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GAIN Report

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Grains and Oilseeds Market Update

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Grain and Feed

Oilseeds and Products

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Report Highlights:

The latest data for 2013 shows total crop production at a record high harvest of 10.4 MMT. Strong export demand sustained record exports through the end of calendar year 2013 but slowed in January 2014 with depletion of stocks and weakening of export demand. As of January 2014, potential annual export estimates have been updated based on most recent trade and consumption data which show increased potential exports for wheat at 3.3 MMT, corn at slightly below 2.0 MMT, and sunflower at 1.3 MMT.

Farmers and industry are concerned over the unusually dry and warm fall/winter season to date. Temperatures have been abnormally mild with rainfall well below average. The lack of snow cover exposes the winter crop to damage by a sharp freeze, and raises concern for spring crops germination due to subsoil moisture deficiencies. The longer range weather forecast for late January and February is to experience higher rainfall and possible snow cover which should help alleviate some concerns.

General Information:
Weather

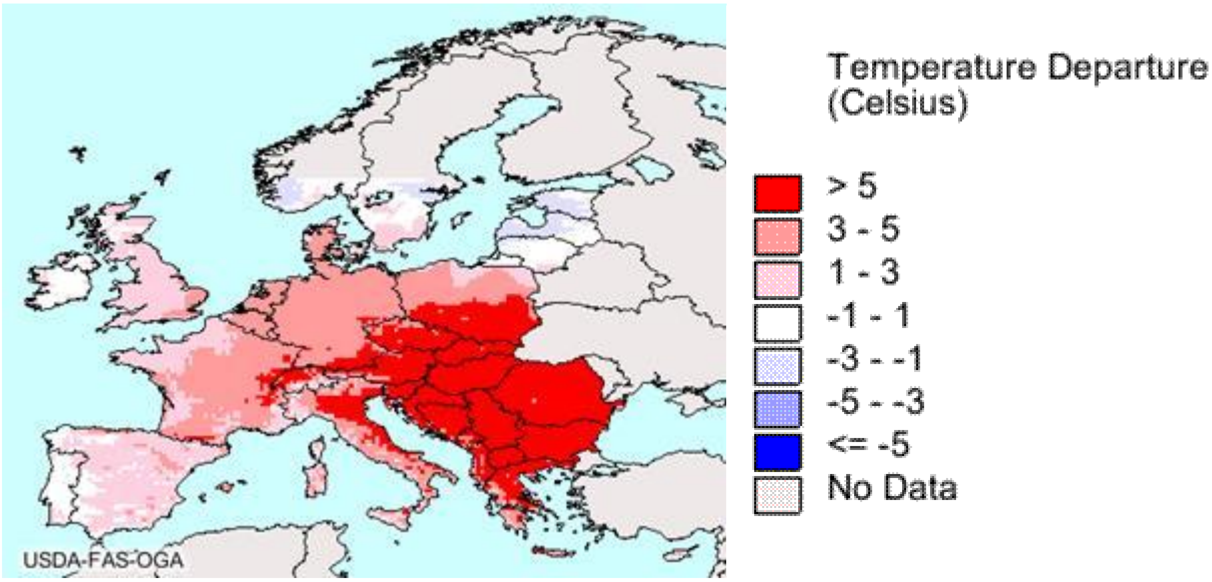
In December and January, the weather was unusually warm with temperatures exceeding those recorded last year along with average norms. This combined with a lack of rainfall and absence of snow cover. As a result, available soil moisture in the surface and in sub-surface zones fell below last year's level and below the historic average. By regions, the situation was better in the major production area of Northeast Bulgaria, followed by Central and Northwest areas, and was worse in Southern Bulgaria (see the Crop Explorer graphs as of January 20, 2014 at the bottom of this report). Soil moisture deficit fields of winter crops appeared as yellow or green/yellow colors. While wheat was evaluated to be in overall good condition, farmers were concerned that there is a risk of exposure to a sudden drop in temperatures without a snow cover.

