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Grain and Feed Market Update

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Approved By:

Russ Nicely

Prepared By:

Mila Boshnakova

Report Highlights:

MY2016/17 wheat production marked a new record reaching 5.65 MMT with 11% higher yields and an expanding share of milling wheat at 44% due to favorable climate conditions and the shift in use of imported genetics. Wheat exports had a strong start and are at 2.1 MMT as of early November with a potential to grow above 3.6 MMT for the season. In contrast, the corn crop suffered from summer heat and dryness and FAS/Sofia has revised downward its production estimates to 2.3 MMT. The corn harvest is reported at about 95% completed by November 3. Accelerated grains exports in the last quarter of MY2015/16 resulted in lower ending stocks. Favorable fall weather and rainfall in the first half of October allowed for generally timely fall planting, rebuild of soil moisture reserves, and promised a good start of MY2017/18 winter grains crop.

General Information:

Weather
Following very favorable spring weather conditions with abundant rainfall and mild temperatures, the summer months between mid-June and September brought high temperatures (over 30-35C) and dryness. Some production regions remained with no rain for more than 100 days, others had localized summer showers. Western regions had generally better summer rainfall compared to other regions. The uneven distribution of rainfall led to a mixed picture of grain yields. While winter crops enjoyed excellent yields, quality and production supported by good harvested weather, spring crops, especially corn, suffered seriously. Overall, the grain crop development was 1-2 weeks more advanced than normal and the harvest started earlier. In September the weather was warm and the water supply continued to be inadequate until the middle of the month when rainfall interrupted the corn harvest and fall planting but was welcome for the newly planted wheat and barley. Rainfall in the first half October was more abundant, rebuilding the soil moisture reserves and was very beneficial for the crops. Fall panting was delayed due to interruptions caused by the rains but the favorable climate so far promises a good start for the new crop in MY2017/18.

MY2016/17

Production

The MinAg weekly reports show the following production data as of November 3, 2016 (Table 1).

Table 1. Harvested Grain Crops, MY2016/17

Harvested Grain Crops, MY2016/17, HA as of November 3, 2016			
	Planted and Harvested Area, HA	**Production, MT**	**Difference compared to MY2015/16 in Percentage**
Wheat	1,127 planted 1,124 harvested	5,336,220 MT	+14.3%
Winter Barley	162 planted 162 harvested	717,975 MT	+2.0%
Spring barley	3,098 planted 3,087 harvested	9,132 MT	-63.9%
Corn	422,750 HA planted 401,718 HA harvested 95% of harvested area	2,118,547 MT	+10.8%
Other Grains			
Oats	10,771 HA planted 9,771 HA harvested	21,536 MT	-18.2%

Rye	6,478 HA planted 6,320 HA harvested	12,715	+30.1%
Triticale	14,003 HA planted 13,795 HA harvested	45,122	+35.9%
Sorghum	2,898 HA planted 2,490 HA harvested	5,993	-40.2%
Rice	10,037 HA planted 5,748 HA harvested	34,837	-42.7%
Source: MinAg Bulletins 44/2016, November 9 and 34/2016 of August 24(final harvest weekly report for winter crops as of August 18)			

Based on official data, industry sources' estimates, and regional crop travel at the end of August, FAS/Sofia has updated its estimates for MY2016/17 (Table 2). Wheat production was revised upward to a record 5.65 MMT, barley estimates are reconfirmed, and the corn production estimate is revised substantially downward to 2.3 MMT due to adverse summer weather conditions. The wheat crop is 13% higher than in the previous year, the barley crop is 2% lower, and the corn crop declined by 15% compared to MY2015/16. Total grains output is at 8.7 MMT, 2.6% more than in MY2015/16.

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

	Harvested Area, (000 HA)			**Production (000 MT)**		
	MY2014/15	**MY2015/16**	**MY2016/17**	**MY2014/15**	**MY2015/16**	**MY2016/17**
Wheat	1,268	1,105	1,128 planted 1,126 harvested	5,347	5,011	5,650
Barley	215	188	177 planted 176 harvested Including 3.0 spring barley	852	757	740, including: 730 winter barley 10 spring barley
Corn	408	498	450 planted 430 harvested	3,137	2,696	2,300
Total	1,891	1,791	1,729	9,336	8,464	8,690
Note: MY2014/15 is final official data, MY2015/16 is based on MinAg final official data published in Statistical Bulletin #316, MY2016/17 are FAS/Sofia estimates						

Trade

MY2015/16 grain exports have accelerated in the last quarter of the marketing year and resulted in lower than previously expected ending stocks. MY2016/17 wheat crop was record high and of better quality than in the previous season which supports a higher export potential. As of November 3, wheat exports are reported by the MinAg at 2.1 MMT with 76% delivered to the EU market. Barley exports are at 328,000 MT with 68% delivered to the common market.

