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Report Name: Poultry and Products Market Annual

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Post: Sofia

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Report Highlights:

Bulgaria's poultry sector had a challenging year in MY 2020, with its continuous growth interrupted for the first time in ten years. Sharply increased feed prices; the pandemic's impact on the hospitality industry and tourism; and the loss of some export markets, led to a decrease in poultry inventory and lower poultry and broiler meat output. Exports are forecast to remain restrained.

Executive Summary:

Bulgaria's poultry sector had a challenging year in marketing year (MY) 2020, with its continuous growth interrupted for the first time in ten years. Sharply increased feed prices; the pandemic's impact on the hospitality industry and tourism; and the loss of some export markets led to a decrease in poultry inventory and lower poultry and broiler meat output. Domestic consumption shrank by about four percent from its record high level in 2019. Both imports and exports declined at double-digit rates. However, the prospects for 2021 and 2022 are optimistic. Gradual industry recovery is projected due to expected abundant grain and oilseeds crops; the likelihood of lower feed prices; the progress of the COVID-19 vaccination campaign, renewed travel; and the reopening of food service outlets. Exports are forecast to remain restrained. Industry efforts are currently targeted at growing domestic consumption, although pre-COVID levels may not be achieved before 2022.

MY2021 Supply and Demand Forecast

Better prospects for the poultry sector are estimated for MY 2021, although the recovery is slow. The year started with 10.3 percent lower poultry stocks, including a 19.4 percent decline in broiler inventory. Despite three Highly Pathogenic Avian Influenza (HPAI) outbreaks on duck and layer farms from February through May 2021, the affected farms were able to recover quickly. The epizootic situation remained favorable for broiler production.

The latest data (January-May 2021) indicates lower broiler slaughter (-4.3 percent) and duck slaughter (-45 percent), resulting in a 12 percent decline in total poultry meat output over the corresponding period in 2020. As of April 2021, the European Commission (EC) reported a 16.9 percent drop in Bulgarian poultry meat production compared to a year ago. The EU average for this same period was a 4.7 percent decline. The country was among the top three EU member states with the biggest decreases in the poultry production, along with The Netherlands and Lithuania.

However, monthly market prices for broilers grew by 7.2 percent from June 2020 to June 2021, reaching €155.25/100 kg in July 2021 vs. €137.84/100 at the beginning of the year. Industry has reported that accumulated stocks of meat at the end of 2020 are back to their normal levels. Expected abundant grain and oilseed crops and lower feed costs are projected to sustain positive growth for the poultry industry in the second half of MY2021.

Post forecasts that 2021 broiler meat production will increase slightly over 2020. Since consumer incomes, food service, and tourism largely drive domestic demand for poultry meat, 2021 consumption is likely to marginally grow. Post expects a stronger recovery in local demand and production in 2022.

MY2020 Supply and Demand

Inventory: MY 2020 was challenging for the poultry industry. In addition to the combination of negative market factors, the industry did not receive any domestic support related to the challenges arising from the COVID-19 pandemic.

The year began with the poultry inventory two percent higher than in 2019 but ended with 10.3 percent lower ending stocks. Farms had to reduce stocks due to dwindling local and export demand and increasing production cost (feed, energy). Industry estimates show around a 35-50 percent increase in production cost between May 2020 and January 2021, while the 2020 annual market price for broilers decreased by 3.0 percent to €145.98/100 kg compared to €183.95/100 kg for the EU average.

Chicken Meat Farms: All farms registered a decline in inventory (Table 2). The steepest was the decrease in stocks at medium sized farms (200 to 10,000 birds) at 53 percent, followed by large farms (over 10,000 birds) with a 24-percent drop in stocks. Although the number of small farms continued to go upwards, their stocks also declined by about four percent. Commercialization and consolidation expanded with medium sized and large farms accounting for 98 percent of Bulgaria's total chicken inventory. Vertical integration continued to shape the industry.

