Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/04/2003

GAIN Report #BU3014

Bulgaria

Grain and Feed

Grain and Oilseeds Update

2003

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Report Highlights:
Bulgaria expects lower wheat and barley crop in MY03/04. The wheat shortage is estimated at 70,000 MT to 100,000 MT and is related mainly to the lack of milling quality wheat. Corn and sunflower crop are developing well with expectations for good production and higher exports: 200, 000 MT for corn and 150,000 MT for sunflower.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Sofia [BU1], BU

Summary

This grain and oilseeds update report focuses on the four major grain/oilseeds crops in Bulgaria: wheat, barley, corn and sunflower. It contains information provided by the Bulgarian Ministry of Agriculture, industry sources, independent market information analysts, producer and trader groups.

Prospects for MY03/04 production of fall crops are bleak due to damages from the adverse winter weather, late planting, lower planted area to wheat and barley, and drought in the late spring/summer. In April and May, wheat in some areas was affected by pests (grain bugs in Dobrudga), mildew and trips. Current AgOffice estimates for wheat harvested area is for further reduction due to very low yields in some areas, and declining production. The situation with barley is similar with reduced yields and production.

Short production and administrative export restrictions are estimated to lead to lower exports (if any), higher domestic prices, possible feed shortages and eventually a demand for imports of higher quality milling wheat and malting barley. Corn and sunflower production prospects are optimistic due to higher acreage and relatively favorable weather conditions.

Despite unfavorable weather, Bulgaria was the least affected by winterkill and spring/summer drought and is not likely to face a serious grain deficit as other countries in the region (Romania, Ukraine, Serbia Macedonia).

Production

Wheat

Based on early harvest data and trade sources information, the AgOffice estimates for harvested area is reduced to 750,000 HA. The worst is the situation in the major grain production region, Dobrudga, where the adverse climate conditions led to low yields and the average percentage of non-harvested wheat is likely to be the highest in the country, about 20 percent. As of mid-July, about 60 percent of total wheat is reported to be harvested. Early harvest data shows yields from 0.8 MT/HA to 2.7 MT/HA. Higher wheat yields are reported for the areas of Pleven and Veliko Tarnovo in North Bulgaria and Stara Zagora and Haskovo in South Bulgaria. Lower yields are reported for Dobrudga region, below 1.5 MT/HA.

Production estimates vary significantly, and recently, have been a subject of political speculations. The official MinAg wheat production estimates was reduced from 2.5

MMT to 2.3 MMT. At the same time, political opposition estimates are for 1.5 MMT. The Ag office tentative production estimates for MY03/04 are for 2.0 MMT (average yield of 2.7 MT/HA). The quality of harvested wheat is reported to be good to very good.

Barley

Barley harvest was reported to be completed by end-July. Early harvest data shows no changes in the harvested area, 170,000 HA. However, yields are reported to be lower, between 0.4 MT and 2.6 MT/HA. The AgOffice estimate is reduced to 400,000 MT with an average yield of 2.35 MT/HA.

According to the MinAg, farmers planted 8,000 HA with spring barley. Yields from the spring barley are not likely be higher than 2.0 MT/HA or a total production of 16,000 MT. Therefore, this production is not projected to have a major impact on total barley production.

This low supply will likely prohibit barley exports and will require imports of good quality malting barley.

Corn

In MY03/04, corn production is expected to increase in an effort to compensate for damaged fall crops. Planted area was estimated at 400,000 HA. Current dry weather, however, may negatively affect corn yields. Therefore, the AgOffice revised its production estimate for MY03/04 to 1.3 -1.4 million MT.

Sunflower

Similar to corn, sunflower planted area increased and was estimated at 470,000 HA to 520,000 HA or 25-30 percent higher than in MY02/03. Production estimates are currently for 700,000 MT. According to the MinAg, sunflower production in MY03/04 will be 713,000 MT with average yields of 1.37 MT/HA.

