

**Voluntary Report** – Voluntary - Public Distribution

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## **Report Name:** Dairy and Products Annual

**Country:** Bulgaria

**Post:** Sofia

**Report Category:** Dairy and Products

**Prepared By:** Mila Boshnakova-Petrova

**Approved By:** Jonn Slette

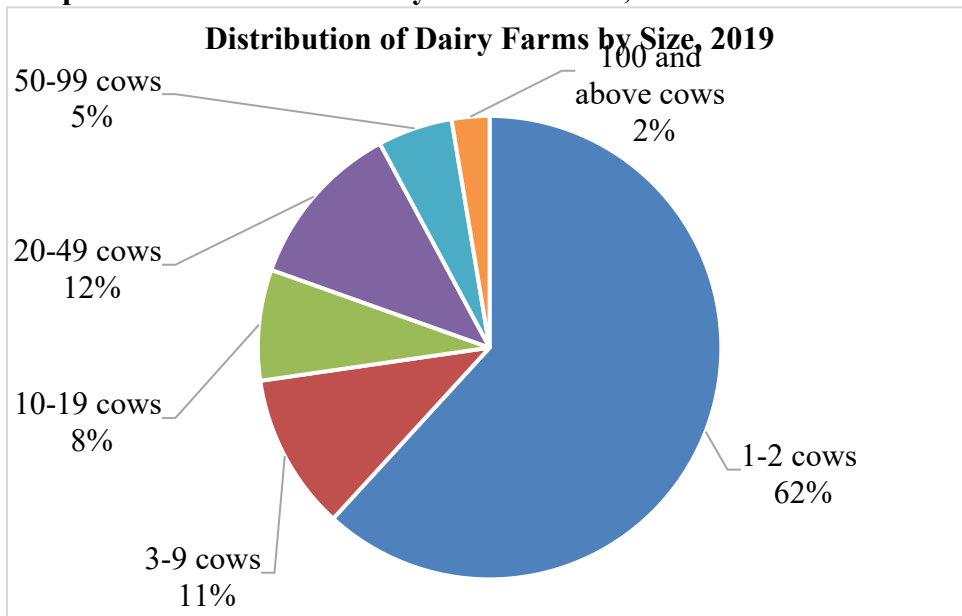
### **Report Highlights:**

Bulgaria's dairy industry continued to stabilize in 2019. Despite a reduction in the total dairy herd and an almost nine-percent drop in cow milk production, milk collection and processing increased over 2018. This was due to increasingly larger operations, improved milk yields, industry consolidation, and an overall decline in subsistence dairy farms. During the first five months of 2020, milk deliveries continued to grow by six percent over the same period of 2019. Post expects the dairy herd inventory and milk deliveries to stabilize by 2021. Bulgaria's challenging animal health situation remains the biggest threat to its dairy industry. COVID-19 did not dramatically affect Bulgarian dairy consumption, with some products, notably butter and cheese, achieving higher consumer demand. The Government of Bulgaria approved a temporary mandate that retailers must stock a majority of Bulgarian-origin dairy products sourced from locally milk producers during the ongoing COVID pandemic.

### Dairy Farms and Dairy Cow Inventory

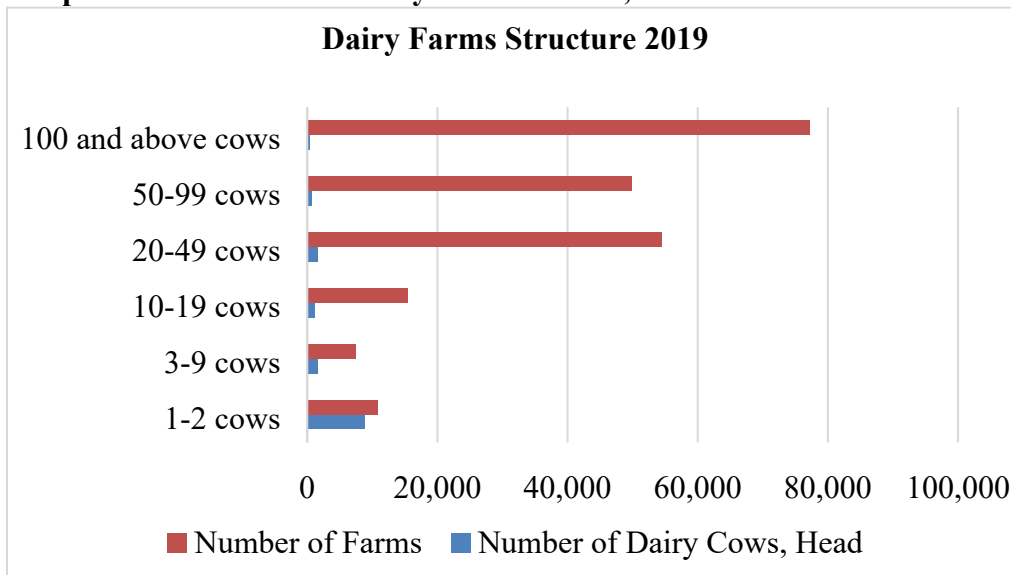
In 2019, the number of Bulgarian dairy farms declined by 26-percent to reach about 14,000 farms. This reduction was concentrated among small farms with up to 20 cows (Table 1). The number of subsistence farms (one or two cows) dropped by 33 percent from 2018. Although this segment still accounted for 62 percent of the total number of Bulgarian dairy farms, it managed only five percent of the total national dairy herd (Graph 1). Commercial farms (over 100 cows) were stable and kept investing in productivity and technology. Farms with at least 50 cows accounted for eight percent of total dairy cattle farms and 59 percent of the national dairy herd. Average herd sizes per farm increased from 13.3 in 2018 to 15.6 in 2019. In 2019, the national beef herd grew to 116,000 head, accounting for 35 percent of total cattle (although some of these were spent dairy cows registered as “for meat”).

