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Report Highlights:

Bulgarian farmers decreased winter grains' planted areas in MY2017/18 by about 3% for wheat and by 21% for barley. Growing conditions to date have been generally favorable, albeit not as good as in the previous season, with very cold and snowy winter, cold and wet spring and varied adequacy of soil moisture reserves by regions. Provided that the weather cooperates later in the season, the country can expect a good crop and above average yields but lower than those achieved in MY2016/17. While wheat and barley had excellent yields in MY2016/17, corn was affected by drought. Early data indicates that corn area in MY2017/18 will likely stagnate.

MY2016/17 wheat exports have been at a record high due to abundant supply, much better quality, and dynamic export demand. As of the end of April 2017, the country has exported 3.9 MMT of wheat, 1.5 MMT more than a year ago, 374,000 MT of barley, and 867,000 MT of corn. Active wheat exports depleted previously accumulated stocks.

Note: This report is to be read in conjunction with the Grain and Feed Annual_London_EU-28_3-30-

2017 and provides further information on Bulgarian market of grains and feed.

General Information:
Overview

In MY2016/17 grain exports have been much higher than anticipated due to strong export demand and excellent quantity and quality of the wheat crop. Wheat prices have appreciated and have grown consistently since October 2016. Higher wheat exports led to stagnated domestic use compensated by increased consumption of barley and corn, mainly for industrial use and for feed. Overall grain use has been stimulated due to improving feed demand as a result of better livestock inventory and good "industrial" use for ethyl alcohol/ethanol production. Ending stocks declined.

MY2017/18

The weather in the fall of 2016 was moderately favorable for fall planting. Farmers were able to plant on time as some planting was done later due to drier conditions. Drought prevailed in Southern Bulgaria. Despite limited rainfall, newly planted wheat and barley remained in good shape. Deep snow cover in the period January – February managed to protect the crops from record low temperatures that reached - 25C. At the same time, the snowfall provided much needed moisture to build soil moisture reserves. The sub-surface soil moisture in March-April was below the levels of the last year with a higher deficit in Southern Bulgaria, however, rains at the end of April and early May helped to rebuild the moisture reserves. Provided that the weather cooperates for the remainder of the season, the country can expect slightly above average yields.

Table 1. Planted Winter and Spring Grains, MY2017/18

Planted Winter and Spring Grains, MY2017/18, HA			
	May 4, 2017	**May 5, 2016**	**Difference, %**
Wheat	1,096,400	1,126,823	-2.7%
Winter barley	129,665	163,137	-20.5%
Spring barley	2,930	2,732	+7.3%
Corn	368,562	370,679	-0.6%
Rye	6,234	6,889	-9.5%
Triticale	15,362	13,988	+9.8%
Oats	9,370	7,066	+32.6%
Rice	2,025	1,751	+15.6%
Sorghum	1,122	1,344	-16.5%
Source: MinAg Bulletin 19/2017, May 10 2017 *Note: In November 2016 (November 30 Bulletin 47/2016), MinAg reported wheat area at 1,018,478 HA, barley area at 124,612 HA, rye area at 5,026 HA and triticale area at 11,671 HA*			

Farmers planted 3% lower wheat area compared to MY2016/17, mainly due to depressed prices and higher beginning stocks. Production estimates are currently in the range of 4.9 MMT to 5.5 MMT. Current FAS/Sofia estimate for My2017/18 is at 5.1 MMT with an average yield of 4.7 MT/HA and a potential for yields to increase to 4.9 MT/HA (5.3 MMT).

Barley planted area decreased sharply by 21%. FAS/Sofia current estimate is for 140,000 HA (winter and spring barley). Production estimates are in the range of 600,000 MT-630,000 MT. FAS /Sofia expectations are for 600,000 MT with average yields of 4.3 MT/HA.

