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Post: Sofia

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Report Highlights:

Bulgaria's hotel, restaurant, and institutional (HRI) sectors were severely affected by COVID-19 and subsequent business closures. Border clearances for imported food and feed products are functioning normally. To date, grain and oilseeds farmers remain fully engaged and viable. Retail sales for staple products remain robust, while sales of high-value products are lower. Food retail prices are relatively stable, but hinge on smooth supply chain operations. Unemployment rates jumped sharply due to COVID-19, with some estimates predicting that as many as 1 million people will be out of work (Bulgaria's total population is about 7 million).

General text: Since Bulgaria first COVID-19 case on March 8, 2020, Bulgarian consumers changed shopping habits, most strikingly away from retail outlets toward online shopping. The HRI sectors were severely affected by the Government of Bulgaria's (GOB) state of emergency on March 13, which was extended through May 13. The state of emergency mandated that restaurants are only allowed to deliver orders. The widespread restaurant closures significantly increased retail demand for staple products, notably bread, pulses, meat, dairy, and other household staples. Strong consumer demand has generally kept wholesale prices for most staple products steady.

Border clearances for imported food and feed products are currently functioning normally following some initial COVID-related delays during the last two weeks of March. The Bulgarian Cabinet authorized the use of 'Green Lanes' and designated primary and back-up border inspections points (BIP) at border crossings with Greece, Romania, Serbia, Turkey, and North Macedonia. Per the guidelines, border clearances should not exceed 15 minutes per vehicle. In late March, Turkey introduced stringent measures for incoming freight, causing long lines and congestions at the border, although by early April, the situation began to improve. Quarantines imposed on commercial vehicle drivers (and ship crews at ports) along with other restrictions, increased transportation costs.

COVID-19 Impact on Priority Agricultural Sectors

Agricultural Labor: Safety concerns following severe COVID-19 outbreaks in some Western European countries, job losses, and labor restrictions in some western European Union (EU) Member States (MS) prompted many Bulgarian workers to return from Western Europe in March. According to official estimates, about 150,000 Bulgarians have returned over the last three weeks. Many are repatriated agricultural workers from rural areas and may seek similar employment in Bulgaria. The dairy, livestock, and horticultural industries that have most deeply felt Bulgaria's labor deficit are hopeful that recent returnees will help assist during the spring and summer seasons. Additionally, the sudden labor glut from unemployed HRI, service, and construction sectors, estimated between 200,000 to 800,000, may also translate into additional labor for the agricultural and food industries. The Ministry of Social Affairs reported 210,000 unemployed workers as of March 25, 18,000 more than March 2019. Since the state of emergency, unemployment registrations have grown to reach 32,000 as of April 1.

Grains: To date, grain producers have not taken any severe hits due to the COVID-19 crisis. Spring planting is on track for early April following an unusual cold snap during the second half of March. Seed suppliers reported delays of imported seed stocks from Western European and United States in mid-March, although seed deliveries were back on schedule as of early April. Some scheduled marketing campaigns and farmer training activities are now canceled.

Favorable export demand and rising Black Sea grain prices, driven by COVID-related stockpiling in Asia and the Middle East, and new export restrictions by Russia and Ukraine, have spurred recent export sales. As of March 27, the Ministry of Agriculture (MinAg) [reported](#) wheat exports at 3.8 million metric tons (MMT), barley exports at 248,000 metric tons (MT) and corn exports at 1.49 MMT. These figures are 27 percent, 43 percent, and 56 percent, respectively, above grain exports from the corresponding [period](#) in 2019. Grain traders also report an uptick in demand in Italy and Spain, partly due to lower

COVID-related French exports. Traders are concerned about logistics, as long-haul trucking to and from Western Europe has become more expensive and less predictable. To date, no substantial COVID-related issues have affected operations in Bulgaria's main Black Sea ports in Varna and Burgas.

Domestic demand for wheat flour has increased due to the rush for staple foods (bread and other bakery products). Flour millers report new exports sales in Central and Western Europe. Feed millers report strong demand by the poultry and livestock industries as they seek to meet consumer demand for poultry, meat, and dairy products. Strong export and domestic demand are expected to support grain farm-gate and wholesale prices, depending on the longevity of coronavirus situation. As of early April, grains stocks in the country are sufficient to meet the demand until the new crop is harvested.