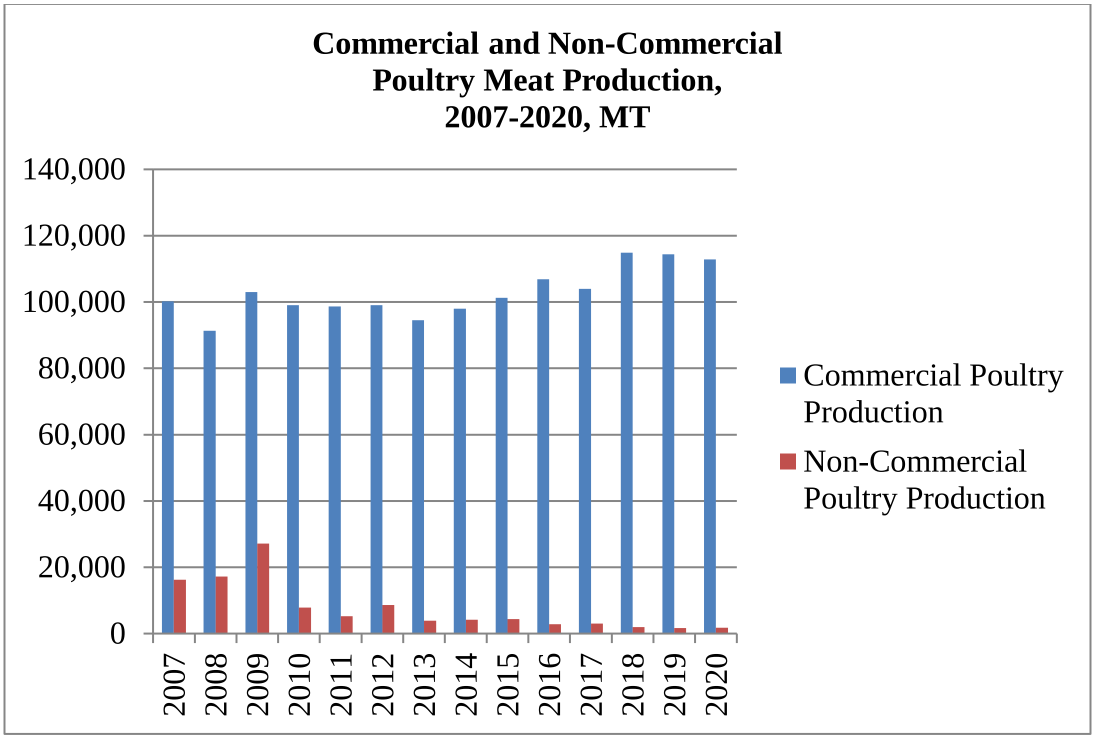
Poultry Meat Supply: A total of 24 slaughterhouses operated in the country, of which eight specialized in ducks only. This is two more than in 2019. Poultry and broiler meat production declined by 1.4 percent and 2.5 percent, respectively, from 2019 (Tables 1, 3, and 5). Commercial poultry production declined by 1.3 percent while non-commercial production grew by 3.8 percent (Graph 1, Tables 4, 5) although its share in total poultry meat supply was tiny, at 1.5 percent. The output of poultry cuts at slaughterhouses grew by 3.1 percent while that of whole birds declined by 4.1 percent. This persistent trend from recent years indicates an increasing market demand for value-added and convenience products.

Broiler Meat Output: Broiler meat output decreased by 2.5 percent and accounted for 79 percent (78 percent in 2019) of commercially produced poultry meat, compared to 16 percent for duck meat (Graph 2, Table 3). The average carcass weight was lower at 1.6 kg compared to 1.7 kg in 2019. For the first time in years, the market share for broiler cuts declined from 46 percent in 2019 to 39 percent, an indication of shifting demand towards more retail sales and more conservative consumer spending.

Duck Meat Output: Unlike broilers, duck meat output grew by 5.4 percent (Table 3). The industry enjoyed a favorable epizootic environment with no major Avian Influenza outbreaks.

