USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 12/16/2014

GAIN Report Number: BU1438

Bulgaria

Post: Sofia

Grain and Feed Market Update

Report Categories:

Grain and Feed

Approved By:

Russell J. Nicely

Prepared By:

Mila Boshnakova

Report Highlights:

The high number of rainy days and unusually cool November slowed the corn harvest; about 10%-20% of corn was estimated to be still in the fields at the end of November. Despite these challenges, average yields are reported as excellent and FAS/Sofia revises its production estimate upward to 3.0 MMT. Exports accelerated in late October/November although they lagged behind last year's pace.

Planting of winter wheat and barley was completed at the end of October. Further field works in November could not be performed due to reoccurring rains thus leaving wheat planted area 150-200,000 HA behind the planting goal. FAS/Sofia revises its wheat MY2015/2016 forecast to reflect this change. It is believed that this will free up more land for increased planting of spring crops (corn and sunflower) in 2015. FAS/Sofia makes a preliminary forecast for higher corn planted area in MY2015/2016 as a result of these changes.

General Information:
Weather

Frequent and abundant rains as well as the cold spell in November prevented fall planting of wheat (see graphs at the end of the report). The last late fall planting occurred in early November but was completely ceased after the first week. At the same time, soil moisture reserves are at a record high level and are likely to provide good conditions for the crop development.

Production and Supply

As of early December, the Ministry of Agriculture (MinAg) still does not have final MY2014/2015 crop data although the previous tentative estimates have been updated every month.

The MinAg had its regular Grain Consultative Council with the grain industry to review the current status of the crops and mark various policy issues and/or challenges for the grain sector. It was reported that the total loss in area due to adverse weather and floods in MY2014/2015 was at 20,000 HA. The Council also agreed that there was an unusual reduction in planted area under wheat of 150-200,000 HA (MY2015/2016) due to abundant rainfall and early cold spells. Earlier, on November 21, the National Grain Association reported its estimates which showed that almost 30% of the planned wheat area was not planted yet. The weather prolonged the corn and sunflower harvests as well. The corn harvest was progressing slowly due to reoccurring rains and was reported to be about 80% - 90% complete (industry data, no official estimate) at end-November. Despite challenging climate conditions, yields were reported to be excellent.

Reduced wheat area is likely to affect production in MY2015/2016 and FAS/Sofia is currently revising its estimates downward based on the most recent data. The reduction in wheat area may be compensated by higher planted areas under spring crops – corn and sunflower. The planting seeds suppliers confirmed that that they would expect higher demand by the spring of 2015. Based on that, FAS/Sofia is revising its estimates for higher planted areas under corn for MY2015/2016. FAS/Sofia is also slightly revising upward its estimate for average corn yields and total production, based on most recent harvest data.

The table below summaries most recent official, industry and FAS/Sofia estimates.

Table 1. Major 2014 Grain and Feed Crop Estimates as of early December 2014

Crop Years MY 2014/15 vs. MY 2013/14	**Harvested Areas (000 HA)**		**Production (000 MT)**	
	MY2014/15 (est.)	MY2013/14 (final official)	MY2014/15 (est.)	MY2013/14 (final official)
Soft Wheat	1,150 (FAS)	1,292	4,920 (FAS)	5,415

			5,000 -5,125 (industry est.) 4,920 (GFA)	
Barley	210 (FAS)	194	820 (FAS) 825-830 (industry est) 817 (GFA)	718
Corn	420 (FAS)	422	3,000 (FAS) 2,807-3,100 (industry est) (2,750,000 MT collected before Nov 30, GFA)	2,700
Note: MY2014/2015 estimates are based on MinAg/Grain and Feed Agency (GFA) monthly reports with references to the MinAg not-final data.				

<u>Wheat</u>

MY2014/2015

The latest MinAg data showed slightly higher production at 4.920 MMT. FAS/Sofia revised its previous estimate of 4.90 MMT to 4.92 MMT as per this new data.
Recently, MinAg confirmed that 25% of wheat supply is of milling grade compared to 30% in MY2013/2014 and 80% in MY2012/2013. This continues to create a market premium for milling wheat and encourages planting of higher quality seeds. FAS/Sofia trade interviews with seed suppliers revealed that U.S. wheat genetics may also emerge on the market for the first time in 2015 to meet the growing demand.