**Graph 1: Distribution of Dairy Farms in Size, 2019**



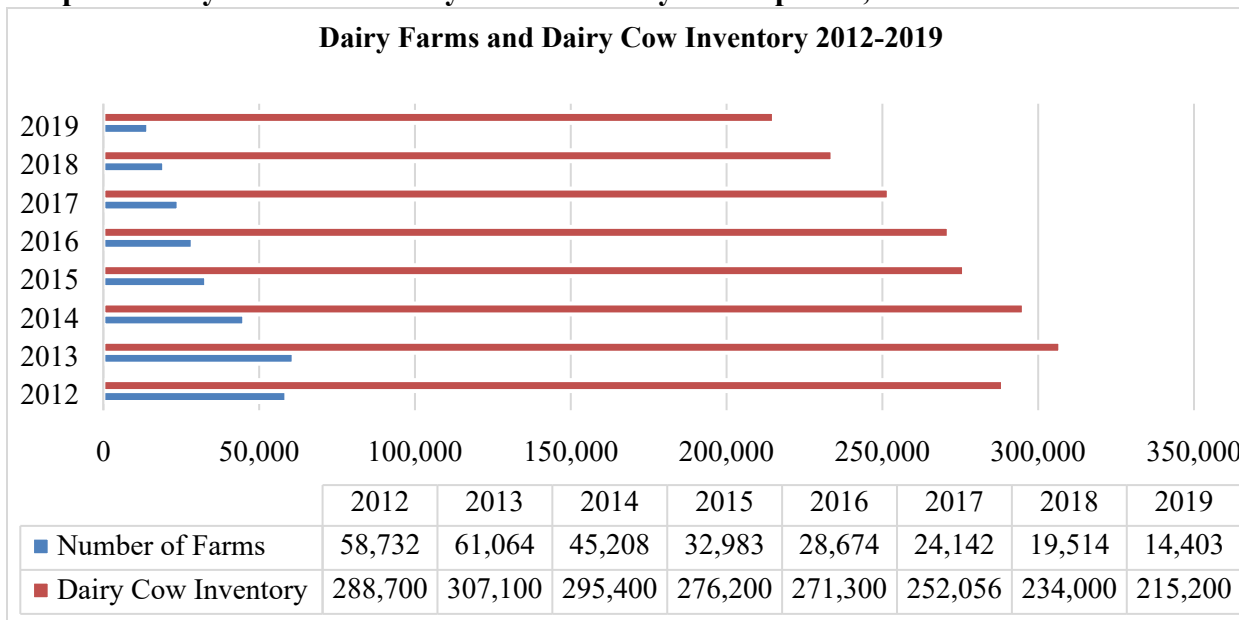
Source: Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins

**Graph 2: Distribution of Dairy Farms in Size, 2019**



Source: Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins

**Graph 3: Dairy Farms and Dairy Cow Inventory Development, 2012-2019**



Source: Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins

Post expects that Bulgaria’s dairy cow inventory will recover modestly in 2021, due to the stabilizing animal-health situation and favorable milk prices. Average milk yields are estimated to grow steadily, especially at commercial farms.

## **Fluid Milk Production**

In 2019, total fluid milk production decreased by eight percent. Cow milk production decreased by 8.9 percent, sheep milk by six percent, and goat milk by 13.8 percent from 2018 (Table 2). Buffalo milk increased by 13.2 percent.

