

**Voluntary Report** – Voluntary - Public Distribution

**Date:** April 19, 2024

**Report Number:** BU2024-0004

**Report Name:** Dairy and Products Market Update

**Country:** Bulgaria

**Post:** Sofia

**Report Category:** Dairy and Products

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**Report Highlights:**

In 2023 Bulgarian dairy farming stabilized with a growth in milk deliveries. This was due to improved milk yields despite continued decline in the dairy cow herd, and due to record high fluid milk imports. Consolidation and restructuring of the dairy industry have continued with an increasing and dominating role by larger, more efficient dairy operations. Food inflation began to soften in the middle of 2023 and, along with improving consumer incomes, have supported demand. Current FAS/Sofia expectations are that the dairy industry should strengthen with a rebound in milk production in 2024 due to continued investments in farm efficiency, improved feed availability, reduced inflation, and more dynamic demand by the retail and hospitality industries.

## **Dairy Industry Development**

**Dairy Farms Restructuring:** In recent years, Bulgarian dairy farming has undergone significant restructuring with the gradual decline of the number the role of smaller subsistence farms, in contrast with the expanding importance of larger commercial farms. At the end of 2022 (the latest official data) the average number of cows per farm (both dairy and beef cows) continued to increase to 17.5 from 15.9 in 2021.

Data shows that 27 percent of dairy cow farms had more than 10 dairy cows and accounted for 91 percent of the national herd. Farms with more than 50 dairy cows accounted for only 7.5 percent of total dairy cow farms but their share of the national dairy herd is at 60 percent. These farms have invested in productivity and technology and proved to be more resilient to economic challenges, with the best performing being those farms with more than 100 dairy cows. For example, dairy animal numbers at these farms decreased by only 1.3 percent in 2022 from 2021 compared to an average 7.9 percent decline for the country as a whole.

According to industry sources, in 2023 farm consolidation and commercialization intensified. Smaller farms faced challenges and industry reports indicate stagnant to slightly lower dairy animal numbers at these farms while larger farms have expanded their herds and improved efficiency and profitability. These trends will continue to shape the industry in 2024.

Despite the repercussions of the war in Ukraine in 2022-2023, in combination with the energy and food inflation, dairy farmers in Bulgaria made significant efforts to invest in improved productivity and best farming practices. Imports of high-quality bovine genetics have been persistently increasing, sourced mainly from the United States and Germany, followed by Canada and the Netherlands. In 2023, imports of bovine semen reached a new record and grew by 21 percent over 2022 (in value). Currently, the United States is a leading supplier with 37 percent market share in value, and a second ranking supplier with 23 percent share in terms of semen doses, after Germany. The average import price of bovine genetics doses increased by 26 percent in 2023 compared to 2022 due to the demand for higher quality products. In addition, farmers kept importing purebred cattle (cows) for faster recovering of the national herd. In 2023, imports of purebred live cattle skyrocketed by 115 percent from 2022 (in number of animals) while the value of these imports reached a record of \$16 million and grew by 200 percent over 2022. The average value of imported cattle increased by 40 percent to an average of \$1,340/head.

**Dairy Herd:** The latest statistics show that in 2023 the dairy cow herd continued to contract, although at a slower and smaller rate compared to the previous years. At the end of 2023, total cow numbers were 1.7 percent lower than in 2022, and the dairy cow herd declined by 5.7 percent while beef cow herd increased by 4.3 percent.

As a result of continuous growth in beef cow numbers in recent years, at the beginning of 2023 the national beef cow herd accounted for almost half (48 percent, compared to 44 percent in 2022) of total cows, although some of these were spent dairy cows registered as “for meat”.