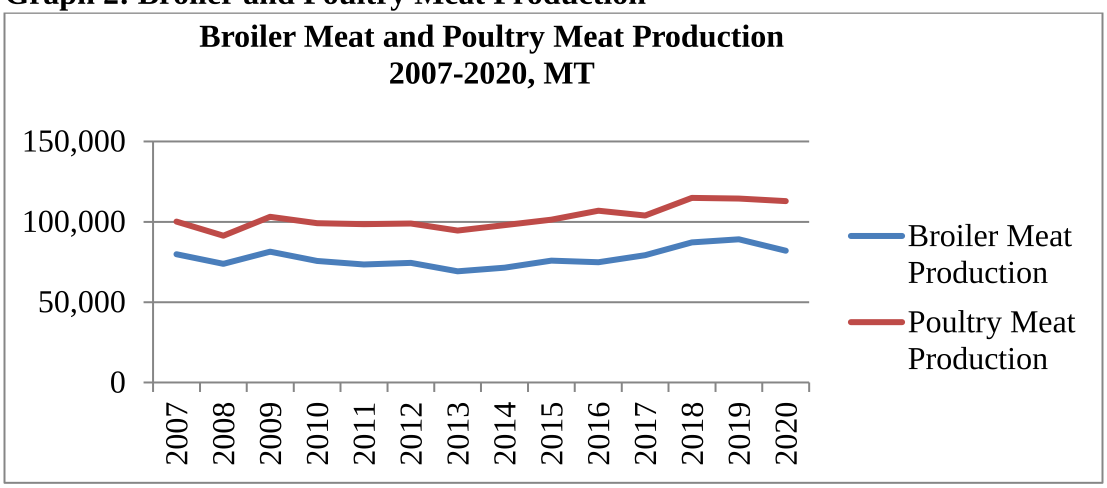
Stocks: The closure of food service outlets in March 2020 had a negative impact on market demand. According to industry estimates, around 25-30 percent of poultry meat is channeled through restaurants. This forced producers to increase stocks that were recorded 16 percent higher in December 2020 compared to December 2019.

Graph 1: Commercial and Non-Commercial Poultry Meat Production



Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletins

Graph 2: Broiler and Poultry Meat Production



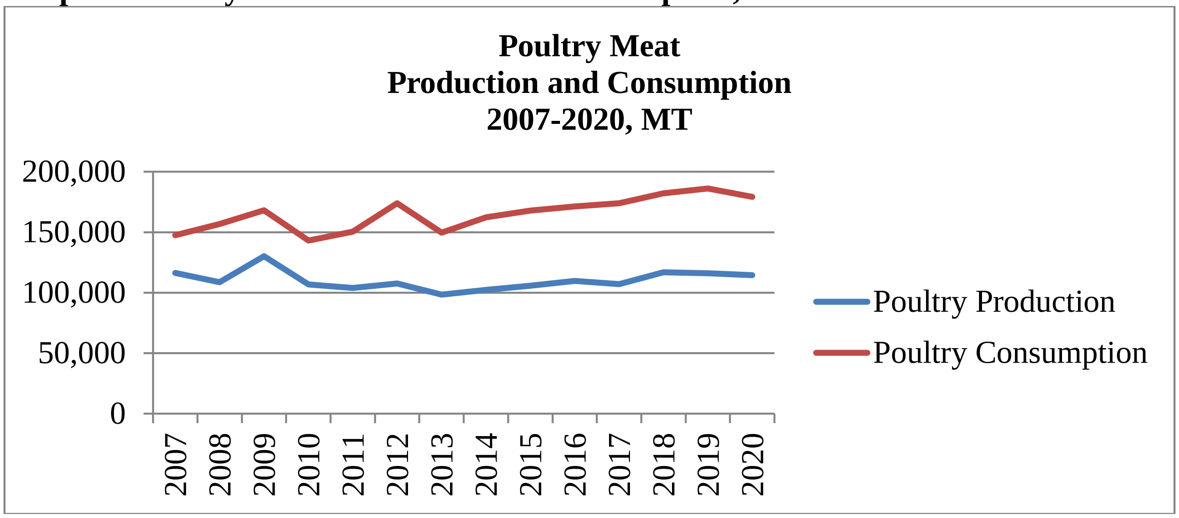
Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletins

Consumption

Poultry consumption decreased by 3.7 percent in 2020 (Table 5) compared to a record high in 2019. This is attributed to retail sales not making up for the decline in the food service industry (Graphs 3 and 4). Consumption per capita (excluding dining out) stagnated at 12.0 kg/capita in 2020, the same as in 2019; and the average quantity of purchased poultry meat by a household declined from 25.1 kg (2019) to 24.9 kg (2020).

