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Grains and Oilseeds Market Update

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Report Highlights:

Bulgaria enjoyed a bumper crop with total production of grains and oilseeds exceeding 10 MMT. This is a new record and 20 percent more than recorded in MY 2012/13. Bumper crops, overall good quality, along with logistical and storage issues for farmers, and favorable export demand (especially for feed wheat), all resulted in extra high commodity exports early in the marketing year. As of October 2013, MY13/14 wheat exports are 50 percent higher than in the same period of 2012; barley exports are 14 percent more; corn exports to date are 10 times higher than the same time last season when the corn crop was severely affected by drought; and rapeseeds exports are 127 percent more than in 2012.

General Information:

Weather

Late spring-summer weather was very favorable for the winter and spring crops development.

Farmers completed the spring planting in optimum time by the beginning of May while good rainfall in late March and first half of April replenished sub-soil moisture levels. Unusually hot and dry weather from the third week of April through second week of May had an overall negative effect on winter crops but at the same time accelerated the vegetation and biomass accumulation, and the crop development advanced by 1-2 weeks. Weather in June was very favorable with rainfall much above usual which contributed to improved yields for both winter and spring crops.

Summer was generally good with milder temperatures, lack of longer dry and hot periods witnessed in 2012, and rainfall around the norm. Wheat and barley harvest were carried out in favorable conditions. A dry period from end-July to mid- August has been estimated to reduce slightly the yield potential but it still remained very good.

Crops matured earlier and this allowed harvest of spring crops to begin in many regions in mid-late August. Weather during harvest of spring crops has been very favorable. Rains in the second half of October were welcome for the fall plantings although hampered the harvest. Active field work renewed later in October, and harvest is likely to be over by early November.

Overall, two of the country's three main production regions (Northeast and Northwest) had very good weather with sufficient soil moisture reserves. Southern Bulgaria had generally lower level of precipitation, similar to 2012, and this resulted in lower reported yields. Please, see graphs at the end of the report.

Fall planting is being carried out in optimum time and at good soil moisture reserves for wheat and barley. Reportedly, the planted areas will be stable. Rapeseeds area may decline due to dry conditions during planting (late August - mid September), disappointing prices, and three straight years of lower than expected yields as a result of unfavorable climatic conditions.

MY 2013/14 Harvest Estimates

Bulgaria enjoyed a bumper crop with total production of grains and oilseeds exceeding 10 MMT. This is a new record and 20 percent more than recorded in MY 2012/13. This is a result of better yields due to improved technology and favorable weather, especially for the spring crops.

The Ministry of Agriculture (MinAg) has not released official final crop output estimates. Current estimates are based on early post-harvest data for wheat, barley, and rapeseeds. Corn and sunflower

harvest are underway and classified as advanced as of mid-October. Data about harvest progress is also tentative but in line with farmers and industry reports.

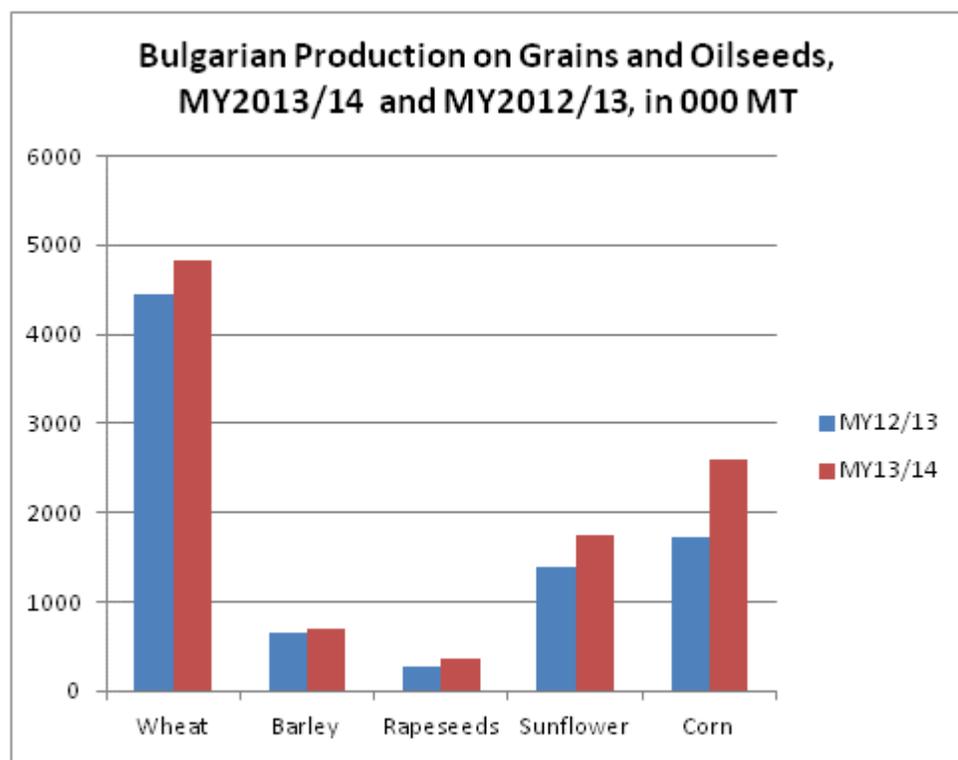
Based on farm and trade source reports and weather data, FAS Sofia has revised its estimates for crops harvested in 2013 follows:

- *Wheat* production is revised upwards on account of very favorable weather in June (abundant rains) and excellent yields reported by farmers. Current FAS estimates (4.85 MMT) are in line with preliminary MinAg estimate (4.827 MT); however, industry projects an even higher production at 4.96 MMT to 5.00 MMT. Current MinAg estimate is 8.3 percent more than MY 2012/13 wheat production of 4.455 MMT.
- Wheat quality was reported good with 65 percent of the crop tested as milling quality, per the MinAg. The prime quality wheat was 3.44 percent (5.5 percent in 2012); second class wheat – 10.79 percent (40.3 percent in 2012); and second B class – 51.18 percent (43.2 percent in 2012). On average, it is below 2012 when the country had record high share of milling wheat at 88 percent; however, it is better than in 2011 and 2010.
- *Barley* production, similar to wheat, is revised slightly upward to 696,000 MT which is 5.2 percent more than in MY 2012/13.
- *Corn* harvest is under way under very favorable conditions. As of early October, about 60 percent of total area as harvested and production was at 1,572,000 MT. Currently, FAS Sofia estimate is for production of 2.6 MMT, and industry sources indicate higher output at 2.7 MMT. This is 51 percent more than in MY 2012/13 when corn crop was severely affected by drought.
- *Rapeseeds* area and production are revised further down (to 150,000 HA and 356,000 MT) from the previous estimate in May due to continuing adverse weather effect on yields. Industry sources estimate area at 140-150,000 HA and production at 335,000 MT to 380,000 MT. Despite disappointing yields, still MY 2013/14 production is 31 percent more than the drought-stunted MY 2012/13 crop.
- *Sunflower* harvest is almost completed as 91 percent of sunflower areas were harvested as of early October and production was recorded at 1.645 MMT. Trade and farm sources estimate production from 1,600,000 MT to 1,800,000 MT. FAS Sofia estimate is for 1.75 MMT.

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

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	4,830	4,455
Barley*	198	191	696	662
Rapeseeds*	150	134	356	271
Sunflower	785	780	1,750	1,388
Corn	450	467	2,600	1,718
Total	2,773	2,757	10,232	8,494

Note*: Based on MinAg/Grain and Feed Agency (GFA) estimates; the rest are FAS Sofia estimates



Trade

Bumper crops, overall good quality, along with logistical and storage issues for farmers, and favorable export demand (especially for feed wheat), all resulted in extra high commodity exports early in the marketing year.

Due to underdeveloped and insufficient port capacities, especially at Varna port on the Black Sea, exports suffered from congestion and vessel lines reportedly longer than a week. Traders report quickly rising demurrage charges which negatively affected export and farm-gate prices.

According to trade, export demand continues to be very good. For this reason, despite logistical issues, most of the surplus will likely be exported before the New Year.

MY 2013/14

Wheat – According to the MinAg/Grain and Feed Agency (GFA) data, wheat exports between July 1 and early October totaled 1.964 MMT of which 1.544 MT to the EU and 420,000 MT for non-EU countries. This is 50 percent higher than in the same period of 2012 (1.3 MMT). Trade source report that exports may reach 2.2 MMT by the end of the month.

Barley - The GFA reports exports at 308,000 MT between July 1 and October 1. Out of this quantity, 54,000 MT were exported to the EU and 255,000 MT to third countries. This is 14 percent higher than exports at that time in 2012 (270,000 MT). Trade report 25,000 MT was exported in mid-October.

