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Grains and Oilseeds Market Update

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Approved By:

Michael Henney, Agricultural Attaché

Prepared By:

Mila Boshnakova, Agriculture Specialist

Report Highlights:

Bulgaria's weather, while very favorable during harvest of spring crops and planting of fall crops, the drought's continuation through the fall is raising concern over development of the 2012/13 winter wheat, barley, and rapeseed crops. The potential for record yields from the upcoming winter crops is diminishing rapidly with the fate of the rapeseeds crop highly dependent on weather/moisture over the next 2 to 3 weeks.

MY2011/12 wheat, barley and corn barley exports are progressing quickly with the country having already shipped over 60 percent of the wheat, 80 percent of the barley, and in the throes of a record volume of corn. The 2012 corn crop, while 28 percent smaller than 2011 production due to the drought, is on target to supply over 0.5 MMT of corn to foreign markets.

General Information:

Weather

The record summer drought and temperatures have continued into the fall. Weather in September and October was warmer and with lower than normal rainfall (see satellite graphs at the end of the report). While weather was very favorable for harvest of spring crops and for timely planting of fall crops, the summer's drought's continuation through the fall is raising concern over development of winter crops - wheat and barley, and specifically rapeseeds. The potential for record yields from fall crops is diminishing rapidly with the fate of the rapeseeds crop highly dependent on weather/moisture over the next 2 to 3 weeks. The weather outlook does not predict any significant rainfall in the near term. Wheat and barley are also in danger of entering the winter season underdeveloped thus vulnerable to extreme weather. By region, the situation in Southern Bulgaria is precarious than in Northern Bulgaria.

Farmers report that rapeseed crops are not germinating due to lack of any soil moisture. Following the harsh winter of 2011/12 wherein over 60 percent of the rapeseed crop was lost many producers are opting to mitigate risk of another lost crop by planting less area to rapeseed. The Ministry of Agriculture estimates current rapeseed planted area at 160,000 HA as compared to 190,000 HA at this time a year ago, and 240,000 HA total planted area last season. National Grain Association, however, claims planted area as lower, at 100,000 HA to 130,000 HA. The Association also notes that some rapeseed area was planted beyond the optimum planting period in October, thus less likely to germinate and develop sufficiently before winter sets.

Lower rapeseed plantings will likely be offset by higher barley followed by wheat planting areas. The pace of the fall planting campaign is good due to early harvest of spring crops, favorable weather, and sufficient time for land preparation; however, hard packed soils have made plough/cultivation more difficult thus expensive due to higher energy cost. National Grain Association has reported already the quantity of planted area lost and the lack of satisfactory development of fall crops.

Corn

The Ministry of Agriculture (October 19) reports corn harvested area at 97 percent and production at 1.61 MMT with an average yield of 3.74 MT/HA. Harvested area has declined from 440,000 HA to 430,000 HA due to drought abandonment. Regional differences in yield are reported to be significant, especially between Southern vs. Northern Bulgaria and between North Western vs. North Eastern regions. Yields varied from below 1.5 MT/HA to 6.0 MT/HA with some exceptions of 10.0 MT/HA. Vidin reported the highest area of total crop loss at 1,200 HA.

MY2011/12: World Trade Atlas (WTA) marketing year data through July shows corn imports at 62,500 MT, imported mostly from Hungary, with notable quantities from Romania and Germany. MY2011/12 imports are projected to reach 90,000 MT.

WTA export data during this same period shows 1.186 MMT, of which over 430,000 MT went to non-EU markets, mainly Syria- 105,000 MT; Egypt- 98,200 MT; Lebanon- 57,200 MT; Turkey- 42,000 MT and others.

According to the Ministry of Agriculture, as of end-August corn exports totaled 1.405 MMT, of which 908,000 MT remained in the EU. This is a record for corn exports to date.

If final exports prove to be so significant, MY2011/12 ending stocks will decline further and contribute to what an already tight supply and demand scenario is heading into MY 2012/13. The Ministry of Agriculture estimates MY2011/12 ending stocks at 85,000 MT (National Grain and Feed Agency Bulletin August 2012) and domestic consumption for all uses at about 950,000 MT.

<u>MY2012/13 –</u> Exports of corn for the current year is available only by industry estimates. To date, exports stand at 53,000 MT, all to EU. Most traders estimate the export potential in the 500,000 - 650,000 MT range depending on imports (which may reach 100,000 MT) and local feed consumption. Lately, exports have been slow due to depressed farm-gate prices. Farmers are reluctant sellers and prefer to sell wheat and barley rather than corn in anticipation of higher prices later in the season.

