USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 9/28/2015

GAIN Report Number: BU1527

Bulgaria

Post: Sofia

Poultry Sector Update

Report Categories:

Poultry and Products

Approved By:

Russell J. Nicely

Prepared By:

Mila Boshnakova

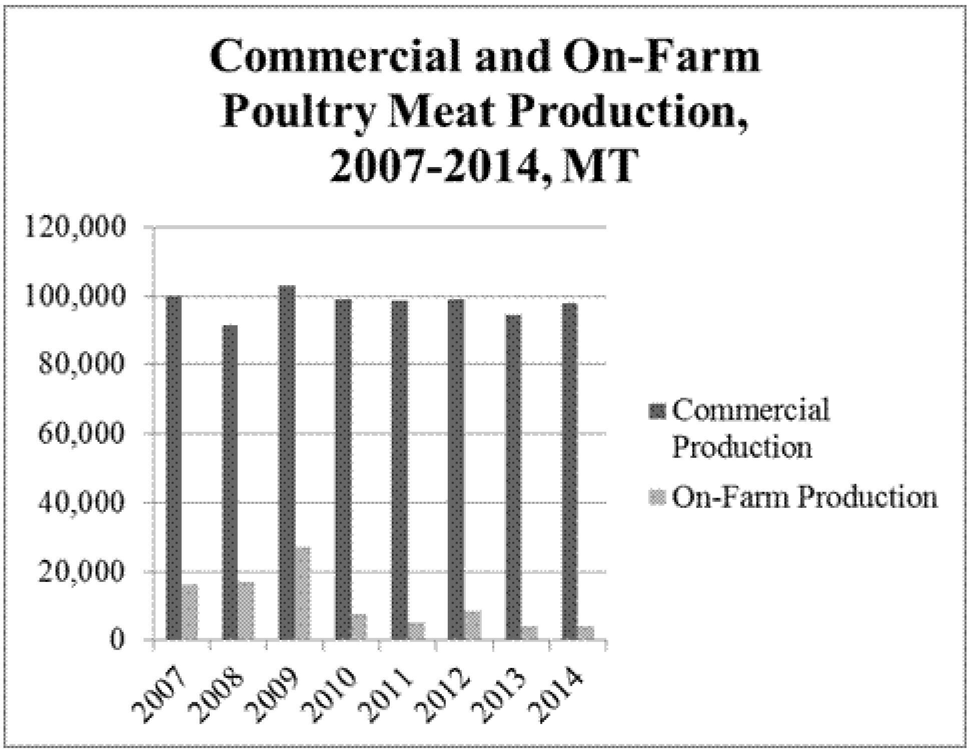
Report Highlights:

Broiler sector had a successful year in 2014 due to economic stabilization, less expensive feed and growth in consumption. The number of farms and inventory grew, and along with better broiler farming practices, meat output increased by 3.4%. Domestic consumption enjoyed a very good growth of 8.6%. In 2014 poultry meat imports increased by 12% in volume and 13% in value as compared to 2013 (U.S. $130 million); while exports increased by 14% in volume and 6% in value (U.S. $167 million) with major markets Greece and Romania for broiler meat, and France and Belgium for duck meat.

In 2015 and 2016, the industry expects further growth in production. The drivers of this growth are recently made investments by foreign and local investors. Select local players expanded their capacities and a few new players entered the market. Lower feed prices, improved efficiency of the sector and stable retail prices along with better consumer incomes are expected to lead to higher local sales and consumption. Competitive production costs and good currency rate are likely to favor some growth in exports outside the EU as well as sales to select EU member states with higher broiler meat prices. The expectations for poultry meat imports are to exceed 100,000 MT in 2015.