The Ministry of Environment and Water Resources (MEWR) released a special warning which indicated that rivers and water reservoirs in the country have lower water levels compared to a year ago. The Danube water level was reportedly 180 cm higher a year ago. A number of big rivers such as Iskar, Novi Iskar, Maritza, and Vitt have lower levels as well. Dams are under threat not to be properly filled by the rivers because there was not sufficient snow in the mountains. MEWR expected lighter rainfall for the season which will not be sufficient. MEWR compared this year situation to date with 1993 and 1994 (drought years). The main dam near Sofia is at 72 percent capacity while most dams are at 50-70 percent. The MEWR warns that dams most likely will not be full enough to be used for irrigation in the summer. Northeast Bulgaria is listed as one of the highest risk areas for limited irrigation supplies given it is the major grain basket of the country.

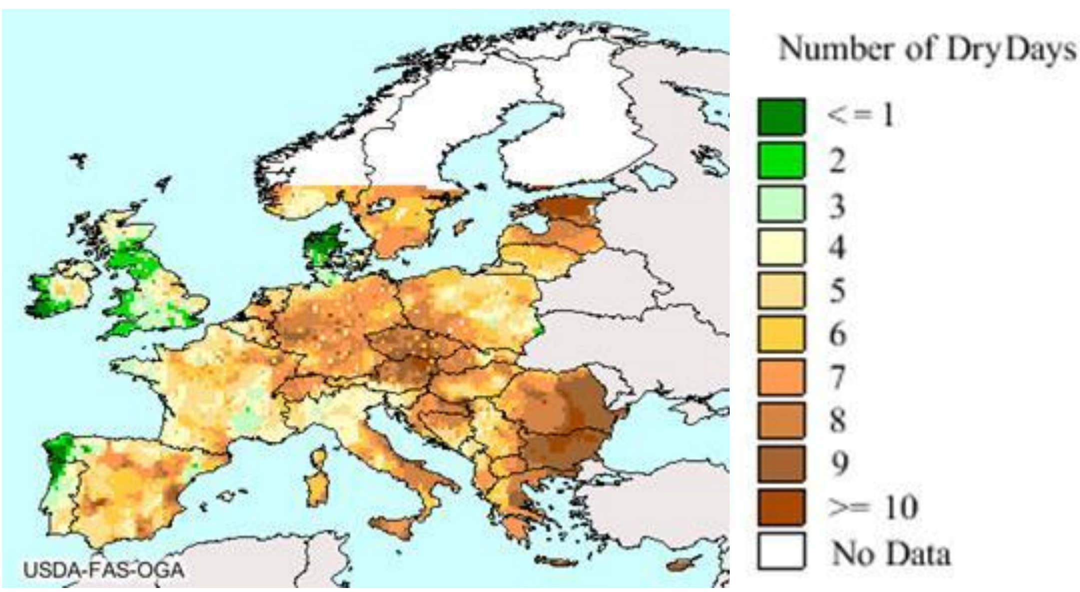
Moisture deficit in sub-surface soil caused more concerns due to upcoming spring planting. Traditionally snowfall typically lasts until March and farmers are afraid that even with good snow cover in February, as the current forecast indicates, this may not be sufficient to secure good moisture reserves. Many still recall the severe 2012 spring/summer drought and already are preparing for a drier season.

Traders and farmers are aware that these risks exist mainly in the Balkan region (Bulgaria and Romania, see the European map below) while the crop situation looks more favorable in the rest of Europe, as well as in other Black Sea producers (Ukraine and Russia). For this reason, industry is closely watching current developments. Short-term weather forecast calls for lower temperatures and snowfall over the last week of January and in February which is hoped to mitigate current concerns. It remains to be seen if farmers will adopt a more cautious approach at the spring planting due to weather and budget concerns.

