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Grains and Feed Market Update

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Grain and Feed

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Report Highlights:

The first tentative post-harvest data on 2015 grain crops showed a higher than previously expected wheat production; barley production in line with earlier forecasts and much lower corn crop due to the summer heatwave. Ag Sofia has reduced its estimates for corn to 2.55 MMT from the previous 2.7 MMT. Corn harvest as of October 22 was reported to be completed on 75% of the area. Reportedly, grain exports in the current year are approaching 1.6 MMT for wheat, 280,000 MT of barley and 260,000 MT of corn as of end-October.

Due to unstable fall weather, fall planting of winter wheat and barley MY2016/17 is behind last year, however, favorable and dry weather in the second half of October is expected to allow catching up with planting within the optimum time. Wheat planted area is likely to go back to its average of 1.1-1.2 MHA or 10%-15% above the previous season.

General Information:
Weather

Summer weather in the country was unusually hot and dry for two months in July and August. Despite very good soil moisture reserves until mid/end June, the scorching temperatures had a very negative impact on corn yields. On the other hand, the dry weather secured faster harvesting of wheat and barley in July.

The hot summer was followed by timely rains and moderate temperatures in the fall which were welcome for the fall planting. The second half of September and October had a mix of dry and wet days with temperatures at average or slightly above the seasonal average. Precipitation improved, favoring soil moisture and planting of winter crops. On the other hand it hampered the harvest of corn and sunflower. In certain regions where rainfall was more frequent and above average in terms of precipitation, wheat and barley planting slowed down (Western Bulgaria). This unstable weather and alteration of dry and wet periods caused irregularities in planting and harvest progress. As a result, currently there are fields planted in early optimum time with very good growth and some that were just planted, so the yield expectations for MY2016/17 are mixed and close to average. The other weather effect was the delay of the corn harvest and the need for drying in select regions due to the extra moisture.

Grain Production and Supply

MY2016/17

The fall planting of wheat and barley had uneven speed in different regions due to unstable weather. Overall, wheat planting was reported to be behind last year by 6.8% (550,000 HA planted) and barley planting behind by 12.4% as of October 22 (Table 1). At the same time, planting of other crops (rapeseeds, rye and triticale) is ahead of last year. Farmers made efforts to plant rapeseeds earlier in its optimum time due to plans to increase planted areas; and then focused on harvest of corn and sunflower which currently promise better profit potential than wheat and barley. Despite the delay in the planting, the last 10 days of October have been ideal for final planting within the optimum time window and it is likely that both wheat and barley planted areas will increase.

AgSofia estimate is that barley area is likely to be close or slightly above last year at 180,000-185,000 HA, and that wheat area will go back to its original average level of 1.1-1.2 MHA.

Table 1. Progress in MY2016/17 Fall Planting as of October 22

Progress in MY2016/17 Fall Planting as of October 22			
	Planted as of October 22, 2014 (HA)	Planted as of October 22, 2015 (HA)	Difference, Percent
Wheat	588,718	548,658	-6.8%
Barley	105,882	92,798	-12.4%

Rye	1,963	2,724	+38.8%
Triticale	4,386	5,089	+22.9%
Rapeseeds	138,090	150,691	+9.1%
Source: MinAg Bulletin#5 of October 29, 2015			

MY2015/16

In October, the MinAg published its first official post-harvest estimates for MY2015/16 wheat and barley crops (Table 2).

Wheat

Wheat harvest was carried out on time due to the hot and dry summer. The quality of the crop was reported to be better than in 2014, yields and production exceeded earlier estimates.

Despite initial expectations for lower yields due to heavy rains in the winter/spring and challenging and late planting in the fall of 2014, final yields were very good. Current estimates vary from 4.25 MT/HA to 4.5 MT/HA, and production estimates go as high as 4.85 MMT (Table 2). Quality was reported to be better at over 50% milling wheat compared to 25% in 2014 due to the favorable weather. AgSofia's estimate for wheat production is at 4.7 MMT or slightly above the MinAg data.

Local seed wheat producers (research institutes) reported higher demand for imported planting seed over Bulgarian varieties. Imported varieties are reported to come mainly from Austria, France and Serbia, and currently account for about half of total wheat area. The trend has reportedly continued this fall.

Barley

Similar to wheat, the barley harvest was carried out under good conditions and many farmers reported yields exceeding wheat yields. For this reason, some industry estimates are much above the current MinAg data, up to 780,000 MT, with average yields of above 5.5 MT/HA.
AgSofia's estimate is for an area of 180,000 HA (winter and spring barley) and production of 740,000 MT (winter and spring barley), slightly above MinAg data.

Corn

Corn area estimates vary widely from 410,000 HA to 475,000 HA. Current MinAg data is for planted 425,000 HA of which 75% were harvested as of October 22 with reported average yield of 5.31 MT/HA and production to date at 1.7 MMT.

