



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 8/18/2006

**GAIN Report Number:** BU6005

## Bulgaria

### Grain and Feed

### Grain and Feed Update

**2006**

**Approved by:**

Susan Reid  
U.S. Embassy

**Prepared by:**

Mila Boshnakova

---

**Report Highlights:**

In MY06/07, Bulgaria expects a good grain crop overall but lower than in MY05/06 due to decreased planted area for wheat, barley and corn and difficulties during the vegetation period. Although the quality is not reported to be very good, exports are likely to be significant. Sunflower seems to be the crop of the year with record high areas and production.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Sofia [BU1]  
[BU]

**Summary ..... 3**  
**Domestic supply in MY2006/2007 ..... 3**  
    Wheat ..... 3  
    Barley ..... 4  
    Other grains ..... 4  
    Rapeseed ..... 4  
    Corn ..... 5  
    Sunflower ..... 6  
**Trade ..... 6**  
**Domestic support ..... 7**  
    Grain intervention ..... 8

## Summary

In MY06/07, Bulgaria expects overall good grain and oilseed crop. Although the weather during the crop year was not very favorable (dry fall, winterkill, scattered rains in May and June, hot and dry July) and there were difficulties related to planting, average yields are close or above the average with sunflower yields likely to be higher than in MY05/06. The quality of crops is not likely to be high, however, still very good for export purposes.

Domestic supply will be sufficient to cover local needs and leave more than enough stocks for exports for all major crops. The FAS estimates are for quick use of EU export quotas and generally very good export potential.

The grain and oilseeds industries are expecting the EU accession with mixed feelings. Hopes for an access to much bigger and more expensive markets live along with uncertainty over new EU regulations and their practical implementation, and some fears of future EU competition. Most companies and farmers are still unclear on what right strategy to follow to benefit from the new EU environment.

Note: The information in this report is based on official Ministry of Agriculture data, industry sources and estimates, FAS trade interviews, FAS/PECAD satellite data and field travel in early August 2006.

### Domestic supply in MY2006/2007

As of early August, the MinAg announced early harvest data for wheat, barley, rapeseeds and rye.

<b>Bulgaria MY06/07 grain production as of August 10</b>				
	Planted area, HA	Loss, HA	Harvested area, HA as of August 10	Production, MT, as of August 10
Wheat	941,879	19,379	922,500	3,177,000
Barley	189,229	10,038	178,888	515,000
Rye	6,034	NA	4,300	7,940 (11,000 MT estimated total production)
Triticale	6,602	NA	5,953	16,444 (17,000 MT estimated total production)
Rapeseed	20,174	3,228	16,655	32,534 (33,000 MT estimated total production)
Source: MinAg data, industry estimates				

### Wheat

Wheat harvest has been completed on 99% of the area with an average yield of 3.44 MT/HA. The highest yields were reported from areas of Dobrich, 4.73 MT/HA, Silistra-4.55 MT/HA, Varna - 4.34 MT/HA, Razgrad- 3.82 MT/HA, Rousse – 3.64 MT/HA, Pleven – 3.6 MT/HA and Turgovishte – 3.53 MT/HA. During FAS field observations, the record high yields were reported at 7.2 MT/HA (Pleven and Dobrich area), with the lowest yields reported at 2.2 MT/HA in Stara Zagora region (Southern Bulgaria). Overall, yields are better than expected

and above the average due to improved input use and technology. Very favorable weather in May/early June has changed to better crop estimates compared to previous more skeptical forecast. Lost areas are at 2.0% of total planted wheat area.

This year harvest started on June 29 or about 10 days later than usual due to rainy and cool weather in late May/early June. However, very favorable July allowed farmers to harvest in time, to properly store most grain, and even directly to export (from the field to the port), according to traders.

Wheat quality is reported as not very good, with the first class milling wheat estimated at not more than 20%. A cool and rainy spring was the major reason for deteriorated quality in 2006 compared to 2005. Most farmers and traders report gluten content at 17-20 vs usual rate of above 25. According to the latest official quality tests (MinAg data), average moisture content is between 9.9% and 14.0% with some lots reaching 14.5% to 16.3% due to rains. The hectoliter mass varies considerably from 70.1 to 85.0 kilograms/hectoliter (87.7% of all tested samples have a hectoliter mass over 76 kilograms/hectoliter); gluten content, from 10% to 29%; protein content from 8.2% to 15.8% d.s. No significant share of germinated wheat was reported (up to 1.6%), as well as no damage from fusarium.

