

Voluntary Report – Voluntary - Public Distribution

Date: March 08, 2023

Report Number: BU2023-0008

Report Name: Grain and Feed Market Update

Country: Bulgaria

Post: Sofia

Report Category: Grain and Feed

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Report Highlights:

Bulgaria harvested a 26 percent lower grain crop in marketing year (MY) 2022/23 compared to MY2021/22, including reductions of 12 percent for wheat, 11 percent for barley, and 26 percent for corn. The decrease was due mainly to unfavorable weather (summer drought) causing a decline in yields. Exports have been depressed due to tight Black Sea competition and farmers holding stocks in expectation for higher prices. As of the end of January, the country has exported 46 percent less wheat, 76 percent less barley, and 81 percent less corn. Post projects record high ending stocks for wheat and barley and potential logistical challenges by harvest time. Current early forecast for MY2023/24 is for higher grain production if the weather remains favorable and depleted soil moisture reserves are recovered in the spring.

Weather Overview

The winter grain crops have developed relatively well due to mild winter conditions with no frost damages in November-January. The southern part of Bulgaria had surplus rain while the northern part had temperature accumulation surplus ([MARS January Bulletin Vol.30 №1](#)). February was unusually warm and dry. Winter crops benefited from warmer-than-usual temperatures and from good seasonal precipitation in the November-January period. These conditions allowed late planted crops, lagging behind in development, to catch up and to be currently in good condition. However, due to limited snowfall, the precipitation was mainly in the form of rain, and in combination with warmer than usual weather and higher evaporation due to winter winds, resulted in lower soil moisture reserves, especially at the sub-surface level. Drier-than-usual conditions with precipitation anomalies of half of the average norm or more were observed in the southeastern part of Bulgaria and along the Black Sea coast. Overall, MY2022/23 precipitation to date is significantly lower than in the previous MY. Although the crops have developed well so far, there is a serious risk about their spring development when crop water needs will increase (see Maps 1-6, Appendix, [Crop Explorer](#) and [Bulgaria data](#)).

MY 2023/24 Forecast

Unlike in the previous season, most winter crops were planted in the optimal time window due to rains in September/October. There has been a growth in fall plantings for all winter grains (Table 2), mainly due to high farm prices. The Bulgarian Ministry of Agriculture (MinAg) reported an increase in wheat area planted, from 3.7 percent to 1.12 million hectares (HA) compared to MY2022/23, as of the end of November. Barley was planted on 112,756 HA, 3.0 percent higher than in MY2022/23. It is reported that due to elevated fertilizer costs, farmers made efforts to maximize the winter grains area. Still, some softening of nitrogenous fertilizers prices may have a positive impact on the average yields due to expected improved application.

Provided the weather conditions cooperate, Post's early production estimates are for the wheat crop at about 6.55 million metric tons (MMT) and barley crop at 650,000 MT. This would represent an increase of about 2 percent for wheat and 4 percent for barley. Upon a more optimistic scenario, and depending mainly on the spring/summer precipitation, the yield potential can go higher to levels similar to MY2021/22 (Table 3).

An early Post estimate for corn is for stable areas planted. In MY2022/23 corn area declined by 10 percent compared to the record in MY2021/22, and it is projected that farmers will likely maintain the same level in the next MY. This is due to higher production costs for corn compared to sunflower, and concerns about summer droughts and the ban on neonicotinoids.

In early 2023, the authorities recognized the need for a derogation of neonicotinoids and granted a limited derogation for corn for select crops and regions, supported unanimously by the farm industry. However, following the EU Court [recommendation](#) on January 19 that member states should no longer be allowed to grant derogations temporarily permitting the use of seeds treated with 'expressly banned' plant protection products by EU law, the derogation was revoked. On the other hand, expectations for increasing prices, growing domestic demand for food/starch, and improved export demand as well as the reports from Ukraine for lower corn production in 2023, will likely stimulate farmers to not undertake any further reduction in their corn production. If the weather cooperates, production is expected to recover to 3.0 MMT (Table 3).

MY 2022/23 Production Estimates and Trade

Wheat: The latest MinAg/Eurostat official data confirmed wheat production at 6.4 MMT at standard moisture content (Table 1). MinAg estimates that about 66 percent of wheat was of milling quality (MinAg wheat [crop quality](#) report). The crop was 12 percent lower than the record crop in MY2021/22.

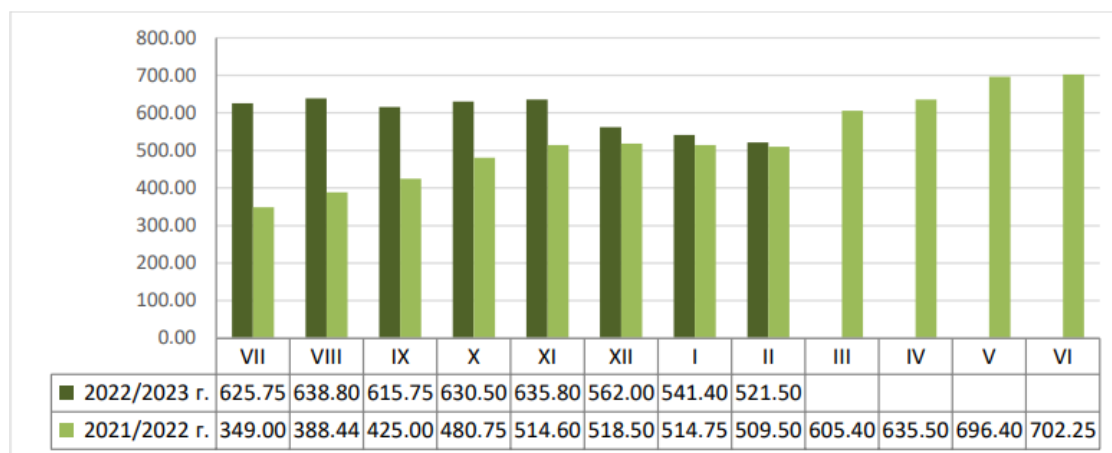
Export demand for wheat has been depressed. Following record high farm prices in May-June 2022, prices began to decline since then. The gap between the local ex-farm prices and the EU prices has gradually widened (Graphs 1 and 2). After some uptick in export prices in September, export prices have declined due to increasing Black Sea competition.

