



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

**Date:** 6/6/2008

**GAIN Report Number:** BU8008

## Bulgaria

### Grain and Feed

### Grain and Feed Market Update

## 2008

**Approved by:**

Susan Reid  
U.S. Embassy

**Prepared by:**

Mila Boshnakova

---

**Report Highlights:**

Bulgaria expects excellent wheat and barley production, and prospects for corn, rapeseeds and sunflower are also very good. The abundant local and regional supply, however, will challenge local industry with lower prices, storage and logistical issues. The grains export surplus is estimated at close to 2.0 MMT (wheat, barely, corn).

---

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

**Production MY08/09** ..... **3**  
    Table #1. Planted area estimates for MY08/09 ..... 3  
    Table #2. Production estimates for MY08/09 ..... 4  
**Challenges in the new crop year**..... **4**  
**Stocks** ..... **4**  
    Table # 3. Grain and oilseeds stocks in March, 2007 and 2008, MT ..... 5  
**Trade**..... **5**  
    Table #4. Exports and imports estimates, MY 07/08 ..... 6  
    Table #5. Grain trade in total agricultural trade ..... 6  
**Prices** ..... **6**  
**Domestic support** ..... **7**

## Production MY08/09

The weather in MY08/09 has been almost ideal for both winter and spring crops with no abnormal temperatures and sufficient rainfall. With the exception of some late planting due to rains in the fall, as of today, the country expects very good harvest.

At end-May, the MinAg released its last estimates about the MY08/09 grain and oilseeds crops planted area (Table 1). The MinAg also made a detailed crop survey (May 19-23) of winter crops, and issued the following findings:

- Favorable weather positively affected the development of all fall and spring grain and oilseeds crops. The soil moisture levels are sufficient. Spring rainfall averaged 30-40 liters/sq. meter, up to 60 liters/sq. meter at certain locations;
- About 90% of wheat (924,000 HA) and 88% of barley (179,000 HA) were in very good to excellent condition. In satisfactory condition were 9% of wheat (92,700 HA) and 11% of barley (21,900 HA). Crops in unsatisfactory condition were below one percent. Losses were estimated at 500 HA of wheat and 50 HA of barley;
- Input use: 95% of wheat (977,300 HA) and 91% of barley (184,500 HA) were treated with fertilizers. About 87% of wheat and 81% of barley were treated with herbicides;
- Phytosanitary status of crops was very good. Rusts, powdery mildew and grain bugs were found but in economically unimportant levels.

Current industry observations generally confirm the official data but are not so optimistic regarding final harvest results. Some farmers reported more than usual disease (powdery mildew) and pest infestation, although the necessary treatments have been applied. Despite record high wheat yields expected in major grain regions, many think that the average wheat yields will be at 3.3-3.4 MT/HA, for a total crop of 3.7 MMT.

**Table #1. Planted area estimates for MY08/09**

Planted area estimates for MY08/09		
Crop planted area, HA, MY08/09	Official data	Range of industry estimates
Wheat	1,111,612	9,500,000- 10,500,000
Barley (winter barley-205,777 HA; spring barley-27,238 HA)	233,015	230,000- 250,000
Corn	309,800	330,000- 350,000
Oats	24,500	25,000
Rye and triticale	11,170	11,000
Sunflower (oil bearing)	669,600	650,000- 700,000
Rapeseeds	91,979	94,000- 100,000
Total planted area under grains and oilseeds	2,440,506	
Note: Industry estimates are based on media publications and FAS trade interviews		

**Table #2. Production estimates for MY08/09**

Prevailing production estimates as of June 5, 2008		
Crops, MY 08/09	Planted area, HA	Production, MT
Wheat	1,100,000	3.5 MMT – 3.8 MMT
Barley	235,000	700,000-800,000
Corn	310,000	1.2 MMT – 1.5 MMT
Oats	24,500	42,000
Sunflower	670,000	800,000 – 900,000 MT
Rapeseeds	92,000	185,000 – 260,000
Source: FAS Sofia		