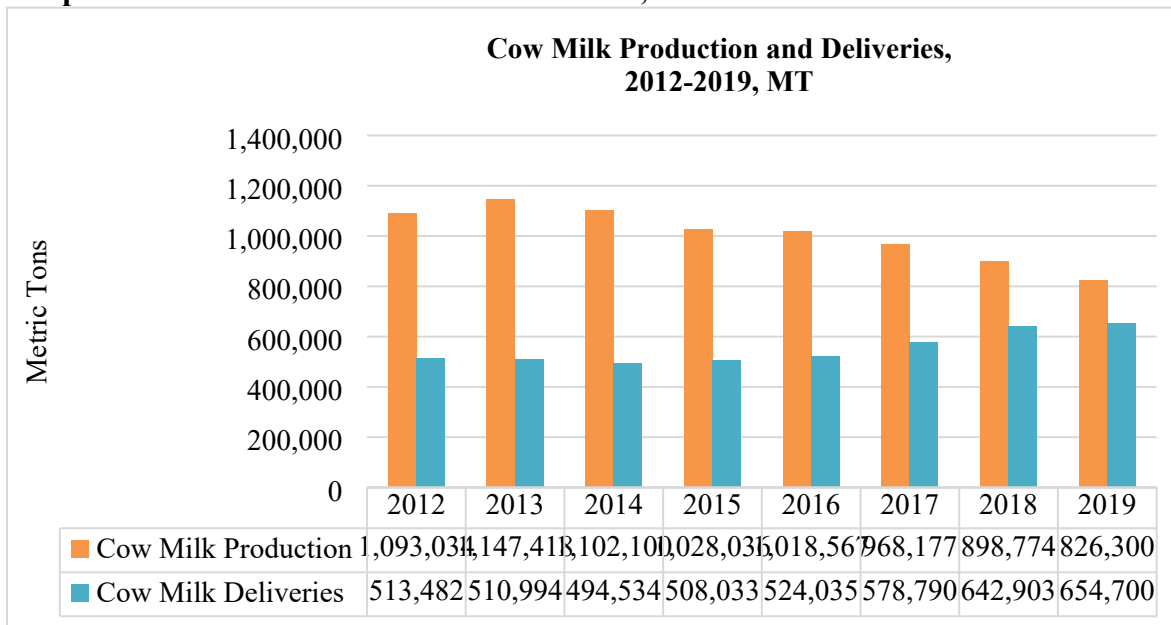
The decline in cow milk production was due to an eight percent decrease in the dairy cow inventory. Higher milk yields were not sufficient enough to compensate for the reduction in stocks. According to official January-May 2020 data, cow milk deliveries increased by six percent from the corresponding period in 2019. Post expects that 2020 milk production to decline by about five percent but moderately recover by 2021. Cow inventories should also stabilize in 2020. Stable cow inventories and improving milk yields in 2021 should lead to moderate milk production growth.

Milk Deliveries: Previously, the Bulgarian dairy sector's biggest challenge was the consistent decline in milk deliveries for processing (Table 3 and 4, Graph 4). However, over the last four years, this trend has shifted due to increased consolidation and commercialization. Following two years of double-digit delivery growth, in 2019 total milk and cow milk deliveries grew more moderately by 1.8 percent, with the share of cow milk deliveries totaling 94 percent. Cow milk prices were favorable due to stronger demand from processors (Table 3). Cow milk deliveries achieved 79 percent of production versus 72 percent in 2018. Post expects that this trend will continue as dairy farms and processors continue to modernize. Milk quality has become more consistent, largely due to farm consolidation and the steady decline of smallholder farms.

Milk Cost and Prices: 2019 Bulgarian cow milk prices (see average monthly prices [here](#)) varied between €29.44/100 kg (June) and €31.75/100 kg (December). These prices lagged behind EU average prices by 10-15 percent in different months. In January-July 2020, prices varied between €30.91/100 kg (July) to €32.00/100 kg (January and February). Average milk prices in June 2020 (€30.98/100 kg) were 5.2 percent higher than in June 2019. Bulgaria's June 2020 average milk price was only five percent below the EU average (€32.58/100 kg). Although Bulgarian cow milk prices are still below EU-averages, there is a clear trend of price convergence.

Milk for Direct Sales: Direct sales and on-farm milk consumption have declined since 2016 (Table 3). In 2019, cow milk direct sales declined by 33 percent from 2018. The share of direct sales and on-farm cow milk use dropped to 21 percent, compared to 28 percent in 2018 due to the industry's commercialization and the efforts to limit gray market channels.