General Information:
General Information:
Overview

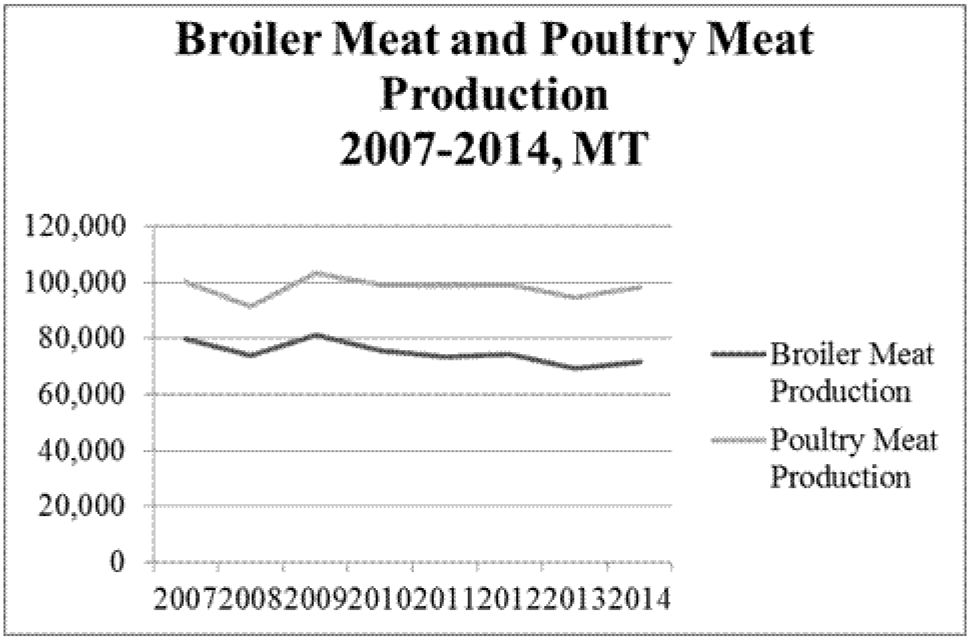
The Bulgarian poultry meat sector consists of two sub-sectors, the major one being the broiler meat, followed by duck meat. Turkey is practically not raised with the exception of some on-farm production in select regions. Commercialization and concentration in the poultry meat sector are the highest compared to red meat and dairy. The sector also has the highest degree of vertical integration and export orientation. On-farm production is small and unstable depending on the economic situation and grain prices. In recent years, it is mainly in spent hens production.



Source: Ministry of Agriculture and Foods Statistical Bulletins

Broiler Meat Supply

Broiler meat is leading the sector and accounts for about 75-80% of total poultry meat supply. Its share has been stable over the last 10 years although in absolute terms the output declined and in 2014 it was 88% of its peak level in 2009. The decline in production 2009-2013 was mainly as a result of economic challenges although it was not so severely affected as the red meat sector.



Source: Ministry of Agriculture and Foods Statistical Bulletins

Unlike the duck sub-sector, and also compared to red meat and dairy sector, broiler meat production is highly commercialized and concentrated. The sector is dominated by two leading companies (reportedly about 60%-70% market share) and about 10 other main players, and was able to attract foreign investment in recent years. Concentration has strengthened and at the end of 2014 the number of farms was about 3,000 compared to 11,000 in 2010 for the same number of broilers (6.2 million at the end of the year).

Broiler farms (Table 1) had a successful year in 2014 due to economic stabilization, less expensive feed and growth in consumption. The cost of grain feed was lower in 2014 and as per MinAg data the feed formulas for broilers were 4%-9% less expensive every month of 2014 compared to 2013.

In 2014 the number of farms grew by 52% and the number of chicken by 21%, with the biggest growth at the large farms whose number increased by 67% and inventory by 34%. This is in contrast with 2013 when the number of farms declined by 11% and the stocks by 32% compared to the previous year.

Table 1. Farms Raising Chicken for Meat as of December 2014

Farms Raising Chicken for Meat as of December 2014				
Number of birds per farm	**Farms**		**Chicken raised for meat**	
	Number	Change, % 2014/2013	Numbers, 000	Change, % 2014/2013
1-199	3,024	54.8%	34	-27.7%
200-9999	31	6.9%	128	-3.8%
10,000 – 99,999	67	0%	2,160	6.4%
100,000 and above	15	66.7%	3,833	33.9%

Total	3,137	52.4%	6,155	21.3%
Source: MinAg, Bulletin 287/March 2015				

As a result of better broiler farming practices, meat output in 2014 increased by 3.4% (Table 2). In addition to 1% more slaughtered birds, average carcass weight was also higher from 1.6 kg to 1.7 kg, due to better feeding and improved efficiency. Broiler meat production accounted for 73% of all poultry meat produced at slaughterhouses. Unlike beef and pork, broiler meat is produced mainly at slaughter houses, thus the commercial meat supply is usually consistent in volume and quality.