Farmers preferred to keep their stocks due to higher production costs, skyrocketing inflation (which peaked in October at almost 20 percent), and expectations that prices will climb again to their summer level. Farmers were reluctant sellers also due to an unclear picture about the prices of inputs for the spring planting campaign.

The war in Ukraine made the market highly unpredictable and volatile. Since Bulgarian grain is exported on the Black Sea basis, exports were hit by all war-related uncertainties and risks related to logistics, insurance, and financing. As of the end of January, wheat exports were reported to be 46 percent lower than a year ago at 1.7 MMT, compared to 3.2 MMT in the corresponding period in MY2021/22 (Table 5, Graph 3).

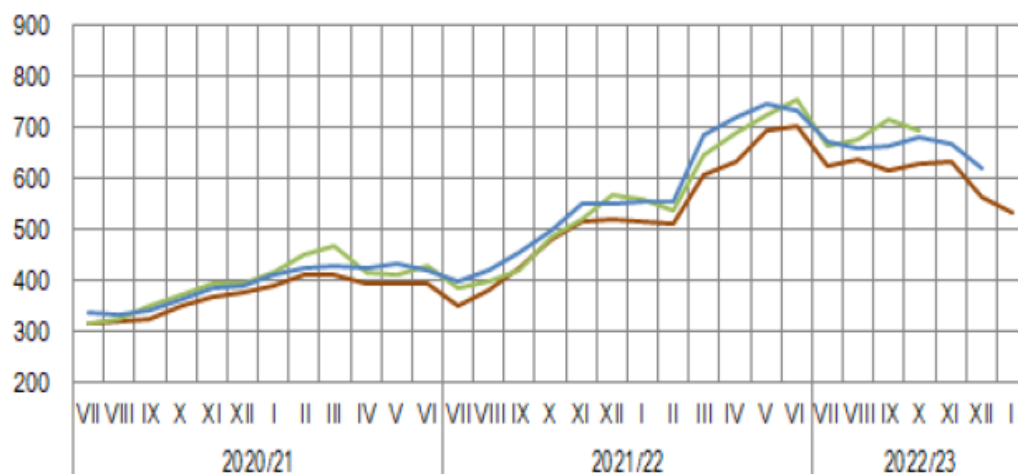
Graph 1. Wheat Monthly Market Prices, MY2022/23 vs MY2021/22 in Bulgarian Leva (BGN)/MT

2021/2022 г. и 2022/2023 г.



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

Graph 2. Wheat Monthly Prices, MY2021/22 - MY2022/23 (January), BGN/MT



Red line-

Bulgarian ex-farm prices, milling wheat, in Bulgarian leva (BGN) per MT

Blue line – EU market price, milling wheat, BGN/MT

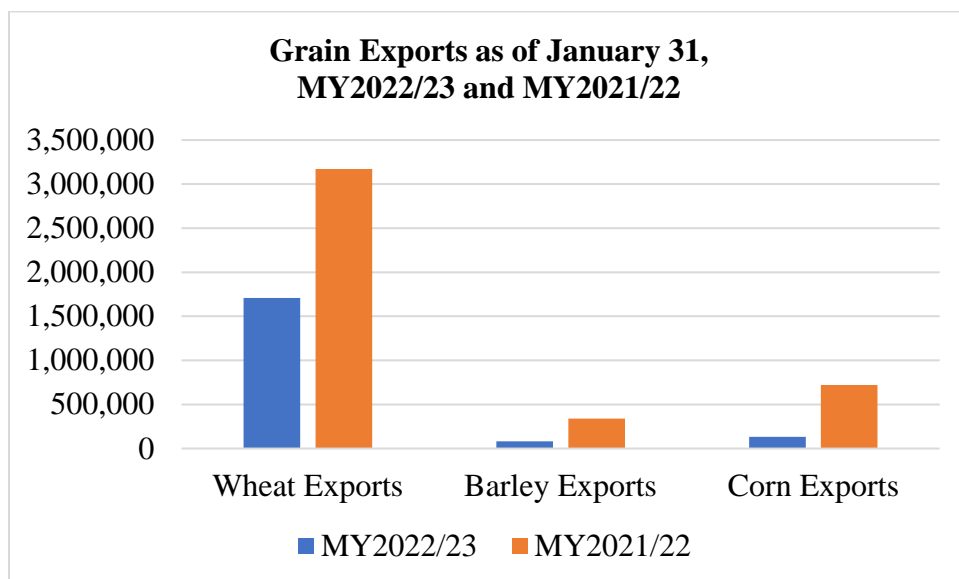
Green line – Bulgarian FOB export price, milling and feed wheat, BGN/MT

Source: Bulgarian MinAg [Dashboard](#) Grains and Oilseeds, February 20, 2023

As of February, ex-farm prices moved very close to their MY2021/22 level (Graph 2), or pre-war time with the tendency for further decrease. Farmers became concerned about potential logistical issues at harvest time due to well developing crops and still full grain storage, along with the need for fresh revenue before the spring planting. This led to more export sales. Nevertheless, tight regional competition, weaker export demand, and prospects for lower prices are not likely to lead to substantial exports from March to June.