AFWA/LIS Average Temperature Departure from Normal as of January 20, 2014



AFWA/LIS Number of Dry Days in the Past 10 days as of January 20, 2014



MY2013/14 Harvest and Production Estimates

Bulgaria enjoyed an excellent crop with grains and oilseeds total production at 10.4 Million Metric Tons (MMT) per industry estimates. The Ministry of Agriculture (MinAg) has not yet released its final crop output estimate.

FAS Sofia's 2013 crop estimates released in December remains unchanged at: wheat - 4.9 MMT; barley - 700,000 MT; corn - 2.6 MMT; rapeseeds - 356, 000 MT, and sunflower - 1.8 MMT.

Table 1. Major 2013 Grains and Oilseeds Crop Estimates as of January 2014

Crop Years MY 2013/14 vs. MY 2012/13	**Planted Areas (,000 HA)**		**Production (,000 MT)**	
	MY 2013/14 (est.)	MY 2012/13 (final)	MY 2013/14 (est.)	MY 2012/13 (final)
Soft Wheat	1,190	1,185	4,900	4,455
Barley	198	191	700	662
Rapeseeds	150	134	356	271
Sunflower	785	780	1,800	1,388
Corn	450	467	2,600	1,718
Total	2,773	2,757	10,356	8,494
Note: Based on MinAg/Grain and Feed Agency (GFA) and industry estimates.				

Source: MinAg, industry

Trade

After the long holidays, export activity has slowed due to reduced demand and depleted stocks. Farmers are expected to receive their annual subsidies under the Single Area Payment Scheme at the end of the month.

Another issue challenging the farm trade is the new Value Added Trade regime introduced on January 1, 2014. Farmers still do not know how exactly this will be implemented thus are reluctant to trade more actively.

MY 2013/14

Wheat – According to the MinAg/Grain and Feed Agency (GFA), exports between July 1 and December 31, 2013 totaled 2.897 MMT of which 2.064 MMT went to EU and 833 TMT went to non-EU destinations. According to WTA, exports in the first quarter of MY2013/14 (July, August, and September) were at 1.981 MMT.

Trade export projections are for about 3.0 MMT by February with an MY2013/14 annual total as high as 3.2-3.3 MMT – a record, if achieved.

Barley – According to the GFA, exports between July 1 and December 31, 2013 totaled 345 TMT. Out of this quantity, 68 TMT went to EU and 277 TMT went to non-EU destinations. Trade annual export estimates are at 350 TMT. The GFA estimates that any additional exports would result in subsequent future imports to meet domestic demand.

Corn - According to the GFA, exports between September 1 and December 31, 2013 totaled 1.461 MMT of which 1.009 MMT went to EU and 452 TMT went to non-EU destinations. Exports to date are twice higher than the annual MY2012/13 exports (750 TMT) as per GFA data. Industry sources estimate annual export projection for 1.7 - 1.9 MMT. The GFA estimates the country could export a total of 1.94 MMT without risking any local shortages.

According to WTA, final MY2012/13 data shows imports at 46 TMT and exports at 1.116 MMT. It is very likely that these export data includes 2013 new corn crop exports which were made earlier in the marketing year in August and September.

Sunflower - According to the GFA, exports between September 1 and December 31, 2013 totaled 676 TMT of which 513 TMT went to EU and 163 TMT went to non-EU destinations. MY2013/14 the export potential is estimated to exceed 1.0 MMT depending on local crush demand.

In MY2012/13 sunflower seeds exports were at 975 TMT (source: WTA) while sunflower oil trade showed a record high with 25 TMT imports and 132 TMT exports for the year.

Rapeseeds - According to the GFA, exports between July 1 and December 31 totaled 275 TMT of which 257 TMT went to EU and 18 TMT went to non-EU destinations.

MY 2013/14 Stocks, Consumption, and Export Potential

Wheat

The GFA estimates beginning stocks at 220 TMT and production at 4.826 MMT. Consumption for the period July 1 – December 31, 2013, was recorded at 1.056 MMT. As of early January 2014 available stocks totaled 1.261 MMT. The GFA estimates consumption through the end of this marketing year to be at 672 TMT, leaving year-end stocks at 200 TMT. This represents an average monthly consumption of 112 TMT/month from January to July 2014.