Table 2. Poultry Meat Production 2014

Poultry Meat Production 2014							
Categories	**Slaughtered birds, 000**	**Live Weight**		**Carcass Weight**		**Sub-products, MT**	**Change, 2014/2013, in %**
		Total, MT	Average, kg	Total, MT	Average, kg		
Broilers	43,139	91,162	2.1	67,045	1.7	4,480	3.4%
Hens and cocks	2,425	5,900	2.4	4,162	1.8	150	1.2%
Turkey	NA	NA	9.5	NA		NA	NA
Ducks	5,876	28,613	4.9	16,976	3.8	5,156	5.6%
Total	51,450	125,709	-	88,208	-	9,787	3.7%
Source: MinAg Bulletin 294/June 2015							

The Bulgarian market for broiler meat is still dominated by whole birds then cuts. In 2014 broiler cuts' output at slaughterhouses was 9.3% more than in 2013 and whole birds' products were 1.0% more (Table 3). Output of broiler cuts was the highest in 2014 since 2010 while that of whole birds declined and in 2014 it was 89% of the level in 2010. This trend is indicative for market development where there has been an increasing demand for added- value and convenient products in parallel with the improving incomes. Nevertheless, cuts' production in 2014 was half (51%) of that of the whole birds.

Table 3. Poultry Meat Cuts Production at Slaughterhouses 2010-2014, MT

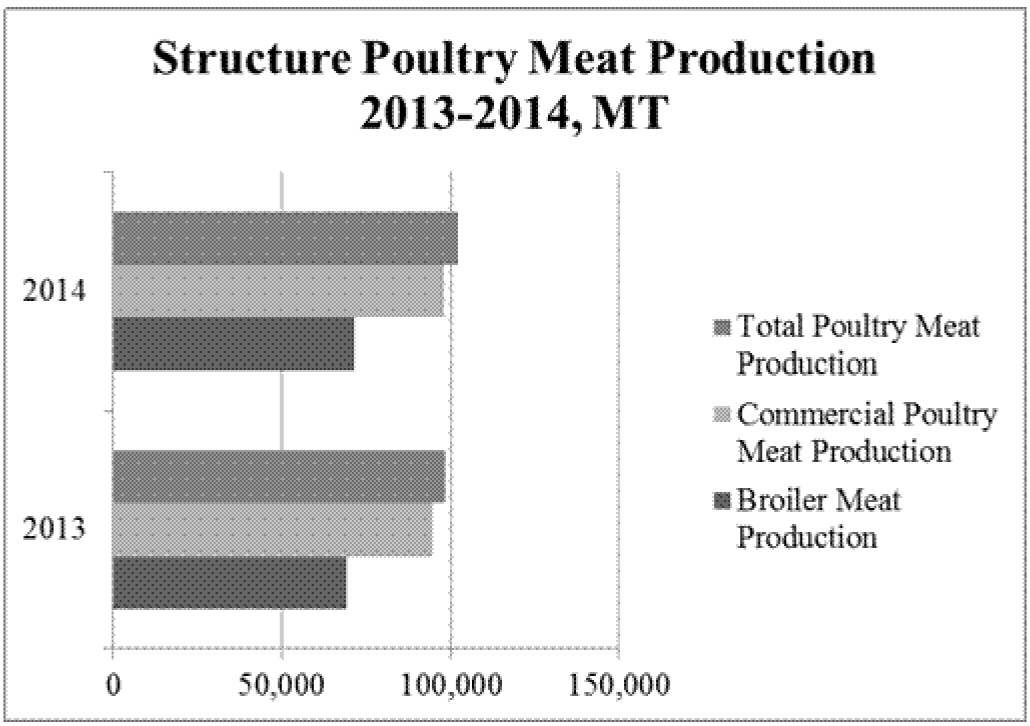
Poultry Meat Cuts Production at Slaughterhouses 2010-2014, MT						
		2010	**2011**	**2012**	**2013**	**2014**
Type of poultry	Type of poultry cuts					
Broilers	Bratfertig (whole birds with sub-products inside)	136	340	143	133	226
	Grill (whole birds)	49,085	42,254	46,691	43,386	43,825
	Cuts	20,268	21,828	21,874	20,471	22,372
	Waste	1,009	1,349	776	691	622
Hens and	Grill (whole birds)	3,287	3,262	3,042	3,863	3,880

cocks	Cuts	3	4	17	6	NA
Ducks	Cuts	14,592	15,004	14,853	14,070	15,929
Source: MinAg Statistical Bulletins						

Broiler production is likely to increase further in 2015 and 2016. The drivers of this growth are recently made investments by foreign and local investors. Select local players expanded their capacities and a few new players entered the market. Lower feed prices, improved efficiency of the sector and stable retail prices along with better consumer incomes are expected to lead to higher local sales and consumption. As per the industry, margins are increasing which prompted more investments. Competitive production costs and good currency rate are likely to favor some growth in exports outside the EU in 2015/2016, as well as sales to select EU member states with higher broiler meat prices.

