

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

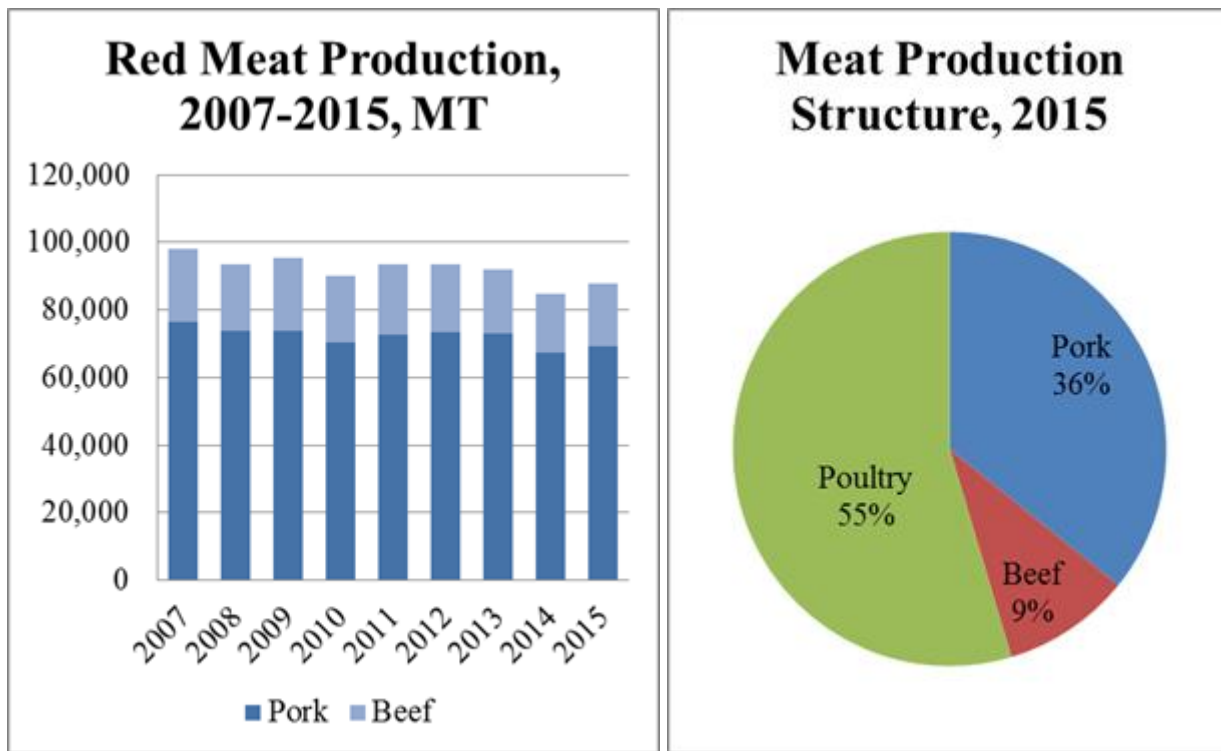
In 2015 and early 2016 the livestock and red meat sector had a positive development with a growth in swine and beef cattle inventory. The major drivers behind this development were the favorable and price-competitive feed supply, combined with good domestic demand, improved management practices and the dominating role of the commercial sector over backyard production. Pork and beef supply increased with a sharp reduction of backyard farming and slaughter. After years of constant growth, red meat consumption has a tendency to plateau while the pattern shifts to higher consumption of fresh meat and more expensive cuts such as prime beef steaks. Trade data for the first five months of 2016 shows optimistic prospects for beef imports.

**General Information:
Overview**

The Bulgarian red meat sector consists of two sub-sectors, pork and beef, with pork in the prevailing and leading role. Beef production is smaller, based on slaughter of dairy cattle but has recently seen a growth in inventories and increasing consumer demand for beef.

In 2015 swine and sows inventory had growth of 8.5% and 5.4%, up from 2014, for the first time since 2007. Cattle stocks stabilized while beef cows inventory skyrocketed by 55.6%. Red meat production grew by 3.7% due to 2.7% more pork output and 7.8% more beef.

Pork production accounted for 79% vs. 21% for beef in total red meat output or one percent difference in favor of beef when compared to 2014. In total meat production structure, poultry led with 55%, followed by pork with 36% and beef with 8%. Consumption pattern was led by pork with 50% (one percentage point lower compared to 2014), followed by poultry with 43% (two percentage points more than in 2014) and beef with 7% (compared to 8% in 2014).