Table#1. Grain and Oilseed Production Estimates in MY2002/03 and MY2003/04

Grain and Oilseeds Production Estimates in MY2001/02 and MY2002/03				
	Planted Crop Area, HA		Production, MT	
	MY2002/2003	MY2003/2004	MY2002/2003	MY2003/2004
Wheat	1,150,000	930,000 750,000 harvested	3,450,000	2,000,000
Barley	350,000	290,000 170,000 harvested	1,000,000	400,000
Corn	280,000	400,000	1,000,000	1,300,000
Sunflower	400,000	520,000	510,000	700,000
Note: Ag Office estimates				

Consumption

Wheat PSD table

PSD Table						
Country	Bulgaria					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	1100	0	1150	1150	800	750
Beginning Stocks	500	0	350	350	450	310
Production	3100	0	3450	3450	2300	2000
TOTAL Mkt. Yr. Imports	16	0	50	10	50	70
Jul-Jun Imports	16	0	50	0	50	70
Jul-Jun Import U.S.	5	0	0	0	0	0
TOTAL SUPPLY	3616	0	3850	3810	2800	2380
TOTAL Mkt. Yr. Exports	744	0	900	1000	150	150
Jul-Jun Exports	744	0	900	1000	150	150
Feed Dom. Consumption	650	0	650	650	500	500
TOTAL Dom. Consumption	2522	0	2500	2500	2400	2080
Ending Stocks	350	0	450	310	250	150
TOTAL DISTRIBUTION	3616	0	3850	3810	2800	2380

Short wheat crop in MY03/04 will likely negatively affect the feed use which will decline due to higher prices and lower supply. Estimates for imports are exports are based on trade sources information. Human consumption will stay stable at 1.2 MMT annually. The same is expected for planting seeds consumption, 300,000 MT.

Wheat Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Wheat		
Time period	MY02/03	Units:	metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
Italy	202,344		
Spain	301,790		
Romania	109,837		
Tunisia	22,922		
Greece	34,864		
Egypt	61,479		
Algeria	88,271		
Belgium	43,277		
Portugal	21,996		
Libya	23,619		
Total for Others	910399		0
Others not Listed	90,000		
Grand Total	1000399		0

Note: Unofficial data

Barley PSD table

PSD Table						
Country	Bulgaria					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	260	0	350	350	230	170
Beginning Stocks	7	0	72	72	72	52
Production	750	0	1000	1,000	550	400
TOTAL Mkt. Yr. Imports	2	0	0	0	0	15
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	759	0	1072	1072	622	467
TOTAL Mkt. Yr. Exports	287	0	500	520	100	0
Oct-Sep Exports	509	0	100	100	50	0
Feed Dom. Consumption	200	0	350	350	350	200
TOTAL Dom. Consumption	400	0	500	500	500	447
Ending Stocks	72	0	72	52	22	20
TOTAL DISTRIBUTION	759	0	1072	1072	622	467

Similar to wheat, MY03/04 short barley crop will result in lower feed use. Use for beer will not likely be affected and will stay stable at 150,000 MT; and seeds consumption will also be stable at 70,000 MT-80,000 MT. Imports will likely meet quality requirements of breweries.

Barley Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Barley		
Time period	MY02/03	Units:	metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
Romania	113,039		
Saudi Arabia	142,742		
Algeria	86,143		
Tunisia	57,920		
Spain	36,745		
France	21,089		
Syria	10,204		
U.A.E.	6,704		
Greece	7,817		
Cyprus	6,431		
Total for Others	488834		0
Others not Listed	31,000		
Grand Total	519834		0

Note: Unofficial data

Corn PSD table

PSD Table						
Country	Bulgaria					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	340	0	280	280	400	400
Beginning Stocks	0	0	0	0	0	0
Production	870	0	1000	1000	1300	1300
TOTAL Mkt. Yr. Imports	122	0	50	90	50	50
Oct-Sep Imports	122	0	50	90	50	50
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	992	0	1050	1090	1350	1350
TOTAL Mkt. Yr. Exports	41	0	100	185	150	200
Oct-Sep Exports	41	0	100	185	150	200
Feed Dom. Consumption	551	0	550	550	750	750
TOTAL Dom. Consumption	951	0	950	905	1150	1100
Ending Stocks	0	0	0	0	50	50
TOTAL DISTRIBUTION	992	0	1050	1090	1350	1350

MY03/04 corn feed consumption is estimated to increase due to higher supply, more reasonable prices, and as a substitute for lower wheat/barley crops for feed. Exports are also expected to be higher in an effort to compensate for lost barley and wheat exports.