Other Poultry Meat Supply

Other than broiler meat poultry meat supply also increased in 2014. The growth in the commercial output at slaughterhouses was higher for spent hens by 1.2% and for ducks by 5.6% which resulted in overall growth of poultry meat output of 3.7%. Backyard production in 2014 was 8.5% higher compared to 2013, and thus total poultry meat production grew by 3.9%

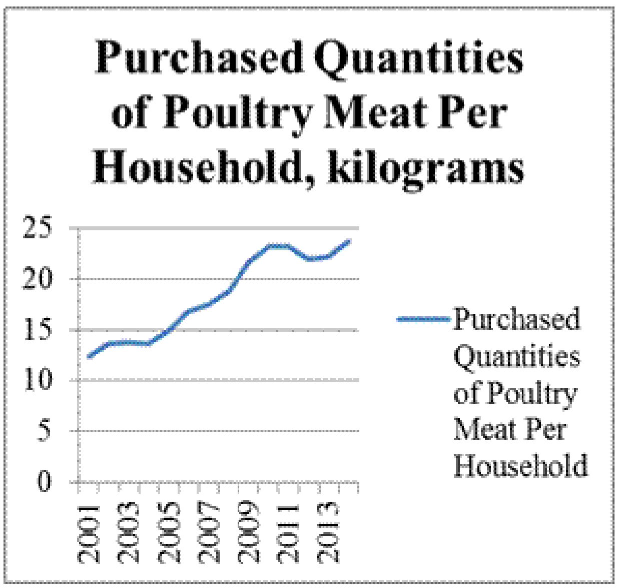


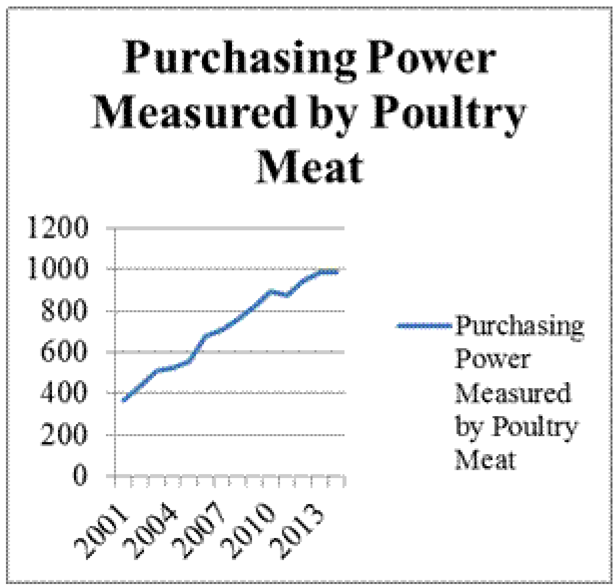
Source: Ministry of Agriculture and Foods Statistical Bulletins

The second most important poultry sector in Bulgaria is duck farming. Duck farms rely mainly on favorable export demand for meat and pate. Although smaller in size, this sub-sector brings significant export revenues. A small part of local output is marketed locally, mainly in the food service sector. In 2014 duck meat production increased by 5.6% to 22,132 MT. Since 2009 the sector has slowly but steadily grown and 2014 output was 26% more than that in 2009.

Consumption

Consumption of broiler and poultry meat has been in a rise although is stagnated between 2011 and 2013 due to economic difficulties. The improving purchasing power since 2001 led to constant increase in the amount of consumed and purchased quantities of poultry meat. In addition, poultry meat is considered to be a less expensive protein source than red meat and has enjoyed a good health image. The graphs below illustrate this trend although the official statistics does not reflect the amounts consumed at the food service sector which accounts for a significant portion of consumption, especially in value terms.