Source: Ministry of Agriculture and Foods Statistical Bulletins

Swine and Pork

The swine sector has been shrinking since 2007 from efforts to reform, concentrate and become more efficient and commercialized. In 2015 these processes seemed to bottom out and total swine inventory

increased by 8.5% for the first time since 2007, sows stocks were 5.4% higher.

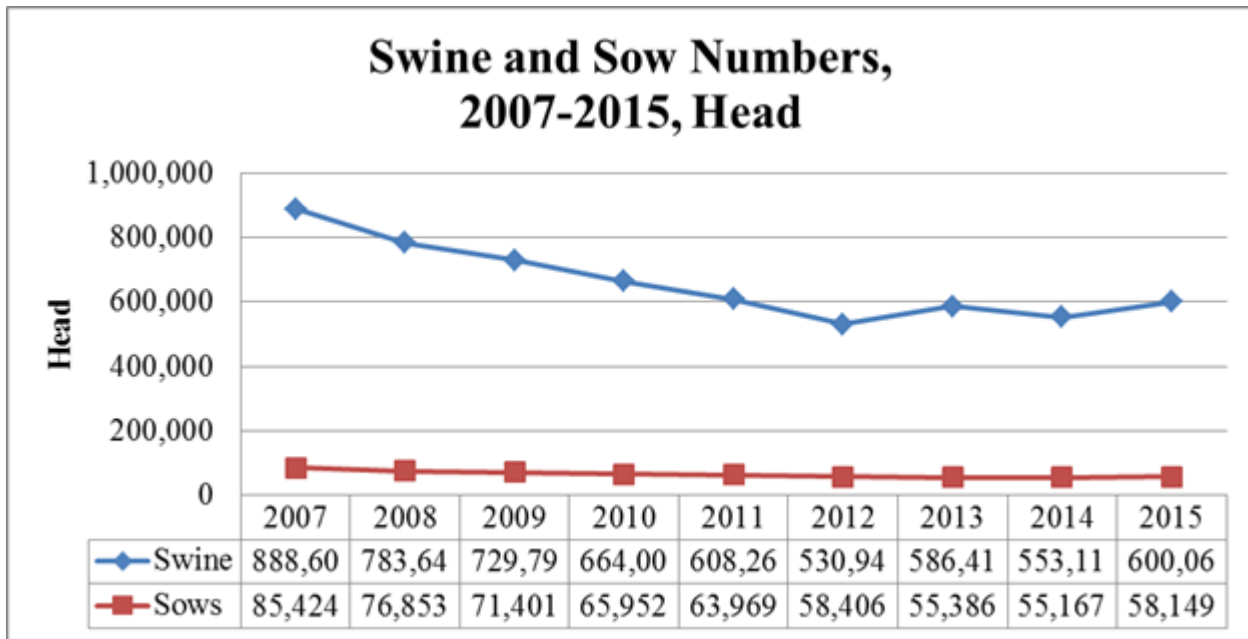
The major drivers of this positive development were the favorable and price-competitive feed supply, combined with good domestic demand, improved management practices and the dominating role of the commercial sector over backyard production. Commercialization trends peaked in 2015 when the sector marked its highest degree of concentration with 42% decline in the number of sow farms while the inventory increased. In the categories of small and medium farms up to 50 sows, the number of farms had a double digit reduction while larger farms were stable and increased their stocks. The best performing were the largest sow farms with over 200 sows which had 11% higher inventory (Table 1). These trends led to higher average sows per a farm of 39 head, with 95% of sows raised at farms with more than 10 sows. As a result, in 2015 commercial farms accounted for 92% (81% in 2014) of total sow inventory, although their number was just 5% of all sow farms.

Total swine farms in 2015 were 14,500, down by 35% when compared to 2014. This resulted in increased concentration in the number of animals per farm by 67% to 41.1 head/farm compared to 24.8 head/farm in 2014. The industry is dominated by 40 larger commercial operations which are vertically integrated and have continued to invest in improvement of farm efficiencies.