Current production estimates vary from 2.3 MMT (MinAg) to 2.6 MMT (industry sources), with most estimates at 2.4-2.5 MMT. Farmers have unanimously reported lower yields with a decline between 10% and 35% region to region, compared to the previous season when corn yields were exceptionally good. Most farmers reports are in the range of 4.5-5.5+ MT/HA.

Current AgSofia estimates are at the upper end for area at 450,000 HA and production at 2.55 MMT (average yield of 5.6 MT/HA). However, further adjustments are likely both in harvested area and production depending on the final harvest results.

Table 2. FAS/Sofia and Other Sources Estimates for MY2015/16 Grain Crops (as of October 29 2015)

MY2015/16 Major Crops Estimates			
Crops	**Harvested Areas (,000 HA)**	**Average Yields (MT/HA)**	**Production (,000 MT)**
Wheat	1,050 - planted 1,048 – harvested (MinAg tentative data)	4.47	4,700 (FAS) 4,678 (MinAg tentative data) 4.5-4.84 (range of industry estimates)
Barley	Winter barley: 172 – planted 172 – harvested Spring barley: 9.3 planted 8.7 harvested 180 – FAS estimate	4.12	Winter barley: 740 (FAS) 705 (MinAg tentative data) 700-780 (industry estimates) And 25 Spring barley (MinAg)
Rye	5.3 – planted and harvested	1.98	10.5 (MinAg tentative data)
Rice	11.1 planted 2.8 harvested	7.42	21 (MinAg tentative data)
Oats	12.9 planted 11.8 harvested	2.12	25
Sorghum	4.2 planted 3.0 harvested	2.71	8
Triticale	11.5 planted and harvested	2.99	34.6 (MinAg tentative data)
Corn	450 (FAS) 426 (MinAg tentative data) 320 harvested as of October 22	5.8 - 6.2	2,550 (FAS) 2,300 (MinAg estimate) 1,697 harvested as of October 22
Source: MinAg Bulletin#5 of October 29, 2015			

MY2014/15

In early fall, the MinAg published it final estimates for MY2014/15 (Table 3).

The final data confirmed that 2014 was an exceptionally good year for local grain production. Total grain area in MY2014/15 was 2% less than in MY2013/14 but the production was 4% higher due to very good yields, with some crops reaching record yields (wheat and corn).

Table 3. MY2014/15 and MY2013/14 Grain and Feed Crops Areas and Production Final Official Data

MY2014/15 vs. MY2013/14	Harvested Areas (000 HA)		Production (000 MT)	
	MY2014/15	MY2013/14	MY2014/15	MY2013/14
Wheat	1,279 planted 1,267 harvested	1,318 planted 1,314 harvested	5,347	5,505
Barley	217 planted 215 harvested	199 planted 197 harvested	852	728
Corn	420 planted 408 harvested	429 planted 428 harvested	3,137	2,738
Oats	18.6 planted 14.9 harvested	18.9 planted 17.9 harvested	26.9	35.6
Rye	15.6 planted 14.4 harvested	15.8 planted 15.4 harvested	28.2	29.1
Rice	11.6 planted 11.0 harvested	10.3 planted 10.2 harvested	54.2	56.1
Triticale	19.3 planted 18.9 harvested	14.0 planted 13.7 harvested	60.4	38.8
Millet	4.6 planted 3.6 harvested	3.1 harvested	5.4	4.2
Sorghum	7.7 planted 6.7 harvested	4.3 harvested	18.3	11.6
Total	1,960	2,004	9,529	9,146
Source: Bulgarian Ministry of Agriculture and Foods				

Trade

<u>Wheat</u>

MY2015/16

The current marketing year started with unusually high stocks of wheat, followed by a good harvest. Despite the full warehouses, farmers are still reluctant sellers due to unattractive prices and tough regional Black Sea competition. As of the end of October, wheat exports are approaching 1.6 MMT (Table 4). Exports through the major Black Sea port of Varna were reported at 33% higher than a year earlier.

MY2014/15

World Trade Atlas/WTA data (Table 4) shows exports at 3.02 MMT (wheat and wheat flour converted in wheat equivalent CWT) with main destinations in the EU (Spain, Romania, Greece, and Italy) and third countries such as Libya, Syria and South Korea. This is 19% lower than exports in the previous season. Sluggish exports, along with high 2014 crop, resulted in accumulation of higher ending stocks (estimated at 600-700,000 MT). Wheat exports accounted for 56% of the total crop in MY2014/15.