Source: National Statistical Institute

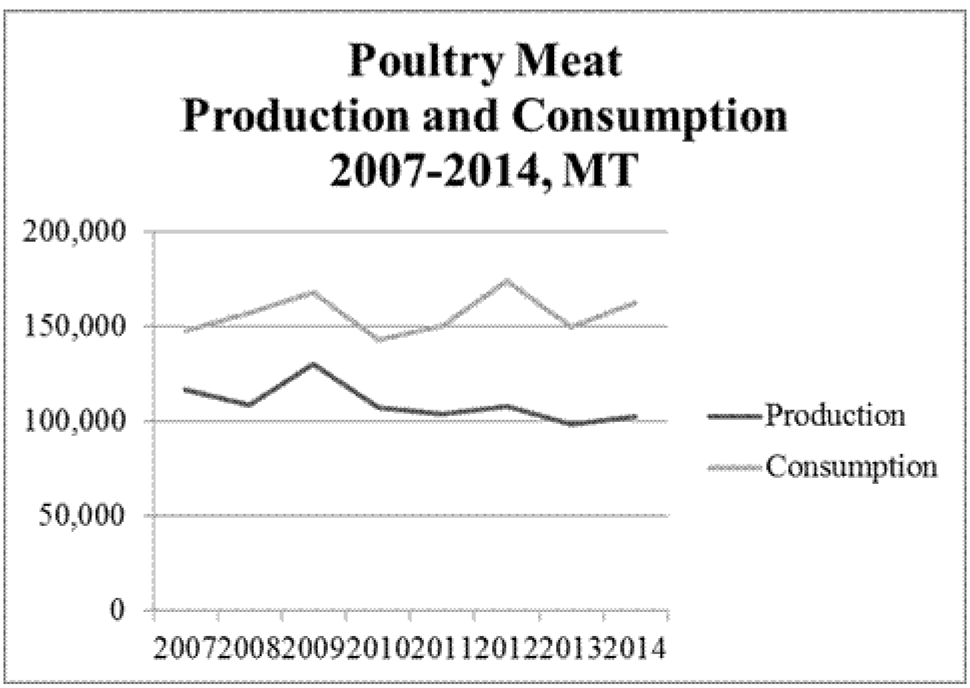
Domestic poultry meat consumption reached its peak in 2012 at 174,000 MT. Since 2007 it varied due to various reasons such as safety (avian influenza fears), controversial local regulations, consumer campaigns, prices and disposable consumer spending. In 2014, domestic consumption enjoyed a very good growth of 8.6% (Table 4).

Table 4. Poultry Meat Production, Imports, Exports and Consumption in 2007-2013, MT

Poultry Meat Production, Imports, Exports and Consumption 2007-2013, MT				
Commercial production	**Produced on-farm**	**Imports***	**Exports***	**Domestic Consumption**
		2014		
97,995	4,198	101,679	41,576	162,296
		2013		

94,519	3,869	90,692	39,583	149,497
2012				
99,006	8,617	113,320	46,893	174,050
2011				
98,609	5,247	103,454	56,801	150,509
2010				
99,065	7,850	87,428	51,254	143,089
2009				
103,037	27,115	71,073	33,090	168,135
2008				
91,340	17,211	62,289	13,972	156,868
2007				
100,153	16,236	43,611	12,446	147,554
Source: Ministry of Agriculture and Foods Statistical Bulletins (Imports and Exports calculated in poultry meat equivalent)				

Changes in consumption were not always followed by local supply and a significant part of consumption is met by imports. The gap between production and consumption was narrow in 2007 with supply meeting 79% of consumption, but since than it had widened (see the graph below). In 2014, local supply accounted for 63% of consumption. There are complex reasons for this trend such as risk diversification for the local suppliers between local and export markets, higher demand for select products over other, export orientation of the duck sub-sector etc.



