

Voluntary Report – Voluntary - Public Distribution

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Report Name: Grain and Feed Market Update

Country: Bulgaria

Post: Sofia

Report Category: Grain and Feed

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Report Highlights:

The prospects for MY2022/23 winter grain crops remain favorable due to the relatively mild winter, sufficient soil moisture reserves, and snow cover. Higher input costs, however, may have a negative impact on the average yields due to expected lower application of inputs. There are market speculations for reduced corn plantings in the spring in favor of higher sunflower area planted due to the increasing cost of products. Grain exports in MY2021/22 had a strong start early in the season but slowed down in December and January. Due to the current complex market/logistics situation in the Black Sea region, wheat exports may lose their competitiveness and the country may generate higher than usual ending stocks. Local feed consumption remains limited due to high feed prices and low to negative margins in the livestock and poultry industries as accelerating food inflation takes its toll on staple products such as bread, bakery, and confectionary products.

Weather Overview

Relatively mild winter weather was favorable for winter grain crops, and no frost damage is expected to occur. The southern part of the country had surplus rain while the northern part had temperature accumulation surplus ([MARS January Bulletin Vol.30 №1](#)). Winter crops benefited from warmer-than-usual temperatures and above-seasonal precipitation in the November-January period. These conditions allowed late planted crops that were lagging behind in development to partially catch up, and currently, winter crops are in good condition. However, the buildup of frost tolerance remains generally weak. Precipitation was above average, but mostly in the form of rain, while the snow cover is limited, therefore, late planted fields are vulnerable to cold snaps (see Maps 1-4, [Crop Explorer](#) and [Bulgaria data](#)).

MY 2022/23 Forecast

The Bulgarian Ministry of Agriculture (MinAg) reported a delay in wheat planting due to rainy weather. As of the middle of October, wheat and barley planting were lagging 30 percent and 49 percent, respectively, behind the planting in the previous season. However, favorable grain prices motivated farmers to plant as much as possible despite the risk of late planting. Due to rising fertilizer costs, farmers made efforts to maximize the winter grains area but to limit corn planting in the spring. At the end of November, the MinAg reported wheat area planted at 1,115,000 hectares (HA), the same level as in MY 2021/22. Barley was planted at 109,500 HA, 3.9 percent less than in MY2021/22 (Table 2).

Higher input costs, especially of nitrogenous fertilizers, is likely to have a negative impact on the average yields due to expected lower application. Still, the inputs' use is not anticipated to decrease significantly. Provided that the weather conditions cooperate, early production estimates are for the wheat crop at about 6.0 million metric tons (MMT) and the barley crop at 500,000 MT.

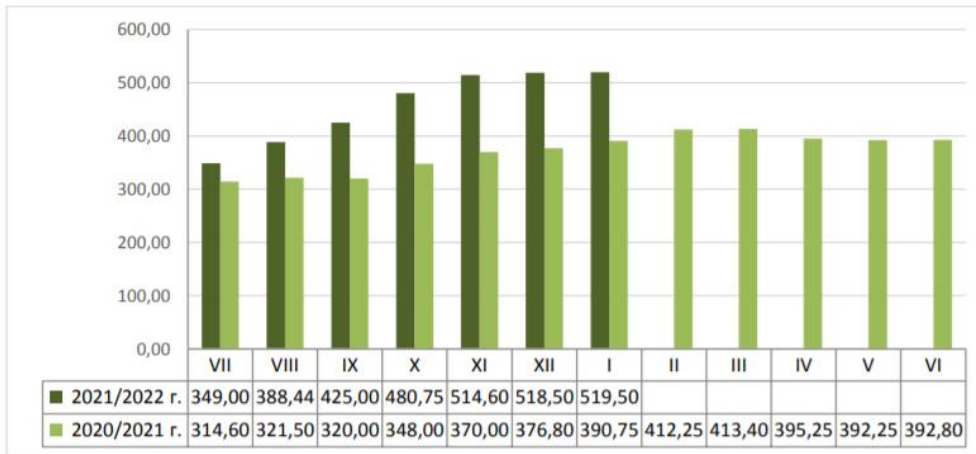
MY 2021/22 Production Estimates and Trade

Wheat: The latest MinAg official [data](#) confirmed record wheat production at 7.2 MMT. When converted into EU standard moisture content, Eurostat reports Bulgarian wheat production at 7.368 MMT (Table 1).