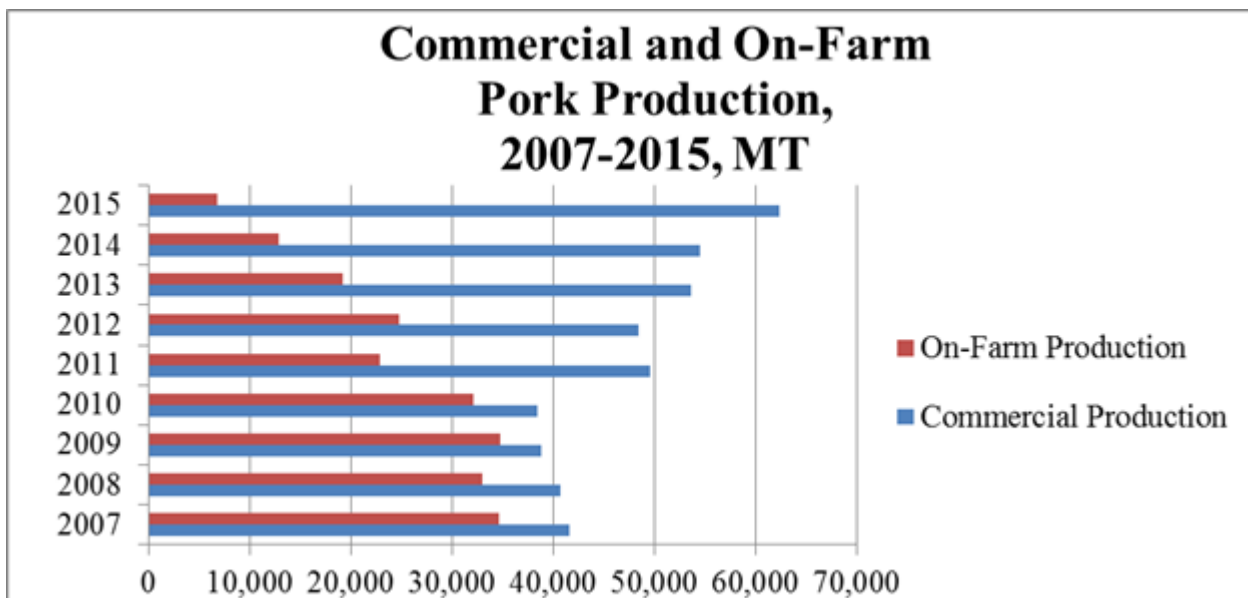
Table 1. Sow Farms as of November 2015

Sow Farms as of November 2015				
Number of sows per farm	Farms		Sows above 50 kg	
	Number	Change, % 2015/2014	Numbers, 000	Change, % 2015/2014
1-2	879	-51.4%	1.1	-57.7%
3-9	443	-20.8%	1.9	-24.0%
10 – 49	89	-15.2%	1.8	0.0%
50-199	40	0.0%	4.0	8.1%
200 and above	39	0.0%	49.3	10.8%
Total	1,490	-41.6%	58.1	5.4%

Source: MinAg, Bulletin 307/May 2016



Source: Ministry of Agriculture and Foods Statistical Bulletins



Source: Ministry of Agriculture and Foods Statistical Bulletins

Pork Production

The number of slaughtered pigs in 2015 increased by 5.6% and the pork output by 2.7%. In parallel with farm development, pork production at commercial farms increased considerably by 14.3% while on-farm supplies witnessed a serious decrease of 44.6% in slaughtered animals and of 46.7% in produced pork (Table 2).

Table 2. Swine Slaughter, Commercial and On-Farm Sector, 2015

Swine Slaughter, Commercial and On-Farm Sector, 2015						
Number of Slaughtered Swine, Head	Average Live Weight, kg	Total Live Weight, MT	Average Carcass Weight, kg	Total Carcass Weight, MT	2015/2014 Change in Slaughtered Head, %	2015/2014 Change in Carcass Meat, %
Commercial Sector						
955,600	103.4	98,836	65.3	62,401	+15.2%	+14.3%
On-Farm						
88,100	124	10,895	77.8	6,859	-44.6%	-46.7%
Total						
1,043,700	105.1	109,731	66.3	69,259	+5.6%	+2.7%

Source: Ministry of Agriculture and Foods Statistical Bulletin #293/June 2015

Currently, Bulgaria has 73 small/medium size slaughterhouses, with swine slaughtered at 69 of them. The number of swine slaughtered at slaughterhouses was 92% of total swine, and the meat produced was 90% of total pork supply. The average carcass weight was standard at 65-66 kg/head. On-farm pork production dropped significantly. The number of slaughtered swine was 44.6% lower than in 2014. The carcass weight is usually higher than at commercial slaughterhouses and in 2015 it was at 78 kg/head. On-farm pork production shrunk and accounted for 9.9% of all pork output compared to 19% in 2014.

Data for the first four months of 2016 indicates that pork produced at commercial slaughterhouses increased by 6% compared to 2015 to 19,500 MT. Based on this data and on stabilization of sow inventory, pork production is forecast to stabilize or increase slightly in 2016 and 2017 around at 69 - 71,000 MT. The commercial pork sector will continue to revitalize driven by expanded capacities and improved efficiencies. Lower feed prices (feed accounts for 70% of production costs) and stable retail prices along with better consumer incomes are expected to lead to higher local sales and consumption. The on-farm pork supply may shrink further due to tough competition from imports and from local commercial supply.

