barley as of mid-June (Table 1). The weekly MinAg data is not statistically proven and is often found to be below actual planted/harvested area and production.

Corn planting was done in the optimum time and faster than in 2015. As of early June, corn area was reported by MinAg was flat as compared to a year ago. On the other hand, farmers and industry reports indicate that despite earlier and faster planting, total corn area is likely to decline compared to MY2015/16 record.

Based on the above developments, FAS/Sofia revises upward its yield and production estimates for the three major grains for MY2016/17. FAS/Sofia projects higher wheat area, yield and production; lower barley and corn area but with the expected growth in average yields and production for both crops, total grain production is currently forecast to reach about 8.5 MMT or slightly more than in the last season (Table 2).

Table 1. Planted Grain Crops, MY2016/17

Planted Grain Crops, MY2016/17, HA			
	June 11, 2015	**June 9, 2016**	**Difference, %**
Wheat	1,047,602	1,131,225	+8.0%
Barley	179,406	166,268	-7.3%
Winter barley	171,878	163,315 6,272 HA harvested, yield at 4.3 MT/HA	-5.1%
Spring barley	7,528	2,953	-60.8%
Corn	419,897	419,825	0%
Oats	10,860	10,085	-7.1%
Rye	5,247	6,888	+31.3%
Triticale	11,352	13,998	+23.2%
Sorghum	3,371	2,399	-28.8%
Rice	8,910	9,328	+4.7%
Source: MinAg Bulletins 24 and 25/2016, June 22, 2015			

Table 2. Grain and Feed Crops Estimates for MY2014/15-MY2016/17 (as of mid-June 2016)

	Harvested Area, (000 HA)			**Production (000 MT)**		
	MY2014/15	**MY2015/16**	**MY2016/17***	**MY2014/15**	**MY2015/16**	**MY2016/17***
Wheat	1,268	1,104	1,131	5,347	5,004	5,150
Barley	215	188	175	852	757	735
Corn	408	498	450	3,137	2,691	2,650
Total	1,891	1,790	1,756	9,336	8,452	8,485
Note: MY2014/15 is final official data, MY2015/16 is based on MinAg tentative official data published in Statistical Bulletin #305, MY2016/17 are FAS/Sofia estimates						

Wheat

Farmers planted a larger wheat area as compared to MY2015/16 and the current FAS/Sofia estimate is for 1,131,000 HA or 2.4% growth over MY2015/16 (based on final official data for MY2015/16). Yield estimates are currently in the range of 4.5 MT/HA to 4.8 MT/HA. Reportedly, farmers used more imported wheat genetics (Austria, Germany and France) which are higher yielding and more resistant to diseases.

Per the MinAg, 87% of wheat crop is in excellent condition and the production is likely to be about 5.0 MMT. FAS/Sofia yield estimate is at 4.55 MT/HA, above the earlier expectation of 4.4 MT/HA and higher than the average yield last season of 4.53 MT/HA. Some private estimates and MARS/EC publications (Bulletin Vol. 24 No.4 No.5 and No.6) are at 4.65 - 4.80 MT/HA. Total production is currently estimated by FAS/Sofia at 5.15 MMT while some industry estimates are approaching 5.35 MMT. At the launch of the harvest campaign on June 24, the Ag Minister stated that the forecast was for about 5.0 MMT.

Current concerns for the wheat crop are related to losses as a result of hail storms and potential quality issues due to reoccurring rains. Rainy spring weather led to higher risks of fungi diseases (such as yellow rust) and pests and the need for more fungicide applications. Reportedly, southern Bulgaria was affected by fungi diseases more than the northern part. However, any disease control has been challenging due to inability to access wet fields while at the same time it led to higher costs and expected lower profitability. Estimated milling wheat share is likely in the range of 45%-50% as compared to 50%-55% last season.

Barley

The barley planted area declined both for winter and spring barley due to weaker demand and lower profitability. FAS/Sofia current estimate is for 175,000 HA or 7% lower than in MY2015/16. Yield estimates are currently in the range of 4.0 MT/HA to 4.3 MT/HA. FAS/Sofia current estimate is at 4.2 MT/HA compared to earlier estimate of 4.11 MT/HA and higher than the average yield last season of 3.97 MT/HA. Early yields from 4% harvested area were reported at 4.3 MMT or 8.6% more than last season (MinAg Bulletin #25, June 22). Production estimates are in the range of 690,000 MT-760,000 MT. FAS/Sofia expectations are for 735,000 MT.

Barley quality of the first harvest is reported to be very good. As of last week of June, barley harvested is reported to be well advanced at about 30%. The share of malting barley is estimated to be about or above 20%.

Corn

Industry projections about corn planting are for a modest decline in the planted area compared to MY2015/16 when corn planted area hit a record level of 500,000 HA. Farmers are likely to favor growth in sunflower area at the expense of corn. Nevertheless, corn planting was carried out at a much faster rate and as of end May planted area was reported by the MinAg to be 5.5% more than the year before and flat compared to the previous season in early June (MinAg Bulletin #24). This timely planting along with favorable weather promised a very good start for the new crop.

Current area estimates vary from 420,000 HA to 480,000 HA, and FAS/Sofia estimate is for 450,000 HA. Yield estimates are currently in the range of 5.0 MT/HA to 7.2 MT/HA (7.2 MT/HA per MARS/EC Bulletin Vol. 24 No.6). FAS/Sofia current estimate is at 5.88 MT/HA compared to the average yield last season of 5.4 MT/HA. Production expectations are in the range of 2.45 MMT to 2.8 MMT, and FAS/Sofia is for 2.65 MMT.