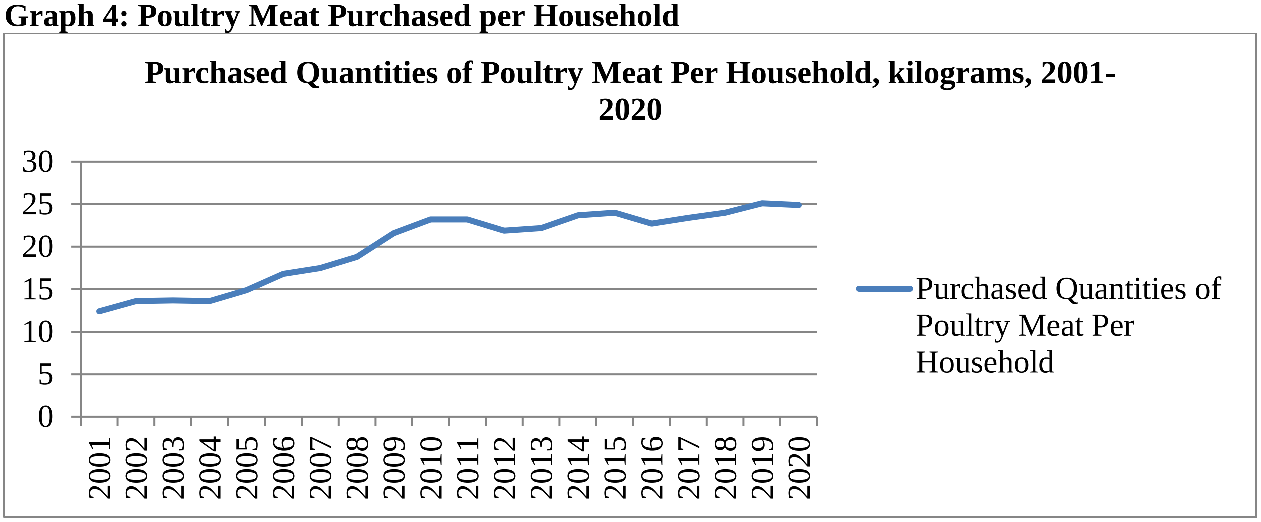
Through July 2021, FAS Sofia contacts report slow, but steady growth in both retail and food service sales of broiler meat. Higher-value meats, especially duck meat, are still projected to face challenges which may prevent growth in consumption. Total poultry meat consumption is likely to witness a marginal growth followed by a recovery in 2022.

Graph 3: Poultry Meat Production and Consumption, 2007-2020



Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletins

Graph 4: Poultry Meat Purchased per Household



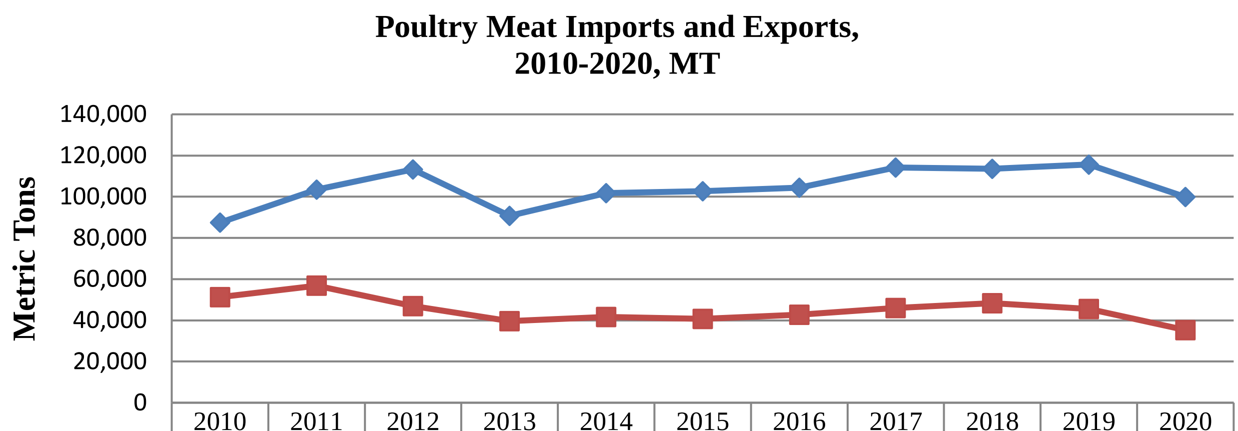
Source: Bulgarian National Statistical Institute