Most traders think that this "higher quality feed wheat or low quality milling wheat" will have good market opportunities to some traditional export markets in Asia and/or North Africa.

### **Barley**

Barley has been harvested at almost 99% with a production to date at 515,000 MT. The reported average yield is 2.88 MT/HA. Lost, non-harvested area is at 5.3%. Losses were a result of winterkill in January when the cold snap destroyed about 8,000 HA. In the spring, farmers planted only 1,570 HA of spring barley due to spring floods and low barley prices.

The highest yields are recorded in Dobrich – 4.14 MT/HA, Silistra – 4.01 MT/HA, Varna – 3.77 MT/HA, and Pleven – 3.15 MT/HA. Barley harvest started around June 22, a week later than in 2005. The reported quality so far is relatively good, as the malting barley is only a small portion of the overall crop. The reduction in MY06/07 production compared to MY05/06 is a result of lower planted areas and winterkill losses.

### **Other grains**

Rye was planted on about 6,000 HA of which about 77% has been harvested as of early August. The average yield is 1.87 MT/HA, and expected total production at about 11,000 MT.

Triticale output to date is reported at 16,444 MT from 5,953 HA or 94% of total planted area. Expected total production is at 17,000 MT.

### **Rapeseed**

Rapeseed is a relatively new fall (occasionally spring) crop for Bulgaria. Its production has been steadily increasing over the last 5-6 years due to good demand and attractive prices. However, the lack of sufficient storage and processing facilities as well as farmers' experience and knowledge; appropriate varieties; relatively frequent winterkill, summer dryness and heat; and significant harvest losses; have been limiting significant growth in production.

In MY2005/2006, a number of investors began construction of bio-diesel facilities attracted by exports to the EU market. These facilities intend to use mainly rapeseeds as a raw

material, however, limited local supply may force them to either import rapeseed from cheaper non-EU destinations; or to switch to other readily available oilseed crops such as sunflower.

Planted areas under rapeseed in 2005 were about 20,200 HA of which 3,228 HA or 16% were lost, the highest loss rate compared to all other field crops. The average yield to date was reported at 1.95 MT/HA with the record high in Veliko Turnovo area - 2.96 MT/HA, Silistra- 2.26 MT/HA, and Dobrich -2.23 MT/HA. Total production of 33,000 MT is higher (51% growth compared to 2005) than in the previous years but still much below demand.

<b>Rapeseed production in 2001-2005</b>					
	2001	2002	2003	2004	2005
Planted area, HA	17,200	10,300	14,265	13,169	12,132
Harvested area, HA	NA	NA	12,686	11,250	10,993
Production, MT	19,000	8,000	11,291	22,388	21,778
Av. Yield, MT/HA	1.1	1.17	0.89	1.99	1.98
Source: MinAg statistical bulletins					

Due to attractive ex-farm prices and relatively good yields in 2006, most large and advanced farmers in Northern Bulgaria are likely to increase their rapeseed area in the fall of 2006. For most of them, this will be a "managed risk crop" as the areas are likely to be at 5% to 10% deduction from traditional wheat area per a farm. Another reason for this new trend is the attempt to grow an alternative to sunflower which is already over-expanding its area and causing crop rotation problems. According to industry estimates, it is very likely that after the initial interest towards this crop, many farmers will suffer from low yields and losses, and may not be willing to continue their efforts.

### **Corn**

MY2006/2007 corn area is estimated by FAS at 330,000 HA. To date, corn is developing relatively well (but below MY05/06) due to favorable May and June rains, especially in Central North region, followed by North East. Dry and hot summer and lack of rains in South Bulgaria as well as North West region, will bring the average corn yield for the country lower.

During FAS field travel, significant differences were observed not only between regions but also among hybrids performance, vegetation stage development, and even separate fields. Due to the nature of June rains (very scattered and uneven), these corn fields which enjoyed timely and abundant rains are currently performing much better with expectations for good yields of 10-12 MT/HA. On the other hand, those sometime even neighboring fields which had no rain (at some places no rainfall was reported for the last 60 days), are not likely to produce more than 3.0 MT/HA. In addition, early vegetation stage rains contributed to more weeds infestation. Generally, the picture is very mixed and will very much depend on the weather from now until the end of August. If there is only one good rainfall in the next weeks, average corn yield might be higher. Still, both yields and total production will be below MY05/06 levels.