**Graph 4: Cow Milk Production and Deliveries, 2012-2019**



Source: Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins

### Milk Processing

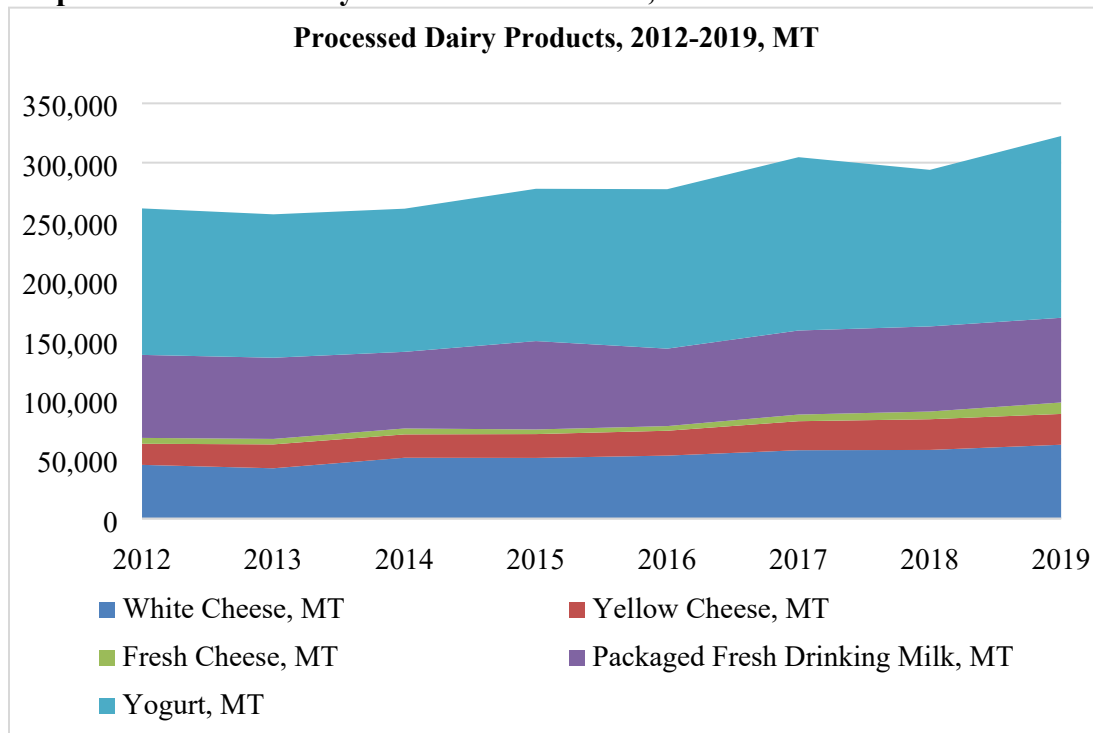
In 2019, Bulgaria had 238 dairy processors. Cow milk accounted for 94.4 percent of all industrial use in 2019, followed by sheep milk at 3.5 percent, goat milk at 1.4 percent, and buffalo milk at 0.7 percent (Table 4). The processing of buffalo milk increased by 29 percent in 2019 over 2018, following 36 percent growth in 2018 over 2017. Buffalo milk is produced in small quantities and does not meet the volumes required by commercial dairies and reportedly, the prices offered to farmers have increased.

Due to increased milk deliveries, fluid milk and milk substitute imports declined. According to the authorities, in 2019 processors used 12,400 MT of imported raw milk, 890 MT of concentrated milk, 6,900 MT of powder milk and cream, 6,400 MT of milk concentrate, and 660 MT of other milk substitutes (source: Ministry of Agriculture (MinAg) Bulletin 376/June 2020).

The total 2019 output of processed products grew by 9.7 percent to 322,000 MT (Graph 5) due to production increases for yogurt by 16.1 percent, fresh cheese by 48.7 percent, white cheese by 7.5 percent. Production was flat for liquid milk for drinking and yellow cheese. Output of cheese with added plant and/or vegetable oils (usually palm oil) declined by seven percent due to the consumer campaigns against these products and regulations restricting their sales (Table 6). The value of processed dairy products grew by 11 percent (source: MinAg Bulletin 376/June 2020).

Tentative data for January-May 2020 confirms a sustained trend for dairy product production growth. The total output of processed dairy products grew by 2.5 percent over the same period in 2019. Cheese output increased by 13.1 percent and drinking milk by 2.5 percent. Output of yogurt declined marginally and cheeses with plant oils grew by 7.5 percent.