Corn - In the period September 1- October 1, Bulgaria exported 405,000 MT of corn, according to GFA, which is reportedly from the new crop (325,000 MT to EU and 80,000 MT to third countries). Exports to date are 10 times higher than in the same period 2012 (40,000 MT) when the corn crop was severely affected by drought. Trade report higher export activity in October. By early November total exports may double to 800,000 MT.

Sunflower - Due to early harvest in August this year, exports of the new crop began in September. In the period September 1- October 1, Bulgaria exported 81,000 MT of sunflower (almost all to the EU) which is reported as new crop. Exports so far have been sluggish and behind last years' pace. Industry, however, reported accelerated exports during October with projections that exports may reach 240,000 MT by mid-November.

Rapeseeds - The GFA reports exports at 253,000 MT between July 1 and October 1. Out of this quantity, 237,000 MT went to the EU with 16,000 MT to third countries. This is 127 percent higher than exports at that time in 2012 (110,000 MT) when production was seriously affected by drought.

MY 2012/13

In MY2012/13 exports of grains and oilseeds accelerated from April through the end of the year, led by wheat, corn, and sunflower.

Final data for the marketing year(source: World Trade Atlas) shows record high export volume for wheat at 2,761,000 MT of which 741,000 MT exported outside the EU and the remaining 2,020,000 MT

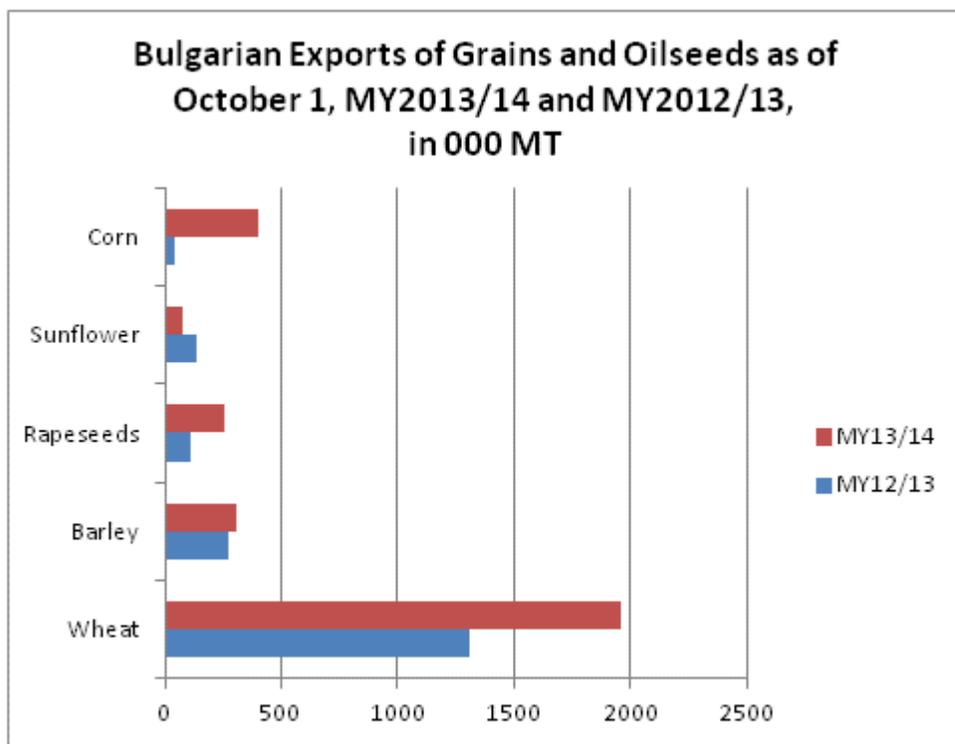
exported to traditional EU destinations such as Spain, Italy and Portugal. This is the highest wheat exports over the last 10 years.

Barley exports were at 344,000 MT or at the same level as in the previous season. However, a larger quantity (232,000 MT) was exported from the EU vs. only 98,000 MT a year earlier.

Corn exports are in line with the previous expectations for 670-680,000 MT although final WTA data is not yet available. As of July 2013, exports were 676,000 MT. Due to early corn harvest this year, MY 2013/14 corn began to be exported starting from early September.

Sunflower exports for the year is estimated to be over 800,000 MT. According to WTA, as of July exports were 760,000 MT.

Rapeseeds exports were 248,000 MT of which 63,000 MT went outside the EU (mainly to Turkey). Exports were much lower due to reduced supply availability resulting from the drought stunted crop, as compared to the previous season when trade exceeded 500,000 MT.