MY2015/2016
As of early December, farmers speculated that wheat area has declined to below 1.0 MHA, to 920-950,000 HA. Currently, FAS/Sofia forecasts that wheat area may decline to 1.0 MHA but further revisions are likely. Thus, FAS/Sofia estimates for MY2015/2016 production are now reduced to 4.6 MMT.

<u>Barley</u>

MY2014/2015- No changes in FAS/Sofia estimates
MY2015/2016- As of early December, farmers speculated that barley area, similar to wheat, has declined to 155,000-170,000 HA. Currently, FAS/Sofia forecasts that winter barley area may decline to 180,000 HA but further revisions are likely. Thus, FAS/Sofia estimates for MY2015/2016 production are now reduced to 700,000 MT upon average yields.

<u>Corn</u>

MY2014/2015
At the end of November, the harvest was reported to be on average 80%- 90% complete with the highest non-harvested area in North West Bulgaria. Collected production as of end-November was at 2.75 MMT. Yields were reported to be excellent. Based on the harvest data, FAS/Sofia revised its estimates

for average yields to 7.2 MT/HA and total production to 3.0 MMT. Final crop estimates may be available only by the spring upon full harvest completion.

MY2015/2016
Growers currently plan to expand corn area in 2015 for a variety of reasons such as good profitability of this year's crop, and reduced area under wheat which may free up additional land for the spring crops. For this reason, FAS/Sofia forecasts a possible increase in corn planting area for MY2015/2016 to 440,000 HA or higher.

Exports, Domestic Consumption and Stocks

<u>Wheat</u>

MY2014/2015
The MinAg/GFA reported MY2014/15 (July 1, 2014 – November 28, 2014) exports at 1.810 MMT, of which 1.224 MMT went to the EU and 586,000 MT went to non-EU destinations. This is 826,000 MT behind wheat exports at the same time a year ago. Imports were at 14,200 MT (EU).

For the period July 1- November 28, 2014 domestic consumption has been at 895,000 MT including planting seeds (251,000 MT), human consumption (440,000 MT) and feed (204,000 MT) which indicates no significant change in the consumption pattern. As of end-November, stocks are recorded at 2.3 MMT.

Based on consumption data, the GFA projects potential exports of another 1.3 MMT or total wheat exports to reach 3.1 MMT.

<u>Barley</u>

MY2014/2015
The MinAg/GFA reported MY2014/15 (July 1, 2014 – November 30, 2014) exports at 478,000 MT, of which 87,800 MT went to the EU and 390,000 MT went to non-EU destinations. Similar to wheat barley exports are behind last year with 137,000 MT.

For the period July 1- November 28, 2014 domestic consumption has been at 201,000 MT including planting seeds (39,000 MT), and brewery industry and feed (162,000 MT). This data shows lower consumption and more availability for exports. As of end-November, stocks were recorded at 163,000 MT.

Based on consumption data, the GFA projects potential exports of another 8,000 MT or total barley exports to reach 486,000 MT.

<u>Corn</u>

MY2014/2015
The MinAg/GFA reported MY2014/15 (September 1- November 28) exports at 1,124,000 MT, of

which 967,000 MT went to the EU (mainly to Cyprus, Portugal, Romania) and 167,000 for non-EU markets. Due to the late harvest and the need for drying due to unfavorable weather, exports became more active in late October and November. Current corn exports are behind last year's with 133,000 MT. During the last week of November, Bulgaria exported 42,000 MT to China, per the authorities.

Domestic consumption (September 1-November 28) was at 204,000 MT for food and feed. Available stocks as of end-November were at 1.669 MMT.

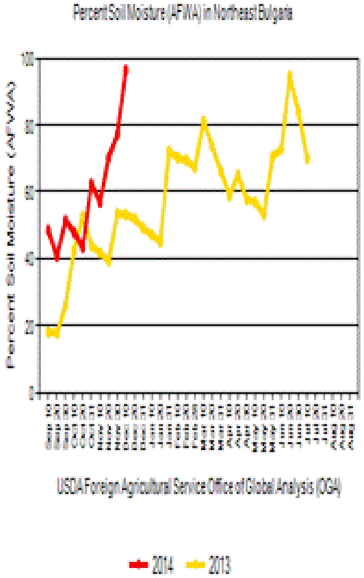
Based on consumption data, the GFA projects potential corn exports of another 989,000 MT, with total corn exports to reach 2.1 MMT. However, this forecast does not include corn which is still in the field and has the potential to bring an additional 200-300,000 MT. Thus, total corn exports may reach 2.3-2.4 MMT.