Export demand for wheat early in the season was excellent due to competitive prices, very good quality, and record crop. Farmers' sales increased due to attractive prices. The trend continued and as of January 2022, market prices were 33 percent higher than a year ago (see Graph 1) at 520 leva/MT (€265/\$303/MT). By late January, prices stabilized and tend to decrease slightly.

Graph 1. Wheat Monthly Market Prices, Bulgaria, MY2021/22 vs MY2020/21 in Leva/MT

2020/2021 г. и 2021/2022 г.



ИЗТОЧНИК: „САПИ“

Following the dynamic start of wheat trade (GAIN [Grain and Feed Report](#)), exports slowed by the end of November and in December. As of the end of January 2022, wheat exports were at 3.173 MMT (Table 4). This is 78 percent more than the 1.78 MMT exported a year ago in MY 2020/21 (as of the end of January 2021).

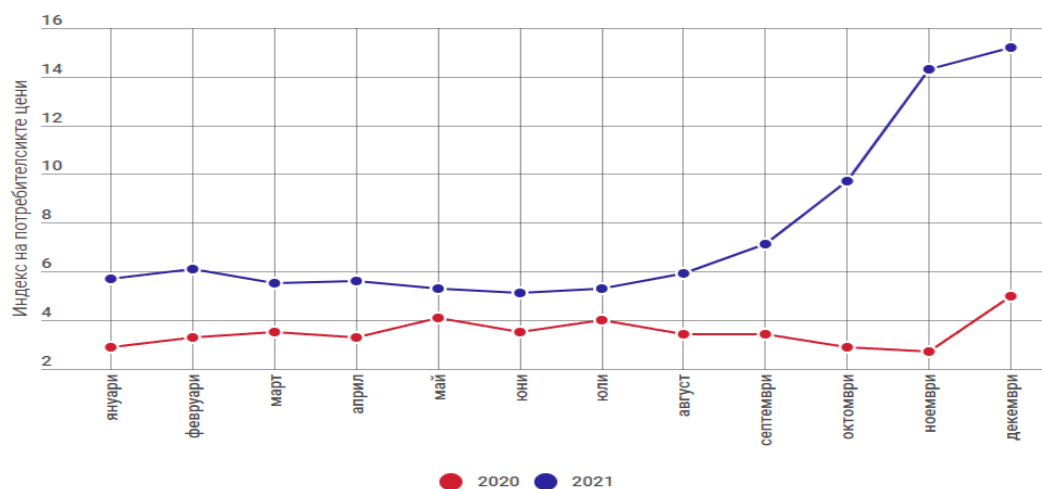
According to the EC [Customs](#) data, as of January 25, 2022, Bulgaria exported 1.66 MMT of wheat to non-EU markets, ranking as the fifth-largest EU wheat exporter after Romania, Lithuania, Latvia, and Germany. According to Trade Data Monitor/TDM, wheat exports (in WGE/wheat equivalent) in the first quarter of MY2021/22 (July-September) were at 2.6 MMT, to main destinations Spain, South Korea, Romania, Israel, Greece, and Vietnam.

Bulgaria has a record high export surplus of about 5.0+ MMT, however, the current tension in the Black Sea may jeopardize the pace of exports. In addition, local prices have increased considerably and the competitiveness is not as high as earlier in the season. Farmers are reluctant sellers due to fast accelerating inflation and the need to buy more expensive inputs for the spring planting campaign.

Local feed consumption is declining in MY2021/22. This is mainly due to the difficult situation of the livestock and poultry industries that have suffered expensive feed and stagnant meat prices, resulting in negative margins. Reportedly, the swine industry currently operates at 10 to 15 percent loss, and some hog farms had to shut down. The poultry industry is in a better situation but is generally stagnant.