MY 2013/14 Stocks, Consumption, and Export Potential

Wheat

The GFA projected MY2013/14 beginning wheat stocks at 220,000 MT. Consumption for the period July 1 – October 1, 2013, was recorded at 450,000 MT. Available stocks reported as of early October were 2.638 MMT. The GFA estimates consumption through the end of MY 2013/14 to be stable at 150,000 MT/month for food and feed, leaving year-end stocks at 200,000 MT, or total 1.58 MMT.

Based on GFA estimates, the country has the potential to export up to 850,000 MT more wheat thus reaching a new record high of 2.8 MMT. Most trade sources expect wheat exports at up to 3.0 MMT due to expected lower feed use at the expense of corn.

Barley

The GFA estimated MY2013/14 beginning stocks at 10,000 MT and total consumption during the period July 1 – October 1, 2013 at 110,000 MT for feed and for the brewing industry. Available stocks were reported on October 1 at 290,000 MT.

The GFA estimates consumption through the end of the marketing year at 266,000 MT or 30,000 MT per month which would leave 24,000 MT remaining in ending stocks. Based on GFA estimates, the country has already reached its export potential and any further growth may lead to a deficit on the market, mainly of feed barley.

Corn

The GFA estimated MY2013/14 (which started on September 1) beginning stocks at 227,000 MT and consumption in September at 85,000 MT for feed and for the starch industry. Available stocks were reported at 1.3 MMT on October 1. The harvest is still under way and it is expected that new data for stocks on October 30 will be higher. The GFA estimates consumption through the end of the marketing year at 800,000 MT or about 75,000 MT per month.

Based on GFA consumption estimates and depending on final harvest data, export potential is estimated at a record 1.4 - 1.5 MMT.

Sunflower

The GFA estimated MY2013/14 (as of September 1) beginning stocks at 23,000 MT and consumption in September at 50,000 MT for feed and for the starch industry. Available stocks were reported on October 1 at 1.537 MMT. The harvest is still under way and it is expected that new data for stocks on October 30 will be higher. The GFA estimates consumption through the end of the marketing year at 490,000 MT or about 45,000 MT per month.

Based on GFA consumption estimates and depending on final harvest data, export potential is estimated at a record 1.2 - 1.3 MMT.

Rapeseeds

The GFA estimated MY2013/14 beginning stocks at 60,000 MT and consumption for July, August, and September at 42,000 MT. As of early October available stocks were 122,000 MT. According to trade, export potential may reach 300,000 MT or additional 50-60,000 MT for exports; however, this is highly dependent on unstable local crush demand.

Agricultural Policy

Prices

Farmers have complained about much lower prices this season, by 25-40 percent below last season. In addition, farm-gate prices were reportedly lower than in Romania. Farmers also report that the discrepancy between Black Sea prices and prices in Western Europe has widened to stimulate faster and more competitive exports. Although farm prices are at the edge of breakeven point and for many producers below their cost, record crops and challenges with logistics and storage force many to sell and accept the market price instead of storing grains for later sales. Some farm groups interpreted unusually low prices as a result of “traders’ cartel.” Depressed prices are already affecting rents and land prices.