## Challenges in the new crop year

- Abundant crops raise the issue of sufficient farm harvesting equipment

According to recent MinAg data, only 67% of registered grain harvesters were used in 2007 (8,950 combines). As of early 2008, 17% of all combines were new, up to 10 years old, while 23% (2,096 combines) were older than 10 years. The MinAg has estimated that all new combines plus at least 60% of older harvesters should work at full capacity in order to complete the harvest in time (if weather permits). This raises questions about readiness of general harvesting infrastructure such as transportation vehicles, supply of labor, fuel etc., and as a result, possibilities of higher harvest losses.

As of end-May, farmers have submitted 270 investment projects under the EU Rural Development Program for purchasing new farm equipment. It is projected that this program can greatly improve farmers' efficiency but it will take several years until the country can meet its needs.

- Lack of storage facilities

Current forecast projects good harvest of both winter and spring crops, perhaps record high for some crops. In addition, there will be larger wheat beginning stocks. This will raise the issue of sufficiency of volume and quality of storage facilities, especially taking into account the general shortage of on-farm storage.

- Potential export logistics problems

Expected high local feed consumption will lag behind the harvest in time, and combined with lack of on-farm storage, is likely to leave greater volume of grains for exports in the first half of the marketing year. This will put pressure on export capacity of ports and on overall export logistics, and at the end may affect ex-farm prices.

## Stocks

The MinAg (National Grain and Feed Agency) reported the following stocks at registered warehouses in the country available as of May 1, 2008:

Total grains: 820,537 MT, a reduction of 197,647 MT for a month;

Wheat: 479,000 MT, a reduction of 119,165 MT for a month;

About 83% of what is considered to be of feed quality. Higher stocks were registered in regions of Bourgas, Dobrich, Varna, Pleven and Rousse.

Barley: 32,616 MT, a reduction of 17,079 MT for a month;

Corn: 185,497 MT, a reduction of 42,784 MT for a month,  
 Higher stocks were available in Razgrad, Dobrich and Sliven regions.  
 Sunflower: 107,610 MT, a reduction of 15,041 MT for a month  
 Rye, oats, rice, rapeseeds: 15,665 MT

**Table # 3. Grain and oilseeds stocks in March, 2007 and 2008, MT**

Grain and oilseeds stocks in March, 2007 and 2008, MT		
Crops	March 2007	March 2008
Wheat	280,055	414,914
Barley	16,795	10,996
Corn	107,734	111,749
Sunflower	80,526	68,045

Note: In 2007, the MinAg (National Grain and Feed Agency) monitored available grain stocks every quarter while in 2008 the monitoring is done every month. In addition, the scope of collected information expanded in 2008 to include partly on-farm storage

Stocks information reveals two interesting trends in MY07/08:

- Monthly consumption of most grains and oilseeds is significantly less than traditionally estimated by the Government and industry even taking into account lower consumption in this particular year due to record high prices. It is important to note that while a number of marketing surveys for food products have been made in recent years, practically no public surveys of the commodity markets were made. The authorities rely on industry associations estimates which in most cases are based on old pre-EU accession or even more outdated data.

Many industry sources, for example, intend to lower estimates for traditional wheat for human consumption from 1.3-1.4 MMT to 1.1 MMT or below. Private surveys show two clear trends on the bread market: reductions in volume and increases in value. In 2007, total bread sales reached 780,000 MT (source: Euromonitor). According to baking industry groups, the relative share of gray market (underreported sales, mainly by small bakers in rural and tourist areas, and in smaller towns) can be estimated at 15%-30%; thus the size of the bread market can be estimated 900-950,000 MT. The decline in bread sales (in MT) is compensated by increasing share (both in size and value) of cereals, baked snacks and pasta. The National Statistical Institute reports average bread consumption per capita of 111 kilos in 2007 compared to 140 kilos in 1999, and average annual decline of 1.5%-3% in recent years. The market for baked snacks in 2007 was estimated at 17.5 kilos/capita and this of confectionery products at 9.9 kilos/capita. Thus, total average consumption of all types of grain food products in 2007 is estimated at about 139 kilos/capita.