According to the EC [Customs](#) data, as of February 5, 2023, Bulgaria exported 1.4 MMT of wheat to non-EU markets, ranking as the sixth-largest EU wheat exporter after France, Germany, Romania, Lithuania, and Latvia. According to Trade Data Monitor/TDM, wheat exports (in WGE/wheat equivalent) in the first quarter of MY 2022/23 (July-September) were at 1.1 MMT, to main destinations Algeria, Indonesia, Tunisia, and Greece.

Graph 3. Grain Exports, MY2022/23 and MY2021/22



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

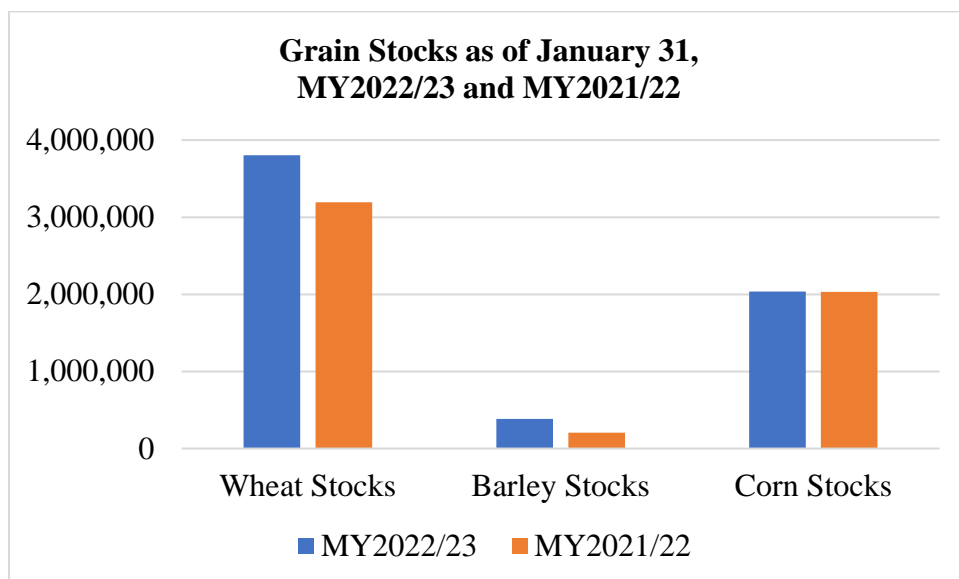
Bulgaria is a net wheat exporter. However, due to depressed farm prices, there have been speculations in media and in the farm community about the influx of more wheat from Ukraine at cheaper prices displacing local grains. Bulgaria does not share a border with Ukraine and this makes these imports more costly compared to shipments to Romania (port of Constantza). There are reports about incoming wheat cargos from Ukraine at competitive prices, however, it is believed that these imports are small. The MinAg data (Table 5) shows wheat imports (16,322 MT) at the end of January at 61 percent lower than a year ago, while EU Customs report imports from the third countries as of February 5 at 12,777 MT. TDM indicates imports of wheat from Ukraine in July-November 2022 at 14,279 MT.

Local feed consumption continues to decline in MY2022/23 (Table 5). This is mainly due to the difficult situation of the dairy, livestock, and poultry industries that have suffered from expensive feed and stagnant meat prices, resulting in negative margins. Food inflation has reached about 25 percent in 2022 and the share of disposable income spent on food increased to over 30 percent. In the last quarter of 2022, consumers began to ration their purchases. Official statistics reported a decline in per capita consumption of red meat from 10.1 kg in at the end of 2021 to 9.6 kg at the end of 2022.

Domestic food consumption tended to decrease too. In the last quarter of 2022, bread and bakery consumption per capita declined (compared to a year ago) from 19.6 kg to 18.9 kg (Table 5). These trends also contribute to the accumulation of higher than usual ending stocks, which in turn may depress farm prices.

As a result of the above trends, the country may face record high ending stocks despite its lower wheat crop. The MinAg reported wheat stocks at the end of January at 19 percent higher than a year ago (Table 5, Graph 4) at 3.8 MMT. With still depressed exports and declining domestic use, Post projection for MY2022/23 ending stocks is at about 900,000 MT or higher. This raises concerns about logistical issues at harvest time as well as about additional pressure on farm prices.

Graph 4. Grain Stocks, MY 2022/23 and MY 2021/22



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

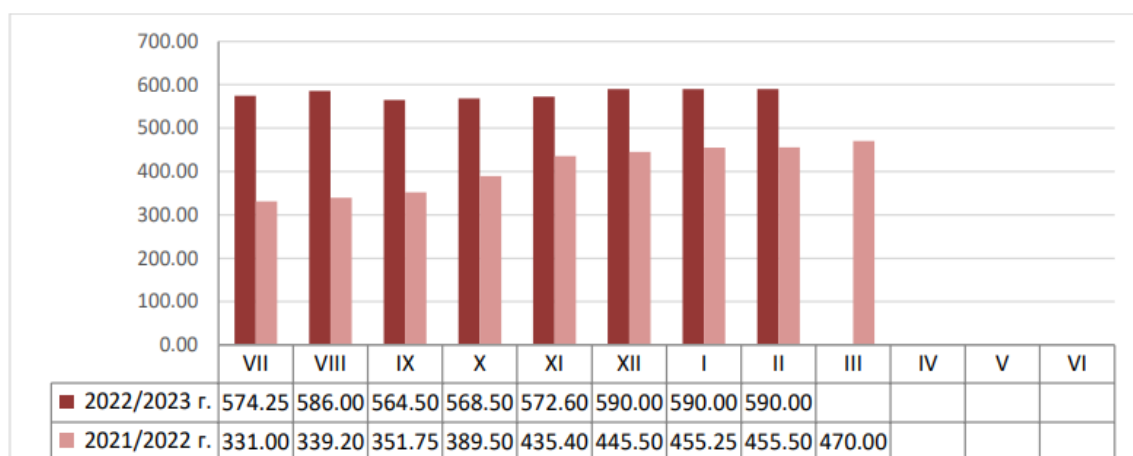
Barley: Production in MY2022/23 was confirmed by the MinAg/Eurostat at 625,000 MT at EU standard moisture content (Table 1). This is 11 percent lower than the record achieved in MY2021/22.