Domestic food consumption tends to decrease too. Over the last 10 years, bread consumption per capita has declined every year from 106.7 kg/capita in 2011 to 80.4 kg/capita in 2020, or by 25 percent while flour/bakery products and confectionary products consumption has been stable. In addition, the latest census (2021) preliminary results showed a decline in the Bulgarian population to 6.5 million people. At the same time, higher wheat and energy prices began to affect the bread price (Graph 2).

Graph 2. Index of Bread Prices by Months (January-December) in 2020 and 2021



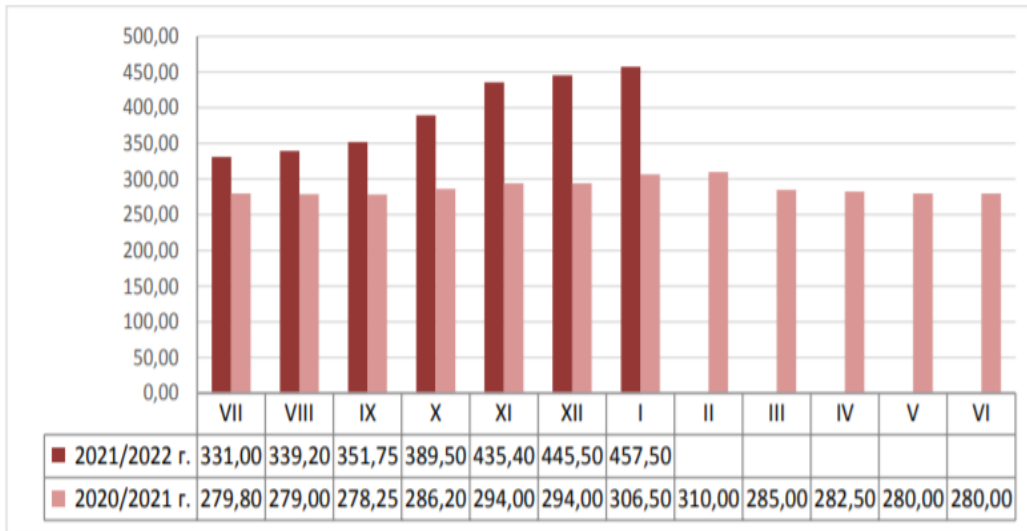
The above trends are expected to contribute to the accumulation of higher than usual ending stocks, which in turn may depress farm prices. Stocks as of the end of January 2022 were at 3.17 MMT compared to 2.16 MMT a year before, or a million MT more.

Barley: Production in MY2021/22 was confirmed by the MinAg at 699,000 MT. When converted into EU standard moisture content, Eurostat reports Bulgarian barley production at 720,000 MT (Table 1).

Export demand has been good and 338,000 MT were reported as exported as of the end of January 2022, of which 158,000 MT to third markets (Table 4). Similar to wheat, exports of barley are 61 percent higher compared to the corresponding period in the previous MY (210,000 MT exports as of the end of January in MY2020/21). According to TDM, barley exports in the first quarter of MY2021/22 (July-September) were at 199,500 MT, to main destinations Greece, Israel, Tunisia, Turkey, and Cyprus. Current MY barley exports are estimated by Post to reach or exceed 400,000 MT. As of January 2022, the average barley ex-farm price was reported at 457 Bleva (€233/\$266/MT) compared to 306 Bleva/MT (€158/\$180/MT) in January 2021, or 49 percent higher.

Graph 3. Barley Monthly Market Prices, Bulgaria, MY2021/22 vs MY2020/21 in Leva/MT

2020/2021 г. и 2021/2022 г.