Trade

Local poultry meat producers target export markets to diversify their risk and increase sales. Imports are dominated by broiler meat, while export revenues come mainly from duck products (Graph 5, Table 6).

Imports of poultry meat in 2020 declined substantially due to lower domestic demand – by 10.9 percent in volume and by 18.3 percent in value from 2019 (Table 6). Exports decreased due to lower export demand by Greece, Cyprus, and Belgium as well as the loss of the United Kingdom as an EU market. Exports declined by 22.5 percent by volume and by 25.3 percent by value due to lower export prices (Eurostat/TDM) (Table 6). Exports of duck meat to the main export markets of France and Belgium were hard-hit by the COVID-19 pandemic.

Graph 5: Poultry Trade by Volume, 2010-2020



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Imports	87,428	103,454	113,320	90,692	101,679	102,709	104,407	114,116	113,574	115,642	99,904
Exports	51,254	56,801	46,893	39,583	41,576	40,643	42,785	45,957	48,320	45,462	35,269

Source: Eurostat/Trade Data Monitor (TDM)

Imports

In 2020, Bulgarian broiler imports decreased substantially in volume (11.5 percent) and in value (20.3 percent) from 2019 (Table 6). Major suppliers were Poland (20 percent), Hungary (20 percent), and Romania (18 percent). Broiler meat imports accounted for 94 percent of total poultry meat imports. In January-April 2021, broiler meat imports by volume stagnated at the same level as a year ago and increased by 9.2 percent in value terms (Eurostat/TDM). Hungary became a leading supplier with stable exports to the local market, followed by Poland which reduced its exports by 35 percent, and Romania which exported 20 percent more, compared to the corresponding period in 2019. The Netherlands and Germany boosted their exports to Bulgaria by more than 30 percent although the volume remained low.

Exports

Broiler meat exports in 2020 decreased by 28.1 percent in tonnage and by 32.8 percent in value (Eurostat/TDM (Table 6). Greece was the leading market and accounted for 44 percent of broiler meat exports. Romania accounted for 20 percent. In January-April 2021, the broiler meat export decline softened to 8.3 percent by volume and four percent by value from the same period in 2020. Exports to Greece, Romania, Italy, and the United Kingdom declined while trade with North Macedonia and The Netherlands saw good growth.

The difference between average prices for broiler meat in Bulgaria and the EU-27 provides an advantage for local exporters. In 2020, the average annual Bulgarian price was €145.98/100 kg compared to €183.95/100 kg for the EU average. At the end of July 2021, the average Bulgarian price was €156.80/100 kg (upward by 5.4 percent over last year) versus €204.53/100 kg for the EU average (10.4 percent more than in July 2020).

Agricultural Policy
In June/July 2021, the local industry had intensive consultations with the authorities regarding its economic challenges. The Poultry Association appealed for more domestic support to lower increasing feed costs. This includes soft loans; the inclusion of the industry as a beneficiary under COVID-19 related programs; and to exercise heavier monitoring and control on HPAI. The government response is pending.