Barley monthly prices have been more stable than wheat prices and are still maintaining higher levels in MY2022/23 compared to MY2021/22 (Graphs 5 and 6).

Similar to wheat, export demand has been depressed (Table 5, Graph 3). The reduction in barley exports is bigger than that for wheat with 76 percent lower exports as of the end of January 2023 over 2022. According to the EC [Customs](#) data, as of February 5, 2023, Bulgaria exported only 33,000 MT of barley to non-EU markets. According to TDM, barley exports in the first quarter of MY2022/23 (July-September) were at 62,000 MT, to main destinations Israel, Greece, and Cyprus. Imports, although higher than a year ago, are small at around 5,000 MT (Table 5), of which 4,000 MT are reported from Ukraine (TDM data).

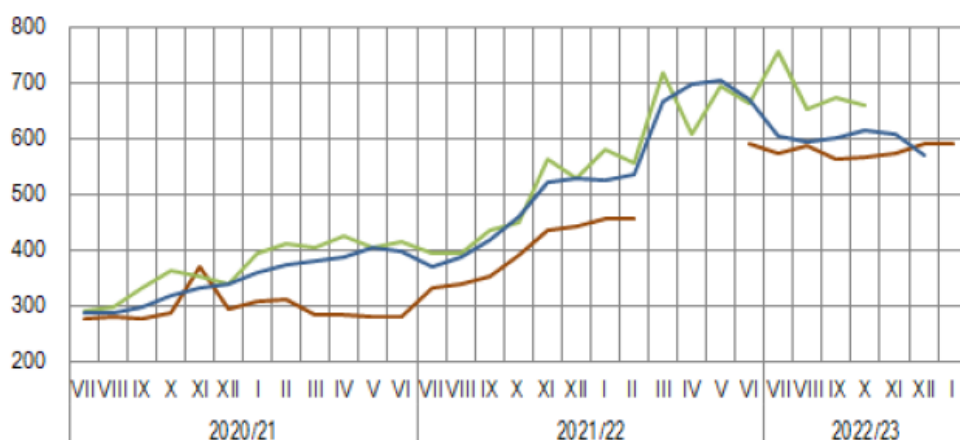
Graph 5. Barley Monthly Market Prices, MY2022/23 vs MY2021/22 in BGN/MT

2021/2022 г. и 2022/2023 г.



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

Graph 6. Barley Monthly Prices, MY2021/22 - MY2022/23 (January), BGN/MT



Red line- Bulgarian ex-farm prices, in Bulgarian leva (BGN) per MT

Blue line – EU market price, BGN/MT

Green line – Bulgarian FOB export price, BGN/MT

Source: Bulgarian MinAg [Dashboard](#) Grains and Oilseeds, February 20, 2023

Since barley has been the least expensive feed grain, the domestic demand by feed mills has intensified (Table 5). Demand for brewing barley has been stable. As a result, barley's ending stocks are projected to be much higher compared to MY2021/22. As of the end of January 2023, barley stocks were at 382,000 MT or 87 percent higher than a year ago (Table 5, Graph 4). Post forecast for MY2022/23 ending stocks is around 100,000 MT.

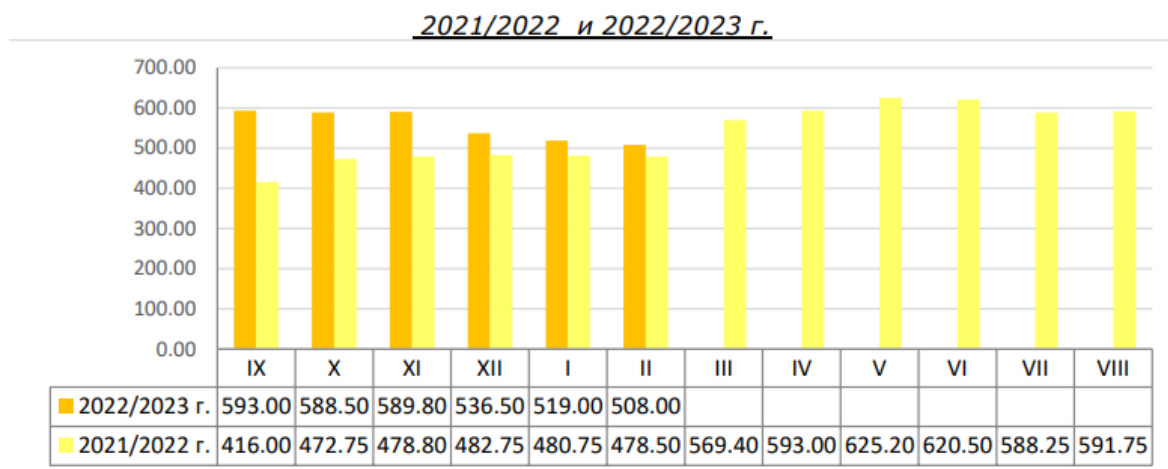
Corn: Corn production in MY2022/23 was confirmed by the MinAg/Eurostat at 2.55 MMT at EU standard moisture content (Table 1). This is 26 percent lower than the record achieved in MY2021/22, mainly due to the negative effects of summer heat and drought. The average yields dropped to 4.9/MT/HA compared to 5.98/HA MT/HA in MY2021/22 (Table 1).

Corn prices have declined since the beginning of the MY and currently are very close to their pre-war level. Ukraine is a significant corn producer and exporter and ample availabilities in the region had an impact on the local market. The gap between Bulgarian farm prices and average EU corn prices has grown since the start of the war (Graph 8). However, in February, corn prices began to grow and to exceed wheat prices.