**Graph 5: Processed Dairy Products Production, 2012-2019**



Source: *Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins*

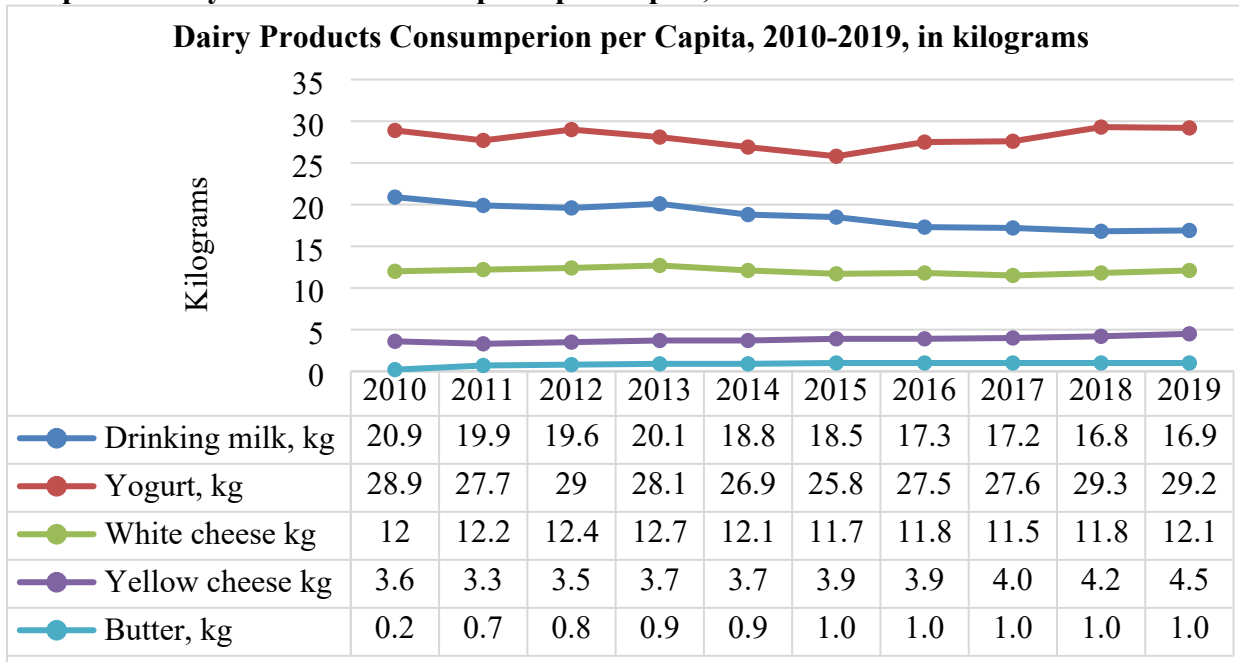
### Consumption

Annual dairy product consumption increased from 64.9 kg/capita in 2018 to 65.5 kg/capita in 2019 (Graph 6). Fluid milk and yogurt consumption were stable at 16.9 kg/capita and 29.2 kg/capita, respectively. Fluid milk continued to face increasing competition from plant-based alternatives such as soy, almond, rice, and other types of milk. White cheese consumption grew to 12.1 kg/capita (by 2.5 percent) and yellow cheese to 4.5 kg/capita (by 7.1 percent). These data do not include the food service sector, which is increasingly driving demand for dairy products. In 2020, the official statistical data shows a moderate increase in home consumption, driven by COVID self-isolations, especially for butter and cheeses.

Despite consumer campaigns against “palm oil” cheeses and the consistent reduction in its supply in recent years, lower-end cheese products continue to have their market share. A consumer group’s study made in August 2020 found that 16 out of 30 samples of these cheese products contained excessive water content--62-70 percent--instead of the maximum 54 percent.

Conversely, the market for higher-end dairy products such as specialty fruit yogurts has grown, both in volume and in value. The consumer demand has been favorable and stimulated sales of more premium products. New product launches and expanding product diversity have been key for the positive market development. One November 2019 marketing study showed that 78 percent of Bulgarians eat yogurt at least once weekly, 55 percent drink milk, 62 percent consume yellow cheese, and 52 percent use butter.