Based on GFA estimates, the country has the potential to export up to 389 TMT more wheat which, if pursued, would set a new export record of 3.3 MMT or higher than the previous estimate made in December. Most trade sources expect wheat exports to exceed 3.1 MMT due to expected lower feed use at the expense of corn.

Barley

The GFA estimates beginning stocks at 10 TMT, production at 696 TMT, and total consumption during the period July 1 – December 31, 2013 at 196 TMT for feed, for the brewing industry and for planting seeds. On December 31, 2013 available stocks were reported at 166 TMT. The GFA estimates consumption through the end of the marketing year is also at 166 TMT for an average 28 TMT/month which leaves no ending stocks, and means the country has reached its export maximum.

Corn

The GFA estimates beginning stocks at 227 TMT, production at 2.591 MMT, and consumption through December 31, 2013 at 289 TMT for feed and for the starch industry. On December 31, 2013 available stocks were reported at 1.072 MMT. The GFA estimates consumption through the end of the marketing year at 596 TMT or about 66 TMT on average per month. Based on the GFA consumption forecast, the total export potential is estimated at 1.936 MMT which would be a record if achieved.

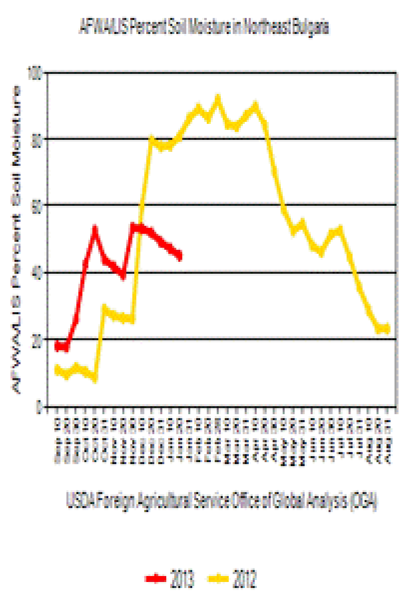
Sunflower

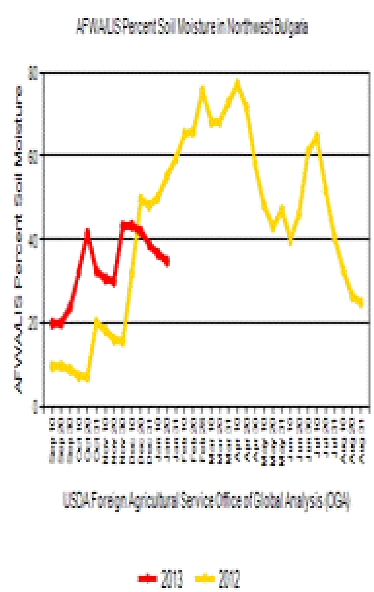
The GFA estimates beginning stocks at 23 TMT and consumption through December 31 at 169 TMT for feed and food. On December 31, 2013 available stocks were reported at 974 TMT. The GFA estimates consumption through the end of the marketing year at 350 TMT or about 39 TMT on average per month. Based on the GFA consumption forecast, the total export potential is estimated higher at 1.3 MMT which would be a record if achieved.

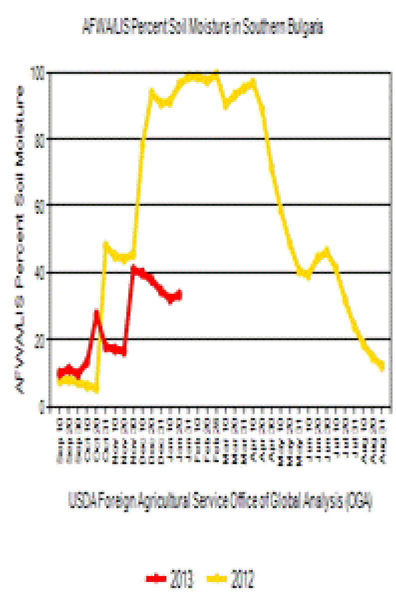
Rapeseeds

The GFA estimates beginning stocks at 60 TMT, production at 356,000 MT and consumption for July 1- December 31 period at 67 TMT. As of early January 2014 available stocks were 76 TMT. According to trade, the export potential may reach 300 TMT.