Projections about corn planting in MY2017/18 are for stagnation in the planted area compared to MY2016/17. According to industry sources, this is caused by the fact that farmers suffered seriously from summer drought in the two previous years, had lower yields, and small or negative margins. Local authorities allowed another season of a limited derogation in use of neonicotinoids. However, farmers are likely to favor growth in sunflower area at the expense of corn. Reports from planting seeds traders confirm this trend. Area estimates vary from 410,000 HA to 460,000 HA, and current FAS/Sofia estimate is for 440,000 HA. Production expectations are in the range of 2.48 MMT to 2.7 MMT, and FAS/Sofia estimate is for 2.55 MMT.

MY2016/17

Current MinAg, Eurostat, industry and FAS/Sofia estimates are shown in Table 2. (See also GAIN report BU1639).

If FAS/Sofia estimates for MY2016/17 are used and compared to the previous marketing year, it shows 3.8% decline in harvested areas for the three major grains but 2.2% higher production, due to a record high wheat crop and lower corn crop affected by the summer drought. Wheat yields were much higher than expected initially at 5.03 MT/HA compared to about 4.53 MT/HA for the last two seasons. Barley yields were also higher at 4.36 MT/HA compared to 3.97 MT/HA in the previous season. The continued shift in use of more imported genetics is one of the reasons for this trend in average yields. Corn yields stagnated at 5.4 MT/HA due to repeated adverse hot and dry summer in the last two seasons. See GAIN BU 1639 regarding the quality of the crops.

Table 2. Grain and Feed Crops Estimates as of early May 2017

Crop Years MY2016/17 vs. MY2015/16	**Harvested Area (000 HA)**		**Production (000 MT)**	
	MY2016/17 (est.)	**MY2015/16 (final official)**	**MY2016/17 (est.)**	**MY2015/16 (final official)**
Wheat	1,124 (MinAg) 1,192 (Eurostat) 1,123 (FAS estimate)	1,106	5,605 (MinAg, Eurostat) 5,600 - 6,160 (Industry estimates) 5,650 (FAS estimate)	5,011
Barley	176 total winter and	176	693-727 total winter	699

	spring barley (MinAg) 160-170 (Industry estimates) 161 (Eurostat) 165 (FAS estimate)		and spring barley (MinAg) 705-760 (Industry estimates) 713 (Eurostat) 720 (FAS estimate)	
Corn	419 (MinAg) 420-450 Industry estimates 407 (Eurostat) 420 (FAS estimate)	499	2,209 (MinAg) 2,03-2,200 Industry estimate 2,219 (Eurostat) 2,220 (FAS estimate)	2,697
Total	1,715	1,781	8,590	8,407
Note: MY2015/16 data is final official data; MY2016/17 estimates are based on MinAg weekly bulletins and tentative statistical reports.				

Grain Sector Trends MY2016/17

Wheat

Currently there are several key market trends in the market:

- Higher exports to date and depletion of stocks;
- Slight increase in feed use due to good availability but lower than expected due to booming exports;
- Continued trend of decreased use for human consumption;
- Increased use for ethyl alcohol production.

Wheat Supply and Demand Balance MY2014/15 – MY2016/17

Bulgaria	**2014/15**	**2015/16**	**2016/17***
Marketing Year Begin	**July 2014**	**July 2015**	**July 2016**
Area, (000) HA	1,268	1,106	1,123
Production, (000) MT	5,347	5,011	5,650
MY Imports, (000) MT	47	56	40
MY Exports, (000) MT	3,037	3,518	4,000
Total Consumption, (000) MT	1,880	1,850	1,860

Note: FAS/Sofia estimates

Wheat for Food Use: A gradual decrease in wheat consumption for food has been ongoing over the last 10 years driven by changing eating habits, demography and lifestyle. The first official data for 2016 indicates that this trend has continued with a 1.4% decline in annual consumption of bread, bakery products and flour by households (88.0 kg per capita of bread and bakery products and 8.9 kg/capita of wheat flour). Official data about wheat flour production also show a modest decline. Wheat flour output declined from 508,000 MT in 2014 to 503,000 MT in 2015 and reportedly stagnated in 2016. Currently FAS/Sofia estimate wheat used for food purposes at 940,000 MT.

The country continues to switch to higher-end flours and bakery products. Imports of ready to use mixes and dough for bakery products (HS#190120) in 2016 continued to grow by 19.5% in volume and by 51.9% in value (U.S. $7.3 million) compared to 2015.