**Graph 6. Dairy Products Consumption per Capita, 2010-2019**

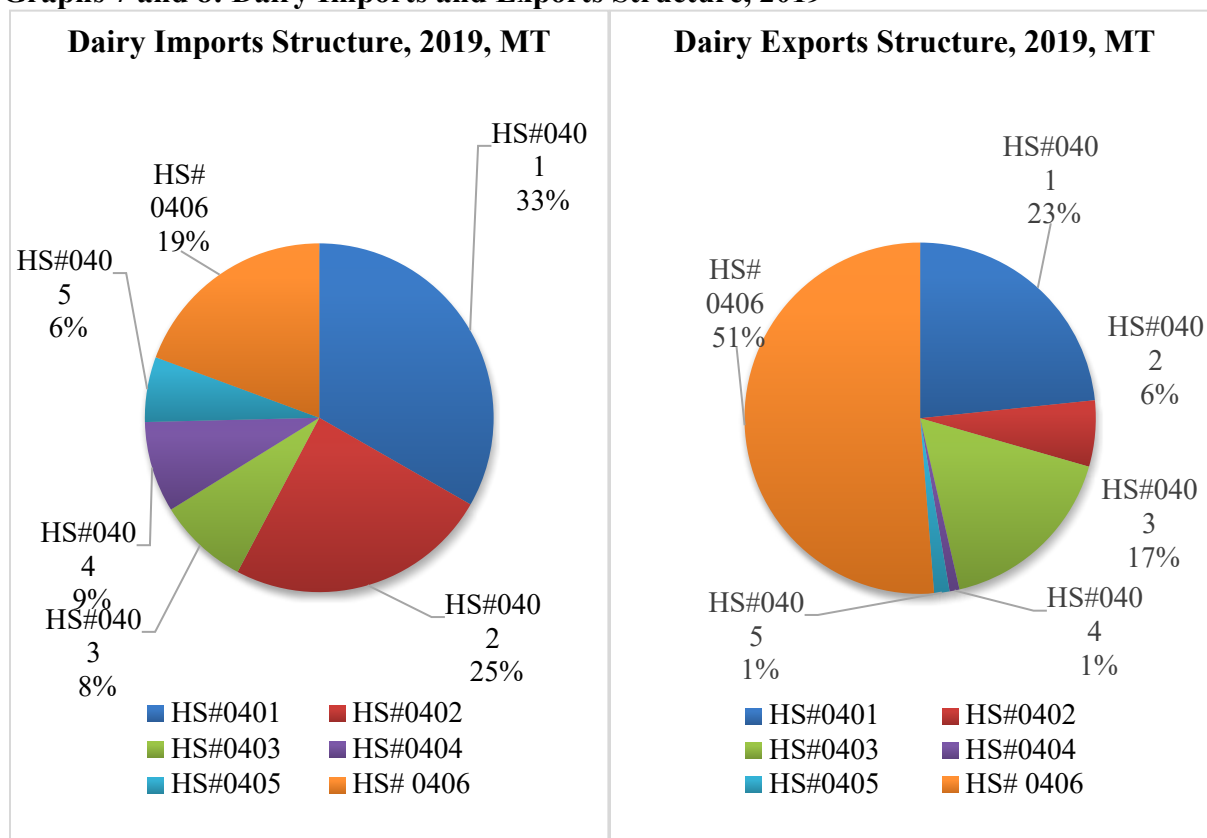


*Source: Bulgarian Ministry of Agriculture, Foods and Forests Statistical Bulletins*

### Trade

2019 dairy product imports (HS#0401-0406) by volume decreased by three percent to 140,000 MT. Imports consisted mainly of fresh milk for processing (33 percent of total imports), non-fat dry milk (NFD), whole milk powder (WMP) and whey. Cheese imports accounted for 19 percent of total imports, up by 4.8 percent over 2018 (Graph 7 and 9). 2019 dairy exports declined to 46,000 MT, by about eight percent below 2018. Cheese accounted for the largest share of exports at 51 percent (Graph 8), followed by fresh milk at 23 percent.

## Graphs 7 and 8: Dairy Imports and Exports Structure, 2019



Source: Eurostat/Trade Data Monitor/ TDM

**Fluid Milk (HS#0401):** 2019 imports of non-concentrated fresh milk (HS#0401) declined by 10 percent due to improved milk deliveries. Major suppliers were Poland, Greece, and Romania. During the first five months of 2020, imports grew by 14 percent following the usual winter milk deficit. In 2019, fluid milk exports decreased by 23 percent due to better domestic demand. The trend was sustained in January- May 2020 with another 10 percent reduction in exports.

**NFDM (HS#040210):** 2019 imports of NFDM increased by 12 percent over 2018. Poland, Germany, Latvia and Greece were the major suppliers. In 2020 through May, imports were reduced by 17 percent.

**WMP (HS#040221, 040229, WTO-Dry Whole Milk and Cream):** Combined 2019 imports of WMP declined sharply by about 80 percent to 1,800 MT. According to official January-May 2020 data, WMP imports decreased further by 54 percent. The main suppliers were Poland and the Netherlands.

**Butter (HS #040510, 04051090, WTO-Butter and Milk Fat):** Combined 2019 butter imports increased by 20 percent to a record-high of 8,500 milk equivalent (BET) from 2018. Bulgaria sourced butter mainly from Germany and the Netherlands. The growth was due to a 20-percent decline in prices and local demand. January-May 2020 butter imports continued to grow by 14 percent due favorable consumer demand for butter.