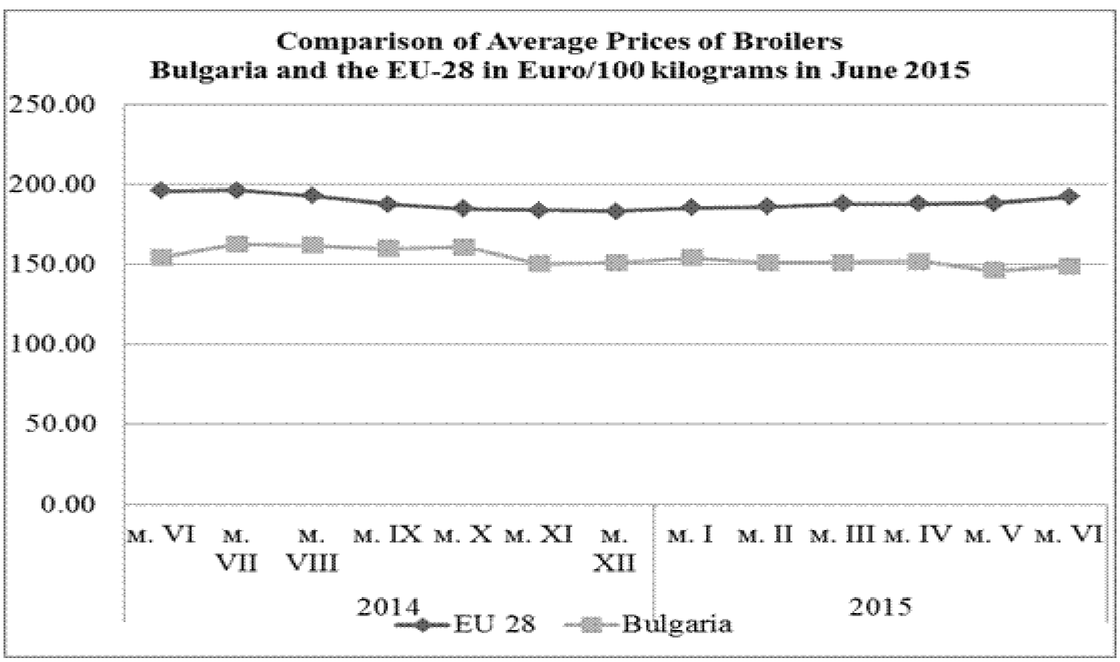
Source: Ministry of Agriculture and Foods Statistical Bulletins

Local market has developed in recent years towards chilled vs frozen product, preferences to white meat vs dark meat, and to more added-value cuts. Smaller shops, especially in the country have no appropriate storage and prefer to sell frozen product instead of fresh while all retail chains and urban sales are dominated by chilled fresh products. The demand does not have seasonal fluctuations although industry reports indicate that demand for whole birds and leg quarters is higher during winter months while breast and wings sales dominate in the summer. Sausages made from broiler meat became increasingly popular on the market due to a good ratio of quality and price. Since 2009 sales in the food service sector have grown. However, still the average consumer is price sensitive and whole chickens are often a preferred household option for many Bulgarians.

Market Price Development

As a result of lower feed cost for chicken in 2014, ex-farm prices of frozen broilers declined by 2%-5% compared to 2013, wholesale prices by 3.6% and retails prices by 3.7%. This is opposite to the 2013 trend when wholesale price for the year was 11.3% higher and retail price 12.6% more compared to 2012 (source: MinAg).

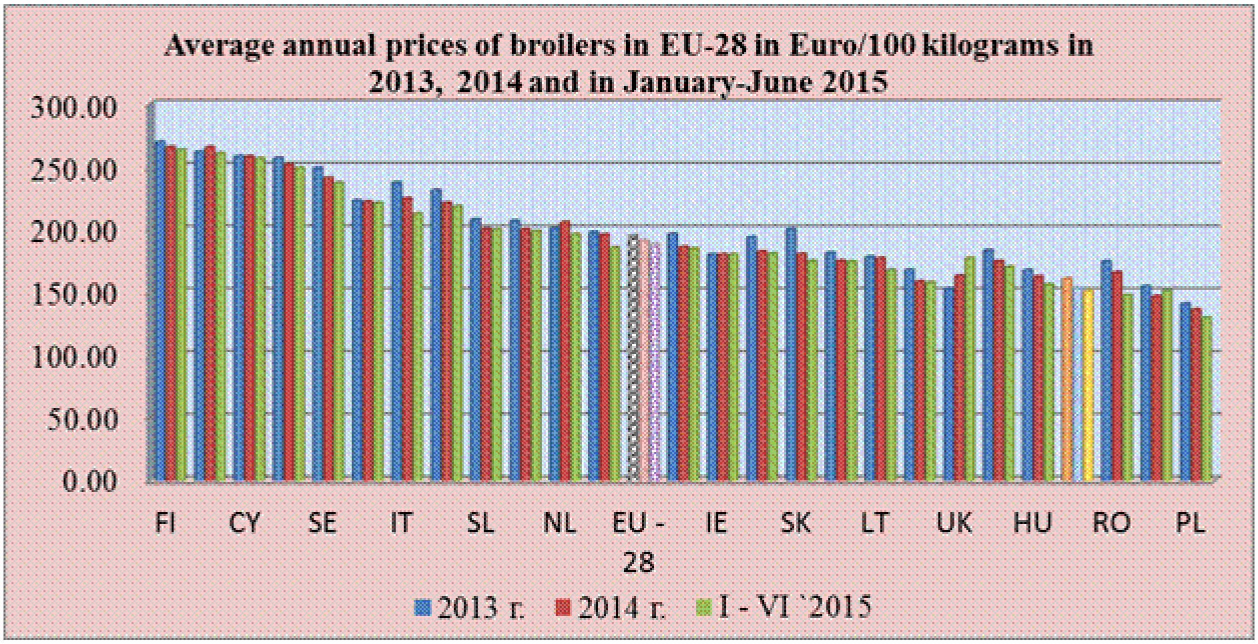
The Ministry of Agriculture and Foods publishes every month current average prices of frozen broilers in the country and in the EU. The latest publication (June 2015), indicates a price at slaughterhouses on the domestic market at 1,489 Euro/MT (U.S. $1,712) or 1.8% more than in May. The average price on the EU market increased more by 2.1% to 1,921 Euro/MT (U.S. $2,212). The difference between Bulgarian and EU prices has widened to 22.5%. In the past the price difference has been around 20% with variations between 13% and 25%.