Wheat for Feed: Domestic feed wheat consumption was slightly higher due to much better availability. However, fast growing exports and good wheat quality led to appreciating prices and feed mills had to switch to less expensive alternatives such as barley and corn.

The local dairy/livestock/poultry industries see stable or increasing animal inventories and some feed mills successfully exported ready feed to Romania and/or other neighboring countries. It is expected that feed exports will likely grow in MY2017/18 with expanding capacities of several feed mills. Bulgaria is in the process of being approved by China to export feed to this market and the first such exports are likely to begin in MY2017/18. FAS/Sofia estimate that wheat feed use in the current season is about 3% more than in MY2015/16.

Wheat for Industrial Use – There has been a higher usage of wheat (and corn) for ethyl alcohol for spirits and medicinal purposes and ethanol due to better wheat availability. Grains estimated to meet this demand are used in a proportion of 30% wheat and 70% corn. FAS/Sofia estimate for wheat use for industrial purposes is currently at 60,000 MT for MY2016/17 compared to 50,000 MT in MY2015/16. The country remains a net exporter of ethyl alcohol. In 2016 exports grew by 6.8% while imports declined by 9%.

Table 3. Trade under HS#2207 Ethyl Alcohol

Trade under HS#2207 Ethyl Alcohol				
	2013	**2014**	**2015**	**2016**
Imports, liters	6.1 million	17.0 million	19.6 million	17.8 million
Exports, liters	33.5 million	44.1 million	49.5 million	52.9 million

Source: WTA

Trade - WTA data (July - December 2016) and local MinAg monthly bulletins data are shown in Table 4.

WTA data for the July-December period MY2016/17 (In Wheat Converted in CWT) is for exports of 3.3 MMT of wheat while official MinAg and industry estimates indicate about 3.9 MMT exported by the end of April. Major export markets remain in the EU – Spain, Italy, and Romania. The major non-EU markets in the current season are Vietnam, South Korea and Morocco. Current industry and FAS/Sofia estimates for MY2016/17 exports are close to 4 MMT. This will be the highest wheat exports for many years.

Table 4. Wheat Trade, July 2016 - April 2017

Wheat and Wheat Flour	**WTA (July - December**	**MinAg as of April 28, 2017**

Converted	**2016)**	
Imports	28,740 CWT (EU) • 8,980 CWT - Greece • 5,321 CWT - Austria • 4,558 CWT - France	36,517 MT (EU)
Exports	3,310,094 CWT Including: 1,031,291 CWT – Spain 419,589 CWT - Romania 386,443 CWT - Italy 351,708 CWT - Vietnam 250,632 CWT - Greece 140,700 CWT - South Korea 90,563 CWT- Morocco 79,096 CWT - Portugal	3,878,442 MT (2,422,059 MT to the EU and 1,456,383 MT to non-EU markets)

Stocks – Active exports to date, along with more lively local demand have resulted in depletion of previously accumulated stocks. Market estimates for MY2016/17 ending stocks are in the range of 170-250,000 MT depending on the final consumption and trade data.

MinAg tentative data as of the end of April 2017 shows beginning stocks for MY2016/17 of 420,000 MT, local consumption at 1.8 MMT and exports at 3.9 MMT. MinAg reports 600,000 MT in available stocks (Bulletin April 28) and forecasts ending stocks at 370,000 MT at the end of June.

Barley

Currently there are several key market trends on the market:

- Lower exports to date;
- Higher feed use as a substitute for wheat;
- Possible accumulation of higher ending stocks.

Thanks to favorable weather and improved genetics, barley yields and production was very good. Still, the MinAg lowered its previous estimate to 694,000 MT as of early May 2017. Current FAS/Sofia estimate is for 720,000 MT total winter (710,000 MT) and spring barley (10,000 MT), slightly less than the previous estimate of 740,000 MT. See GAIN BU 1639 regarding the quality of the crop.