Sunflower

The Ministry of Agriculture (October 19) reports sunflower harvested area at 99.4 percent and production at 1.36 MMT with an average yield of 1.84 MT/HA. Harvested area has declined from 770,000 HA (latest data) to 755,000 HA due to drought losses. Similar to corn, regional differences in yields are significant, especially between Southern vs. Northern Bulgaria. The regions of Yambol and Turgovishte show the highest areas of loss due to drought at about 170-180 HA each. The Dobrich area registered the highest average yield at 2.9 MT/HA.

<u>MY2011/12:</u> Strong export demand led to a larger volume of exports. The World Trade Atlas (WTA) marketing year data through July shows sunflower seeds exports at 793,600 MT, of which 145,000 MT went to non-EU markets (mainly Turkey).

As of the end of August the Ministry of Agriculture reports exports at 889,000 MMT, of which 709,000 MT remained within the EU.

The Ministry of Agriculture estimates MY11/12 ending stocks at 80,000 MT (National Grain and feed Agency Bulletin August 2012) and domestic consumption for all uses at about 570,000 MT.

<u>MY2012/13 –</u> Export potential is estimated at 760-790,000 MT or slightly below last year’s level due to lower supply. Industry estimates show exports at 70,000 MT of which 8,000 MT to Turkey and the rest for the EU to date.

In 2012, however, a few crushing plants have expended capacities which may contribute to higher local use and reduce exports of sunflower seeds vs. increased exports of sunflower oil and meal. For example, in late September, a leading rapeseed crusher opened a new crushing plant for sunflower seeds; in early October, EBRD provided 22 million Euros to another market leader to expand its sunflower crushing capacity.

CY2012/2013 production	Planted Areas, HA	Harvested Areas, HA (estimate)	Average Yields, MT/HA (estimate)	Production, MMT (estimate)
Corn	440,400	430,000	3.74	1.610
Sunflower	770,100	755,000	1.80	1.360
Source: Estimates by the Bulgarian Ministry of Agriculture				

CY2011/2012 production	Planted Areas, HA	Harvested Areas, HA	Average Yields, MT/HA	Production, MMT
Corn	415,500	399,400	5.53	2.209
Sunflower	795,300	747,100	1.93	1.440
Source: Bulgarian Ministry of Agriculture Official Data				

Wheat

Ministry of Agriculture official MY2011/12 data shows wheat production at 4.25 MMT from harvestable area of 1.09 MHA with an average yield of 3.9 MT/HA.

The 2012 wheat quality is reported to be very good. Final official sampling shows the following results:

Premium milling quality- 5.5 percent of the 2012 crop, compared to 1.7 percent for 2011 crop;
Milling quality – 40.3 percent for 2012 crop, compared to 9.6 percent for 2011 crop;
Lower milling quality – 43.2 percent for 2012 crop, compared to 43.6 percent for 2011 crop;
Feed quality – 11.0 percent in 2012 vs. 45.1 percent in 2011.

The average characteristics are 78.7 hectoliter mass (test weight); wet gluten (27 percent), W (57); and protein content at 12.8 percent vs. 11.1 percent in 2011.

Wheat planting MY2013/2014 is reported to be progressing well and in advance of last fall. As of October 18, wheat was planted on 720,000 HA compared to 330,000 HA a year ago. National Grain Association estimates planted area higher at 800,000 HA.

MY2011/12: World Trade Atlas (WTA) marketing year data for MY2011/12 shows wheat imports at 25,900 MT, all from EU sources. Exports are at 2.433 MMT, of which 205,000 MT went to non-EU markets. As of end-June official wheat exports totaled 2.386 MMT, of which 2.217 MMT stayed in the EU. As of end-June industry data show exports at 2.342 MMT, a record to date.

MY2012/13 – Industry sources estimate wheat exports as of early October at 1.2 MMT. National Grain and Feed Agency (Bulletin August 2012) shows exports as of end-August at 1.018 MMT, all of it for the EU countries.

The National Grain and Feed Agency estimates MY2011/12 ending stocks at 350,000 MT, much higher than the industry and Ag Sofia. Based on total available stocks as of end-August (3.36 MMT) and domestic consumption (about 180,000 MT/month) for MY2012/13, the Agency estimates the export potential at 1.6 MMT in addition to the volume exported already, for a total of 2.6 MMT. AgSofia estimates for total exports are lower, at 2.1 MMT, mainly due to lower supply.

Barley

Ministry of Agriculture reported total barley harvest at 640,000 MT with the average yield at 3.52 MT/HA from 182,000 HA harvested area. Total barley production including spring crop is estimated at 680,000 MT from 215,000 HA by Ag Sofia.