Oilseeds: Spring sunflower planting, Bulgaria's primary oilseed crop, is on schedule for April. Post expects the sunflower area planted will increase over 816,000 HA in 2019. Sunflower exports have decreased due to higher domestic demand. As of March 27, Bulgarian officials report 282,000 MT of sunflower exports, down from 359,000 MT a year ago. Sunflower meal and oil exports have increase and may be partially offsetting lower soybean meal imports, mainly from Argentina, which have experienced recent logistical issues. Additionally, local oil meal demand from poultry and swine farms has increased. Finally, the recent decline in petroleum and biofuel prices have reduced demand for rapeseed oil (used only for biofuels and not for human consumption in Bulgaria).

Meat and Livestock: Since the middle of 2019, the swine industry has been hit hard by African swine fever (ASF). Bulgaria experienced 44 [outbreaks](#) in domestic hog operations in 2019 and, to date, 14 in 2020 with the last one on March 6. Wild boar [cases](#) reached 185 in 2019 and have already reached 207, to date, in 2020. At the end of 2019, MinAg reported a 25-percent reduction in the national swine herd, with a 27-percent decline in the number of breeding sows. As of March 2020, hog farms began to restock due to favorable pork prices. Hog operations, which continue to struggle with ASF biosecurity restrictions which limit movements between towns, are now also under threat from COVID-related quarantines for workers.

As of March 23, [pork prices](#) for 'Class E' carcasses in Bulgaria were 34.6 percent above last year. Recent consumer demand for pork due to COVID-19 crisis also contributed to this trend. Meat traders report interrupted pork imports from Spain, Germany, and other EU suppliers, which also drove local pork prices. Bulgaria is a net pork importer and any disruption in pork imports, especially during periods of strong consumer demand, will likely drive up farm-gate and wholesale prices. COVID-related restaurant closures have caused higher-value cut prices to plummet. Demand for lower-value pork cuts at the retail level is strong.

Poultry: The poultry industry saw strong consumer demand before COVID-19 due the reduction in pork stocks because of ASF. This trend has continued into March and after Bulgaria's initial COVID-19 detections, as retail demand for poultry meat increased sharply. However, the drop in demand from HRI and lower exports have negatively affected large commercial poultry farms and poultry exporters. At the same time, small and medium-sized broiler producers report production growth. Consumer demand has generally shifted from away from higher-value breast fillets to whole birds and chicken leg

quarters, which cost less and are considered more suitable for home cooking. Wholesale broiler meat prices tend to increase gradually and slowly on a weekly basis.

Bulgarian duck farmers rely heavily on Western European markets, notably Belgium and France, and report significant declines in export demand following the COVID-19 outbreak. Duck farmers were hit by two highly pathogenic avian influenza (HPAI) [outbreaks](#) on March 2, 2020, in the Plovdiv area. Egg farms report strong retail demand as consumers look for less expensive proteins, but similarly were similarly affected by three HPAI [outbreaks](#) on layer farms from March 5 to March 12 in the Plovdiv and Kurdzali regions in southern Bulgaria.

Horticulture: Fruit and vegetable farmers are optimistic that local demand will improve due to forecasted lower imports from Spain and Italy. Still, Bulgaria's main foreign horticultural suppliers are Greece and Turkey. Those countries' capacity to continue exporting to Bulgaria is still not clear. Recent congestion at the Turkish border led to a weekly jump in fresh produce prices by about 10-15 percent.

Farmers are hopeful for more seasonal workers in June and July (see agricultural labor section). The COVID-19 outbreak sharply increased consumer demand for canned goods and the local industry is hopeful that processing may increase. The outbreak has also led many Bulgarians to return to more conservative shopping habits (e.g. buying staples instead of higher value products). Also, some consumers may reduce purchases of fresh produce in favor of more shelf-stable products and canned goods. Some fresh produce suppliers report cancellations by some retailers for May and June deliveries of higher-value seasonal products (strawberries, cherries). Restaurant closures will also negatively affect demand.