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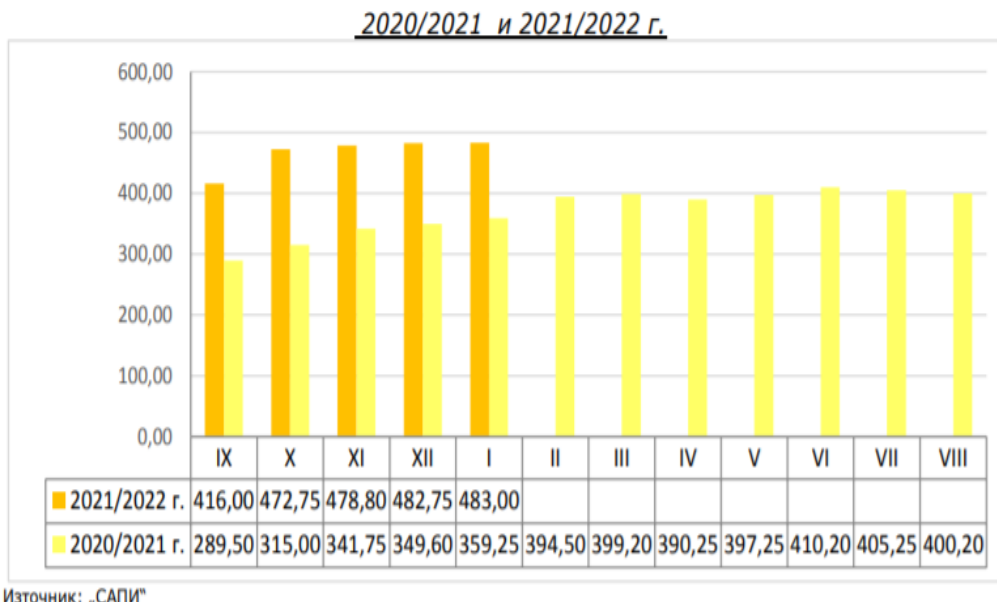
Since barley is currently the least expensive feed grain, the domestic demand by feed mills has intensified. At the same time, demand for brewing barley has declined by more than 20 percent due to lower beer consumption because of the weak tourist season and limited operation of the food service industry. As a result, barley’s ending stocks are projected to be slightly higher compared to MY 2020/21. As of the end of January 2022, barley stocks were at 206,000 MT compared to 186,000 MT a year ago.

Corn: Post is adjusting its corn production estimate lower from 3.45 MMT to 3.35 MMT, due to the negative effects of summer heat and drought. The average yields dropped to 5.84/MT/HA compared to earlier expectations of above 6.1 MT/HA (Table 1).

Corn exports had a strong start early in the season. As of the end of January 2022, 721,000 MT were exported, of which 461,000 MT for non- EU markets (Table 4). This is 43 percent ahead of corn exports in the corresponding period a year ago (503,000 MT).

As of January 2022, the average corn ex-farm price was reported at 483 Bleva (€246/\$282/MT) compared to 359 Bleva/MT (€183/\$210/MT) in January 2021, or 35 percent higher. Currently, most farmers are reluctant to sell corn stocks since they plan to reduce the area planted under corn in the new MY2022/23, and think that more expensive fertilizers and chemicals will lower the corn area/production in the region and make corn a valuable asset. As a result, corn ending stocks may also be higher than usual, depending on exports by the end of the MY. Currently, corn stocks are at the same level as the year ago at 2.0 MMT.

Graph 3. Corn Monthly Market Prices, Bulgaria, MY2021/22 vs MY2020/21 in Leva/MT



Domestic corn consumption has been more favorable in the current MY to date, compared to the previous MY. Due to expanded corn processing capacity, demand for food use has increased. In addition, feed consumption is also reported higher, on the expense of wheat, due to good availability and competitive prices. This trend is likely to strengthen in MY2022/23 with the increased share of corn used on the local market.

Agricultural Policy

The Parliament and Cabinet, newly elected in November 2021, plan to introduce a limit on direct subsidies of €100,000/farm instead of the current €300,000/farm that is expected to have a negative impact on field crops production and national food security.

Bulgaria is among several EU countries that have not submitted its Strategic Plan to Brussels and needs to take urgent decisions on highly sensitive issues. The most controversial and important decision has been the ceiling on direct subsidies (Single Area Payment Scheme). Field crops (grains and oilseeds) heavily dominate Bulgarian agriculture, accounting for more than 80 percent of agricultural GDP. Field crop farms are larger than the EU average, and they play a key role in food security. The rural population lives on rents paid by larger grain farmers who account for more than 75 percent of the national grain and oilseeds production.