In 2012 barley planting is reported to be progressing well and in advance of 2011. As of October 18, barley was planted on 130,000 HA compared to 51,000 HA a year ago. Similarly, planting of rye (4,300 HA) and triticale (4,800 HA) are on twice higher area compared to a year ago.

MY2011/12: World Trade Atlas marketing year data for MY2011/12 shows barley exports at 350,000 MT of which 97,000 MT went to non-EU markets. As of end-June official barley exports totaled 338,000 MMT, of which 241,000 MT remained in the EU. As of end-June industry data show exports at 347,000 MT.

MY2012/2013 – Barley exports as of end-August is estimated at 247,000 MT of which 50,000 MT for the EU market (MT (source: National Grain and Feed Agency, Bulletin August 2012). Industry data shows exports as of early October at 280,000 MT. Industry estimates the potential is for another 20,000 MT in exports for a total of about 300,000 MT.

As of July 1, 2012, barley beginning stocks were estimated at 45,000 MT (National Grain and Feed Agency estimates Bulletin June 2012). The Agency estimates average monthly consumption at 35,000 MT or about 425,000 MT annually.

Rapeseeds

The Ministry of Agriculture rapeseeds estimates are for harvested acreage at 130,000 HA with average yields at 1.9 MT/HA and production at 260,000 MT or slightly above Ag Sofia's earlier estimate. Industry estimates are for 135-140,000 HA harvested area and production of 272,000 MT-278,000 MT.

MY2011/12: World Trade Atlas (WTA) data for MY2011/12 shows exports at 507,000 MT, of which 60,000 MT went to non-EU markets (50,000 MT for Turkey, 1,000 MT for Israel). Official export data for MY2011/12 show trade volume at 480,000 MT of which 430,000 MT went to internal EU markets.

MY2012/2013: Official rapeseeds exports as of end-August were reported at 37,000 MT while WTA reports exports in July alone at 22,000 MT. Industry data as of end-September shows exports at 104,000 MT of which 5,000 MT to Turkey and the rest to the EU. Total export potential is estimated at 200,000 MT. End-June rapeseed ending stocks totaled 25,000 MT (source: National Grain and Feed Agency, Bulletin June 2012). Currently the most active buyer is the local crushing industry.

Agricultural and Trade Policy

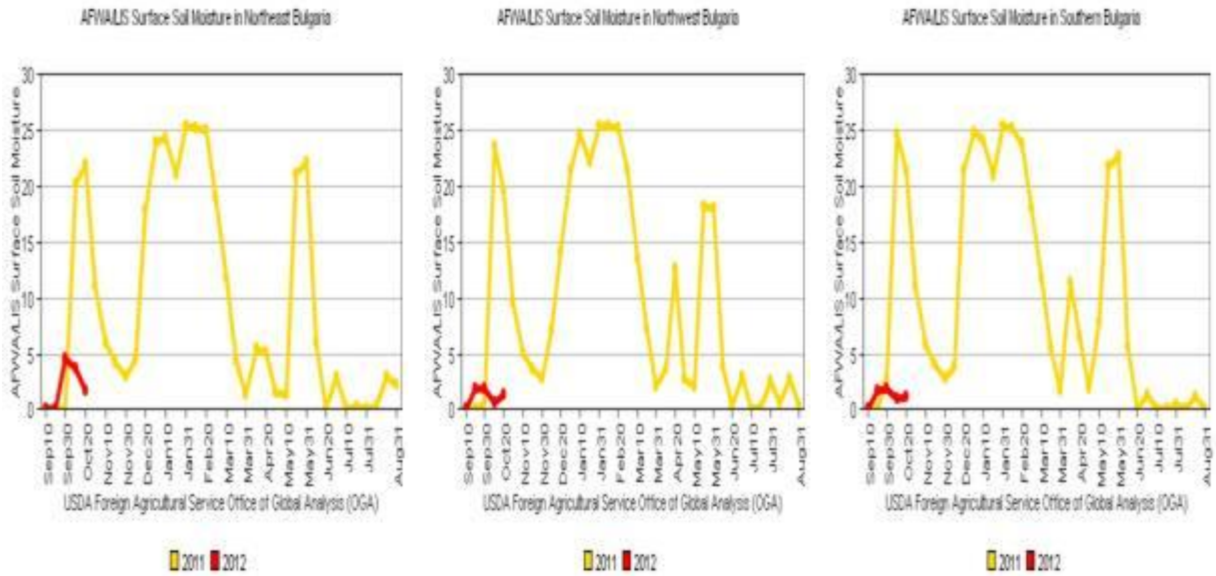
The Ministry of Agriculture has extended to wheat producers a short-term credit line, from October 15 to November 23, of 5 million Euro at 6 percent interest. The credit can be used for purchase of planting seeds at 20 Euro/HA and of fertilizers at 40 Euro/HA.