Corn is not an exception, and its export demand has been depressed (Table 5, Graph 3). The decline in corn exports is the most significant compared to wheat and barley, at 81 percent (Table 5, Graph 3) at the end of January 2023 over 2022. According to the EC [Customs](#) data, as of February 5, 2023, Bulgaria exported 132,000 MT of corn to non-EU markets.

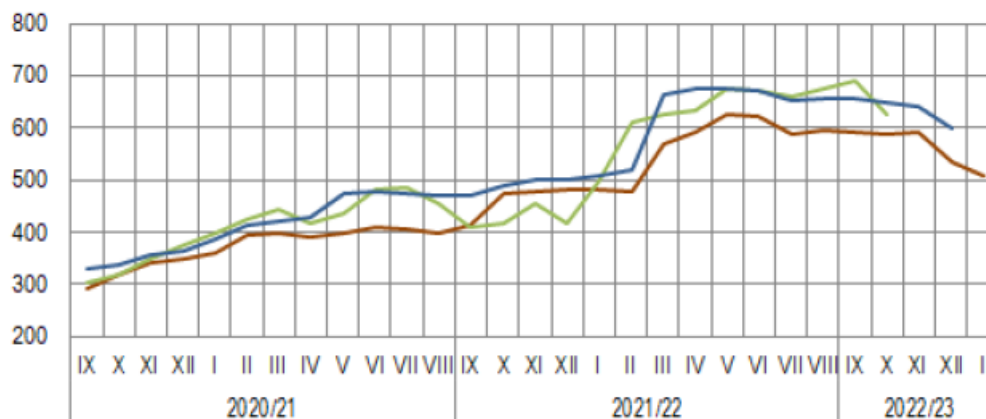
Corn imports increased more than threefold, although it is small and reported by the MinAg at 15,000 MT (Table 5). EC [Customs](#) data shows imports at 20,000 MT. About 9,000 MT were imported from Ukraine (TDM data, September-November 2022). There are poultry and swine operations, as well as feed mills which have purchased Ukrainian corn at competitive prices, and despite media speculations, no quality issues have been confirmed.

Graph 7. Corn Monthly Market Prices, MY2022/23 vs MY2021/22 in BGN/MT



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

Graph 8. Corn Monthly Prices, MY2021/22 - MY2022/23 (January), BGN/MT



Red line- Bulgarian ex-farm prices, in Bulgarian leva (BGN) per MT

Blue line – EU market price, BGN/MT

Green line – Bulgarian FOB export price, BGN/MT

Source: Bulgarian MinAg [Dashboard](#) Grains and Oilseeds, February 20, 2023

Domestic corn consumption has been more stable to slightly lower to date, both for food and feed (Table 5). However, if the corn prices continue to grow, feed consumption may decline at the expense of wheat and barley.

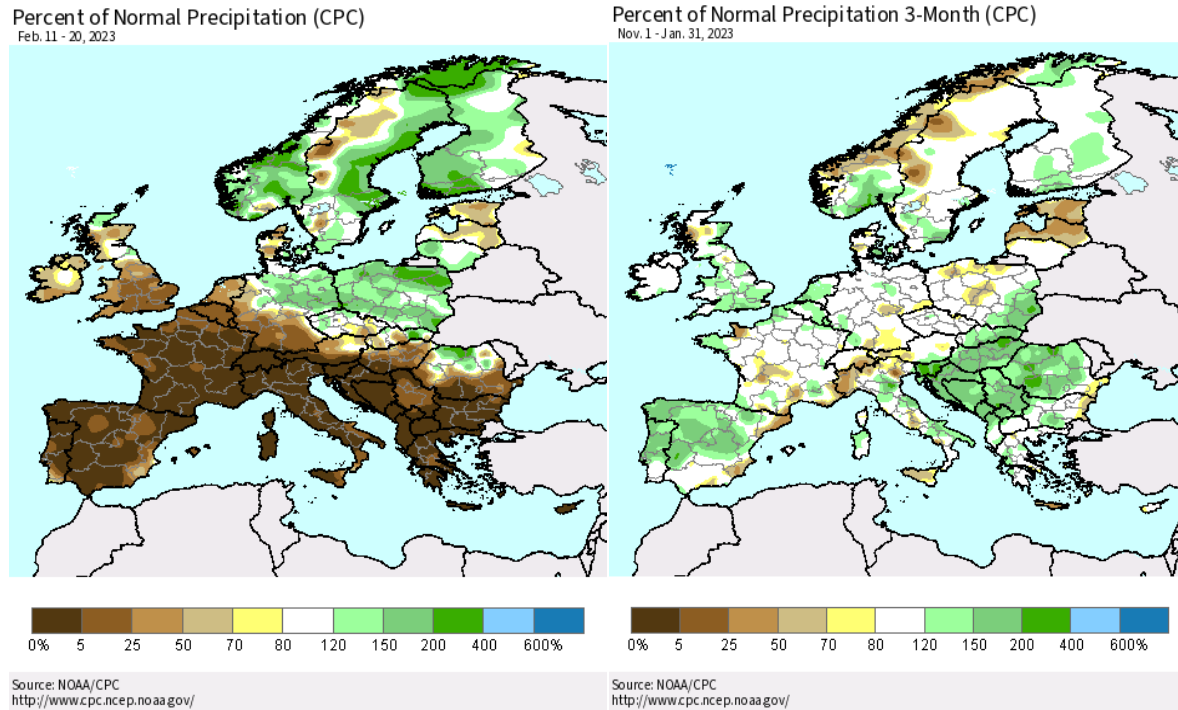
Currently, most farmers are reluctant to sell corn stocks since corn prices have exceeded those for wheat. Due to lower crop in MY2022/23 and despite farmers holding stocks, currently ending stocks for the MY are not estimated to increase. Corn stocks as of the end of January are at the same level as a year ago at 2.0 MMT.