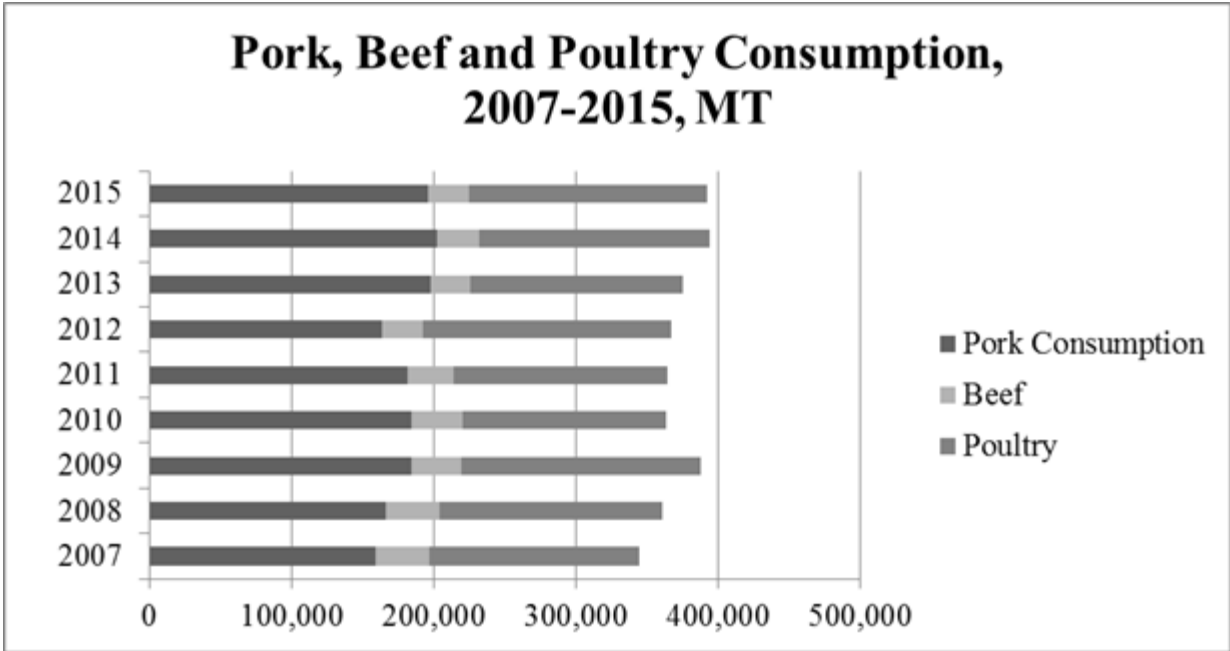
Consumption

Consumption of pork meat has been rising until 2015 when it stagnated while beef expanded in absolute and relative terms. Officially reported pork per capita consumption was 8% higher at 9.3 kg/capita compared to 8.6 kg/capita in 2014; household purchases were also 8% more at 21.4 kg/household v.s. 19.8 kg/household the previous year. On the other hand, the pork meat balance (Table 3) shows that consumption declined 3% to 195,927 MT (201,955 MT in 2014). Since per capita consumption does not record food service consumption, it is estimated that this is the sector where pork consumption witnessed a small decline in favor of beef and poultry. This coincides with traders' reports and increased consumer preferences towards healthier meat in urban areas. The shrinking of on-farm production is assumed to lead to lower on-farm consumption in rural areas.

The consumption of processed meat products (it is counted separately) which are made mainly from frozen pork meat, declined slightly by 2% from 14 kg/capita in 2014 to 13.7 kg/capita in 2015. Bulgaria has a very competitive meat processed products market. The meat processing industry consists of 197 small and medium companies, and grew with 8 new companies in 2015. Two companies made substantial investments and expanded capacities in 2016. The market of processed meat is estimated at about U.S. \$400 million. About 10-15 medium size companies have leading market roles. The meat processing industry relies heavily on imported pork.

In recent years an increasing number of consumers, especially in urban markets, prefer consumption of fresh meat v.s. processed meat products due to the better health and culinary image of fresh meat.

Another reason for higher fresh meat pork consumption is the expanding network of specialty butcher shops, often associated with select larger farms, which offer only local pork and began to successfully compete with supermarkets.