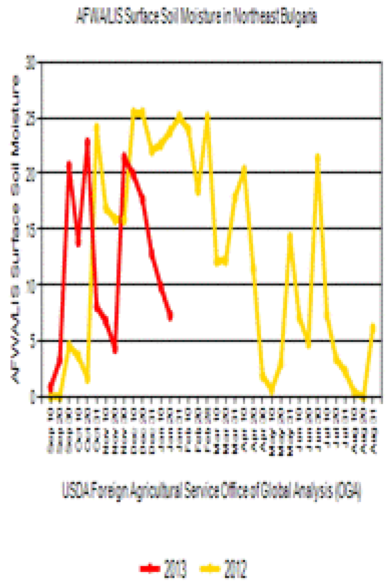
Percent of Soil Moisture in Major Production Regions as of January 20, 2014

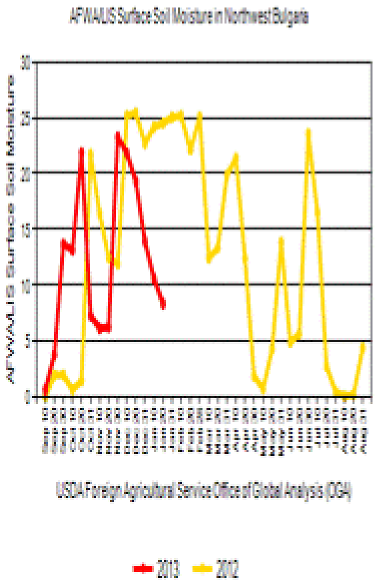


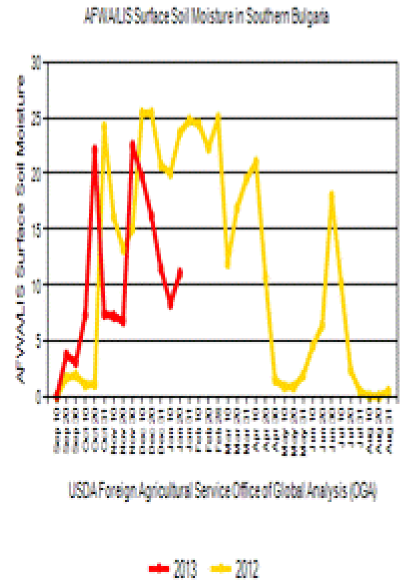




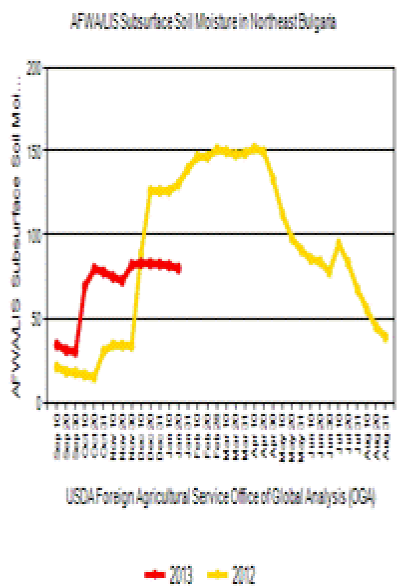
Surface Soil Moisture in Major Production Regions as of January 20, 2014