Barley Supply and Demand Balance MY2014/15 – MY2016/17

Bulgaria	**2014/15**	**2015/16**	**2016/17***
Marketing Year Begin	**July, 2014**	**July, 2015**	**July, 2016**
Area, (000) HA	215	176	165
Production, (000) MT	852	699	720
MY Imports, (000) MT	2	15	16
MY Exports, (000) MT	550	546	390
Total Consumption, (000) MT	295	240	300

Note: FAS/Sofia estimates

Barley for Food/Industrial Use: Barley is mainly used for malt for beer production. Over the years malt production has varied and was complemented by imports. Bulgaria is a net importer of malt. Local beer production has been stable with small fluctuations in demand for raw materials (Table 5). In 2015 official data indicates malt production at 38,000 MT and barley used for this purpose at 55,000 MT (based on industry conversion indexes). Industry estimates for 2016 are for higher malt production and use of barley at 65,000 MT. Imports of malt (HS#1107) in 2016 declined by 15% to 13,665 MT due to improved local supply. FAS/Sofia estimate for barley used for food purposes (malt and other minor products) is at 70,000 MT.

Table 5. Beer and Malt Production, and Malt Imports 2011-2016

Years	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Beer production,000 liters	494,800	521,900	510,500	487,200	485,035	NA
Malt production, MT	54,400	50,100	38,600	41,100	37,900	NA
Malt Imports (HS#1107)MT	12,265	15,966	19,503	13,450	16,146	13,665

Source: National Statistical Institute and WTA

Barley for Feed: The good crop, lower export demand, better feed demand and competitive prices have encouraged higher feed use. FAS/Sofia estimate is at about 200,000 MT. The MinAg reported feed use at 174,000 MT at the end of April.

Trade -WTA data (July - December 2016) and local MinAg monthly bulletins data are shown in Table 6.

WTA data for the July-December period MY2016/17 is for exports of 237,000 MT while official MinAg and industry estimates are at 374,000 MT exported by the end of April. Major export markets are Libya, Spain and Romania. Exports lag significantly behind the previous marketing year due to lack of good export demand and regional competition. Current FAS/Sofia estimate for MY2016/17 exports are at 390,000 MT compared to 546,000 MT exported in MY2015/16.

Table 6. Barley Trade, July 2016 - April 2017

Barley	WTA (July-December 2016)	MinAg as of April 28, 2017
Imports	12,674 MT (EU)	15,721 MT (EU)
Exports	236,703 MT Including: 67,363 MT – Spain 66,606 MT - Libya 65,769 MT - Greece	373,796 MT (232,311 MT to the EU and 141,485 MT to non-EU markets)

Source: WTA and Bulgarian MinAg

Stocks: Higher stocks are likely to be accumulated in MY2016/17. The MinAg tentative data as of April 2017 estimates local consumption at 272,000 MT with about 68,000 MT available in stocks (Bulletin April 28) either to be exported (in addition to already exported 374,000 MT) and/or for ending stocks.

Corn

Currently there are several key market trends on the market:

- Much lower yields in MY2016/17 as a result of summer drought;
- Market prices were flat and declining since February, which along with lower yields, led to small/negative production margins and may result in stagnation in plantings in MY2017/18. On the other hand, domestic prices were firmer than those in the region which stimulated imports in the spring of 2017;
- Sluggish export demand lagging behind last year and tough regional competition;
- Increased domestic consumption due to higher use for food (starch) and for industrial use (ethyl alcohol);

Corn planting was discouraged by negative margins in the previous season and planted areas decreased by 15%. Since some areas were seriously hit by another summer drought, the harvested area reduced further and some market estimates are as low as 407,000 HA.   Adverse summer weather led to stagnated average yields at 5.4 MT/HA, the same as in the previous season. FAS/Sofia's revised estimate is slightly lowered to 2.22 MMT, as compared to 2.28 MMT for an earlier.