Source: Ministry of Agriculture and Foods Statistical Bulletins

Table 3. Pork Meat Production, Imports, Exports and Consumption in 20012-2015, MT

Pork Meat Supply and Demand, MT					
Commercial Production	On-Farm Production	Total production	Imports*	Exports*	Consumption
2015					
62,401	6,859	69,259	130,396	3,728	195,927
2014					
54,589	12,852	67,442	136,904	2,391	201,955
2013					
53,699	19,206	72,905	129,023	4,138	197,790

2012					
48,437	24,811	73,248	94,837	4,733	163,263
Source: MinAg Statistical Bulletins.					
Note*: Imports and exports include processed products and are recalculated in pork meat equivalent.					

Due to higher local supply and stagnated pork consumption, imports (pork and processed products) declined for the first time for the last 10 years. Imports' share was down at 66.5% of consumption in 2015 v.s. 67.7% in 2014. In tonnage, imports declined by 4.8%.

Trade

Live Swine: Imports of live swine have varied depending on investment demand since it is mainly breeding pigs and more rarely pigs for fattening. The major origins for breeding sows are The Netherlands and Germany. In 2015 imports (PSD Live Swine, WTA) were at 23,000 head, a drop of 33% compared to 2014, imported from The Netherlands and Germany. In 2016 to date (WTA data until April), imports increased by 24% to 6,500 head (originating from Germany). Due to recently made investments in farm capacities, it is likely that 2016 imports may be higher than 2015 levels.

Live swine exports are unusual and Bulgaria had exports of under 1,000 head since 2006. In 2015, however, exports jumped to 11,000 swine to Georgia and Armenia, all in the category of swine at and over 50 kg for fattening.

Pork Meat:

Table 4. Bulgarian Pork Imports, 2013-2015

Bulgaria Import Statistics								
Commodity: _PSD PORK, _PSD PORK								
Calendar Year: 2013 - 2015								
Partner Country	Unit	Quantity			% Share			% Change
		2013	2014	2015	2013	2014	2015	2015/2014
World	CWT	129,188	148,527	150,225	100.00	100.00	100.00	1.14
Spain	CWT	30,942	32,889	45,505	23.95	22.14	30.29	38.36
France	CWT	19,434	26,893	26,952	15.04	18.11	17.94	0.22
Germany	CWT	27,037	31,201	25,822	20.93	21.01	17.19	- 17.24
Netherlands	CWT	8,445	11,366	11,535	6.54	7.65	7.68	1.49
Poland	CWT	5,196	9,177	8,580	4.02	6.18	5.71	- 6.50
Hungary	CWT	6,520	3,627	5,494	5.05	2.44	3.66	51.47

Source: WTA

Data (PSD Pork and processed pork products in CWT equivalent) shows imports in 2015 at 150,225 MT or 1.14% more than 2014. For 2014 and 2015, WTA data exceeds Bulgarian MinAg data (2013

data is identical for both sources). Major suppliers of pork to Bulgaria in 2015 were Spain, Germany, France, and the Netherlands. Good pork availability at competitive prices on the EU market in 2015 supported imports meeting favorable consumer demand. In 2016 (January - May) imports (source: WTA) were flat (+0.71%). Exports from Spain and Romania to Bulgaria had a double digit growth while German exports declined by 24%. The forecast is for stagnant imports in 2016.

Within total pork imports in 2015 (in CWT), frozen pork imports (HS#020321, 22, 29) increased by 17% compared to 2014 to 77,600 MT. In 2016 (January-May) frozen pork imports declined 4% to 27,000 MT. Pork fat imports (HS#020910 in MT) in 2015 were 20% lower from 13,600 MT to 11,000 MT but increased again in 2016. Both categories are destined for the meat processing industry. Imports of fresh pork meat in 2015 declined by 11% to 65,000 CWE.

Pork exports (mainly processed products) are small at 3,000-4,000 MT. In 2015 exports were at 4,000 MT or 5.6% higher than in 2014. Exports are limited due to the deficit market and good local demand, as well as due to uncompetitive prices. Major markets are Greece, Cyprus and Romania with small quantities to Armenia, and Macedonia. In 2016 (January- May) exports increased by 31% to about 1,200 MT as the new market niche was Greece and Italy.

Cattle and Beef

The cattle sector has been declining due to ongoing dairy sector reforms and its commercialization, however, the cattle inventory stabilized in 2015. The number of cattle in 2015 was 0.5% less than in 2014 and the number of cows increased by 2.3%. There was a continued considerable growth in the number of beef cows by 55.6% to about 76,400, and a decline in dairy cows inventory by 6.5%. Thus the beef cows accounted for 22% of all cows.

