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Bulgaria

Grain and Feed

Market Update

2008

Approved by:
Susan Reid
U.S. Embassy

Prepared by:
Mila Boshnakova

Report Highlights:
Bulgaria expects better than initially estimated wheat and barley export surplus due to excellent crop (at or above 2.0 MMT). Barley harvest was completed and exports are underway. Wheat harvest is likely to be over in 10 days but exports have already begun. Spring crops are developing above average although recent dryness has reduced crops' potential, especially for corn.

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

Production

Wheat

Wheat harvest started around June 23 and is progressing well due to favorable weather. Harvested area as of July 3 was 12% (119,000 HA), average yield 4.3 MT/HA (510,000 MT) which leads to total production of 4.3 MMT. According to farmers, as of July 20, wheat harvest progress varied from 35% to 99% in various regions or an estimated average of 60%. (Note: No official crop figures are released yet). See average reported yields by regions in Table#1.

About 40%-50% of wheat meets feed quality standards with reported bug damages (low W). The other half of the crop, however, much more than the usual 30%, is good milling wheat. According to the Association of grain producers, there is an increasing number of buyers (flour mills and traders) who try to manipulate lab test to show lower quality in order to push prices down.

Wheat production (industry estimates):
- planted area 1.0 million HA -1.11 million HA;
- production: 3.76 MMT- 4.3 MMT (there are also some very optimistic estimates for 4.5 and 5.0 MMT).

Barley

Barley harvest started around June 16 and as of July 3 was 81% completed (166,000 HA) with average yield of 4.1 MT/HA (686,000 MT) which leads to total production of 700,000 MT. As of July 20, farmers reported 99% harvested areas. See average reported yields by regions in Table#1.

Quality is very good, 64-65 kg/hl specific weight. Reportedly, about 25% of the crop is malting quality barley. Local needs of brewing industry are for 120,000-150,000 MT which will leave some malting barley export surplus.

Barley production (industry estimates):
– planted area: 206,000 HA -250,000 HA ;
- production: 692,000 MT – 930,000 MT

Corn

Hot and dry weather in the first 3 weeks of July (pollination and flowering period) was critical for corn development and slightly reduced the crop potential. However, temperatures were not record high and there were scattered showers which helped to soften the negative effect. According to a recent MinAg survey, 65% of corn area was fertilized and 80% was treated with herbicides. Most industry estimates are for 324,000 HA-350,000 HA planted area, and production of 1.25-1.42 MMT.

Production cost

Farmers report considerable increase in production cost of fall crops in MY07/08 to over 500 Euro/HA compared to 400-430 Euro/HA in MY06/07. Estimated wheat production cost in MY2007/2008 is 109-115 Euro/MT (see Table# 2 for wheat production cost per MT). Barley production cost is usually 10% lower than wheat. All production expenses have increased during the past 12 months- fuel, energy, labor, land rent, inputs, social taxes etc.

Increasing cost, especially for smaller farmers, combined with depressed prices and financial needs, may lead to further consolidation of agricultural production. Since EU funds for modernization and farm investment will be likely limited or not available in the near future, such farmers may not be able to compete with larger producers, especially with those who have on-farm storage. Some first signs of this trend are on the horizon with more small land plots sales. Production efficiency and technology innovations will play a critical role for local farmers' competitiveness in the near term.

Consumption

Feed millers and livestock operations are massively switching from old corn crop to wheat and barley from the new crop. Early consumption estimates for MY08/09 show double more wheat and barley in feed (wheat - from 0.6 MMT to 1.0 MMT; and barley from 100,000 MT to 200,000 MT-280,000 MT).

In MY07/08, record high wheat prices have changed the traditional price model which used to exist before 2007. It was considered that the proportion of prices of wheat, wheat flour, and bread has to be 1:2:4. However, recent analysis showed that these indexes changed. In July 2007, the indexes were 1:1.74:3.02, and in March 2008 they were 1:1.66:2.56. The major reason for this change was consumers' pressure which could not bear higher bread prices. These issues forced many baking companies to change their policy and to switch from the major product (bread) to more value added products such as bake snacks. At least two leading companies launched their new businesses with opening chains of small outlets for retail sales of baked snacks.

