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Sunflower Market Diversification and Development

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Product Brief

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Report Highlights:

Over the last several years, the Bulgarian oilseeds industry has invested in expanding capacities, diversifying and adding value to some of the major field crops. This trend has been most pronounced with the sunflower crop. While until recently Bulgaria was a net exporter of sunflower seeds, lately the country has increased its crushing capacity. The industry also invested in new processing businesses such as production of bakery sunflower seeds for human consumption. In 2015 Bulgaria may emerge as a producer of high oleic and confectionary sunflowers. As a result of these developments, Bulgaria is on a trend to consume most of its sunflower crop and become a net exporter of processed products.

The production portfolio of these products has expanded and today the country exports regular oil bearing sunflower, striped sunflower for feed, confectionary sunflower and bakery sunflower for human use, along with sunflower flour and sunflower peels pellets in addition to increasing exports of sunflower meal, hi-pro sunflower meal, and sun oil. Exports of sunflower seeds may change in MY2015/2016 to include less regular oil-bearing sunflower seeds and more specialty seeds such as

high-oleic, confectionary and striped seeds for feed.

The above trends open new opportunities for U.S. exporters of crop genetics and may affect the trade in sunflower seeds and products in the region.

General Information:

MY2015/2016 Sunflower Production and Supply

The past winter was milder than usual with abundant rainfall and snowfall. Rainy weather prevented farmers from early planting since the country was still in snow until mid-April and the soil moisture was at its highest level with waterlogged soils in some locations. This shortened the planting window and farmers were forced to plant mostly in the second half of April and early May. Many fields were planted beyond the optimum time. Select major producers decided not to plant and left the land idle. Thus, weather and delayed spring planting affected the expansion of sunflower area. Currently, there is controversial field information about planted areas. Market reports indicate that most farmers decided to favor corn over sunflower when they had to choose areas for planting of protein crops and crops for the greening requirements – mainly soybeans (North Bulgaria), peas, and alfalfa (South Bulgaria) - and reduced their sunflower areas accordingly. Other farmers decided just to leave fallow land which counts the best against the greening requirements. Finally, another group of farmers did the opposite – they expanded their sunflower area using the specialty seeds (confectionary and high oleic). For this reason, industry estimates vary widely from lower planted areas down to 700,000 HA to higher planted area at 860,000 HA (849,000 HA planted in 2014). We currently estimate planted area under sunflower to decline compared to MY2014/2015 in the range of 750,000 HA-800,000 HA or by 5%-12% compared to the last season but further revisions are very likely.

There have been above-average temperatures and scarce rainfall between mid- May and mid-June which decreased the soil moisture content to below average levels. Rainfall has been scarce since mid-April in North East, North Central and South West resulting in a 50-70 mm rainfall deficit as compared to the long-term average. On the other hand, abundant rainfall was recorded in North West and South East Bulgaria. The above-average temperatures and adequate water supply facilitated the early growth of sunflower. In regions where rainfall was better, the dry spell did not have an impact on the crop. In others, the dryness was more pronounced and since it occurred during active vegetation, it is considered that it already cut the yields down and they are not likely to reach the record from the last year (2.38 MT/HA- see Table 1). Rains at the end of June and early July were very favorable for the crop. Currently, we forecast average yields about 2.25 -2.35 MT/HA. Thus total production is currently forecast downward at 1.7 -1.8 MMT (Table 2).

Sunflower Seeds Trade

Exports to date lagged behind last season due to increasing crush. In the first half of the season October 2014-March 2015, exports were 5% less than a year earlier. As of the end of May, the MinAg reported exports at 764,000 MT (Table 3) compared to 1,115,000 MT a year earlier, a decline of 32%. As of the end of May 2015, the accumulated stocks are reported by the MinAg at 76% more than a year ago at 688,000 MT vs 390,000 MT (the end of May 2014), mainly at crushers and shelling facilities (Table 3).

It is forecast that exports of seeds will continue but may slow down. The crushing industry follows the delay and decline in planted areas and expected lower crop may stimulate more ending stocks as

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security against a drop in the future crop and/or the stocks will go into crush/ processing later. We currently forecast exports lower to reach about 800,000 MT – 850,000 MT.