Total cattle farms in 2014 were 42,300, down by 2% compared to 2014. Due to stabilization in the cattle inventory, the ongoing concentration resulted in higher number of animals per farm which grew by 26% to 13 head/farm (Table 5). Beef farms were 6,921 with the highest share (44% of inventory) located in the South Central region. According to private sources, farms raising beef cattle breeds are actually much lower in number, around 1,500, while the remaining farms are small dairy cattle farms recorded as beef farms in order to become eligible for coupled support (due to eligibility requirement for 5 animals instead of 10 animals as for dairy farms). In July 2016 the MinAg reported that the number of farms raising beef cattle doubled after the introduction of coupled support in 2015 while the number of beef meat cows tripled. The highest is the number of beef farms with 1-9 cows, however, 48% of beef cattle are raised at farms with 10-49 cows.

The development of beef farms is stimulated by dairy sector reforms and by coupled support subsidies introduced in 2015. Dairy farms, which are not competitive, have switched to beef production.

Table 5. Cattle Farms as of November 2015

Changes at Cattle Farms in 2015 compared to 2014		
	Cattle	Cows (Dairy and Meat)
Total Head	550,200	352,600
2015/2014 Change in Inventory	-0.5%	2.3%
Number of Farms	42,300	39,500
2015/2014 Change	-21.2%	-18.2%
Average Number of Animals per Farm	13.0	8.9
2015/2014 Change	26.4%	25.2%

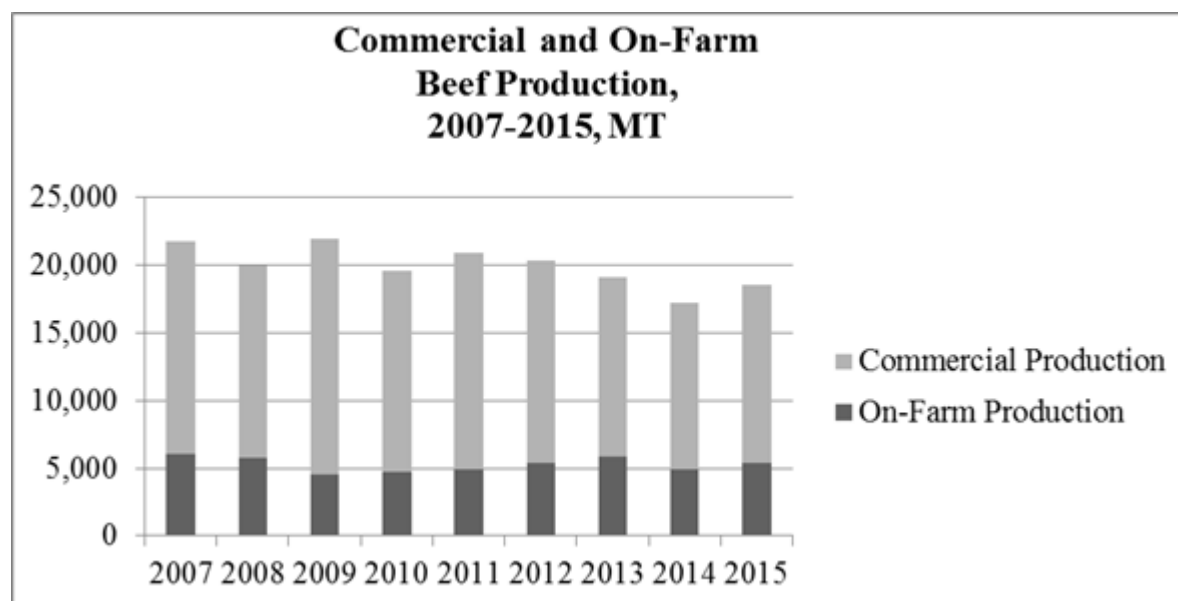
Source: Ministry of Agriculture and Foods Statistical Bulletins

Animal Health: The outbreak of Lumpy Skin Disease (LSD) in April 2015 and the following vaccination and trade restrictions were the main issue for the sector. All cattle in the country were vaccinated. In July 2016 there was an isolated outbreak of anthrax in a village in Northeast Bulgaria. The outbreak did not affect commercial farms and was quickly eradicated.

Beef Supply and Demand

Beef production and consumption in 2015 accounted for 10% and 7%, respectively, of total meat.

Generally, beef production is sourced from slaughtered dairy cattle and 2015 was the first year when the higher beef cow inventory began to transform in beef output growth.



Source: Ministry of Agriculture and Foods Statistical Bulletins

Beef production is the least commercialized subsector when compared to pork and poultry. On-farm slaughter has been significant at 71% of total supply, exceeding by 3 times the commercial output at slaughterhouses. Beef output increased by 7.8% in 2015 due to higher number of slaughtered cattle by 7.9% (Table 6). Both commercial and on-farm supply increased with a faster growth in commercial beef supply.