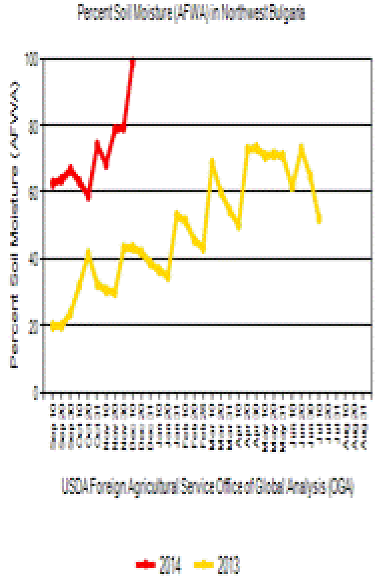
MY2013/2014
Per WTA, exports from October 1, 2013 until August 30, 2014 were at 1.428 MMT. The main export destinations were Spain, Romania, Italy and Turkey. Imports for the same period were small at 33,000 MT, mainly from Greece and Romania.

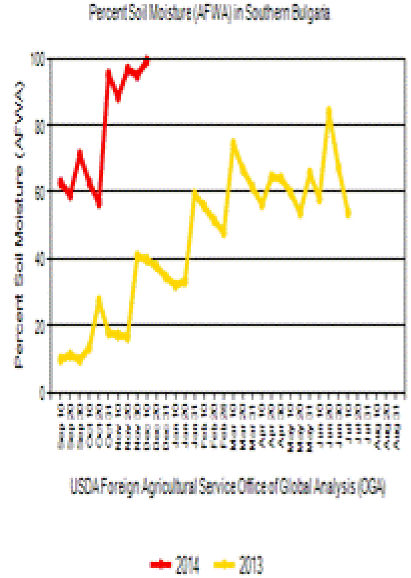
Policy

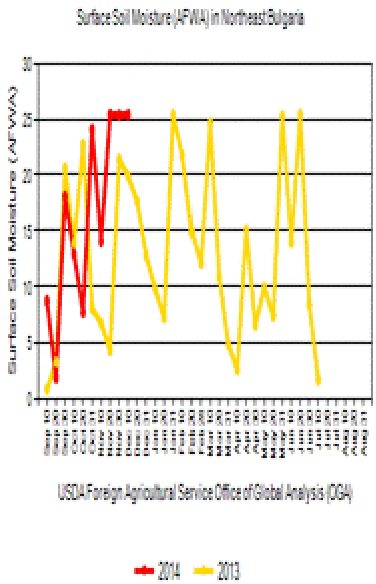
The MinAg took a decision to not change the current domestic support for the grain sector and to keep it at the same level in 2015, as follows: reduced excise tax for fuel used at the farm level; tax preferences for investments at farms; soft term credit loans for use of quality planting seeds and fertilizers (5 million Euro at 4.5% interest); and state aid for lost areas as a result of adverse weather. Direct subsidies per area in 2015 are at 702 million Euro (102 million Euro more than in 2014). The newly appointed Ag Minister Taneva stated that the Cabinet will make every effort to pay the subsidies to farmers as early as in January 2015.

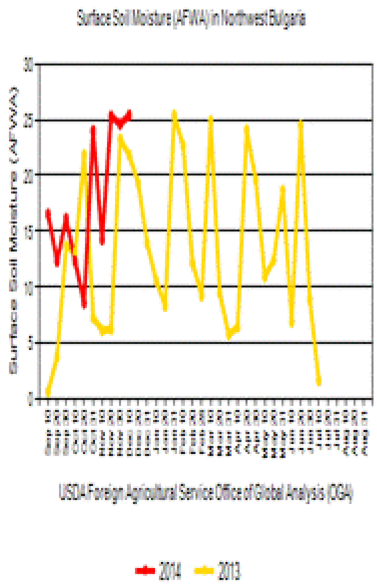
Graphs: Percent of Soil Moisture, Surface and Sub-surface moisture as of December 10 in the 3 major production regions: Northeast, Northwest and Southern Bulgaria (source: USDA/Crop Explorer)