Agricultural Policy

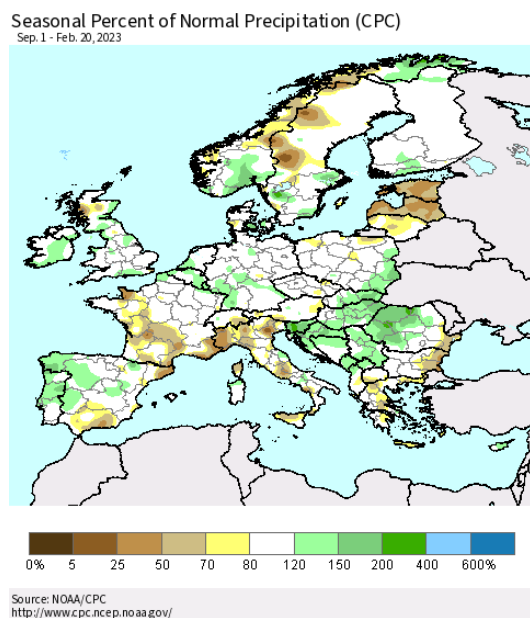
Bulgaria, similar to other countries in Eastern Europe, has suffered from depressed farm prices in MY2022/23 due to the war in Ukraine, although actual imports from Ukraine are small. Farmers have been trapped between sharply increasing production costs and declining market prices. Leading farm organizations began to appeal for more domestic support and/or limitations on imports from Ukraine. For example, a local farm group questioned why imports of Ukrainian grains produced with plant protection chemicals banned in the EU, are allowed. The issue has often been politicized. At the same time, the new EU agricultural policy implementing greening requirements calls for increased expenses not necessarily leading to improved efficiency and competitiveness. At recent farm events, many producers expressed strong opinions and concerns about upcoming higher cost-related production requirements, while the market demand remains depressed, volatile, and unpredictable. Policy makers also have raised concerns about the food security at times when negative farm margins, in combination with still growing inflation, don't stimulate positive agricultural development.

Appendix:

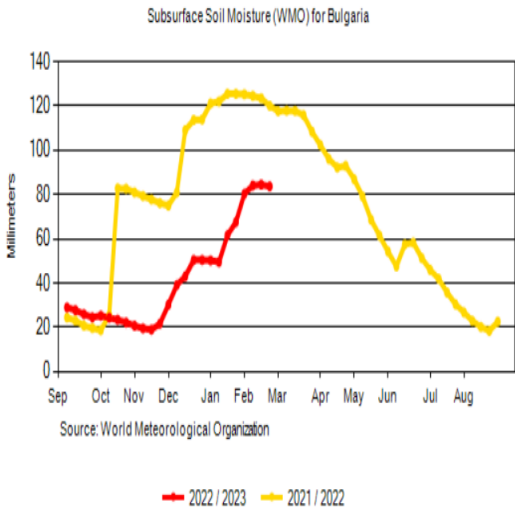
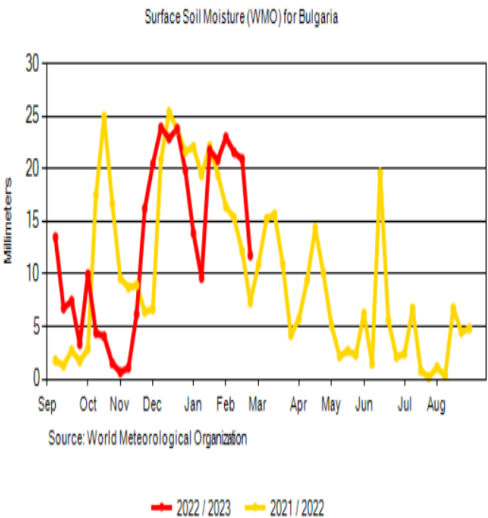
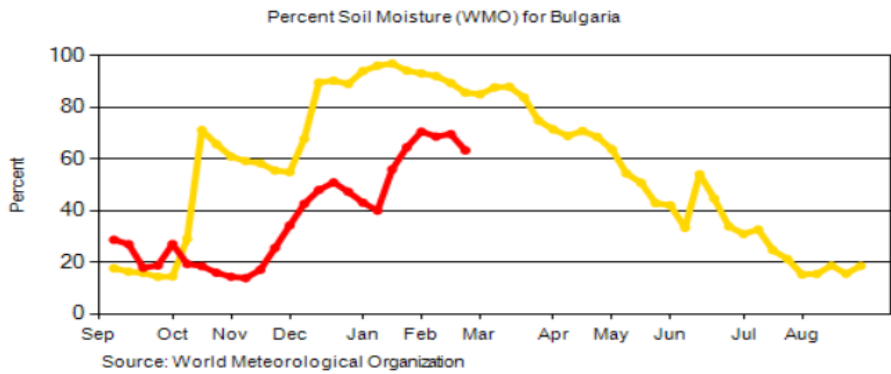
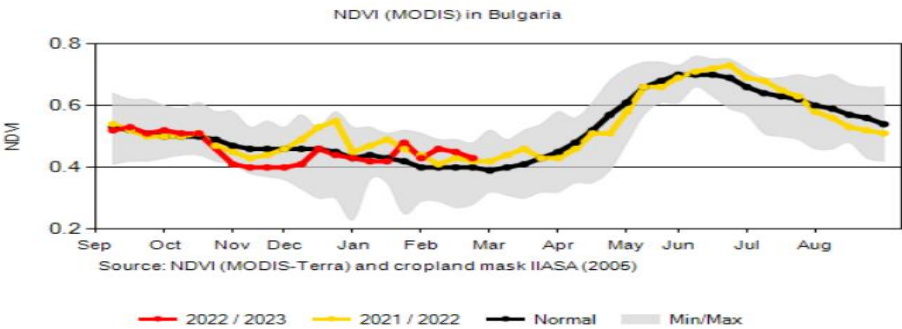
Map 1: USDA [Crop Explorer](#), Europe, Percent Normal Precipitation, February 11-20, 2023 and November 1, 2022- January 31, 2023