Table 6. Cattle Slaughter, Commercial and On-Farm Sector, 2015

Cattle Slaughter in Head and in MT, Commercial and On-Farm Sector, 2015						
Number of Slaughtered Cattle	Average Live Weight, kg	Total Live Weight. MT	Average Carcass Weight, kg	Total Carcass Weight. MT	Annual Change in Slaughtered Head, %	Annual Change in Carcass Meat, %
Commercial Sector						
25,500	451.2	11,505	210.3	5,363	+9.9%	+10.0%
On-Farm						
111,800	245	27,386	118	13,185	+7.6%	+6.9%
Total						
137,300	283	38,891	135	18,548	+7.9%	+7.8%

Source: Ministry of Agriculture and Foods Statistical Bulletin #313/June 2016

Cattle was slaughtered at 38 commercial slaughterhouses. The number of cattle slaughtered at slaughterhouses was 18.5% of total cattle, and the meat produced was 29% of beef supply. Commercial beef output was 10% more than in 2014 due to a 9.9% more slaughtered cattle (average carcass weight did not change). Commercial monthly has supply varied in 2015 between 1,700 - 2,600 head/month with higher numbers above 2,000 head per month in August-January. Data indicates that in 2016 (January-April) the slaughtered cattle and beef output were 40% and 44% more, respectively.

On-farm beef production in 2015 was also higher but at a lesser extent compared to commercial supply. The number of slaughtered cattle increased (+7.6%) and beef output was 6.9% more as a result of a 1.0% reduction in average carcass weight. The average carcass weight is usually lower at on-farms and in 2015 it declined from 119 to 118 kg/head.

Consumption

Beef consumption has been stable around 30,000 MT. In 2015 consumption had a moderate decline of 4.0% v.s. 2014. Per capita consumption was officially reported stable at 0.9 kg/capita. In 2015 local supplies share expanded to 65% of consumption compared to 57% in 2014 (Table 7).

Table 7. Beef Meat Production, Imports, Exports and Consumption in 2012-2015, MT

Beef Meat Supply and Demand, MT					
Commercial Production	On-Farm Production	Total production	Imports*	Exports*	Consumption
2015					
5,363	13,185	18,548	12,560	2,423	28,685
2014					

4,876	12,334	17,210	14,671	1,962	29,918
2013					
5,877	13,229	19,107	10,036	1,073	28,069
2012					
5,355	15,022	20,377	9,699	952	29,124
Source: MinAg Statistical Bulletins					
Note*: Imports and exports include processed products and are recalculated in beef meat equivalent.					

The local market has developed in recent years towards chilled v.s. frozen product, with preferences towards higher quality imported beef cuts and convenient packages. Higher quality imported beef is usually sold in the food service sector while local fresh beef is marketed in the retail sector. Imported frozen beef is destined for processing.

FAS/Sofia forecasts further stabilization in beef consumption, especially of fresh prime beef in 2015 and 2016 at 30,000 MT.

Trade

Cattle

Live cattle imports are small and consist of dairy cattle for breeding purposes. In 2015 imports (PSD Live Cattle, WTA) were higher at 6,600 cattle or 413% more than in 2014, mainly from Slovenia and Estonia. In 2016 (January-May) it increased sharply to about 4,000 head from Slovakia and Czech Republic.

Exports of cattle are traditionally to the region (Turkey, Albania and Kosovo). In 2015 live cattle exports were 54% higher to 15,600 cattle (U.S. \$13.4 million), almost all to Turkey. In 2016 (January-May) exports continued with further 457% growth to 18,300 cattle. However, it is estimated that the LSD outbreak will slow exports later in the year.

Beef:

Imports: In 2015 beef imports (PSD Beef - beef and processed products converted in beef equivalent, WTA) declined by 12.2%. Similar to pork, WTA import data exceeds Bulgarian MinAg data. Local data shows a sharper reduction in imports by 15%.

Following a considerable increase in fresh beef imports (HS#0201) in 2014 of 411% compared to 2013, in 2015 imports declined by 47% to about 2,800 CWT. In value, imports were down by 26% from U.S. \$10.1 million to U.S. \$7.5 million. However, in 2016 (January-May), fresh beef imports restored growing by 60% in volume and by 31% in value compared to the corresponding period in 2015, and the prospects for the year are optimistic.

Main origins of fresh beef are The Netherlands, Romania, Italy and Poland, although trade reports indicate that some of this meat is transshipment of U.S. product. The Netherlands, France and Italy exported higher quality beef cuts while Romania and Poland exported halves or quarter carcasses.