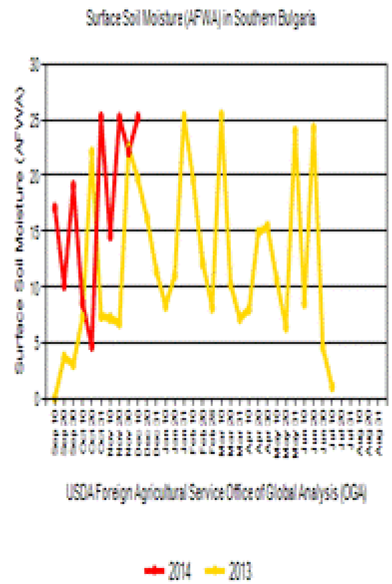

Percent Soil Moisture (AFWA) in Northeast Bulgaria
Percent Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013

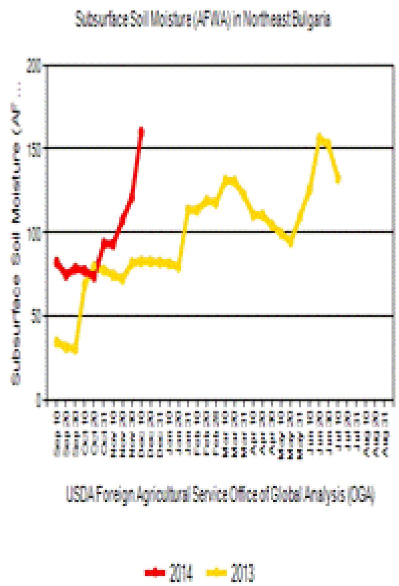

Percent Soil Moisture (AFWA) in Northwest Bulgaria
Percent Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013

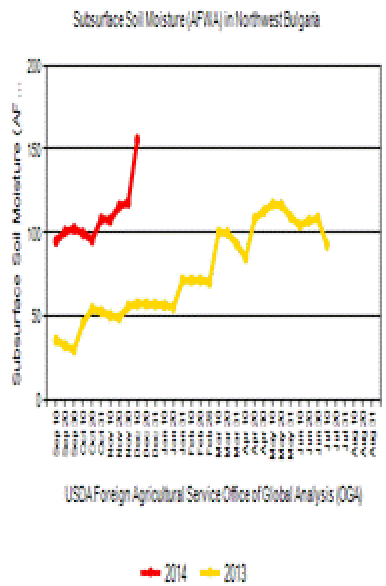

Percent Soil Moisture (AFWA) in Southern Bulgaria
Percent Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013

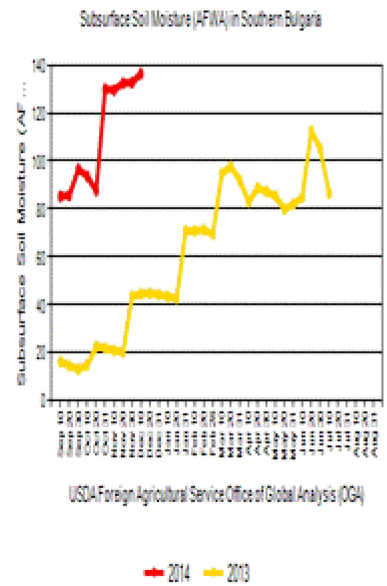

Surface Soil Moisture (AFWA) in Northeast Bulgaria
Surface Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013


Surface Soil Moisture (AFWA) in Northwest Bulgaria
Surface Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013


Surface Soil Moisture (AFWA) in Southern Bulgaria
Surface Soil Moisture (AFWA)
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013


Subsurface Soil Moisture (AFWA) in Northeast Bulgaria
200
150
100
50
0
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013


Subsurface Soil Moisture (AFWA) in Northwest Bulgaria
200
150
100
50
0
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013


Subsurface Soil Moisture (AFWA) in Southern Bulgaria
140
120
100
80
60
40
20
0
USDA Foreign Agricultural Service Office of Global Analysis (OGA)
2014
2013