The corn harvest is reported at 95% completed with an average yield of 5.27 MT/HA and collected production to date of 2.118 MMT as of November 3. About 340,000 MT of the new corn crop was exported per the MinAg weekly reports.

Wheat

MY2016/17

One of the most important trends in MY2016/17 wheat production was the considerable shift in use of imported genetics. FAS/Sofia crop travel and interviews with industry contacts confirmed that the trend which began about two years ago has quickly expanded. Farmers report that over 75% of wheat grown in the country today comes from imported genetics, mainly French and Austrian varieties. Reportedly, these varieties are higher yielding and more resistant to diseases, and in most cases the quality is very good. The shift in genetics is the major driver of exceptional yields this year exceeding 5.0 MT/HA (5.03 MT/HA) compared to 4.53 MT/HA in MY2015/16.

Consistently increasing land rents, inputs and production costs combined with depressed commodity prices pressure farmers to seek for maximum wheat yields. Most farmers report that the breakeven average yield has increased and is currently about 4.5-5.0 MT/HA and those producing less are at loss.

Some farmers, however, claim that higher yields are not necessarily leading to better quality. The abundance of feed wheat on the market depresses local market prices and conversely creates a premium for milling wheat. Such premiums for quality wheat has not been typical for the local market and this is the first year when some mills and foreign buyers (mainly from Greece and Spain) are ready to offer substantial bonuses for higher protein wheat. As a result, select leading farmers report to be currently in process of contracting production of high protein wheat (also from imported genetics) for the next marketing year.

In early August the MinAg reported the official results of 2016 crop quality. The results are based on 792 samples from 1,085,552 MT or from about 20% of the crop. The quality characteristics were as follows:

Protein content: 11.6% ± 1.4% compared to 11.4% ± 1.3% for 2015 crop;
Falling Number: 369.7 sec ± 49.7 sec compared to 295.7 sec ±64.4% in 2015;
Hectoliter mass: 77.5 kg/100dm³ ± 3.0 kg/100dm³ compared to 79.9kg/100dm³ for 2015 crop;
Wet Gluten: 23.2% ±3.8% compared to 23.2% ±3.5% in 2015;
Moisture: 11.8% ±0.8% compared to 11.8% ± 1.0% in 2015;

Based on these results, the authorities report that 43.6% of wheat is of milling quality compared to 32.2% in 2015.

MY2017/18

Wheat planting is being carried out on time supported by the relatively dry weather in September (some rains in mid-September). Rainfall in the first half of October interrupted the planting but helped the newly planted crop and rebuilt depleted soil moisture reserves. The planted area is expected to stagnate or decline slightly due to the expansion of rapeseeds. As of November 3, the MinAg weekly reports indicate 830,000 HA planted wheat area or 0.8% less than a year ago. FAS/Sofia estimate planted area to reach 1.05 MHA.

Barley

MY2016/17

FAS/Sofia previous estimate for harvested area, yields and production has been confirmed by final harvest results. Average yields were at 4.2 MT/HA or 4.4% above the previous season, however, the decline in area resulted in 2.3% lower crop compared to MY2015/16.

In early August the MinAg reported the official results of 2016's crop quality. The results are based on 406 samples from 272,934 MT or from 38% of the crop. The quality characteristics were as follows:

Protein content: 11.6% ± 1.2% compared to 11.4% ± 1.2% for 2015 crop;
Hectoliter mass: 62.2 kg/100dm^3 ± 3.3 kg/100dm^3 compared to 64.5 kg/100dm^3 ± 3.1 kg/100dm^3 for 2015 crop;
Uniformity of the lots: 85% ± 12.2% compared to 89.4% ± 6.9% in 2015;
Moisture: 12.1% ±1.0% compared to 12.6% ± 1.0% in 2015;
Foreign matters: 1.2% ± 1.5% compared to 0.7% ± 0.7% in 2015.

Based on these results, the authorities report that 61% of barley was of malting quality and 39% of feed quality.