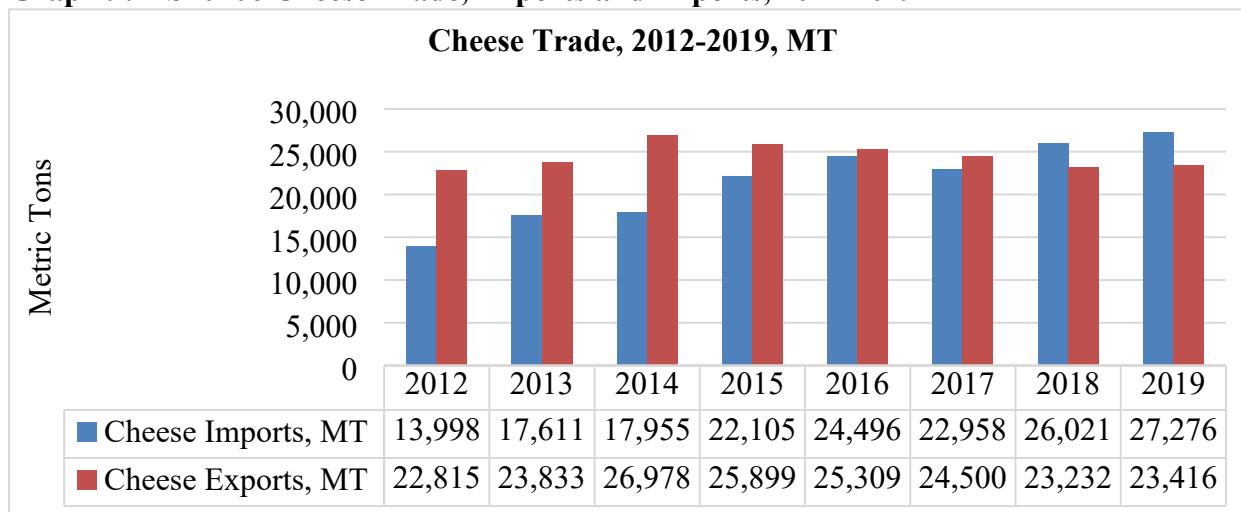


*Cheese (HS#0406)*: 2019 cheese imports reached a record high of 27,000 MT, upward by 4.8 percent over 2018. Cheese imports exceeded exports by almost 4,000 MT (Graph 9). Official January-May 2020 data shows imports expanding by another 8.7 percent over the same period in 2019. Cheese imports were sourced mainly from Poland, Germany, and the Netherlands.

Cheese exports are traditionally important for Bulgaria and supported by various private and public programs. However, since 2016, cheese exports have declined. In 2019, cheese exports were marginally higher by less than one percent over 2018. For the first five months of 2020, exports increased by 6.7 percent. Bulgaria’s main cheese export markets are Greece, the United States, Germany, Romania, and Lebanon. (Graph 9)

In 2018, Bulgaria issued 30 export licenses for dairy products shipped to Canada, including 14 licenses for 49,000 MT of yellow cheese and 16 licenses for exports of 140,000 MT of white cheese. In 2019, the authorities issued 27 export licenses for Canada of which 12 for the same volume of yellow cheese and 15 for the same quantity of white cheese.

**Graph 9: HS#0406 Cheese Trade, Imports and Exports, 2012-2019**



Source: Eurostat/TDM

## **Agricultural Policy**

### Animal Health:

In June 2019, the Minister of Agriculture announced an upgrade in the electronic animal registration, identification and traceability system called VetIs (See Attaché Report [GAIN](#))

### Animal Breeding and Selection:

In 2019, the authorities revised the Animal Breeding Law. The amended legislation introduced higher requirements for the registration and work performed by the breeding associations ([GAIN](#)). In 2019 and 2020, the MinAg allocated more resources to support the breeding association and subsidize use of high-quality genetics by farmers. According to industry sources, this new policy had a very positive effect on the breeding work.

### Dairy Products Regulations:

In May, the authorities proposed a controversial local procurement regulation mandating retail chains to dedicate shelf space to Bulgarian-origin dairy products. The regulation referenced the COVID-19 state of emergency legislation from March 2020. Following negative industry reaction, the authorities revised and softened the initial texts ( [Decree 70](#), Official Gazette #37 of April 21, 2020) and the revised version [Decree 87](#), Official Gazette #40 of May 5). Currently, most dairy products sold in retail outlets must be produced from 100 percent Bulgarian milk and sourced from domestic dairies. The regulation applies to retail chains with over 10 shops, which Post estimates includes the top 25 food retail chains, with 884 cumulative outlets, and over half of the total retail market. The regulation is scheduled to remain valid until December 31.

### Domestic Support:

Dairy cattle farmers are eligible for coupled support at a rate of €150/cow up to 250 dairy cows. The amount paid to farmers in 2019 was 29 million leva (€15 million) to 4,400 farmers (source: Annual Agrarian Report 2020, MinAg).

Dairy cows under selection control are also eligible for coupled support. In June 2019, 36 million leva (€18 million) were paid as subsidies to about 900 farmers at a rate of 542 leva (€276)/cow for farms with up to 250 cows, and at 434 leva (€221)/cow for farms with more than 250 cows.

In 2020, the authorities approved 82 million leva (€42 million) as a special COVID and drought-related domestic support. Out of this budget €13 million were allocated for *de minimis* program to aid drought-affected farms. The subsidy rates were set as follows: €20/dairy cow including those under selection control for farms up to 50 cows; €10/cow for farms with over 50 cows and €10/cow for mountainous farms. The COVID program can support farms with a payment per a farm of up to €7,000. It is estimated that about 21,000 farmers can benefit from this program.