Sunflower Crush and Trade in Sunflower Meal and Sunflower Oil

MY2014/2015 - Record increase in the crush capacities over the last several years has led to a higher crush in MY2015/16 to date. Current capacities are estimated at 1.9 MMT - 2.0 MMT. Most market leaders have also invested in installations for sunflower pellets produced from peels and some invested in peeling facilities for production of bakery sunflower, or work on contract basis with such units. Estimates are that MY2014/2015 crush may increase to 42% - 48% capacity use compared to 33% to 38% in MY2013/2014. The MinAg data indicates that the crush this marketing year until the end of May was at 720,000 MT compared 480,000 MT as of the end of May 2014 or 50% more.

Trade data for the first half of MY2014/2015 (October 2014-March 2015, source: World Trade Atlas) show that exports of sunflower meal and oil already exceed exports during the same period a year ago. With local market having a small growth in consumption of meal and oil, exports are the major driver behind higher crush.

Sunflower meal exports for the above period were 3.2% up and industry reports indicate that this trend may be preserved for the remaining of the year. This follows a sharp annual increase in sunflower meal exports in MY2013/2014 of 254% compared to MY2012/2013. At the same time, imports remain small and fell from 14,000 MT two years ago, to 3,300 MT last year and below 100 MT this year to date (Table 4). Exports of high protein sunflower meal in MY2014/15 are estimated to be around 50,000 MT included in total exports. Demand for this product is high both locally and for exports, and supply is likely to grow in the near future.

Exports of sunflower oil grew by 75% this year to date compared to the first half of the previous year, following 88% annual growth in MY2013/2014 vs. MY2012/2013. Similarly, the trend will likely be preserved though at a slower rate for the rest of the marketing year. Imports declined from 25,000MT two years ago, to 20,000 MT last year and 5,000 MT this year to date (Table 4).

Although the crush in the first half of the season is usually higher (about 60%+ of the annual) compared to the second half, the MY2014/2015 crush and production of sunflower meal and oil are estimated to exceed last year by 13%-18%. As of June 2015, crush is forecast to be slower in the rest of the season due to depleting stocks.

MY2015/2016 - Based on current trends, the country has the potential to crush and/or process most of the new crop. With expected lower production of sunflower seeds, the competition for securing seeds for processing is likely to be tight. In addition, exports might be under pressure to decline and competition between exporters and crushers/processors may intensify.

Bakery Sunflower

Over the last several years a number of small and medium size businesses have invested in so called sunflower peeling (shelling or dehulling) facilities. Recent industry data show that this new business

is dominated by about 10-12 leading companies while the total number of facilities is as high as 80. Although there is no public or private data about the capacities, our estimate is for up to 450,000 MT sunflower seeds. This estimate is for the maximum installed capacity; however, many of these businesses operate only seasonal or just for a month or two. Investment in small/simple plants is not high and it has been supported by the influx of EU funds for rural development. Market leaders, however, have invested in modern equipment, higher capacity, quality and certification which can open export markets. The raw material used is regular oil-bearing sunflower which is selected for largest size and peeled. Initially this business started with higher premiums and export prices but it quickly attracted more players and margins declined. Overall, however, the industry has enjoyed an increasing export interest and is described as supply driven. Major clients are food, bakery and confectionary industries. Similar to crushers, the major driver behind this business is exports.

In MY2015/2016 to date, exports of bakery sunflower (HS#12060091- this number includes both bakery and confectionary sunflower but it is believed that so far the bakery sunflower accounted for most

if not all of this volume) increased by 19% compared to the first half of the previous year. In MY2013/14, exports were sharply higher by 27% compared to the previous year and reached 226,000 MT. (Table 5). The average export price October 2014-March 2015 varied between US\$740-770/MT. In MY2013/2014, the average export price was at US\$878/MT compared to US\$1,080/MT in the previous year.

Export levels indicate that production of bakery sunflower (no public or private data available) can be estimated at 230,000 MT in MY2013/2014 since almost all production is exported. The expectation for MY2014/2015 is for a similar or higher level. Based on conversion factors in production (55%-62% seeds vs 45%-38% peels), this industry is estimated to use about 410-420,000 MT last season and is forecast to use 420-430,000 MT this season.

The local market for bakery sunflower is small and estimated at not more than 5-8,000 MT. Major export destinations are Germany, the United Kingdom, Poland and United States. The geography of exports is wide from the Middle East to Asia.