Table 4. Wheat Trade, MY2014/15 and MY2015/16

Wheat and Wheat Flour Converted	**MY2014/15 Wheat Converted CWT**	**MY2015/16 Reported exports as of October 2015**
Imports	46,648 WCT (EU)	2,800 CWT for the month of July 2015 (WTA)
Exports	3,022,559 CWT Including: 532,830 WCT- Spain 427,235 WCT - Romania 416,668 WCT - Greece 232,701 WCT – Italy 416,807 WCT - Libya 255,955 WCT - Syria 115,208 WCT - South Korea 100,700 WCT – Tunisia 100,010 WCT – Ethiopia 49,775 WCT - Egypt 76,426 WCT - Turkey *Source: WTA*	339,000 MT reported exports in the month of July (WTA) to Spain, Korea, Greece, Italy, Romania, Portugal 774,000 MT reported exports for the period July 1-October 22 through the port of Varna (33% more than in the corresponding period a year ago), source: MinAg 1,550,000 MT reported total exports by industry sources for the period July 1- October 15

Barley

MY2015/2016

The current marketing year started with practically no endings stocks. Farmers enjoyed better than expected prices and sales were active. As of the end of October, barley exports are approaching 280,000 MT (Table 5) although exports through the Black Sea port of Varna were 50% less than a year ago. Traders opine that the barley export potential is almost exhausted and smaller quantities can be exported in the near future.

MY2014/15

World Trade Atlas/WTA data is displayed in Table 5. It shows exports at 550,000 MT with the main destinations as Libya and Saudi Arabia. This is above previous expectations (530,000 MT) and is 45% more than in the previous season. Barley exports accounted for 65% of total crop in MY2014/15.

Table 5. Barley Trade, MY2014/15 and MY2015/16

Barley	**MY2014/15 WTA**	**MY2015/16 Reported exports as of October 2015**
Imports	1,063 MT (EU)	2,178 MT for the month of July 2015 (WTA)
Exports	550,063 MT Including: 59,421 MT – Romania 151,678 MT - Libya 128,150 MT - Saudi Arabia 43,756 MT – Iran 31,010 MT – Algeria *Source: WTA*	189,115 MT reported exports in the month of July (WTA) to Saudi Arabia 91,000 MT reported exports for the period July 1- October 22 through the port of Varna (50% less than in the corresponding period a year ago), source MinAg 280,000 MT reported total exports by industry sources for the period July 1- October 15

Corn

MY2015/16

Corn exports in the current year had a late start due to a delayed and still ongoing harvest. Per industry sources, exports are approaching 260,000 MT by the end of October. The MinAg reported 32% less corn exported through the major Black Sea port of Varna. Total exports are expected to be lower for the year at 1.7-1.8 MMT due to the shorter crop.

MY2014/15

World Trade Atlas/WTA data (October 2014 - July 2015) is presented in Table 6. It is expected that total exports will reach slightly above 2.0 MMT. Main export destinations during the year were in the EU (Romania, Spain, Italy) and new markets such as China and New Zealand.
Favorable exports, along with stable and higher feed use, led to reduction in ending stocks.

Table 6. Corn Trade, MY 2014/15 (October 2014 – July 2015) and MY2015/16 (October 2015)

Corn	**MY2014/15 (October 2014 –**	**MY2015/16 Reported exports as of October 2015**

	July 2015)	
Imports	47,746 MT Including: 21,318 MT – Serbia 18,836 MT - Romania	No reported imports
Exports	1,957,645 MT Including: 474,705 MT - Romania 252,402 MT - Spain 154,733 MT - Italy 102,880 MT – Portugal 102,378 MT - Ireland 202,670 MT – Greece 278,271 MT –China 38,500 MT – New Zealand *Source: WTA*	185,500 MT reported exports for the period September 1-October 22 through the port of Varna (32% less than in the corresponding period a year ago), source MinAg 252,000 MT reported total exports by industry sources for the period September - October 15 from the new crop

Agricultural Policy

In September 2015 the MinAg made a decision to close its National Grain and Feed Agency. The labs for quality control were moved to the Food Safety Agency authority, and the property of the Indemnity Fund for Public Warehouses was liquidated. The functions of the agency were transferred to the MinAg and its regional offices.

Due to the closing of the National Grain and Feed Agency, new weekly MinAg reports were launched in September. The MinAg started to publish data about harvest and planting progress as well as some trade data about grain exports and prices. Although this information is based on daily collection of data and cannot be considered statistically proven before final estimates, it provides a good indication of harvest and planting progress over time.

The MinAg issued a new regulation about collecting data, reporting and monitoring of the grain market. Farmers, warehouses and traders will continue to report on stocks through a newly established electronic system. Any farmer who produces grains on more than 50 HA will be obliged to report production as well. The MinAg will monitor and control farmers' reports through on-spot inspections.

The MinAg State Fund Agriculture announced soft loans for farmers at U.S. $5.9 million. The funds can be used for purchases of fertilizers and wheat planting seeds at a rate of U.S. $47/HA for fertilizers and

U.S. $23/HA for planting seeds. The interest on the loans is 4.5%.

End of Report