- In expectation of further rise in prices in late MY07/08, many farmers/companies accumulated considerable wheat stocks. Those farmers could not overcome the psychological barrier of all-of-sudden declining prices in early April and reportedly, are facing the new marketing year with more than usual stocks levels.

## Trade

There is still no official data about trade in MY07/08, although some temporary official and industry data has been released as follows:

**Table #4. Exports and imports estimates, MY 07/08**

<b>Estimates about trade in grains and oilseeds, MY 07/08, unofficial data for the period July 1, 07- June 1, 08, in MT</b>		
<b>Crops</b>	<b>Imports</b>	<b>Exports</b>
Wheat	46,000	325,000- 340,000
Barley	44	163,500- 168,000
Corn	257,600- 358,000	7,500
Sunflower	10,000	283,000 – 325,000
Rapeseeds	NA	30,000
Source: industry interviews and estimates, surveyors' data, Bulgarian Customs not final data		

**Table #5. Grain trade in total agricultural trade**

<b>Relative share of grain exports in total agricultural exports</b>		
<b>Years</b>	<b>Total agricultural exports, USD million</b>	<b>Percent of grain exports</b>
2005	1.2	17.0
2006	1.5	16.8
2007	1.8	8.8
Source: MinAg (data on calendar year)		

In MY08/09, provided that grain supply is as high as projected, the export potential of the country is estimated as follows:

Total grains – 1.93 MMT: wheat – 1.3 MMT and/or above; barley- 300,000 MT; corn- 330,000 MT

Total oilseeds – 390,000 MT: sunflower- 340,000 MT; rapeseeds – 45,000-50,000 MT

## Prices

The National Statistical Institute reported 90% increase in average grain prices in the first quarter of 2008 compared to a year ago, varying between 86% and 90% for different types of wheat; 64% for corn, and 86% for sunflower. As a result, retail prices of staple food products were 22% higher for the same period.

Eurostat reported that Bulgaria was the EU champion on the steepest food price increase- 25.4% in April 2008 compared to April 2007. This is compared to neighboring Romania where this index was 12.4% and average EU-27 of 7.1%. Bulgaria is closer to the group of Baltic countries where the price rise was 18%-22%. Higher price hikes were registered for vegetable oils (85.8%), cereals and bread (38.4%) and vegetables (15.8%). Another negative factor is the high relative share of food expenses in total consumer expenses which contributes to record inflation.

Speculations about MY08/09 post-harvest ex-farm prices have started with conflicting expectations between farmers and traders. Farmers forecast starting ex-farm wheat prices at 350-380 leva /MT (179-195 Euro/MT) while traders' expectation are for 300 leva/MT (153 Euro/MT) or even lower prices due to abundant local and regional Black Sea supply. Rapeseeds are expected to start with post-harvest prices of 400 Euro/MT. Although farmers can still make a profit at these prices, steady increase in production costs, currently estimated at 700-1,200 leva/HA (359-615 Euro/HA) due to more expensive inputs, land,

labor, fuel and perhaps higher storage fees in MY08/09, will put many small producers in a disadvantaged position.

### **Domestic support**

In May, the MinAg accepted farmers' applications for direct payments for 2008. The first disbursement of funds for 2007 was successfully completed in February-March 2008.

In 2008, total 99,352 farmers applied, which is an increase of 16,722 farmers, i.e. there are 17% more eligible new farmers compared to 2007. Land to be subject to direct payments has expanded by 89,000 HA to 3.47 million HA. As of May 2008, grain and oilseeds area (2.44 million HA) represents 70% of total cultivated agricultural land and the bulk of direct support funds targets field crops farmers.