In January, the Ministry of Agriculture proposed to the Parliament a plan to introduce a ceiling of €100,000 and the remaining funds to be redistributed among small/medium size farms with up to 650 hectares and/or for coupled support for horticulture producers. The proposal faced opposition from many Members of Parliament and was defined by some as a “war” against farmers. Farm groups were reserved, especially in the view of additional greening policies and skyrocketing energy prices that will put extra burdens on production costs.

Appendix:

Table 1. Grain Crops Final Production Data MY2021/22 and MY2010/21, January 2022

Crops	Area Harvested (000 HA)		Production (000 MT)	
	MY2021/22	MY2020/21	MY2021/22	MY2020/21
Wheat	1,204	1,200	7,368	4,848
Barley	131	131	721	566
Corn	573	582	3,350	3,014
Rice	12	12	65	66
Oats	12	13	28	32
Triticale	18	14	71	41
Rye	7	5	10	14
Sorghum	4	3	13	11
Total	1,961	1,960	11,626	8,592

Source: Eurostat data based on EU standard moisture content- updated as of January 2022

Table 2. Winter Grains Area Planted MY 2022/23, HA, December 2021

	December 3, 2020	December 2, 2021	Change, Percent
Wheat	1,110,092	1,114,895	0.4%
Barley	113,908	109,459	-3.9%
Rye	6,261	6,191	-1.1%
Triticale	13,864	12,740	-8.1%

Source: Bulgarian MinAg Weekly Bulletin #47, December 8, 2021

Table 3. FAS Sofia Grain Production Estimates MY2021/22, January 2022

Crops	Area Harvested, HA	Production, MT
Wheat	1.2 million	7.3 million
Barley (winter and spring)	130,000	720,000
Corn	573,000	3.35 million

Table 4: MY2021/22 Trade in Major Grain Crops, as of January 28, 2021

Types of Grains	Imports, MT	Exports, MT
Wheat	42,179 MT	3,173,380 MT (including 1,899,188 MT to non-EU markets);
Barley	690 MT	338,171 MT (including 157,701 MT to non-EU markets);
Corn*	4,570 MT	720,840 MT (including 460,696 MT to non-EU countries)

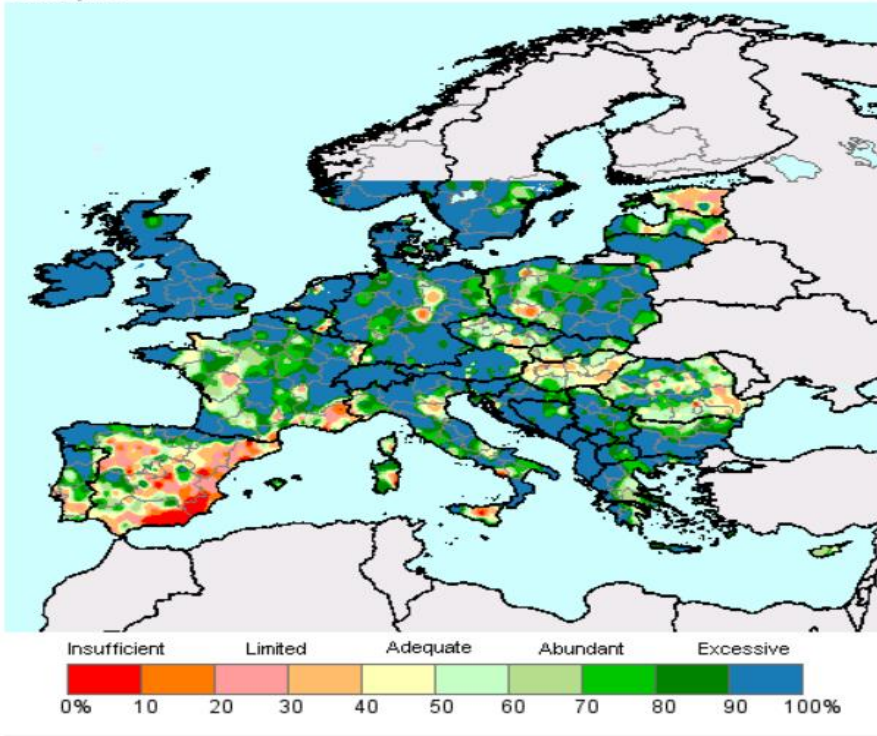
Source: MinAg Weekly Grain Market Bulletins 2021 and 2022.