FAS estimates production is at 1.2 MMT to 1.3 MMT (1.5 MMT in MY2005/2006); and average yield at close to 4.0 MT/HA (3.9 MT/HA). Corn planted area is estimated at 330,000 HA.

## Sunflower

Sunflower continues to be a very profitable crop for Bulgarian farmers. As a result, its area has been steadily increasing to reach about 700,000 HA in MY2006/2007. Over expanding of sunflower area is considerable and it is already negatively affecting the crop rotation. Diseases such as foma, fomopsis and gray rust, especially in Central North Bulgaria, were observed during FAS field travel. While yields are estimated to reach between 2.0 MT/HA and 3.0 MT/HA on average in North Bulgaria, hot weather and dryness in South Bulgaria are likely to bring the yields lower. However, only a few fields were observed with an yield potential of less than 1.0 MT/HA. The average yield for the country is estimated at 1.4-1.5 MT/HA, and total output at 950,000 MT or higher than in MY2005/2006 (935,000 MT, MinAg estimate).

## Trade

In MY2006/2007, Bulgaria has the following Tariff Rate Quotas for exports of grains to the EU:

Wheat- 384,000 MT  
Barley- 65,000 MT  
Corn – 104,000 MT

Relatively good grain supply and reasonable ex-farm prices, combined with attractive regional demand, made possible exports of good volume of grains as of early August. According to Customs, wheat exports for this period are 62% higher than exports in the same period in 2005. Exported wheat is mainly of milling or close to milling quality. Average wheat export prices are 195 leva/MT FOB Black Sea (\$130/MT) for milling quality wheat (gluten content 24 and above).

Although no official data is yet available, the industry sources and experts indicate the following export figures:

Wheat – 397,000 MT (between July 1 and August 6), as 324,000 MT or 86% of total exports were reported to be exported to the EU: mainly to Spain (308,000 MT), Portugal (27,000 MT), Greece (7,650 MT); and the remaining going to Romania (40,000 MT-50,000 MT).

Barley – 66,000 MT, major export destinations: Spain, Italy and Greece.  
Corn – 80,000 MT, major destination Spain.

Expectations are for total MY06/07 wheat exports slightly above 1.0 MMT, comparable to exports in MY05/06 (about 1.2 MMT according to unofficial sources). Barley exports in MY06/07 are estimated to reach about 160,000 MT-180,000 MT. Expectations for corn and sunflower exports are for high export figures, above 300,000 MT for corn and above 500,000 MT for sunflower, depending on the final harvest results.

Despite good exports, farmers have protested against low ex-farm prices, calling for a minimum price of 180-190 leva/MT (\$120-\$127/MT). Traders are currently offering not more than 145-160 leva/MT (\$96-\$107/MT) ex-farm although last week prices tend to increase to 150-180 leva/MT (\$100-\$120/MT). The gap between “sell” and “buy” prices is often about 50 leva/MT (\$33/MT). Wheat prices are lower in South Bulgaria where wheat is mainly of feed quality. In certain regions there, farmers claim a loss of 100-150 leva/HA (\$66-\$100). The average wheat production cost is estimated at 650 leva/HA (\$433/HA).

Malting barley is traded at 160 leva/MT (\$107/MT), feed barley at 130-150 leva/ MT (\$100/MT); corn (old 2005 crop) sells for 170 leva/MT (\$113/MT); rapeseed is traded at 385-440 leva/MT (\$253-\$293).

### Domestic support

The MinAg launched its new program for MY2007/2008 wheat production on August 7. Total support allocation is at 34 million leva (\$23 million) of which 21.5 million leva (\$14 million) as of subsidy per area; and 12.5 million leva (\$9 million) as a soft-term credit line. Farmers can choose to apply for both the subsidy and the soft-term credit line, or separating. The MinAg regional and local offices will do spot checks to verify if farmers have actually planted the indicated area and correctly used the government support.