Domestic Support

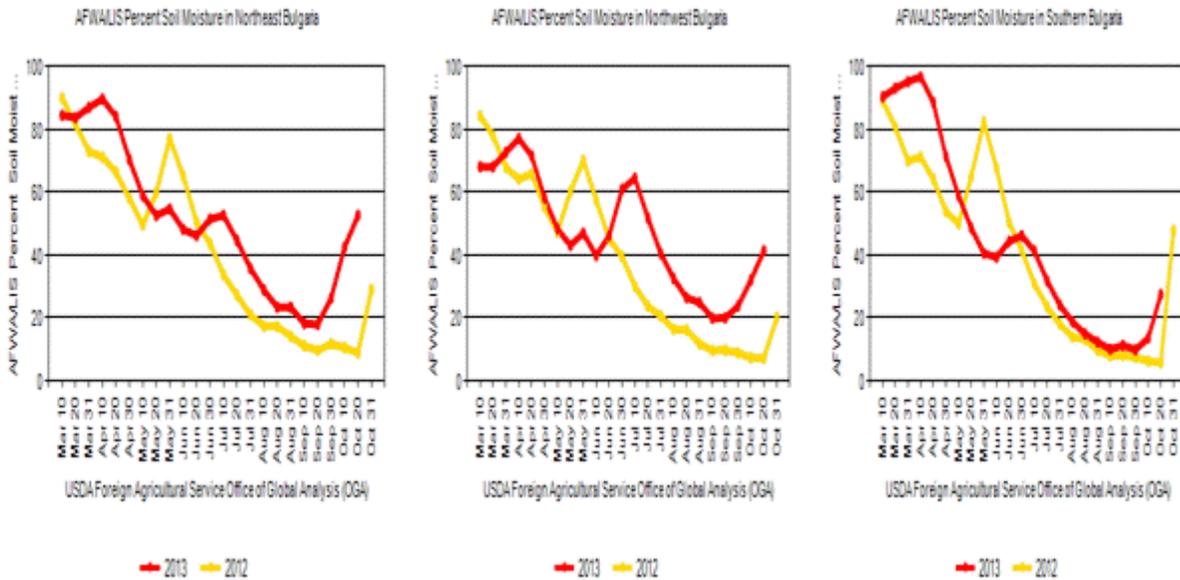
Due to depressed commodity prices, grain producers insisted on earlier payment of direct subsidies. The government agreed to start the payments sooner so that all farmers receive their subsidies in December 2013 (about 20 percent) and January 2014 (80 percent), despite the budget challenges. Total direct subsidies this marketing year will be at 1.1 billion leva (774 million USD). In addition, farm groups managed to negotiate national top-ups of 30 million leva (21 million USD) to be paid in January 2014. Another achievement for farmers was the approved preference for reimbursement of excise tax on fuel used for farm purposes.

New Trade Regime

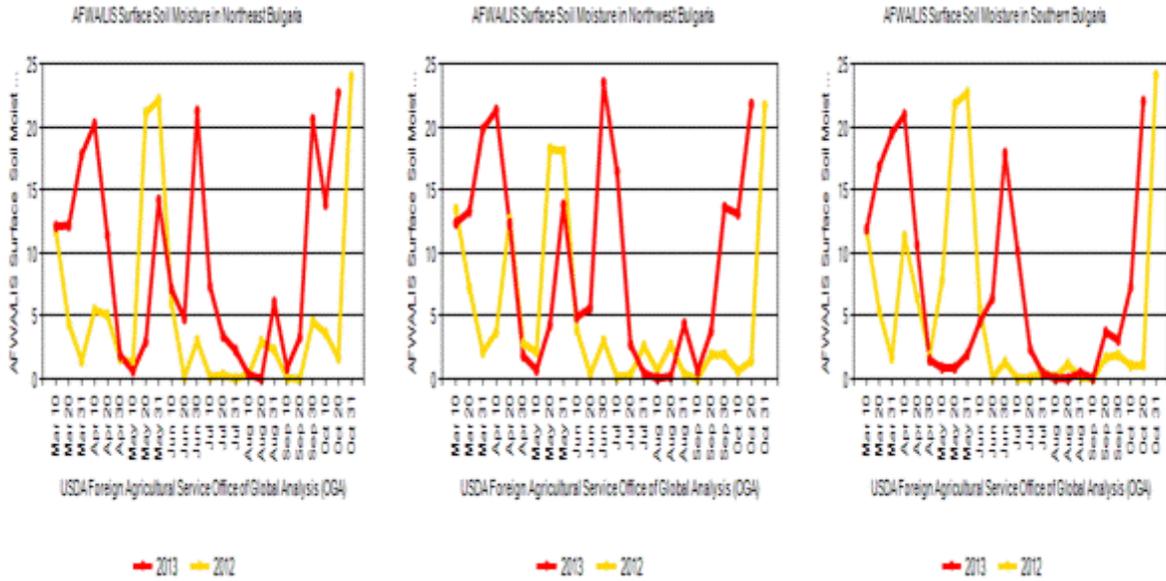
Following almost two years of consultations with stakeholders and the EC, the Parliament decided to introduce revert VAT mechanism for the grain trade. The new legislation was built on the positive Romanian experience over the last 2-3 years and after favorable EC regulation earlier this year. The proposal was strongly supported by grain users – millers and traders - as a tool to “clean” the market from grey players. However, grain producers were skeptical as to how the new method will be applied and if the taxation authorities will be able to return the due VAT in time. They were concerned that the change may have a negative effect on cash flows. Two major laws have to be revised to introduce the

new change – the VAT Act and the Grain Act. The mechanism should be applied from January 1, 2014 for 2 to 4 years. Reportedly, the crops subject to the law will be wheat, rye, oats, barley, corn, sorghum, mullet, and soya. It still remains to be seen if the effects will be as favorable for the national budget collection and for the grain industry and trade, as projected.