Retailers report strong sales of more durable and affordable potatoes, onions, carrots, apples, and citrus fruits, notably 300-400 percent sales increases for potatoes and lemons, which led to price inflation for those products. Potatoes are mainly imported from Germany and Austria, apples from Italy and Poland, carrots from Serbia, Greece, and Turkey, and tomatoes from Turkey and Greece. Logistics disruptions from any of these countries can cause price spikes, as Bulgaria imports of these products.

COVID-19 Impact on Food and Distribution

Consumer Incomes: The coronavirus has led to a sharp increase in unemployment. Some local estimates predict that up to 1 million people will be unemployed, at least temporarily, if restrictions continue for over three months (Bulgaria's total population is about 7 million). Currently, many people are using paid or unpaid leave and are not formally registered as unemployed. A late March poll revealed that 36 percent of people have seen their incomes decline due to the coronavirus, 23 percent expect their incomes to decline soon, and 35 percent report no change.

Consumer Trends: COVID-19 has forced many Bulgarian to become more conservative consumers, switching to more affordable and longer shelf life products. Retailers and distributors report higher sales of wheat flour, pasta, pulses, rice, canned goods, and sugar, followed by cheese, poultry, and red

meat. Organic product sales have not been severely affected. A reported 30-percent uptick in online organic sales is offsetting lower in-store sales. Organic pulses, rice, and dairy are currently in higher demand than other organic products.

A market study (respondents were 70 percent women, 60 percent 18-54 years, and 40 percent over 55 years) from March 19-23 by Broshura.bg reflected that 95 percent of urban consumer prioritized buying staple products. About 68 percent of consumers shop at retail outlets closer to home due to COVID-19 restrictions. For the same reason, 47 percent shop three times per week and 32 percent shop once weekly. Many customers returned to writing shopping lists, enabling them to reduce store time. 53 percent of respondents indicated a preference for online shopping during the coronavirus outbreak, and 61 percent report buying food online. Online shopping is also encouraged by retailers, which offer special online discounts not available for in-store purchases. The same study indicates that 46 percent of respondents expect to struggle financially in the near future. 11 percent report stable incomes, and seven percent report enough savings to temporarily get by.

Another study by Pragmatica.bg from March 22-23 revealed that 56 percent of people are spending only on food purchases. 60 percent of respondents indicate a decline in income. 17 percent report building emergency food stocks, and 44 percent indicated a switch to online shopping.

Food Processing: Most Bulgarian food processors have stocks of raw materials and ingredients for the next one to three months. The local food processing industry imports most food processing ingredients from Western Europe. However, many companies are no longer able to source food processing ingredients from suppliers in Spain, Italy, and France, as overland truck transportation in and out of those countries has become cost prohibitive and no longer predictable. As processors attempt to re-stock, they are worried about future demand due to shifting consumer spending patterns (e.g. unemployment) and therefore lower consumer demand in two to three months.

Retail: The March 13 state of emergency led food retail sales to spike for three days, although sales and foot traffic have since become more normal. Retailers report consistent supplies and do not expect any food shortages. Demand for staple products like bread pulses, meat, and dairy remains high, while sales of other high-value products have reportedly declined, as consumers are concerned about finances and job insecurity. Online purchases increased rapidly and delivery companies are experiencing problems with staffing and on-time deliveries. Small, independent grocery and convenience stores are most at risk. Retailers are enforcing stringent rules for store entry, allowing 10-30 people at a time (depending on the size of the store). Staffing shortages due to COVID-19 may become a problem in near future, but to date, the retail sector is not reporting any staffing issues.

HRI: Under the state of emergency, all restaurants, bars, casinos and similar venues were closed. Some restaurants shifted towards allowed food delivery. For many restaurants, bars, and other establishments, home delivery is not feasible. Hotels are currently closed, leaving the hotel industry in difficult circumstances. Tourism is critical for Bulgaria's economy, and accounts for 12 percent of its GDP and employs 11 percent of its workers. According to the Bulgarian Hotel and Restaurant Association, 20 percent of the HRI employees have lost their job, while most of the rest are on leave without pay. The Association forecasts at least 50 percent of food service outlets could go bankrupt in

the coming months. The HRI industry is looking to the GOB to keep it afloat. The Restaurant and Hotel Association proposed a [list of measures](#), based on the Manifesto of the European Tourism Alliance to the European Parliament, to the GOB for industry assistance.