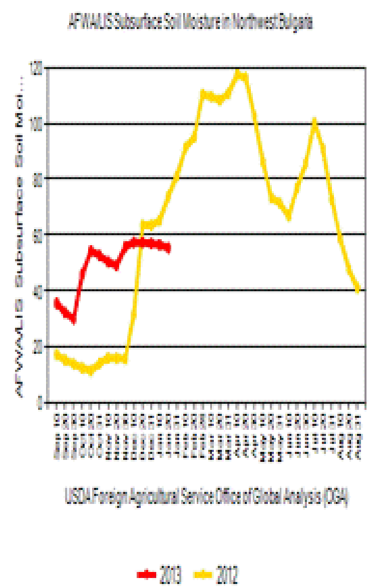


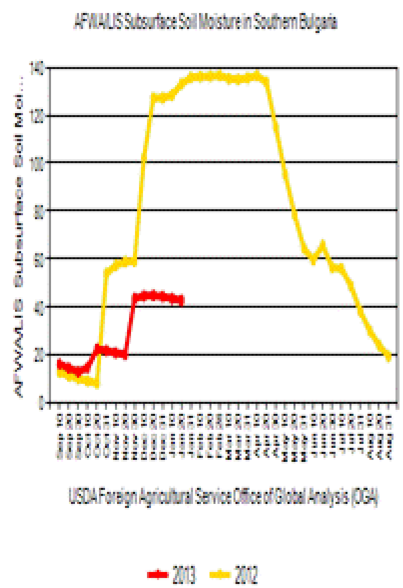




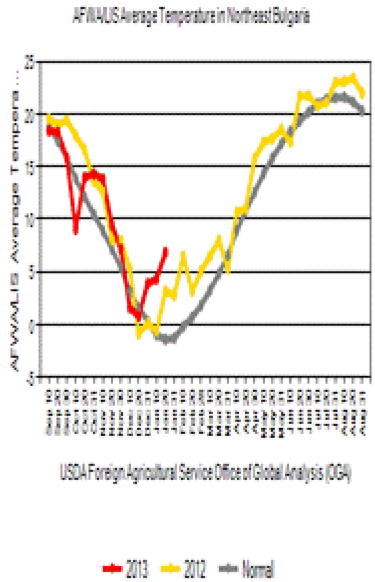
Subsurface Moisture in Major Production Regions as of January 20, 2014

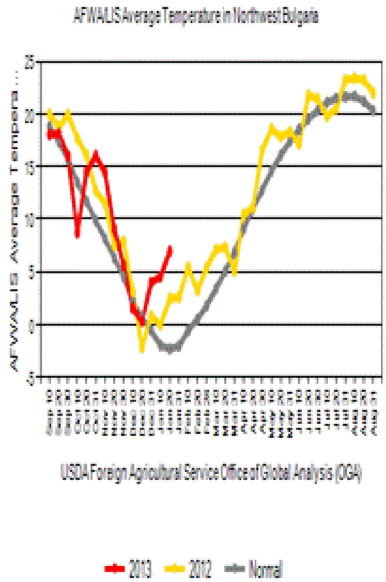


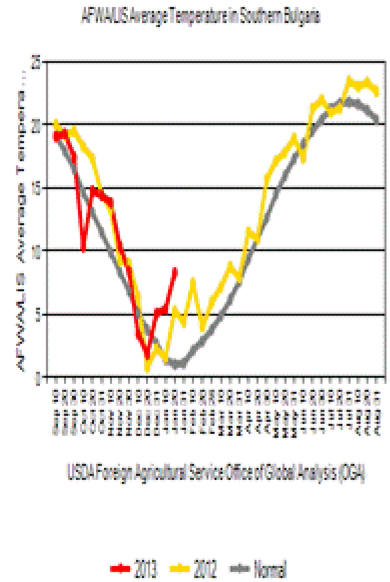




Average Temperatures in Major Production Regions as of January 20, 2014


AFWALIS Average Temperature in Northeast Bulgaria
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2013
2012
Normal


AFWALIS Average Temperature in Northwest Bulgaria
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2013
2012
Normal


AFWALIS Average Temperature in Southern Bulgaria
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2013
2012
Normal