For the first time, the draft budget does not include a national subsidy top-up program for grain producers. The national top-ups for 2012 crop year stood at 50 million Euros. The Ministry of Agriculture responded to grain producer protests that this reduction will be compensated by higher EU subsidies which will grow by 16 percent to 1.134 billion leva (567 million Euros) from 976.6 billion leva (489 million Euros) for the current crop year. This translates to 264 leva/HA (132 Euro/HA) for 2013 compared to 255 leva/HA (127.5 Euro/HA) for 2012. In addition, the Ministry of Finance refused to pay 25 million Euro in compensation estimated for crops on 111,200 HA lost due to drought (corn, sunflower) and winterkill (rapeseeds).

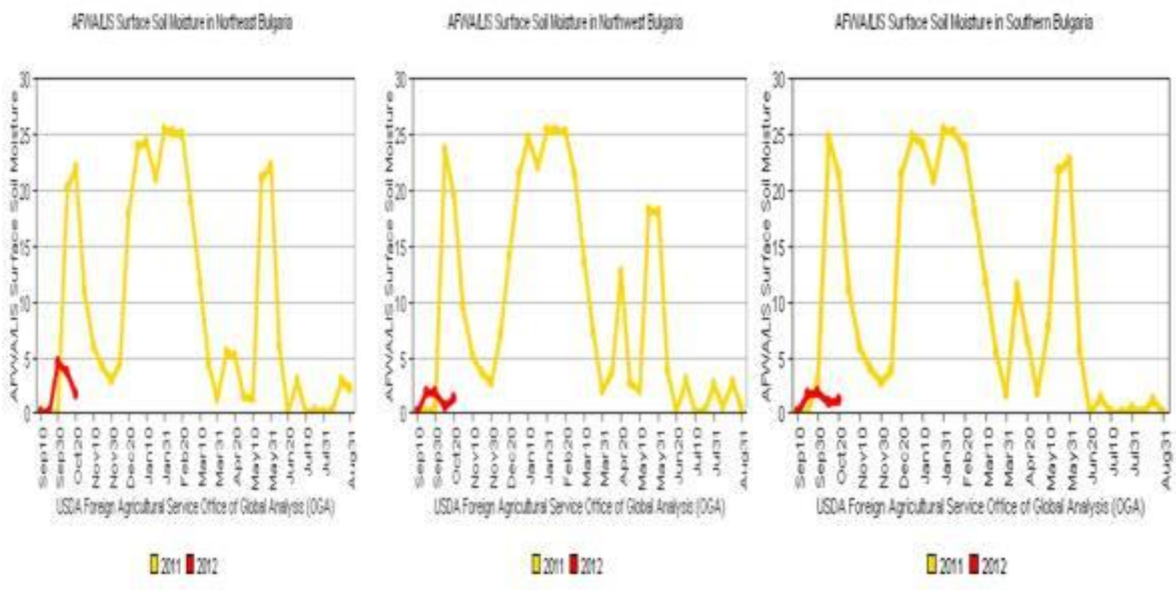
In January 2012 grain farmers held a public strike that blocked highways and roads, and drew thousands of tractors to the front of the Parliament in Sofia. At that time farmers protested against the Government due to the reduced 2012 budget for the national top-ups program and to lack of refunds for excise tax on fuel for farming. This year the budget outlook is less favorable with zero top-up subsidies being allocated and with no refunds to the grain farmers while other sectors in agriculture will receive substantial amounts of domestic support.

Recent government decisions are being challenged by the two largest farm groups. The groups published declarations that the Government was abandoning the grain sector during a very challenging period when one season saw drought and winterkill bring huge losses and the next season appears likely to prove another difficult year for producers. Production costs are climbing with much higher energy and fertilizer costs, while higher commodity prices are insufficient to offset production and trade losses.