Table 1. Poultry Stocks as of December 31, 2015-2020, in thousands

Years	**Layers**	**Chicken for Meat (Broilers)**	**Total Layers and Broilers**	**Turkey**	**Ducks**	**Other**	**Total Poultry**
2015	6,980	7,278	14,258	28	1,229	69	15,600
2016	7,158	5,290	12,448	32	1,128	75	13,700
2017	6,898	5,966	12,864	30	1,666	180	14,756
2018	6,951	6,921	13,872	35	1,408	191	15,519
2019	7,107	6,635	13,742	23	1,573	191	15,565
2020	7,062	5,349	12,411	21	1,360	172	13,964
% Change 2020/2019	-0.6%	-19.4%	-9.7%	-8.7%	-13.5%	-10.3%	-10.3%
Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletins							

Table 2. Farms Raising Chicken for Meat as of December 2020

Farms Raising Chicken for Meat as of December 2020				
Number of birds per farm	**Farms**		**Chicken raised for meat**	
	Number	% Change 2020/2019	Numbers, Thousands	% Change 2020/2019
1-199	523	29.7%	11	-3.8%
200-9999	17	-32.0%	70	-53.3%
10,000 – 99,999	77	-11.5%	2,468	-11.5%
100,000 and above	13	18.2%	2,800	-24.0%
Total	630	19.7%	5,349	-19.4%
Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletin 385/May 2021				

Table 3. Commercial Poultry Meat Production 2020

Categories	Slaughtered birds, Thousands	Live Weight		Carcass Weight		% Change 2020/2019
		Total, MT	Average, kg	Total, MT	Average, kg	
Broilers	51,068	113,094	2.2	82,061	1.6	-2.5%
Hens and cocks	2,694	6,695	2.5	4,886	1.8	-8.5 %
Ducks	5,812	26,922	4.6	17,003	2.9	+5.4%
Total	59,589	146,789		104,007		-1.4%
Source: Eurostat and Bulgarian Ministry of Agriculture and Foods Statistical Bulletin 385/May 2021						

Table 4. Non-Commercial Poultry Meat Production 2020

Types of Poultry	Slaughtered Poultry, Thousand head	Live Weight, MT	Carcass Weight, MT
Hens and chicken	860	1,901	1,439
Turkey	23	259	191
Other	54	142	106
Total	937	2,302	1,736
Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletin 385/May 2021			

Table 5. Poultry Meat Production, Imports, Exports and Consumption in 2011-2020, MT

Poultry Meat Production, Imports, Exports and Consumption 2011-2020, MT				
Commercial Production	**Non-Commercial Production**	**Imports***	**Exports***	**Domestic Consumption**
2020				
112,809*	1,736	99,904	35,269	179,180
2019				
114,260	1,673	115,642	45,462	186,113
2018				
114,875	1,932	113,574	48,320	182,061
2017				
103,960	3,004	114,116	45,957	175,123
2016				
106,852	2,788	105,239	42,751	172,128
2015				
101,252	4,402	102,709	40,643	167,720
2014				
97,995	4,198	101,679	41,576	162,296

2013				
94,519	3,869	90,692	39,583	149,497
2012				
99,006	8,617	113,320	46,893	174,050
2011				
98,609	5,247	103,454	56,801	150,509
Note*: Includes subproducts. Source: Bulgarian Ministry of Agriculture and Foods Statistical Bulletins and Eurostat/TDM. Imports and Exports are calculated in poultry meat equivalent.				

Table 6. Poultry Meat Trade 2017-2020

Poultry (Including Broiler) Meat Trade 2017-2020					
	2017	**2018**	**2019**	**2020**	**% Change 2020 vs 2019**
Poultry Meat and Products Group/BICO					
Imports in MT	114,116	113,574	115,642	103,104	-10.9%
Exports in MT	45,957	48,320	45,462	35,250	-22.5%
Imports in million U.S.$	128.7	134.7	134.5	109.9	-18.3%
Exports in million U.S.$	191.6	203.9	157.5	117.7	-25.3%
PSD Chicken (Broiler) Meat					
Imports in MT	105,055	105,634	108,910	96,445	-11.5%
Exports in MT	31,586	33,223	31,547	22,672	-28.1%
Imports in million U.S.$	113.8	120.7	120.9	96.4	-20.3%
Exports in million U.S.$	77.1	85.8	77.1	51.8	-32.8%
Note: Poultry Meat and Products Group includes the following HS#:020710-14; 020721-27; 020731-39; 020741-45; 020750-55, 020760 and HS#1602 31-39 PSD Chicken (Broiler) Meat includes the following HS#: 201711-12-13-14, and HS#160232					
Source: Eurostat/TDM					

Attachments:

No Attachments.