*Note: The Bulgarian MinAg uses September 1-August 31 as a MY for corn. Trade data refers to 2021 corn crop traded since September 1, 2021

Map 1: USDA Crop Explorer, Europe, Percent Soil Moisture, January 16, 2022

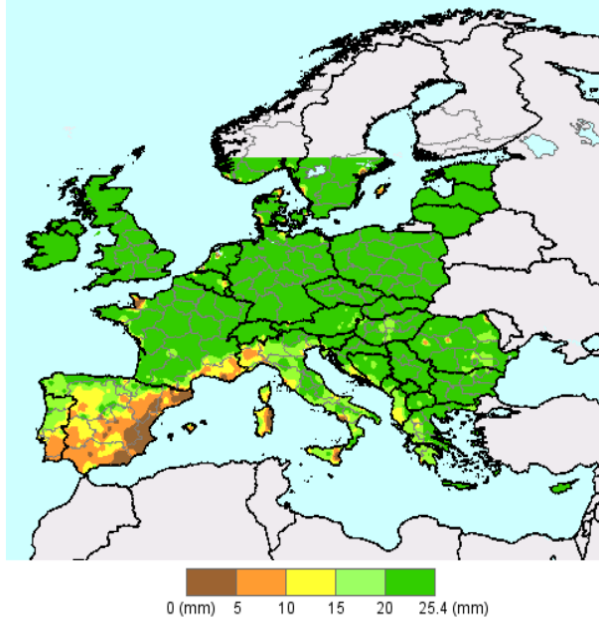
Percent Soil Moisture (WMO)

Jan. 16, 2022

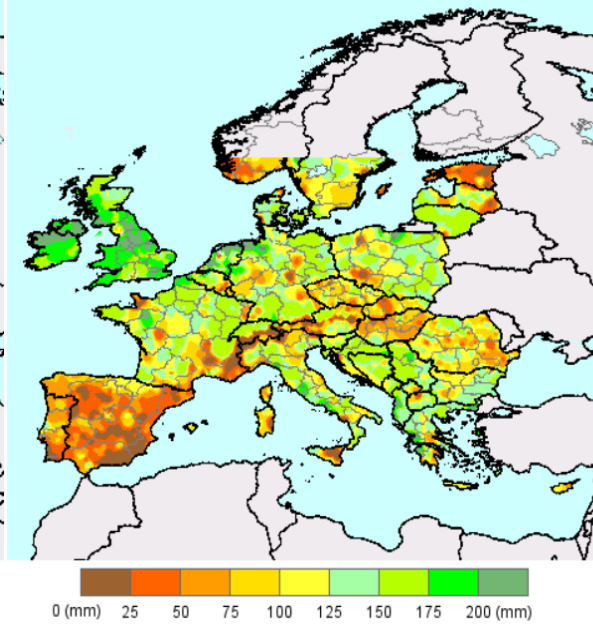


Map 2: USDA Crop Explorer, Europe (including Bulgaria), Surface and Subsurface Soil Moisture as of January 16, 2022