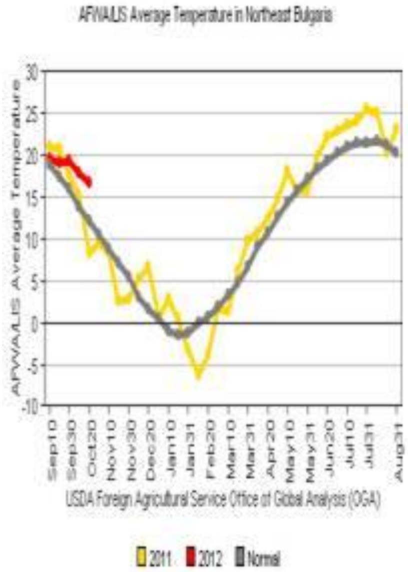
Surface Soil Moisture in Major Production Regions as of October 20, 2012

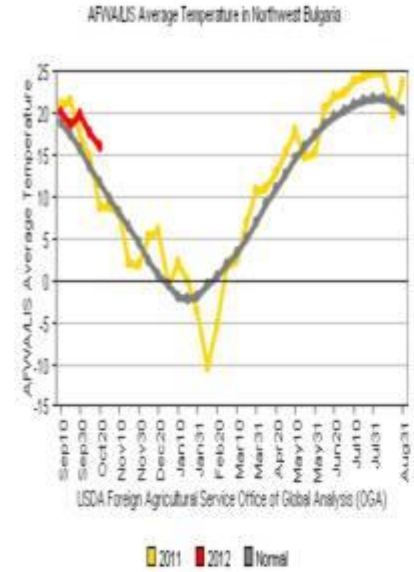


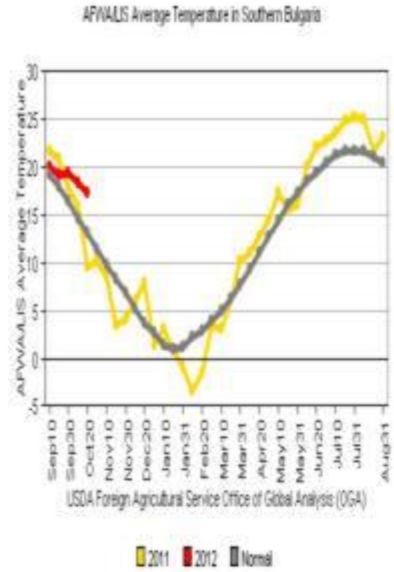
Subsurface Moisture in Major Production Regions as of October 20, 2012



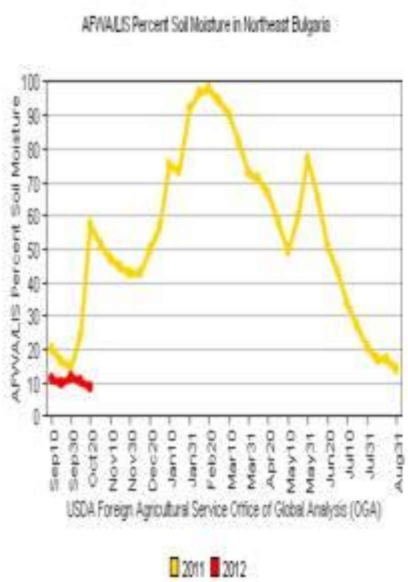
Average Temperatures in Major Production Regions as of October 20 2012

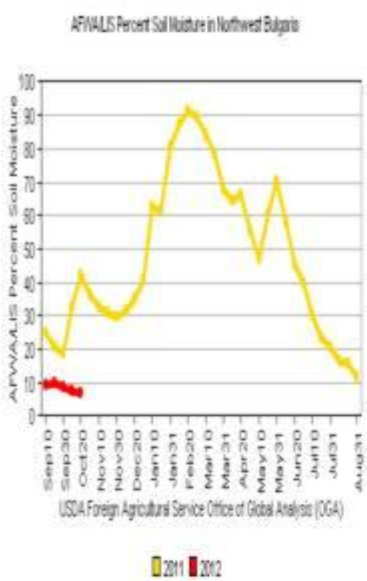


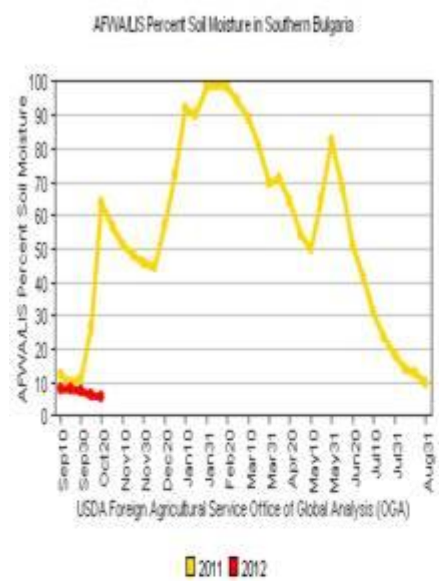




Percent of Soil Moisture in Major Production Regions as of October 20, 2012







Field Pictures Taken in the period October 1-10, 2012 in Northern Bulgaria (near Montana, North West, and near Pleven North Central) (source: fermer.bg)