### **Appendix:**

**Table 1. Dairy Cattle Farms and Dairy Herd, 2018-2019**

<b>Changes in the number of dairy cattle farms and dairy herd, 2019 vs. 2018</b>				
Number of dairy cows per farm	Number of farms as of end-2019	Change 2019/2018	Dairy cows, 1000 head	Change 2019/2018
1-2	8,900	-32.7%	10.9	-29.2%
3-9	1,573	-15.8%	7.4	-14.0%
10-19	1,114	-15.1%	15.4	-12.5%
20-49	1,685	-13.1%	54.5	-11.4%
50-99	752	-5.5%	49.8	-5.9%
100 and above	379	-0.8%	77.2	-1.0%
Total	14,403	-26.2%	215.2	-8.0%

Source: Bulletin 374, May 2020, Statistical Office, MinAg

**Table 2. Milk Production, 2009-2019, MT**

<b>Milk Production, 2008-2019, MT</b>					
Years	Cow milk	Buffalo milk	Sheep milk	Goat milk	Total milk
2009	1,073,401	7,022	87,247	64,090	1,231,760
2010	1,124,360	7,933	85,001	60,410	1,277,704
2011	1,125,824	8,868	89,296	61,543	1,285,531
2012	1,093,034	8,081	87,403	53,333	1,241,851
2013	1,147,418	8,704	93,814	54,425	1,304,362
2014	1,102,731	8,850	74,615	44,565	1,230,762
2015	1,028,036	9,454	73,964	40,810	1,152,265
2016	1,018,567	9,460	79,296	40,969	1,148,291
2017	968,177	10,355	69,040	43,585	1,091,157
2018	898,774	11,731	71,190	43,179	1,024,873
2019	826,293	13,281	66,969	37,226	943,769
Share, %	87.5%	1.4%	7.0%	3.9%	100.0%
2019/2018 Percent Change	(-8.9%)	+13.2%	(-6.0%)	(-13.8%)	(-8.0%)

*Source: Bulletin 374, May 2020, Statistical Office, MinAg.*

**Table 3. Produced and Processed Milk in 2017-2019, MT**

<b>Produced and processed milk in 2017</b>		
	Total milk	Including cow milk
Processed at dairies	618,941 MT*	578,790 MT*
Other: direct sales, on-farm and feed	472,216 MT	389,387
Total milk	1,091,157 MT	968,177 MT
Change 2017/2016	+10.5% more processed total milk	+10.4% more processed cow milk
<b>Produced and processed milk in 2018</b>		
	Total milk	Including cow milk
Processed at dairies	681,195 MT*	642,903 MT*
Other: direct sales, on-farm and feed	343,679 MT	255,000 MT
Total milk	1,024,873 MT	898,774 MT
Change 2018/2017	+10.1% more processed total milk	+11.1% more processed cow milk
<b>Produced and processed milk in 2019</b>		
	Total milk	Including cow milk
Processed at dairies	693,538 MT*	654,647 MT*
Other: direct sales, on-farm and feed	250,231 MT	171,646 MT
Total milk	943,769 MT	826,293 MT
Change 2019/2018	+1.8% more processed total milk	+1.8% more processed cow milk

*Source: Bulletin 376, 2020, Statistical Office, MinAg.*

**Table 4. Milk Production and Processing, 2017-2019**

Production and processing on milk, 2017-2019							
Type of milk	2017		2018		2019		Change 2018/2017
	000 liters	% of total processed milk	000 liters	% of total processed milk	000 liters	% of total processed milk	
Cow milk	561,932	93.5%	624,178	94.4%	632,538	94.4%	+1.3%
Sheep	26,857	4.5%	24,660	3.7%	23,496	3.5%	-4.7%
Goat	9,360	1.5%	8,827	1.3%	9,291	1.4%	+5.3%
Buffalo	2,765	0.5%	3,690	0.6%	4,760	0.7%	+29.0%
Total	600,914	100.0%	661,354	100.0%	670,085	100.0%	+1.3%

*Source: Bulletin 376, June 2020, Statistical Office, MinAg*

**Table 5. Quality of Milk in 2019**

	Fat Content, Percent	Protein Content, Percent
Cow milk	3.68%	3.24%
Sheep milk	6.47%	5.17%
Goat milk	3.60%	3.25%
Buffalo milk	6.92%	4.20%

*Source: Bulletin #376, June 2020, Statistical Office, MinAg*

**Table 6. Production of Processed Dairy Products in 2018 and 2019**

Production of processed dairy products in 2018 and 2019			
	2018	2019	Change 2019 vs.2018
Packaged fresh milk, thousand liters	71,750	71,396	-0.5%
Packaged cream, MT	2,357	2,707	14.8 %
Yogurt	131,990	153,239	+16.1%
<i>Cheese, total</i>	<i>93,546</i>	<i>101,841</i>	<i>+8.9%</i>
-White cheese	57,814	62,192	+7.5%
--incl. cheese with plant fats	13,502	12,575	-7.0%
-Yellow cheese	25,888	25,978	+0.3%
- Fresh cheeses	6,488	9,646	+48.7%
-Other Cheeses	1,687	2,134	+26.5%
-Smoked cheeses	1,669	1,891	+13.3%
Butter/oils	1,071	1,087	+1.4%
Other dairy products	3,711	330	-93.0%

*Source: Bulletin 376, June 2020, Statistical Office, MinAg*

**Attachments:**

No Attachments.