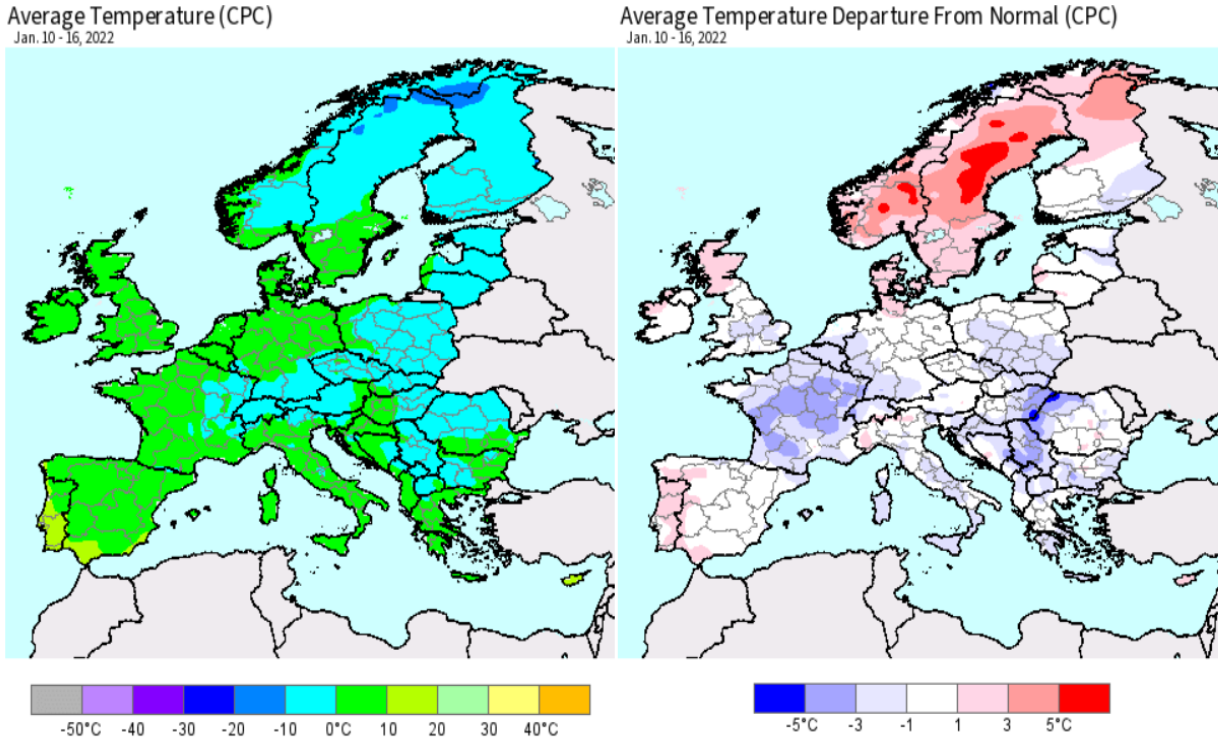
Surface Soil Moisture (WMO)
Jan. 16, 2022



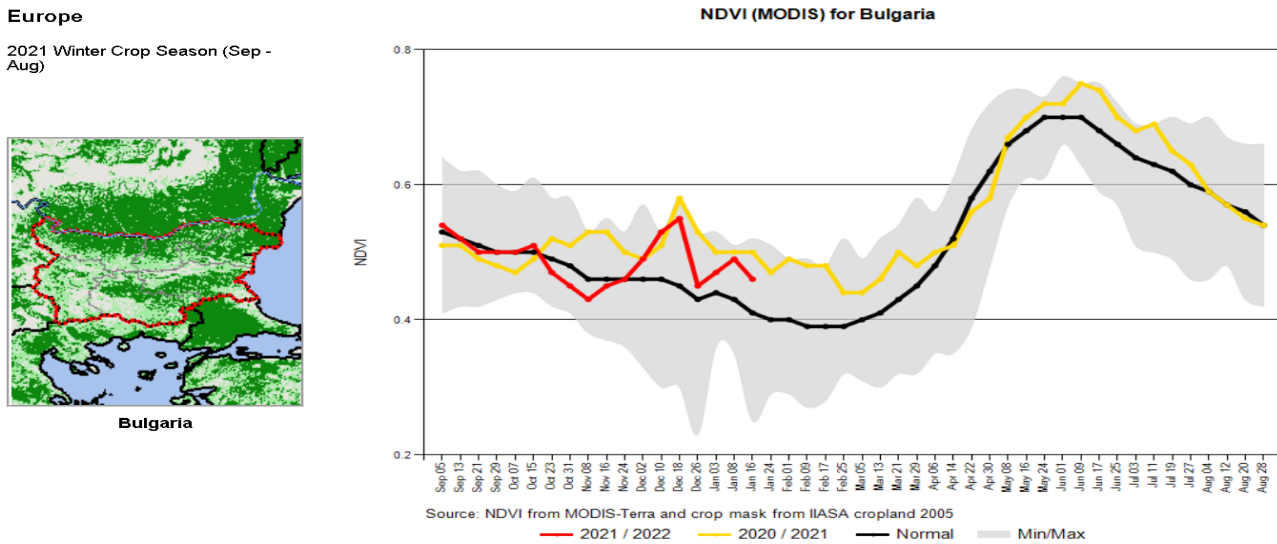
Subsurface Soil Moisture (WMO)
Jan. 16, 2022