Corn Supply and Demand Balance MY2014/15 – MY2016/17

Bulgaria	**2014/15**	**2015/16**	**2016/17***
Marketing Year Begin	**October, 2014**	**October, 2015**	**October, 2016**
Area, (000) HA	408	499	422
Production, (000) MT	3,137	2,697	2,220
MY Imports, (000) MT	57	40	100
MY Exports, (000) MT	2,062	1,325	1,300

Total Consumption, (000) MT	1,093	1,151	1,200

Note: FAS/Sofia estimates

Corn for Food: Corn for food is used mainly by the starch manufacturing industry and a small percent is used by food/confectionary industries for corn flour and other minor products. The starch industry currently uses the largest share of the crop. FAS/Sofia estimate for corn for food use is currently at 400,000 MT.

Corn for Industrial Use: Corn is used for bioethanol and ethyl alcohol production and is preferred over wheat. Production has steadily increased over the past five years. In the current season, industrial use is reported by market sources to grow further. FAS/Sofia estimate for corn for industrial use is at 140,000 MT with private estimates going as high as 190,000 MT. This industry was a primary buyer of imported corn in the spring of 2017.

Trade is Dried Distillers Grains with Solubles (DDGS) (Table 7, HS#230330) indicates that the country continues to be a net exporter of this product with growing local production and consumption. Exports of DDGS in 2016 increased by 35% compared to 2015. Turkey and Greece are the major export markets. Improved feed demand also stimulated imports. Romania and Austria were the main origins for imports.

Table 7. Trade in DDGS, 2011-2016, MT

Trade in DDGS 2011-2016, in Metric Tons						
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
Imports	0	261	2,664	884	4,229	28,206
Exports	20,864	40,760	44,501	46,197	53,383	72,212

Source: WTA

Corn for Feed: Corn has been a preferred feed by the poultry and pork industries. Due to dynamic wheat exports, feed mills switched to use more corn. Corn use for feed in the current season is estimated to grow by 4%-5%. The estimates about feed use vary widely from 400,000 MT to 680,000 MT (MinAg). Current FAS/Sofia estimate is for 600-650,000 MT.

Trade - WTA data is available for the first quarter of MY2016/17. The MinAg monthly bulletins data are shown in Table 8.

WTA data for October-December 2016 is for exports of about 571,000 MT. Corn was exported mainly to the EU (Romania, Spain and France). The MinAg reports 870,000 MT exported by the end of April 2017 (based on crop year starting from September 1). The EU was the main export market with an 80% share (700,000 MT). Exports lag behind the previous season due to lower availability and regional competition. Current estimates for MY2016/17 exports are at 1.2-1.3 MMT. FAS/Sofia estimate is for 1.3 MMT. Imports were reported by the MinAg at 91,000 MT as of the end of April. The main origin is reportedly Serbia and the buyers are from the starch and ethanol industries.
MY2015/16 trade data per WTA is shown in Table 7. Romania dominated as a supplier for imports. Romania, Greece and Spain were the major export markets for Bulgarian corn.

Table 8. Corn Trade, MY2015/16 (October 2016 - April 2017) and MY2015/16

MY2016/17	**WTA (October - December 2016)**	**MinAg as of April 28, 2017**
Imports	7,740 MT (EU)	91,268 MT
Exports	571,462 MT Including: 96,633 MT - Romania 86,430 MT - Spain 65,414 MT - France 54,949 MT - Greece 54,242 MT - Israel 41,254 MT - Italy 30,705 MT - Portugal	867,584 MT 693,137 MT to the EU and 174,447 MT to non-EU markets)
MY2015/16	**WTA**	
Imports	39,973 MT Including: 21,171 MT - Romania 7,806 MT - Greece 4,102 MT – France 4,409 MT - Hungary	
Exports	1,325,086 MT Including: 242,206 MT - Romania 189,927 MT - Greece 167,332 MT - Spain 138,370 MT - Portugal 103,254 MT - Italy 87,729 MT - Libya	

Stocks: Currently, MY2016/17 ending stocks are projected around 200,000 MT, lower than in the previous season. The MinAg tentative data as of April 2017 shows beginning stocks for MY2016/17 of 400,000 MT and 1.1 MMT available in stocks (Bulletin April 28) either to be exported (in addition to already exported 870,000 MT) and/or for ending stocks.

End of Report