MY2017/18

It is expected that due to sluggish exports, depressed prices and lower profitability, farmers will continue to reduce barley area to the levels necessary for the crop rotation practices. As of November 3, the MinAg reports indicate only 103,000 HA planted area or 26% less than a year ago.

Corn

FAS/Sofia has revised its estimates for harvested area, yields and production due to summer heat and dryness. Current harvest area estimates are lower at 420,000 HA – 430,000 HA due to reported heavy yield loss in some regions which will leave some area unharvested. It is possible for this estimate to be reduced further due to a new trend for harvesting grain corn for silage or biomass for biogas use. During FAS/Sofia crop travel, several farmers reported that due to declining yields and depressed corn prices, it becomes more profitable to harvest grain corn as biomass and sell it to biogas/green energy producers. Reportedly, prices provided by these producers are at 70-75 leva/MT (U.S. $40-43/MT). Currently the country is estimated to have about 11-16 functioning biogas installations which buy grain biomass. Some industry estimates show that 200,000 MT to 300,000 MT of MY2016/17 corn crop can be consumed by biogas producers.

Average corn yields were revised to reflect the effects of adverse summer weather. FAS/Sofia crop travel proved that the yield picture in the country is very mixed. Due to the plentiful winter/spring soil moisture reserves and high quality genetics, the crop had an excellent start. Irrigated corn (less than 10%), most corn farmers in Western part of the country and those in select locations in Northern Bulgaria with localized summer showers, are expected to have higher yields of 8.0 MT/HA - 10 MT/HA. At the same time, major production regions did not see any rainfall for 90, 100 and more days and yields seriously suffered.

Current yield estimates are in the range of 5.0 MT/HA to 5.3 MT/HA (5.09 MT/HA per MARS/EC Bulletin Vol. 24 No.9 and No.10) or lower than the average yield last season of 5.4 MT/HA. The MinAg reported average yield as of November 3 is at 5.27 MT/HA from 95% harvested area (collected crop of 2.118 MMT). Production expectations are in the range of 2.1 MMT to 2.3 MMT, and FAS/Sofia is for 2.3 MMT.

Trade

Wheat

MY2015/16

Final trade data shows wheat exports at 3.5 MMT of which 2.2 MMT to the EU and 1.3 MMT to non-EU markets. In late March, April and May exports have accelerated and resulted in lower ending stocks in MY2015/16.

MY2016/17

Wheat exports had a strong start in the summer and have slowed down in the fall but are still ahead of last year pace. As of November 4, 2016, exports totaled 2.1 MMT. It is estimated that the annual exports will be higher and reach 3.6 MMT - 4.0 MMT. The MinAg estimates wheat export surplus of 4.0 MMT (MinAg weekly bulletin of November 4)

Stocks – Accelerated exports in the last quarter of MY2015/16 led to lower ending stocks in MY2015/16 than previously expected. The MinAg reported ending stocks in the country as of June 30 at 420,000 MT. Industry estimates show even lower stocks at 300,000-350,000 MT due to higher industrial use. Per the latest MinAg data, as of September 2016, the country has 3,600 warehouses for storage of 14.0 MMT of grains and oilseeds.

Barley

MY2015/16

Final trade data shows higher barley exports in MY2015/16 close to 550,000 MT, exported mainly to Saudi Arabia and Libya.

MY2016/17

Barley exports started strong, similar to wheat, but slowed considerably in the fall and are currently estimated at 328,000 MT as of November 3. The MinAg estimates barley export surplus at 430,000 MT.

Stocks: No extra ending stocks are likely to be accumulated in MY2015/16. The MinAg reported available stocks in the country as of June 30 at 4,900 MT.

Corn

Trade data for MY2015/16 October 2015 - June 2016 is for exports of 1.23 MMT, mainly to Romania, Greece, Spain and Portugal. The MinAg estimates are at 1.4 MMT exported by the end of August. Current industry estimates for MY2015/16 exports are at 1.5 MMT-1.6 MMT. Imports (October 2015 - June 2016) were at 24,000 MT, mainly from Romania, Hungary and Greece.

Exports of the new corn crop MY2016/17 are reported by the MinAg at 342,000 MT as of November 4. Over 92% of exports were destined for the common market.

Stocks: The MinAg tentative data for MY2015/16 ending stocks as of August 31 is at 400,000 MT (The Bulgarian MinAg uses marketing year starting from September 1 to August 31). Most industry sources, however, have lower estimates for 300,000 MT.

End of Report