Within total beef imports (Table 8), frozen beef imports stagnated at 12,150 CWT in 2014 and 2015 and decreased slightly in 2016 to date. Poland is leading frozen beef imports. Imports of processed beef are under 200 CWT.

Table 8. Bulgarian Beef Imports, 2013-2015

Bulgaria Import Statistics								
Commodity: _PSD BEEF, _PSD BEEF								
Calendar Year: 2013 – 2015								
Partner Country	Unit	Quantity			% Share			% Change
		2013	2014	2015	2013	2014	2015	2015/2014
World	CWT	11,662	18,361	16,119	100.00	100.00	100.00	- 12.21
Poland	CWT	3,380	7,378	5,140	28.98	40.18	31.89	- 30.33
Italy	CWT	2,458	4,161	2,496	21.07	22.66	15.49	- 40.01
Spain	CWT	1,889	1,500	1,725	16.20	8.17	10.70	15.04
Romania	CWT	765	595	1,697	6.56	3.24	10.53	185.13
Netherlands	CWT	777	875	1,655	6.67	4.77	10.27	89.16

Source: WTA

Beef exports are small, below 4,000 MT in 2015, although it increased by 12% when compared to 2014. Export markets are Greece, Romania, Kazakhstan, and Macedonia. In 2016 (January-May) exports grew by 9% to 2,100 MT.

Table 9. Beef Imports by Categories in 2012- 2016 (January-May)

Beef Imports, MT	2012	2013	2014	2015	2015 January-May	2016 January-May
Fresh/Chilled Beef	754	912	3,751	1,985	522	838
Frozen Beef	5,694	6,140	8,673	8,676	3,041	3,406
Salted, Cured and Smoked Beef	66	267	118	173	43	110
Total Beef	6,514	7,319	12,542	10,834	3,606	4,354

Source: WTA

Agricultural and Trade Policy for the Red Meat Sector

Geographic Indications: Bulgaria has one product (non-perishable meat processed product made from pork and beef, type of salami) registered under Protected Geographic Indication/PGI (Gornooryahovski

sudzhuk) and 5 more similar products (various types of salami, made mainly from pork) registered as Traditional Speciality Guaranteed/**TSG**.

Epizootic Situation: In March, Bulgaria applied to OIE to gain free of Classical Swine Fever status for the country. The MinAg reported that there were no outbreaks for the last 7 years and that the OIE status of free of CSF will allow local pork producers to seek new export markets.

Domestic Support:

Swine: Since 2012 the MinAg has provided limited subsidies for adoption of higher than EU animal welfare standards at swine farms. The budget for 2016 was at 28 million leva (U.S. \$16.0 million), and 25 million leva (U.S. \$14.3 million) for 2015.

Cattle: In 2014-2020 Bulgaria introduced coupled support of 13% for the several sectors including beef sector. Two main subsidy programs are provided to beef farmers:

1. For beef cows and heifers in 2015 and 2016: eligibility requirements of minimum 5 animals per farm; subsidy rate of 252 leva/head (U.S. \$144) for total 98,000 cattle in 2015; subsidy rate of 203 leva/head (U.S. \$116) in 2016 for total 123,000 cattle; allocation of 24.9 million leva (U.S. \$14.2 million) in both years. The share of this support is estimated to be 23.5% of production cost/cow.

In July 2016 the MnAg revised this policy. The newly proposed support scheme for 2017 has a lower budget of 18.7 million leva (U.S. \$11.0 million), reduced subsidy rate/head of 150 leva (U.S. \$86) which will provide 17% share of support in production costs, and increased number of subsidized animals of 125,000 (for farms with 10 to 250 animals).

2. For beef cows under selection/breeding control in 2015 and 2016: minimum 10 animal per a farm; subsidy rate of 378 leva/head (U.S. \$216) for total 60,000 cattle in 2015; subsidy rate of 272 leva/head (U.S. \$155) in 2016 for total 84,000 cattle; allocation of 22.9 million leva (U.S.\$13 million) in both years.

In July 2016 the MinAg analysed this policy and reported 35% growth in applications for 2016 v.s. 2015, which would lead to a reduction in the subsidy rate/head of 28%. Based on that, the MinAg proposed some changes in the program. Thus in 2017 the budget for the beef program will be much lower at 3.25 million leva (U.S. \$1.9 million) for total 12,600 animals, with a subsidy rate of 210 (U.S. \$120)/head for farms with more than 250 animals, and with a subsidy rate of 260 leva (U.S.\$148)/head for farms with up to 250 animals. Eligible farms should have at least 20 animals of one and the same breed, recorded in the heard book.

End of Report