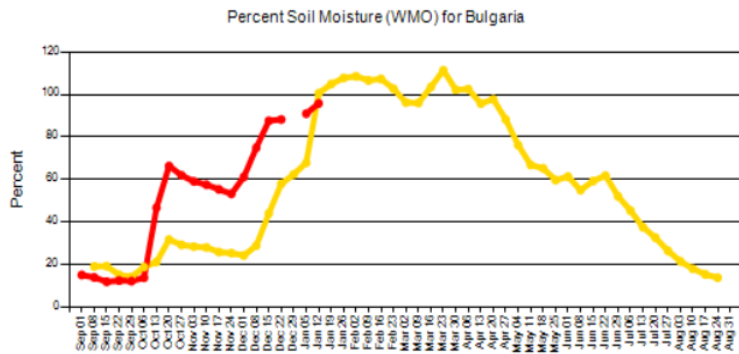


Map 3: USDA Crop Explorer, Europe (including Bulgaria), Average Temperature and Average Temperature Departure from Normal as of January 16, 2022



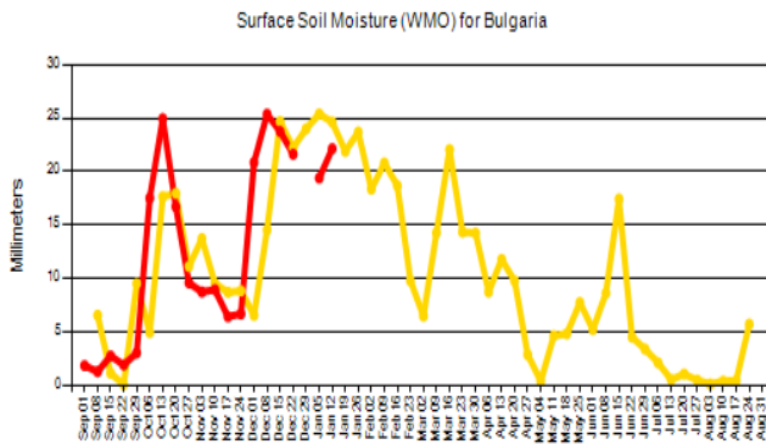
Map 4. USDA Crop Explorer, Bulgaria, Vegetation Index (NDVI), Percent of Soil Moisture, Surface and Subsurface Soil Moisture, as of January 16, 2022





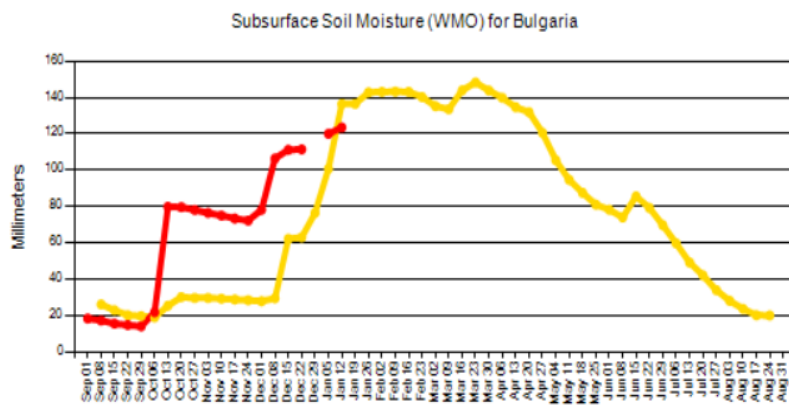
Source: World Meteorological Organization

— 2021 / 2022 — 2020 / 2021



Source: World Meteorological Organization

— 2021 / 2022 — 2020 / 2021



Source: World Meteorological Organization

— 2021 / 2022 — 2020 / 2021

Attachments:

No Attachments.