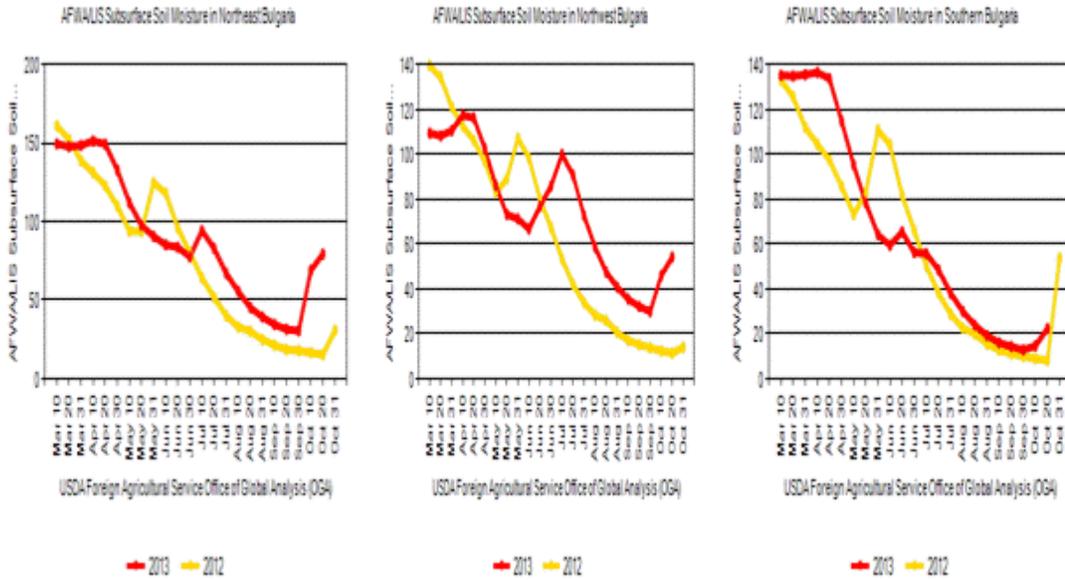
Percent of Soil Moisture in Major Production Regions as of October 20, 2013



Surface Soil Moisture in Major Production Regions as of October 20, 2013

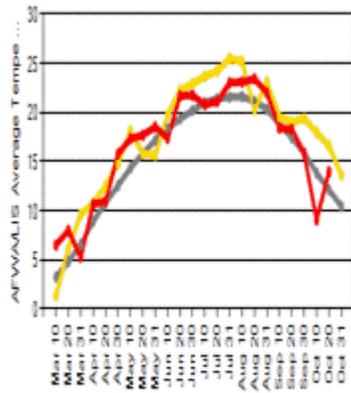


Subsurface Moisture in Major Production Regions as of October 20, 2013



Average Temperatures in Major Production Regions as of October 20, 2013

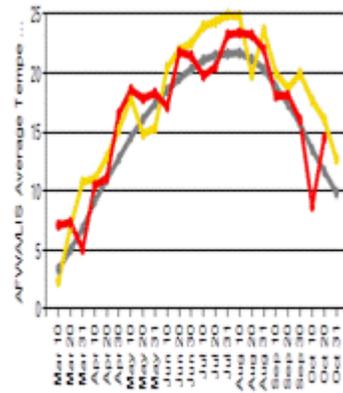
AFWALS Average Temperature in Northeast Bulgaria



USDA Foreign Agricultural Service Office of Global Analysis (OGA)

2013 2012 Normal

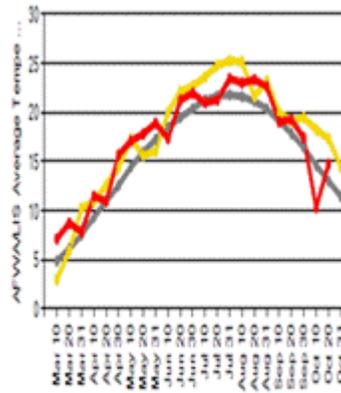
AFWALS Average Temperature in Northwest Bulgaria



USDA Foreign Agricultural Service Office of Global Analysis (OGA)

2013 2012 Normal

AFWALS Average Temperature in Southern Bulgaria



USDA Foreign Agricultural Service Office of Global Analysis (OGA)

2013 2012 Normal