Sunflower Flour

Another new product which has been developed over the recent year is sunflower flour. It is produced from already peeled sunflower seeds which are then grinded into flour. Export market is Turkey. In the first half of MY2014/2015, exports were 216% more than in the corresponding period in the previous season. In MY2013/2014, exports skyrocketed with 304% growth over the previous year (Table 6).

Very small quantities from local production are estimated to be sold locally.

Sunflower Pellets

Both crushers and peeling facilities produce pellets made from sunflower peels. Depending of the type of the sunflower meal produced, low or high protein, the percentage of peels may vary from 5% to 18%.

For the peeling facilities the share of peels varies 33% - 45%. Pellets are sold locally to heating power stations as a high energy biomass. Exports cannot be recorded accurately since the product is exported under the same HS# as sunflower meal. Exports are carried out mainly to Austria, the UK, Poland and Germany. We estimate exports at about 25,000 MT - 35,000 MT.

Striped Sunflower for Feed

Bulgaria traditionally produces striped sunflower which is usually used for bird feed and other pets. It is of lower oil content and has the same size as the oil bearing sunflower. The official statistics used to report this type of production which enjoyed premiums and good export demand to Central and Western Europe. The last available official data (2011) shows area (103,000 HA) and production at 182,000 MT. Since 2011, production declined but according to market reports it has stayed stable at 40-60,000 MT, depending on export contracts. The estimates for MY2015/2016 are for 25,000 HA planted areas or production about 50,000 MT. This type of sunflower is traditionally mainly for exports.

Confectionary Sunflower

In 2014 select importers of seeds for planting began sales of specialty confectionary genetics with lower oil content (35%), larger seed size, whiter color seed, white, striped in grey and white strips or black depending on the variety (see the pictures at the end of the report). Sunflower seeds are graded according to size and separated into groups. The largest size go into the in-shell market. The medium-sized seeds are usually hulled for the seed/kernel market. The smallest size go into the bird and pet feeding market.

The first attempt to introduce confectionary in 2014 was not very successful due to rainy weather and a lack of farm experience. Reportedly, some of this sunflower was more receptive to mildew. In 2015 demand increased and currently, we estimate planted areas at 40,000 HA in MY2015/16, and production at 80,000 MT+. Farmers still have limited experience with the new genetics (from the United States) and are concerned about average yields. This sunflower is usually processed without peeling, it is seasoned with herbs and spices, salted, and packed for sales as snacks. In this form it is sold also in bulk at retail level, street vendors, at sports events etc. Export opportunities are mainly in the Near and Middle East and in the Balkans region. It is expected that with the increase in supply, local shelling facilities will start also to peel confectionary seeds where the conversion rate is better (67% seeds vs 33% peels on average) and reportedly, the price premiums are attractive. Local market for confectionary seeds is just emerging and estimated at below 2,000 MT.

Overall, the local market for sunflower seeds for human consumption as snacks consists of 3 types of seeds: regular oil bearing black sunflower which has been traditionally the typical snacks (estimated at 5-10,000 MT; bakery sunflower (estimated at 5-8,000 MT); and confectionary sunflower (estimated at 2,000 MT) for a total about 15-20,000 MT.

High Oleic Sunflower

First planting of high oleic sunflower emerged in MY2014/15 on a limited area. In MY2015/16 select players offered complete programs including supply of genetics and inputs with an option for purchasing of the ready product. Due to lack of experience, most farmers decided to take the risk to plant a portion of their dedicated sunflower area with high oleic type as a test. Currently, the area under high oleic sunflower is estimated at 45,000 HA and production at 90,000-100,000 MT. This will be the first year for commercial production of high-oleic sunflower and it is hard to forecast if the final product will actually qualify for high-oleic or not with at least 80% oleic content.

Provided that this year yields and price premiums are good, areas can quickly grow in the future. At this point, it is more likely for the high oleic sunflower to be exported rather than crushed locally although at least two local crushers have already indicated an interest to purchase and process high-oleic sunflower.