Trade

Since mid-July, the price pressure has strengthened starting with barley and followed with feed wheat. Large local and regional supply, logistical, storage, transportation and financing issues are all contributing to suppressed prices. Traders report expected logistical issues, not only on the territory of the country and at ports but also in the Black Sea (Bosporus). Since in MY08/09 all Black Sea countries will have extra large export volumes, many anticipate logistical losses, and try to further push down farmers' prices to maintain competitiveness. Some traders delayed/postponed purchases expecting these problems to culminate in early fall along with coming sunflower and corn harvest.

Farmers from major production areas are now protesting against lower ex-farm prices and plan to keep wheat in storage for later sales in expectations for increased prices. The desirable price is estimated by farmers at minimum 160-170 Euro/MT for wheat and 150 Euro/MT for barley. Storing grains, however, is a questionable strategy since already many producers reported full on-farm and regional storage facilities.

Wheat FOB Black Sea (and ex-farm) prices drop daily and are currently reported at 150-155 Euro/MT for feed wheat and 180 Euro/MT for milling wheat. Farmers' prices are at 110-135 Euro/MT. Barley FOB Black Sea prices are around 150 Euro/MT.

Currently, industry estimates wheat export surplus in MY08/09 at 1.35 MMT-2.0 MMT. Export deals are reported to Romania, Greece, Spain, Tunisia, Hungary, Pakistan, Egypt, South Korea, and Bangladesh.

Barley exports in MY08/09 are estimated at 250,000 MT- 450,000 MT. Reportedly, 200,000 MT are already contracted to be exported, 125,000 MT to Saudi Arabia and 70,000 MT to other destinations. Actual exports in MY08/09 to date (including vessels which are being loaded) are reported at 100,000 MT.

See Tables #3, 4, 5, 6, 7, 8 for MY07/08 grains and oilseeds trade by destinations.

Domestic Support

The MinAg plans to release two credit lines for grain producers- for purchase of fertilizers; and for purchase of planting seeds. The maximum resources to be allocated are 10 million Euro (20 million Euro in 2007). Another credit line for subsidies for grain storage is to be introduced in early fall.

Table #1. Reported wheat and barley yields by regions, as of July 21, 2008.

Wheat yields, by regions	Barley yields, by regions
Dobrich- 5.0 MT/HA	Dobrich – 4.9 MT/HA
Silistra – 4.99 MT/HA	Silistra- 4.61 MT/HA
Rousse – 4.4 MT/HA	Rousse – 4.3 MT/HA
Razgrad- 4.4 MT/HA	Razgrad – 4.43 MT/HA
Pazardjik – 3.26 MT/HA	Pazardjik- 2.9 MT/HA
Dimitrovgrad – 3.7 MT/HA	Dimitrovgrad – 3.5 MT/HA
Haskovo – 3.34 MT/HA	Haskovo – 3.21 MT/HA
Montana – 3.89 MT/HA	Montana – 3.44 MT/HA
Vidin – 4.07 Mt/HA	Vidin – 3.4 MT/HA
Vratza – 3.44 MT/HA	Vratza – 4.1 MT/HA
Bourgas, Sliven - 4.3 MT/HA	Bourgas, Sliven – 4.1 MT/HA
Straldja – 3.6 MT/HA	Straldja – 3.6 MT/HA
Dupnitza- 3.2 MT/HA	Dupnitza – 2.0 MT/HA
Petrich, Sandanski- 3.2 MT/HA	Petrich, Sndanski - 2.8 MT/HA
Yambol- 4.09 MT/HA	Yambol- 3.8 MT/HA
Source: unofficial data: traders, farmers, media report, MinAg daily reports	