- The program calls for a subsidy of 25.00 leva/HA (\$17/HA) for 860,000 HA of wheat (this is about 90% of the traditionally planted wheat area and 25% more than the area subject of support in 2005). The subsidy can be used for purchase of fuel, and/or fertilizers, and/or seeds. So far, the previous subsidy programs were allowing a purchase of only one type of inputs. The upper limit of this subsidy per a farmer is 130,000 leva (\$87,000) regardless of cultivated area.

This new subsidy mechanism is applied for the first time and follows the EU-SAPS payment scheme. This policy seeks for smoother transition from the previous subsidy model to the new EU-based SAPS payments which will be applied in the first 3 years after EU accession.

- The soft-term credit line is opened for purchase of fertilizers at 15.00 leva/HA, at 3% annual interest rate, with a repayment date October 2007.

Starting August 1, the MinAg also launched MY2006/2007 wheat storage support program. Total allocation is set at 1.0 million leva (\$666,000) or a subsidy of 2.0 leva (\$1.33)/MT/month for storage of wheat at licensed public warehouses; and 1.70 leva (\$1.13)/MT/month for storage of wheat at non-public licensed warehouses. The eligible wheat should meet a certain quality standard (called 602-87 BDS).

Along with the higher government domestic support, an increasing number of commercial banks opened new soft-term credit packages for grain farmers. The latest credit line promoted by United Bulgarian Bank offers loans at 8.95% annual interest rate for purchase of various inputs (seeds, plant protection chemicals, fertilizers, fuel etc.) for farmers who grow wheat, barley, corn and sunflower. At least 3 other commercial banks have similar packages for grain farmers. Most of these banks also trade grain public warehouse receipts.

In late July, the GOB approved a revision in the Excise Tax Act, according to which farmers will be granted for the first time a significant excise tax reduction on fuel used in farming. Instead of a regular tax of 430 leva/MT (\$287/MT), farmers will pay only 50 leva/MT (\$33/MT). Each farmer is given a limit of fuel use or a subsidy limit depending on its cultivated area (44 liters per HA). According to the MinAg, this represents a subsidy of 16.7 leva/HA (\$11.1/HA). Together with domestic support for wheat (34 million leva, see above), support under these two programs will reach 41.7 leva/HA (\$27.8/HA).

Farmers' reaction to the above domestic support has been contradictory. Most farmers appealed for a subsidy of 50 leva/HA instead of current 25 leva/HA. They also insist on having grain (wheat) intervention at 200 leva/MT (\$133/MT) for 150,000 MT.

## Grain intervention

According to the Bulgarian EU Accession Treaty, Bulgaria has the right to do grain interventions from November 1 until May 31. This has been a subject of heavy criticism by farmers' groups who claim that the month of November is a very late intervention period when most farmers have already harvested corn and sunflower, planted wheat and barley, or they do not already need this government support. In addition, they think that Bulgaria will be in disadvantaged position compared to other southern EU-member states, such as Greece, Spain, and Italy, where intervention starts on August 1.

On the other hand, most experts, traders and processors consider the above intervention period as timely and appropriate which will allow Bulgaria to keep its competitive advantage on the regional and EU market in the period July-November, and thus to continue to be a net grain exporter. This group views future grain interventions only as a supplementary government support tool for this grain which could not be exported commercially for various reasons. Since the EU-model intervention requires high grain quality standards, and availability of appropriate on-farm storage, it is estimated that only a very limited number of large grain farmers will be able to offer their grain for intervention.

In MY2006/2007, the MinAg does not plan any big scale interventions. The State Reserve plans to start procurement of 113,000 MT to refill the old stocks by late August/early September.

The grain processing industry (feed and flour mills, and bakers) protest future grain intervention. They are afraid that overall mediocre wheat quality will force them to import various baking additives (usually gluten improvers) which will make bread, the major staple product, more difficult to sell. In addition, the industry has to invest considerable funds in meeting the EU sanitary and hygiene requirements, to introduce HACCP food safety system, and to cope with increasing competition, thus transferring higher cost to end consumers.

According to recent industry assessment, only 3 out of 23 flour mills in region of Stara Zagora, Kurdjali and Chaskovo, meet the EU standard. Issues with this year wheat quality and its price, along with food safety requirements and retail competitive pressure are likely to accelerate the bankruptcy of small and medium mills and baking facilities by 2007.