Source: Ministry of Agriculture and Foods Bulletins

In June 2015 the lowest frozen broiler prices were registered in Poland (1,393 Euro/MT/U.S. $1,602), followed by Bulgaria (1,489 Euro/MT/U.S. $1,712) and Romania (1,497 Euro/MT/U.S. $1,722). At the same time, Finland, Germany, Cyprus, Denmark, Sweden, France and Italy had prices above average for the EU, which is another reason why Bulgarian exports to some of these countries in 2014 increased (see Trade section).

Compared to a year ago, prices declined in Bulgaria by 3.6% (1,545 Euro/MT/U.S. $1,778 in June 2014) while the reduction for the average EU price was smaller at 1.9% (1,959 Euro/U.S. $2,254 in June 2014).



Source: Ministry of Agriculture and Foods Bulletins/Bulgaria is indicated as BG/

Trade

Local poultry meat producers target export markets as the way to diversify their risk and increase the value of their sales compared to the local market which is still dominated by price sensitive consumption. For this reason, imports have been growing to meet demand, especially for select cuts. Imports are heavily dominated by broiler meat while export revenue comes mainly from duck products. Due to the higher price of duck exports and lower value of broiler imports, generally the poultry trade balance is negative in tonnage and positive in value. In 2014 imports were over U.S. $130 million (98,000 MT poultry meat and 102,000 MT if some processed products are included) vs exports at U.S. $167 million (42,000 MT).

Imports

In 2014 the ratio of imports to consumption was at 63% compared to 61% in 2013 and 65% in 2012. Annual 2014 imports were 12% more than in 2013 but still below the levels in 2011 and 2012. In perspective, 2014 imports were 233% more than that of 2007.

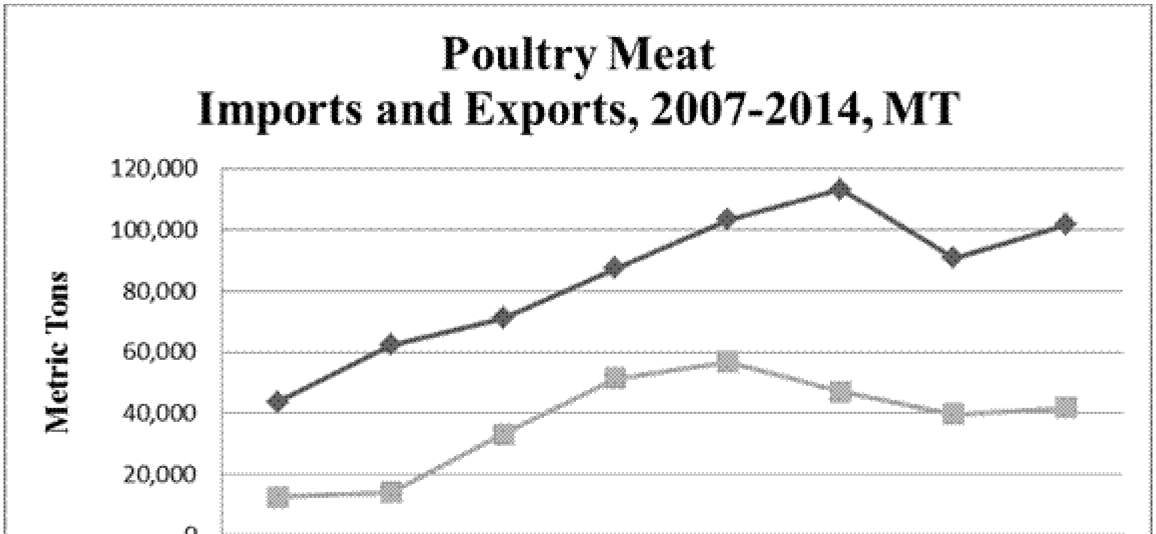
In 2014 poultry meat imports (HS#0207) increased by 12% in volume to 98,000 MT and 13% in value as compared to 2013 (U.S. $130 million). Major suppliers were Poland with a 40% share and Greece with a 12% share. Brazil which used to be a major supplier in the past, had 2,233 MT or only 2.2% of imports although this was 14.4% more than in 2013. In 2015 (WTA, January-April) imports continued to rise by 6% (volume) but declined in value (-15%). The expectations are for poultry meat imports exceeding 100,000 MT in 2015.