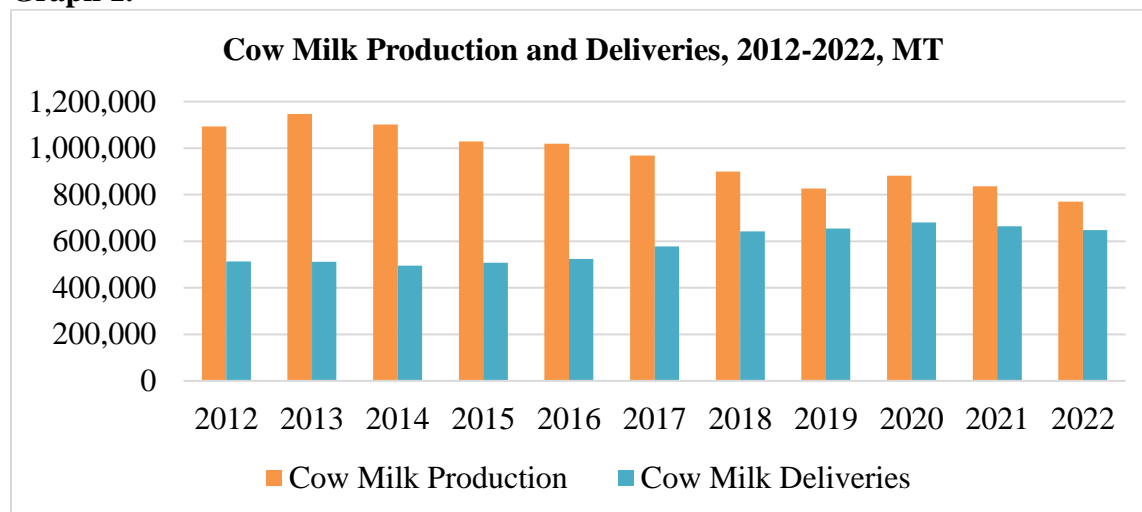
FAS/Sofia expects that Bulgaria’s dairy cow herd has the potential to gradually recover in 2024. Hot and dry summers in 2022 and 2023 were challenging for dairy farm productivity. In addition, feed grain prices have sharply decreased since the middle of 2023 following high volatility and skyrocketing prices in the two prior years which led to sub-optimal feeding practices, negatively affecting milk yields. Although fluid milk farm prices are on a declining trend since 2023, they are more favorable for dairy farmers relative to production costs. Average milk yields are estimated to grow steadily, mainly at larger commercial farms, while smaller farms may still face challenges.

### Fluid Milk Supply

**Milk Deliveries:** In recent years, milk deliveries have grown due to increased consolidation and commercialization. (Note: Milk deliveries are the part of milk production that is delivered/sold to dairy processing establishments and does not include milk that stays on-farm or is directly sold from farms.) Following a challenging 2022 year when the national dairy herd, milk production/collection, and milk processing all contracted, in 2023 total milk deliveries increased by 4.2 percent from 2022 and were the highest since 2020 (Eurostat, tentative monthly milk deliveries data). Cow milk deliveries followed the same pattern with 4.2 percent annual growth. The share of cow milk deliveries to all milk was stable at 95 percent.

The demand for milk by the dairies was strong thanks to improving demand for processed dairy products. Although there is currently no official data about 2023 national milk production, the industry estimates cow milk deliveries at over 80 percent of production, strengthening the trend of an increasing share of deliveries compared to farm use/direct sales (Graph 1). Additionally, milk quality has become more consistent, largely due to farm consolidation.

**Graph 1.**



Source: Bulgarian Ministry of Agriculture Statistical Bulletins

**Milk Prices:** In 2023, Bulgarian cow milk prices were higher than in the previous year (see average monthly prices [here](#)) and varied between €40.97/100 kg (June) and €51.16/100 kg (January). These prices lagged behind EU averages by 5-7 percent in different months and were generally more convergent than in the past when the price differences were around 10-15 percent. The trend of price

convergence has continued in 2024 with only a 2 - 4 percent price gap between domestic and EU average prices in the first three months of the year.

As of the end of February 2024, milk prices were 9.7 percent lower than a year ago and stable on a monthly basis. The annual price reduction was slower than the average for the EU for the same period (13 percent). The Bulgarian Ministry of Agriculture (MinAg) [data](#) shows that the farm price for raw milk in April 2024 was eight percent lower than a year ago but stable on a weekly and monthly basis at €46.4/100 kg. Although milk prices are on downward trend, industry sources report that they are still more favorable for farmers relative to production cost due to a faster decrease in feed, energy, and other related costs.

### **Milk Processing**

In 2023, consolidation and expansion of dairies intensified, and Bulgaria had 240 dairy processors of which there were 10 leading larger companies. In 2023, two leading milk processors, United Milk Company and Tirbul (brands Olympus, Vereia, Fibela), merged and the consolidation should be completed by July 2024. The new merged company market share is estimated at 25 percent. The company plans new investments in 2024. Along with increased variety of dairy products, the company stated that it plans to put an emphasis on diversification by adding new milk alternative products such as fluid “milk” made from nuts or soy, and other plant-based “dairy” products.

The demand for raw milk by processors was favorable and Bulgaria imported a record high volume of milk in 2023 to complement local supply and maintain its production of dairy products. As a result, the dairies processed 4.2 percent more domestic and imported milk in 2023 (Eurostat monthly milk use data).