Corn Export Matrix

Export Trade Matrix			
Country	Bulgaria		
Commodity	Corn		
Time period	MY02/03	Units:	metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
Turkey	35,580		
Morocco	25,783		
Tunisia	32,857		
Libya	13,726		
Algeria	11,424		
Romania	37,462		
Syria	7,764		
Cyprus	9,332		
Greece	8,439		
Macedonia	218		
Total for Others	182585		0
Others not Listed			
Grand Total	182585		0

Note: Unofficial data

Trade and Prices

Wheat

Speculation is ongoing regarding possible farm gate prices of the new MY03/04 wheat crop. Government institutions as well as farmers and traders are carefully watching the supply situation in the region, especially recent developments. In MY03/04, expectations are for higher export prices due to smaller crops in Ukraine, Romania, Russia and other Eastern European countries as well as on the local market; and higher world prices anticipated.

Imports: According to trade sources, import needs for high quality milling wheat are estimated at 70,000 MT to 100,000 MT depending on the import price. The most likely origin of imports are Russia, Kazakhstan, Canada, and Hungary. If there is a significant shipment from the United States or from Latin American countries (Argentina/Brazil) to the Black Sea region (most likely unloaded in Constantza), Bulgaria may purchase quantities from this shipment. This high quality milling imported wheat can be mixed with lower quality local wheat for bread purposes in order to maintain more affordable bread prices. In May and July, there were two import shipments of Canadian milling wheat, total 11,000 MT, which were reportedly purchased by the largest flour mill in Sofia. Some traders forecast an import demand for wheat planting seeds as well.

Exports: According to trade sources, farmers growing wheat on 70,000 HA - 80,000 HA or about 10 percent of total wheat area, have closed forward sale contracts with traders for wheat at prices of 120 leva/MT in return of in-kind support (seeds, inputs, etc.). This production is estimated at 200,000 MT to 250,000 MT. It is very likely that these traders who own this quantity of grain may look for export opportunities. Introduced export restrictions may not stop these exports due to low farm-gate prices which traders paid to farmers. Therefore, potential wheat exports might be estimated at 250,000 MT. According to most experts, the MY03/04 balance of supply and demand is so "fragile" that if Bulgaria exports wheat, the amount of exports will be equal to the potential shortage and later import demand.

In general, factors preventing wheat exports from Bulgaria are : lower supply; unsatisfactory quality compared to the world standards; lower exchange rate of the U.S. dollars to the local currency; and newly introduced administrative restrictions which will play a role of an export tax (see policy section).

According to the Ministry of Agriculture, Bulgaria exported a record high amount of wheat in MY02/03, 1,050,000 MT for over $100 million to the EU market and the Middle East. Exports were not significant in April and May with shipments going mainly to Romania. According to trade source (unofficial information in the tables below), MY02/03 wheat exports were 1.0 MMT.

Barley

According to trade sources, Bulgaria is currently importing malting barley in small quantities, up to 10,000 MT, from France. There are no expectations for significant barley exports in MY03/04. Barley exports in MY02/03 were 520,000 MT (unofficial information).

Corn

Corn exports in MY02/03 (the first six months of 2003) were significant. Major markets were Turkey, Tunisia and Morocco. Exports in MY02/03 were much higher compared to MY02/03. As of July 2003, MY02/03 corn exports were 180,000 MT. This trends is likely to continue in MY03/04 due to expected good crop and competitive prices.

Prices

This price information is as of July 2003:

Wheat

Currently, there is an unusual situation on the wheat and barley market which occurs for the first time over the past 10 years. The farm-gate prices for the new crop in MY03/04 are the same as for the ending stocks from MY02/03 crop. This situation is caused by the lower supply and high demand supported by still unclear market situation: unreliable official production estimates, no clear state intervention policy and producer support policy for the fall planting.

Farmers consider a price of 230-250 Bleva/MT as a "fair" price. Current farm-gate prices are almost twice higher compared to the same period in 2002. At the same time, grain traders consider a price of 240 leva/MT as a critical point for imports, or if the local price will reach 240 leva/MT it will be equal to CIF price of imported wheat ($140/MT).

-milling wheat - 190-195 leva/MT, there were a few contracts at 210-220 leva/MT; expectations for August are for a prevailing prices of 200 leva/MT;
-feed wheat - average 180 leva/MT - 190 leva/MT; limited supply;
-wheat flour prices increased to 365 Bleva/MT which is a 10 percent increase compared to January 2003; in some areas, the increase is up to 24 percent compared to January.

The highest prices are registered in Varna, Jambol and Pleven.
- bread prices also increased on average 5-10 percent. The highest price is registered in Pazardzik, Plovdiv and Lovetch (0.81 leva/kilo). The average for the country is between 0.62 leva/kilo to 0.74 leva/kilo.