MY2015/16

Wheat

Trade – World Trade Atlas/WTA data (July 2015 - March 2016) and local MinAg monthly bulletins data are shown in Table 3. WTA data (In Wheat Converted in CWT) is for exports of 2.9 MMT of wheat while official MinAg and industry estimates indicate about 3.2 MMT exported by June 20. In late March, April and May exports have accelerated. Current FAS Sofia estimate for MY2015/16 exports are at 3.2 MMT, slightly above the previous estimate.

Table 3. Wheat Trade, July 2015 - June 2016

Wheat and Wheat Flour Converted	WTA (July 2015 - March 2016)	MinAg as of June 20, 2016
Imports	36,048 CWT (EU)	25,572 MT (EU)
Exports	2,874,560 CWT Including: 786,465 CWT – Spain 550,021 CWT - Italy 283,869 CWT - Romania 339,624 CWT - Greece 184,679 CWT - Lebanon 140,920 CWT - Indonesia 90,290 CWT - Vietnam 87,924 CWT - Libya 133,995 CWT - South Korea 68,412 CWT- Portugal	3,190,993 MT (2,036,507 MT to the EU and 1,119,856 MT to non-EU markets; 34,630 MT wheat flour converted into wheat equivalent)

Stocks – Accelerated exports in the past three months may lead to lower ending stocks in MY2015/16 than previously expected. Still, as of June 19, the MinAg reported available stocks in the country at 656,000 MT (MinAg weekly bulletin as of June 19). As of April 30, the country had 3,586 warehouses or storage facilities with the capacity to hold 12,970,000 MT of grains and oilseeds.

Higher than usual wheat ending stocks by July this year may couple with the growth in the new harvest. This is likely to cause some logistics issues for both farmers and traders. The heavy balance may impact the prices as well. This situation is projected to increase the risk of further growth in ending stocks in MY2016/17.

Barley

Trade -WTA data (July 2015- March 2016) and local MinAg monthly bulletins data are shown in Table 4. WTA and MinAg data coincide for exports of 421,000 MT. Current estimates for MY2015/16 exports are at 425,000 MT to 440,000 MT. FAS/Sofia estimate is for 430,000 MT.

Table 4. Barley Trade, July 2015 - June 2016

Barley	**WTA (July 2015 - March 2016)**	**MinAg as of June 20 2016**
Imports	8,675 MT (EU)	4,472 MT (EU)
Exports	421,117 MT Including: 187,948 MT - Saudi Arabia 98,161 MT - Libya 51,314 MT – Romania 37,273 MT - Greece 18,762 MT – Spain	421,453 MT (119,777 MT to the EU and 301,676 MT to non-EU markets)

Stocks: No extra ending stocks are likely to be accumulated in MY2015/16. The MinAg tentative data as of June 19 show available stocks in the country at 10,485 MT.

Corn

Trade - WTA data for October 2015 - March 2016 is for exports of about 806,000 MT. The MinAg and industry estimates are at 1.1 MMT exported by June 20 (Table 5). Current estimates for MY2015/16 exports are at 1.2 MMT to 1.7 MMT. FAS/Sofia estimate is for 1.5 MMT.

Table 5. Corn Trade, MY2015/16 (October 2015 - June 2016)

MY2015/16	**WTA (October 2015 - March 2016)**	**MinAg as of June 20, 2016**
Imports	15,969 MT (EU)	23,788 MT
Exports	806,938 MT Including: 180,382 MT - Romania 137,056 MT – Spain 91,217 MT - Italy 79,708 MT - Greece 78,925 MT - Portugal 57,570 MT - UK 44,000 MT – Germany	1,125,478 MT 851,908 MT to the EU and 273,570 MT to non-EU markets)

	33,213 MT – The Netherlands 27,500 MT - New Zealand	

Stocks: The MinAg tentative data as of June 20 2016 shows available stocks at 1.38 MMT either to be exported (in addition to already exported 1.1 MMT) and/or for ending stocks.

Agricultural Policy

Following a season of unusually high occurrence of hail storms causing serious crop losses, the MinAg took a decision to reform the state company in charge of anti-hail control. The reform aims to establish a new public-private organization which will operate based on anti-hail rockets and airplanes. Its budget will be based on collective voluntary membership of farmers who will pay insurance premiums (or fees per a hectare). Insurance companies also will be a part of the new system. The model is developed jointly between the MinAg and the Research Institute for Space Technologies. Per the current plans, the new infrastructure will include 32 new anti-hail locations, new radars and other equipment. The new system should be introduced by the spring of 2017 and is planned to cover 3.6 MHA of ag land compared to current 1.0 MHA. The Cabinet still needs to approve the respective legislative changes and the budget for the new investment.

On April 26, the MinAg approved the rate per hectare for green subsidies at 65.04 Euro/HA. The Paying Agency paid total 218 million Euro to 50,000 farmers for green subsidies at the end of April.

The authorities also approved a budget of 500,000 Euro for support of services to seed producers (state aid). To goal is to encourage production and use of certified planting seeds. The state aid is used a subsidy for the services extended by the Executive Seeds Production and Control Agency to seeds producers.

In early May, the authorities extended the deadline for applications for single area payment subsidies (SAPS) until May 31 after consultations with the local farm and ag industry and the EC legal approval. As of June, 115,000 farmers applied for subsidies on 3.7 MHA of ag land. In early June, the MinAg reported that 213 large farmers applied for SAPS exceeding the national capping of 150,000 Euro; and 31 of them were the largest farmers who applied for more than 300,000 Euro payments. In the last year before introduction of capping, 154 farmers received subsides between 150,000 and 300,000 Euro for 420,000 HA, and a few farmers who received over 300,000 Euro subsidies were cultivating total 240,000 HA.

End of Report