Bulgaria imported a record high quantity of fluid milk in 2023, about 100,000 MT (\$69 million), or 44 percent more than in 2022 (Trade Data Monitor/TDM, based on Eurostat, PSD Fluid Milk). Demand for imported milk was driven not only by insufficient local supply but also by cost and/or logistical advantages for imports. The average import price for fluid milk in 2023 was at \$693/MT, 13 percent lower than in 2022. Hungary, Romania, and Poland were the leading suppliers. Hungary increased its exports to Bulgaria considerably by 135 percent in 2023 compared to 2022, followed by Poland with 70 percent growth and Romania with 29 percent.

Output of processed dairy products in 2023 grew modestly. First tentative MinAg [data](#) shows higher 2023 production of yogurt (by six percent) and cheeses (by two percent) but three percent lower production of drinking milk, compared with 2022. In the first two months of 2024, however, drinking milk output (the latest statistics) increased by 16 percent compared to the corresponding period of 2023.

### **Consumption**

Official consumption data includes mainly retail sales and home use but does not include the food service sector which is a substantial driver for consumer demand. In 2023 the food service sector’s role in overall consumption increased considerably due to its full recovery based on renewed travel and tourism.

Sharply higher prices of dairy products in 2022, were followed by stabilization and gradual decline in prices in the second half of 2023 and in early 2024. According to MinAg data, as of April 2024 [retail prices](#) of white cheese were 1.1 percent lower than a year ago, and those of yellow cheese declined by 2.7 percent. Drinking milk prices dropped by 3.6 percent. Retail sales remained strong, along with growing consumption in the food service sector.

Currently available data for 2023 shows that the fluid milk consumption was higher at 18.7 kg/capita compared with 18.5 kg/capita in 2022 but still lower than consumption in 2021 of 19.2 kg/capita. Market data for 2023 shows that the sales of drinking milk increased by 12 percent in value due to 13.5 percent higher price per a liter of drinking milk but were stable in volume (-1.2 percent) compared to 2022. Drinking milk use has continued to face increasing competition from plant-based alternatives such as soy, almond, rice, and other types of milk.

White cheese consumption decreased slightly to 11.7 kg/capita compared to 12.1 kg/capita in 2022 while yogurt consumption was downward to 27.3 kg/capita compared to 28.5 kg/capita in 2022. Market data indicates that white cheese sales increased by 17 percent in value but declined by 7 percent in volume. The share of white cheese made from cow milk was 88 percent while the rest are cheeses from other types of milk (sheep/buffalo/goat milk). Yellow cheese sales also grew by 20 percent in value but were stable in volume (0.8 percent) in 2023 compared to 2022. About 98 percent of yellow cheese sales are for cheese made from cow milk.

Yogurt sales in 2023 followed the same pattern with 22 percent growth in sales in value and three percent decline in sales in volume. A marketing [survey](#) carried out in January-February 2024 indicates that the most frequently purchased dairy product is yogurt which is bought several times a week by 45 percent of consumers. Drinking milk and white cheese are purchased once a week by 40 percent of consumers and yellow cheese by 36 percent of consumers. The rest of respondents indicate lower frequency of shopping of these products.

Hypermarkets and supermarkets are a preferred channel for shopping for 67 percent of consumers while five percent buy dairy products in specialty shops and three percent at farmer markets. The demand has been shifting towards higher quality dairy products at the expense of quantities. Consumer interest in a healthier lifestyle has driven an increase in purchases of high-end organic, lactose-free and other specialty dairy products. Yogurt and cheese are leading this niche market.

## **Trade**

*Fluid Milk (PSD Fresh milk, HS#0401):* In 2023 imports of fresh milk increased by 44 percent to 100,000 MT due to strong demand by processors. Major suppliers were Hungary, Romania, and Poland. In 2023 fluid milk exports, usually small, were 71 percent higher than in 2022 to 7,700 MT due to favorable export demand by Kosovo, Greece, and Romania (cross border trade).

*NFDM (PSD Non-Fat Dry Milk, HS#040210):* 2023 imports of NFDM increased by 11 percent over 2022 to 21,000 MT due to higher demand by the dairies. Poland, Germany, Romania, Greece, and Ukraine were the major suppliers.