The highest demand in July was registered for wheat planting seeds at prices of 450-500 Bleva/MT (exchange rate in July is 1.71 leva/one U.S. dollar).

Barley

- malting barley 170 Bleva/MT-190 Bleva/MT;
-feed barley 160 - 180 Bleva/MT;
According to malting barley processors, the critical price of barley will be about 230-250 leva/MT. If local prices reach this level, processors will start active barley imports.

Corn: prices unchanged at 200-240 Bleva/MT.

Compound feed: Feed prices are gradually increasing. The highest price increase was for the poultry feed, 2.1 percent and hog feed, 5.1 percent. Bran prices increased from 132 leva/MT in January to 192 leva/MT in July or by 46 percent..

Policy

The MinAg announced that the State Reserve has sufficient stocks for 3-4 months of human consumption (about 350,000 MT) and there is no fear of any serious grain deficit. In an effort to prevent grain exports, the MinAg imposed administrative restrictions and temporary increased the fee for issuance of phyto sanitary certificates seven times from 3.0 leva/MT to 20 leva/MT. In addition, higher fees are approved for issuance of certificates of conformity, English version of the quality certificate and protocols of laboratory tests. This way, new higher fees will make exports at least 35 leva/MT more expensive and thus, not attractive for traders. No export bans are likely to be introduced unless grain exports will considerably increase.

Regarding the state intervention, the GOB declared that no intervention purchases will be made in MY03/04 (vs. state interventions in 2002) since farm-gate prices are attractive and significantly higher than in 2002. In addition, the MinAg plans to release wheat from the state stocks only if and when the wheat prices will reach a very high level which may lead to unaffordable bread prices. No clear criteria, however, were introduced for such type of state intervention on the market. According to the MinAg, if wheat is released for sales from the state stocks, the sales will be executed by the commodity exchanges and only flour mills will have an access to this type of wheat (no traders).

In July 2003, the MinAg approved an Ordinance #26 of June 24, 2003 (Official Gazette #60 of July 4) for the quality requirements, grades and standards, and procedures to control grain quality purchased as a state intervention. Newly introduced grades and standards are based on ISO system and international laboratory methods used by ICC.

In late July, the MinAg approved the support programs for the producers of the fall crops. Subsidies and soft term credits at value of 24 million leva will be provided for wheat and barley planting seeds and inputs (fertilizers and plant protection chemicals). According to MinAg, Bulgaria has 250,000 MT certified wheat seeds which will meet the demand and will improve the quality of MY03/04 wheat crop. Some of the support programs include: subsidy for storage expenses for the milling wheat in MY03/04, total 1.0 million leva or 1.8 leva/MT; subsidy to support the harvest campaign, total allocation of 2.5 million leva or 1.0 leva/MT/decare;

Table #2. Corn Exports in January 03 - July 03, in MT by destinations

Corn Exports in January 03 - July 03, in MT by destinations		**Wheat Exports in January 03 - July 03, in MT by destinations**	
Turkey	35,580	Romania	96,283
Morocco	25,783	Albania	2,845
Tunisia	32,857	Algeria	5,869
Libya	13,726	Turkey	8,946
Algeria	1,262	Italy	81,517
Greece	8,439	Spain	23,329
Romania	16,184	Libya	23,619
Cyprus	5,457	Vietnam	651
Total	141,184	Total	248,059

Table#3. MY02/03 Wheat, barley and corn exports by destinations as of December 2002

MY02/03 Wheat Exports in MT by destinations July-December 2002		**MY02/03 Barley Exports in MT by destinations July-December 2002**		**MY02/03 Corn Exports in MT by destinations October-December 2002**	
Italy	120,827	Syria	10,204	Romania	21,278
Tunisia	22,922	Algeria	86,143	Algeria	10,162
Greece	34,864	Saudi Arabia	142,742	Syria	7,764
Turkey	1,000	U.A.E.	6,704	Cyprus	3,875
Spain	278,461	Lybia	6,600	Macedonia	218
Lebanon	10,647	Romania	113,039		
Algeria	82,402	Morocco	9,905		
Albania	2,190	Tunisia	57,920		
Romania	13,554	Spain	36,745		
Yemen	22,000	France	21,089		
Egypt	61,479	Greece	7,817		
Belgium	43,277	Cyprus	6,431		
Macedonia	10,149	Turkey	5,603		
France	13,843	Germany	4,310		
Portugal	21,996	Macedonia	1,423		
Total	756,412 $63 million	Total	516,679 $41.0 million	Total	43,298