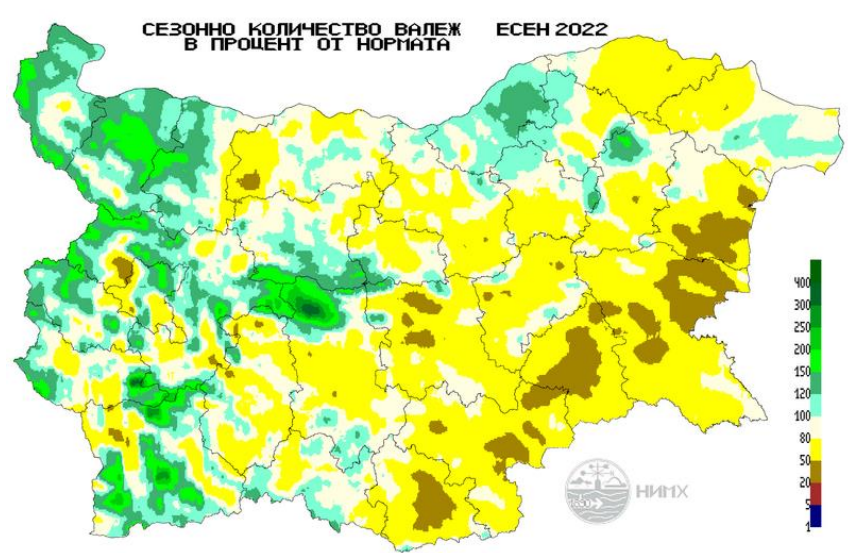
Map 2: USDA Crop Explorer, Europe (including Bulgaria), Seasonal Percent of Normal Precipitation September 1- February 20, 2023.



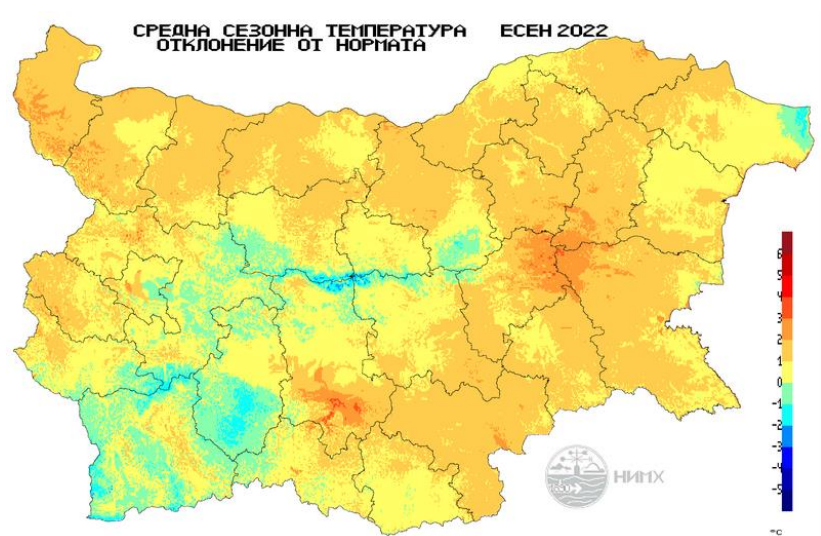
Map 3. USDA [Crop Explorer](#), Bulgaria, Vegetation Index (NDVI), Percent of Soil Moisture, Surface and Subsurface Soil Moisture, as of February 19, 2023



Map 4. Seasonal Rainfall Fall 2022 as a Percent of the Norm, Source: [Bulgarian National Institute of Meteorology and Hydrology](#)



Map 5: Fall Season 2022: Deviation from the Average Seasonal Temperature Norm, Source: [Bulgarian National Institute of Meteorology and Hydrology](#)



Map 6. January 2023, Deviation from the Average Monthly Temperature Rainfall as Percent of the Norm, Source: [Bulgarian National Institute of Meteorology and Hydrology](#)