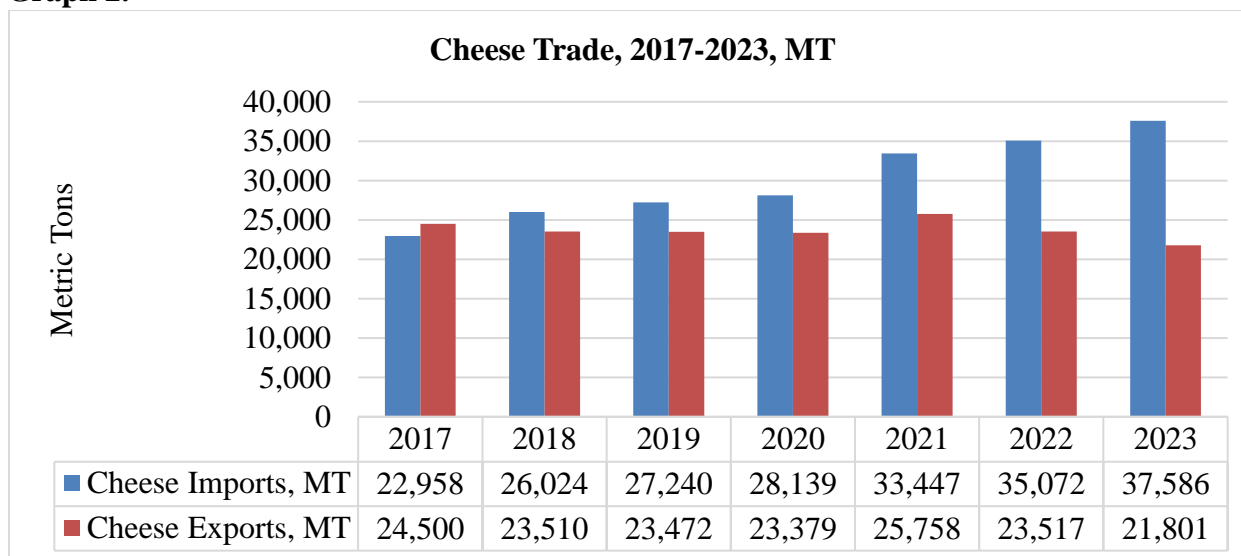
*Butter (PSD-Butter and Milk Fat, HS #040510, 04051090, in BET):* 2023 butter imports increased by 18 percent from 2022 to record-high of 8,500 milk equivalent (BET) due to good consumer demand and 16 percent lower prices. Bulgaria sourced butter mainly from Germany and the Netherlands.

The Bulgarian MinAg [reports](#) also elevated 2023 imports of whey (9,800 MT), as well as yogurt and cream (20,100 MT or 24 percent more than in 2022).

*Cheese (PSD Cheese, HS#0406):* 2023 cheese imports reached a new record of 37,600 MT, up 7 percent over 2022. Imports were driven by strong domestic demand and reduced domestic production. While average import prices were about five percent higher in 2023, it was not a barrier to imports. Cheese imports were sourced mainly from Germany, the Netherlands, and Poland. Cheese imports continued to exceed exports (Graph 2).

Cheese exports are traditionally important for Bulgaria and supported by various private and public programs. However, since 2017 cheese exports have declined. In 2023 cheese exports declined by 7 percent from 2022. Bulgaria’s main cheese export markets are Greece, Germany, Romania, the United States, and the United Kingdom.

**Graph 2.**



Source: TDM (PSD Cheese)

## **Agricultural Policy**

### Animal Health:

No significant diseases have affected the dairy industry in 2023 and in 2024 to date.

### Domestic Support

Bulgaria continued to apply coupled support for dairy farms. For 2023, the subsidy rates per a farm were increased from 2022, especially for smaller farms with up to 150 cattle and up to 300 sheep/goats. Total 296,000 cattle and 362,000 sheep/goats are subject of this domestic support program. The subsidy per a dairy cow was 328 BGN (\$182) for farms with up to 150 cattle and 262 BGN/cow (\$145) for larger

farms. For dairy buffalo the subsidies were at 407 BGN/head (\$226) for up to 150 buffalo farms and 325 BGN/head (\$180) for bigger farms.

In December 2023, farmers were also paid subsidies under de minimis program, with a subsidy rate varying from 24 BGN (\$13) to 36 BGN (\$20) per a dairy cow depending on the farm size and area.

#### Geographical Indicators

In February 2021 Bulgaria started an [application](#) process with the European Commission to receive Protected Designation of Origin (PDO) status for Bulgarian yogurt and Bulgarian white cheese in brine. In August 2023, the request was approved, and the products were granted PDO status.

#### **Attachments:**

No Attachments.