Table #2. Estimated wheat production cost in MY2005/2006- MY2007/2008

Wheat Production Cost, Euro/HA			
Production cost elements	**MY2005/2006**	**MY2006/2007**	**MY2007/2008**
Fertlizers	45-95	47-103	70-110
Planting seeds	36-71	32-78	49-75
Plant chemicals& spraying	20-35	15-38	15-30
Cultivation	53-108	55-115	61-110
Harvest and transportation	45-60	40-65	45-60
Other	10-20	10-20	10-30
Direct production cost	209-388	200-430	185-400
Insurance and interest	15	15	15
Total expenses	260-340	250-365	260-415
Average cost	280	295	410
Average yield	3.43 MT/HA	3.5-3.6 MT/HA	3.64-3.85 MT/HA
Average production cost per MT	86.7	84.0-86.4	114.9-108.6
Source: MinAg, Situation and Outlook Analysis bulletin, June 2008, based on statistical data and interviews with farmers			

Table #3. Wheat trade in MY07/08

Wheat trade MY07/08			
Imports		**Exports**	
Austria	5,716	Libya	39,238
Russia	30,422	Romania	91,122
Greece	9,340	Greece	30,157
Romania	3,778	Morocco	21,663
Germany	2,339	Macedonia	7,930
Italy	5	Vietnam	6,380
Hungary	4,017	Israel	1,130
France	51	Malta	2,995
Slovakia	151	Albania	11,780
Other	24	Kosovo	8,245
		Bangladesh	11,414
		Etiopia	7,138
		Egypt	7,789
		Lebanon	3,048
		Syria	13,132
		Spain	8,460
		Turkey	124,438
Total	**55,843**	**Total**	**396,059**
EU	**25,421**	**EU**	**132,734**
Non EU	**30,422**	**Non EU**	**263,325**
Source: Early Customs data and industry data			

Table #4. Barley trade in MY07/08

Barley trade MY07/08	
Exports	
Greece	14,836
Romania	27,552
Israel	2,980
Syria	14,825
Turkey	4,773
Morocco	7,185
Saudi Arabia	98,182
Serbia	2,225
Tunisia	10,329
ACTI	14,830
Total	**197,717**
EU	**42,388**
Non EU	**155,329**
Source: Early Customs data and industry data	

Table #5. Corn trade in MY07/08

Corn trade MY07/08			
Imports (since Oct.1 2007)		**Exports**	
Ukraine	55,204	Romania	4,695
Serbia	5,000	Albania	2,711
Greece	10,432		
Hungary	141,892		
Brazil	100,351		
Germany	2,029		
Italy	34		
Romania	49,512		
France	346		
Croatia	279		
Argentina	803		
Austria	7,808		
Total	**373,690**	**Total**	**7,406**
EU	**212,053**	**EU**	**4,695**
non EU	**161,637**	**Non EU**	**2,711**
Source: Early Customs data and industry data			

Table #6. Sunflower trade in MY07/08

Sunflower trade MY07/08			
Imports		**Exports**	
Hungary	12,400	Turkey	234,773
		Austria	948 striped
		Norway	1,230 striped
		Romania	56,297
Total	**12,400**	**Total**	**308,549**
EU	**12,400**	**EU**	**73,775**
Non-EU	**0**	**Non EU**	**234,773**
Source: Early Customs data and industry data			

Table #7. Sunflower oil trade in MY07/08

Sunflower oil trade MY07/08			
Imports		**Exports**	
Ukraine	11,060	Turkey	4,947
		Macedonia	6,731
		Serbia	4,405
		Romania	1,930
		Greece	2,205
		Kosovo	400
		Germany	3,580
Total	**11,060**	**Total**	**24,198**
EU	**0**	**EU**	**7,715**
Non EU	**11.060**	**Non EU**	**16,483**
Source: Early Customs data and industry data			

Table #8. Rapeseeds trade in MY07/08

Rapeseeds trade MY07/08	
Exports	
Pakistan	16,000
Israel	3,600
Turkey	16,277
Romania	2,100
Total	**37,977**
EU	**2,100**
Non EU	**35,877**