Food Prices: Policy makers discussed about introducing price controls on products and services were met by vocal protests by the Bulgarian Retailers [Association](#). Industry resistance was key to President vetoing the measure, which was sent back to Parliament for a re-vote, which eliminated the controversial articles.

Currently, prices hinge on available stocks and smooth supply chain operations. Most food manufacturers maintain stocks for 1.5 to three months. Retail stocks are reported at one to two months. At the farm level, swine and poultry operations generally have enough feedstocks and veterinary supplies for three to four months. Dairy farms are less financially able to stock these necessities for longer than two weeks. Debt and limited financial resources present major challenges for many Bulgarian agricultural stakeholders.

Bulgarian wholesale prices of major agricultural commodities the last week of March:

- Milling wheat: 337 leva per MT (\$189/MT), no weekly change;
- Feed wheat: 321 leva per MT (\$170/MT), no weekly change;
- Barley: 305 leva per MT (\$161/MT), no weekly change
- Corn: 284 leva per MT (\$150/MT), no weekly change; and
- Sunflower: 679 leva per MT (\$359/MT), down from 683 leva per MT (\$361/MT) the previous week.

Graph 1. Bulgarian Monthly Wheat Prices--MY 2018/19 vs 2019/20



MY 2019/20 vs MY 2018/19 (green) in Bulgarian leva per MT

Graph 2. Bulgarian Monthly Barley Prices--MY 2018/19 vs 2019/20

Източник: „САПИГ“



MY2019/20 vs MY2018/19 in Bulgarian leva per MT

Graph 3. Bulgarian Monthly Corn Prices--MY 2018/19 vs 2019/20



Източник: „САПИГ“

MY2019/20 vs MY2018/19 in Bulgarian leva per MT

Graph 4. Bulgarian Monthly Sunflower Prices--MY 2018/19 vs 2019/20



Източник: „САПИГ“

MY2019/20 vs MY2018/19 in Bulgarian leva per MT

Local media report that fruit and vegetable prices rose by 20 percent at the end of March due to increased controls at the Turkish border. Local pork prices also rose on reduced imports from Germany and Spain. During the week of March 18-25, MinAg reported weekly wholesale egg prices increased by 5.2 percent; sugar prices grew by 3.1 percent; chicken prices by 0.5 percent; vegetable oil prices by one percent; and wheat flour prices by 1.4 percent.

Government Support: Following the state of emergency declaration, the Minister of Agriculture stated that Bulgaria has food stocks for up to two years. Representatives of the food industry groups (bakers, millers, dairy and meat processors, poultry producers, fruit and vegetable processors, vegetable oil producers) made similar public statements. In later statements, MinAg noted mounting challenges facing agricultural and food industries, including supply chains disruptions, increasingly high sanitary standards, price fluctuations, and issues with procuring and building stocks. Farm debt is deepening and many banks are currently unwilling to offer loans to farmers. The Minister of Agriculture appealed to retailers to source more locally produced foods in support of local producers.

The Cabinet announced a financial support package for businesses affected by the coronavirus situation, however, agriculture was excluded from the list of eligible industries. Reportedly, new state aid is planned to be directed to farmers instead.

The Minister of Agriculture stated that the Bulgaria asked the European Commission (EC) for permission to redirect unused funds from the rural development program to support the agriculture sector, particularly horticulture and dairy farmers. Per the Minister, up to €50 million (\$55 million) could be made available to farmers. MinAg is also exploring ways to use existing EC funds to support the fishing industry and will allocate a 3.5 million leva (\$2.0 million) *de minimis* package for partial subsidies for transportation, logistics and sales of lamb meat in 2020 at a rate of seven leva (\$3.90) per a head.

Attachments:

No Attachments.