Table 1. Major 2014 Grains and Oilseeds Crop Estimates as of June 2015

Crop Years MY 2014/15 vs. MY 2013/14	Harvested Areas (,000 HA)		Production (,000 MT)	
	MY2014/15	MY2013/14	MY2014/15	MY2013/14
Rapeseeds	192 planted 190 harvested	135	528	337
Sunflower	849 - planted 843- harvested	879	2,009	1,974
Total Oilseeds	1,033	993	2,537	2,269

Source: Statistical Office Bulletin #269/June 2014;Statistical Office Bulletin #283/March 2015

Table 2. FAS/Sofia Forecast for MY2015/16 (as of June 2015)

Crop Year MY2015/16	Harvested Areas (,000 HA)	Average Yields (MT/HA)	Production (,000 MT)
Rapeseeds	165 - planted 156 - harvested	2.75-2.85	420 - 440
Sunflower	750 - 800 planted	2.25-2.30	1,700-1,800

Table 3. Sunflower Seeds Trade, October 2014 - March 2015

Sunflower HS#1206	WTA (October 2014 - March 2015)	GFA as of the end of May 2015
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Imports	30,168 MT (23,236 MT from the EU and 6,932 MT from non-EU)	38,003 MT
Exports	600,387 MT (515,984 MT to the EU and 84,401 to non-EU) Including: 123,625 - The Netherlands 88,657 – Spain 80,321 – France 71,765 – Portugal	764,141 MT (610,940 MT to the EU and 153,201 MT to non-EU)
Including:		
HS#12060010 (for sowing)		
Imports	3,919 MT (4,675 MT)*	
Exports	295 MT (513 MT)	
HS#12060091 (seeds, whether or not broken, shelled or in striped shell)		
Imports	17,609 MT (4,536 MT)	
Exports	148,099 MT (124,188 MT)	
HS#12060099 (seeds, whether or not broken excluding for sowing, shelled, or in striped shell)		
Imports	8,641 MT (11,415 MT)	
Exports	451,993 MT (410,477 MT)	
Note: *All data in brackets shows the same period a year earlier, October 2013 - March 2014 Source: WTA, Eurostat		

Table 4. Sunflower Meal and Oil Trade, October 2014 – March 2015, MY 2013/2014 and MY2012/2013

	WTA (October 2014 - March 2015)	MY2013/2014	MY2012/2013
Sunflower Meal Imports (HS#2306 30)	60 MT (3,271 MT)*	3,326 MT	13,972 MT
Sunflower Meal Exports (HS#230630)	158,168 MT (153,206 MT)	270,699 MT	106,527 MT
Sunflower Oil Imports (HS#1512)	5,042 MT (11,513 MT)	20,091 MT	24,841 MT
Sunflower Oil Exports (HS#1512)	254,421 MT (145,005 MT)	247,562 MT	131,771 MT
Note: *All data in brackets shows the same period a year earlier, October 2013 - March 2014 Source: WTA, Eurostat			

Table 5. Sunflower Seeds Trade in MY2012/2013-MY2014/2015

Sunflower HS#1206	WTA October 2014 - March 2015 and October 2013 - March 2014	MY2013/2014	MY2012/2013
Imports	30,168 MT (20,626 MT)*	35,677 MT	19,009 MT
Exports	600,387 MT (631,799 MT)	988,915 MT	928,001 MT
Including:			
HS#12060010 (for sowing)			
Imports	3,919 MT (4,675 MT)	4,820 MT	4,504 MT
Exports	295 MT (513 MT)	1,383 MT	1,199 MT
HS#12060091 (seeds, whether or not broken, shelled or in striped shell)			
Imports	17,609 MT (4,536 MT)	12,976 MT	5,324 MT
Exports	148,099 MT (124,188 MT)	226,256 MT	178,447 MT
HS#12060099 (seeds, whether or not broken excluding for sowing, shelled, or in striped shell)			
Imports	8,641 MT (11,415 MT)	17,881 MT	9,181 MT
Exports	451,993 MT (410,477 MT)	761,296 MT	748,355 MT
Note: *All data in brackets shows the same period a year earlier, October 2013 - March 2014			
Source: WTA, Eurostat			

Table 6. Sunflower Flour Trade, MY2012/2013- MY2014/2015

Sunflower Flour Trade HS# 120890, MT			
	MY2014/2015 (October 2014 - March 2015)	MY2013/2014	MY2012/2013
Imports	28	43	18
Exports	37,334 (17,283)*	41,953	13,817
*Data in brackets shows the same period a year earlier, October 2013 - March 2014			
Source: WTA, Eurostat			

Photos of various types of confectionary sunflower – white, striped and black – and the ready product as snacks.