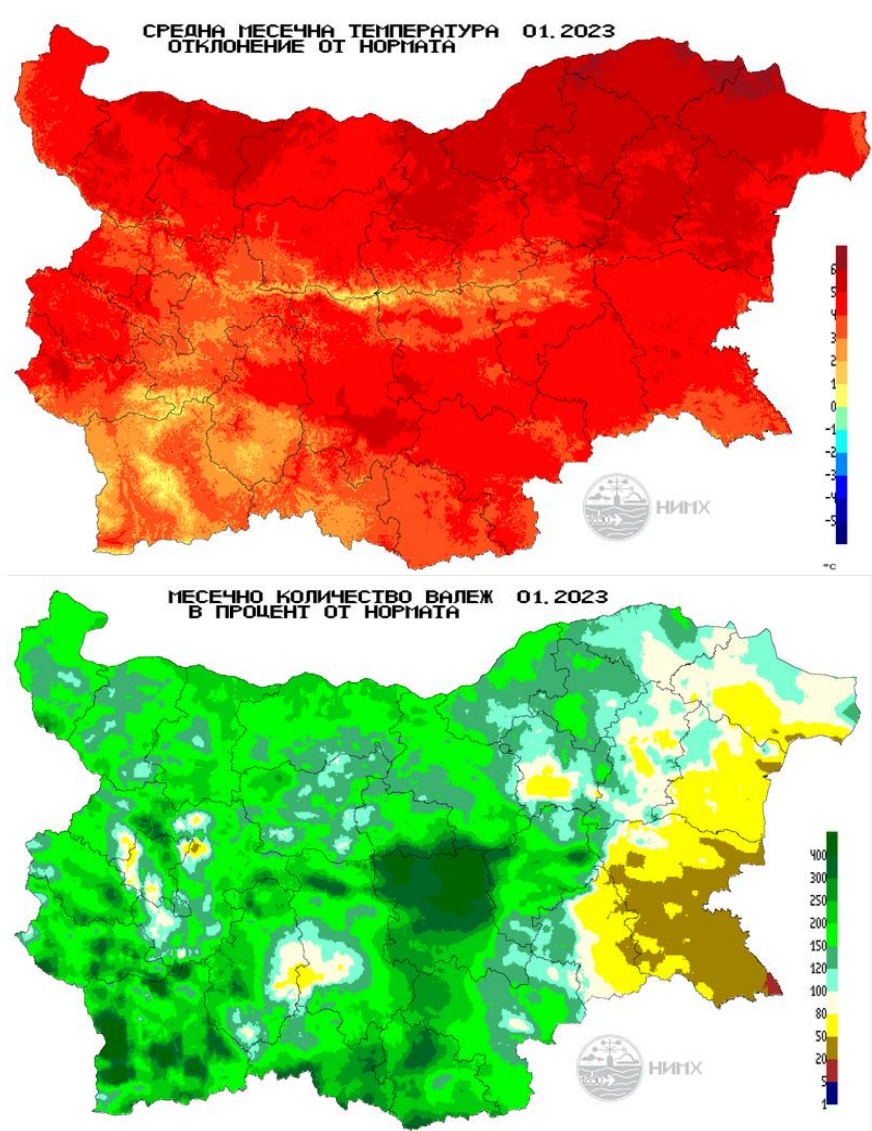


Table 1. Grain Crops Final Production Data MY2022/23 and MY2021/22, February 2023

Crops	Area Harvested (000 HA)		Production (000 MT)	
	MY2022/23	MY2021/22	MY2022/23	MY2021/22
Wheat	1,202	1,206	6,428	7,343
Barley	123	126	625	704
Corn	520	573	2,548	3,427
Rice	11	12	65	58
Oats	11	10	26	24
Triticale	16	16	50	54
Rye	8	8	17	17
Sorghum	2	2	6	5
Total	1,893	1,953	9,765	11,632

Source: Eurostat data based on EU standard moisture content- updated as of February 2023

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

	December 1, 2022	December 2, 2021	Change, Percent
Wheat	1,155,709	1,114,895	+3.7%
Barley	112,756	109,459	+3.0%
Rye	6,891	6,191	+11.3%
Triticale	13,520	12,740	+6.1%

Source: Bulgarian MinAg Weekly Bulletin #49, December 7, 2022

Table 3. FAS Sofia Grain Production Estimates MY2023/24, February 2023

Crops	Area Harvested, HA	Production, MT
Wheat	1.2 million	6.55 million
Barley (winter and spring)	125,000	660,000
Corn	520,000	3.0 million

Source: FAS Sofia

Table 4: MY2022/23 Trade in Major Grain Crops, as of February 17, 2023

Types of Grains	Imports, MT	Exports, MT
Wheat	16,485 MT	1,770,975 MT (including 1,508,208 MT to non-EU markets);
Barley	4,857 MT	80,300 MT (including 64,492 MT to non-EU markets);
Corn*	15,556 MT	188,587 MT (including 147,973 MT to non-EU countries)

Source: MinAg Weekly Grain Market Bulletins 2022 and 2023.

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

2022 corn crop traded since September 1, 2022

Table 5. Grain Exports, Imports, Stocks, and Use as of January 31 in MY2022/23 and MY2021/22, in MT

Types of Grains and Use	MY2022/23	MY2021/22	Change, MY 2022/23 to MY 2021/22 in Percent
Wheat Imports	16,322	42,179	-61%
Wheat Exports	1,707,586	3,173,280	-46%
Wheat Food Use	409,200	419,300	-2%
Wheat Feed Use	261,100	267,300	-2%
Wheat Stocks	3,803,382	3,191,397	+19%
Barley Imports	4,857	690	+703%
Barley Exports	80,300	338,171	-76%
Barley Food Use	37,680	37,400	+1%
Barley Feed Use	99,300	96,900	+2%
Barley Stocks	382,237	203,980	+87%
Corn Imports	14,622	4,570	+320%
Corn Exports	133,692	720,840	-81%
Corn Food Use	439,200	453,100	-3%
Corn Feed Use	225,600	232,200	-3%
Corn Stocks	2,035,168	2,032,892	0%

Source: MinAg Weekly Grain Market Bulletins 2022 and 2023, as of January 31.

Table 6: MY2021/22 Trade in Major Grain Crops

Types of Grains	Imports, MT	Exports, MT
Wheat, in WGE	102,458 MT -31,365 MT from Spain -23,974 MT from Greece -11,848 MT from Austria - 7,243 MT from Ukraine	5,895,615 MT -909,316 MT to Algeria -789,578 MT to Spain -689,837 MT to Greece -619,781 MT to Romania -407,396 MT to South Korea -385,863 MT to Tunisia -291,160 MT to Israel
Barley	1,485 MT	443,457 MT -139,973 MT to Greece -78,408 MT to Israel -77,127 MT to Cyprus -62,778 MT to Spain
Corn	113,352 MT -79,527 MT from Romania	1,386,810 MT -337,043 MT to Greece

	-13,340 MT from Ukraine -5,921 MT from Turkey -3,792 MT from Hungary	-292,704 MT to China -216,366 MT to Romania -149,609 MT to South Korea -104,267 MT to Spain -64,737 MT to Italy
Source: Trade Data Monitor		

Attachments:

No Attachments.