Broiler meat imports dominate poultry meat imports (about 90,000 MT). In 2014 Bulgaria increased imports of fresh broiler meat (HS#020711 and HS#020713) by 5.2% and 11.5% for the two categories to total 33,732 MT (U.S. $57 million) or 34% share of total poultry imports in volume but 44% in value.

The largest import category still remains frozen chicken leg quarters (HS#020714) at 47,100 MT (U.S. $47 million), 10.6% more than in 2013. In value terms these imports accounted for 36% of total poultry imports. The trend has been preserved in 2015 (WTA as of April) with 13.4% growth. The other frozen product (HS#020712) imports in 2014 were at 8,316 MT or 34% more than in 2013, although the trend to date in 2015 has not been preserved and there was a decline of 38%. Thus total frozen broiler imports in 2014 were at 55,416 MT or 56% of total poultry imports.

Broiler meat imports were on an upward trend in 2015 to date with 5% higher imports and we expect annual 2015 imports to be above 2014 (92-93,000 MT).

Turkey meat imports in 2014 were mainly in a form of frozen cuts (HS#020727) at 7,400 MT and 530 MT fresh meat (HS#020726) or total 8,000 MT (U.S. $10.6 million). Imports of frozen turkey cuts were 20% higher in volume and 70% more in value compared to 2013. The tendency has continued in 2015 to date (WTA as of April) with 28% more imports in tonnage and 16% in value.



	2007	2008	2009	2010	2011	2012	2013	2014
Imports	43,611	62,289	71,073	87,428	103,454	113,320	90,692	101,679
Exports	12,446	13,972	33,090	51,254	56,801	46,893	39,583	41,576

Source: Ministry of Agriculture and Foods Statistical Bulletins

<u>*Exports*</u>

Exports of poultry meat have been on a rise since 2007. Growth has been more pronounced for exports than for imports with 334% higher exports in 2014 compared to 2007.

In 2014, poultry exports (HS#0207) grew by 14.4% in volume (41,576 MT) and 5.8% in value (U.S. $167 million). Major markets were Greece and Romania for broiler meat, and France and Belgium for duck meat.

Broiler meat exports in 2014 were at 29,600 MT or 71% of total exports. It grew by 24% in tonnage and by 15% in value (U.S. $76.3 million). Greece as the leading market had a growth of 38% and 11% (volume and value), and Romania with 14% and 6%, respectively. Macedonia was the man non-EU market with a growth of 20% for the year. Bulgaria also increased exports to Cyprus and UK by double digit growth although quantities remained still below 2,000 MT and U.S. $5.0 million.

Duck meat exports (mainly HS#020744 and HS#020745) are predominately frozen cuts (6,300 MT and U.S. $53 million) at 5% growth in 2014, followed by fresh cuts (3,500 MT and U.S. $28 million) at 9% increase in volume and 4% more value sales. Exports of liver (pate) were at 530 MT and U.S. $9.1 million but had a negative growth compared to 2013.

Agricultural and Trade Policy

In late January 2015 in Bourgas region there was an outbreak of Avian Influenza in wild birds (GAIN Report BU1504). The disease did not affect any commercial farms and was quickly eradicated. In early

March, trade and other restrictions in the region were removed.

The poultry sector is not a subject of special domestic support programs. Over the last several years, poultry farms adopted EU welfare requirements. Since 2012, the MinAg has provided limited subsidies for adoption of higher than EU standards. The program for 2014 was for U.S. $15 million, as the updated welfare programs by poultry farms should last for 5 years. A total of 281 farms participated in the program in 2014.

In May 2015 Bulgaria concluded trade negotiations with Japan which began in 2011. Bulgaria now can export poultry meat to this market and is recognized as free of HPAI.

End of Report