

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grains and Oilseeds Market Update

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Grain and Feed

Oilseeds and Products

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Report Highlights:

Bulgaria experienced challenging weather this past fall and winter that stymied seeding operations and brought record low temperatures, snowfall and extensive winterkill. Rapeseed recorded the greatest winterkill losses while barley suffered some damage. Wheat was minimally affected. Lost rapeseed area is expected to be replanted with corn and sunflower seed in 2012. Wet weather in May will be critical to crop development and, eventually, yields. Spring moisture has been sparse to date. This follows MY2011/12 when wheat and corn exports set records at 2.25 MMT and 1.1 MMT, respectively.

General Information:

Weather

The 2011 fall planting was challenging due to unusually long, warm, and dry weather from August till mid-October. Abundant rainfall in October was welcome although it prevented some field work. In certain regions, farmers continued planting late until mid-November.

Adverse weather seriously affected timing of the planting and quality, mainly for rapeseeds, less so for wheat and barley. As a result, rapeseeds emergence was prevented or late. Plants could not enter the cold season at the proper vegetation stage and were susceptible to cold spells. Farmers reported first re-ploughed rapeseeds fields in December. A few very early planted wheat and barley fields were also re-ploughed.

During the unusually harsh winter in December, January and February, Bulgaria had above normal snowfall and very low temperatures, reaching -26 C to -30 C. The snow depth was good but varied from place to place due to blizzards. For this reason, winterkill had spotted effects. Rapeseed was the most severely affected, followed by some damage on barley with minimal effect on wheat. For example, rapeseed fields in Central Northern and Central Southern Bulgaria were better protected than those along the Black Sea coast and in North-East. The areas of major damage occurred in a 30-40 km strip along the Black Sea and in the South-Eastern region. Massive winterkill loss reports began to emerge in March. Many fields are unevenly developed and/or hold lower plant density plants per HA.

On the other hand, major production regions had abundant snow; some areas in Southern Bulgaria which are usually moisture deficient, enjoyed very good snow cover. Thus, the sub-surface soil moisture in almost all regions greatly improved in March. Phyto-sanitary status of the crop was also reported to be very good.

The second half of March was warmer and drier which led to temporary early spring dryness and surface soil moisture deficit. Farmers engaged in spring planting earlier as a result. April brought much needed rainfall to replenish soil moisture levels and higher temperatures that boosted vegetation (see SPOT-VEG graphs for Northwest, Northeast, and Southern Bulgaria). However, warmer weather with above average temperatures (see the graphs for the same 3 major production regions) resulted in excessive dryness that gradually worsened soil moisture reservoirs (see the surface and sub-surface soil moisture graphs).

Therefore, weather in May will be critical for final crop yields. More rainfall is needed. If the weather and rainfall are favorable, in MY2012/13 Bulgaria may see above average yields for corn and sunflower, around average or slightly below average yields for wheat and barley, and a significant decline in average yield for rapeseed (with a mixed picture nationwide).

Rapeseeds

Industry and preliminary Ministry of Agriculture data for winterkill vary by region as follows:

Region	Rapeseed Production Lost (Percent)	Region	Rapeseed Production Lost (Percent)
Bourgas	80-85	Silistra	30-50
Varna	100	Haskovo	up to 10
Shoumen	80-85	Pleven	up to 10
Dobrich	90	Plovdiv	up to 10
Razgrad	60-70	Pazardzhik	up to 10
Sliven	up to 50	North West Bulgaria	minimal losses
Yambol	up to 50		

For comparison, in 2011 winterkill losses totaled 4,000 HA or less than 2 percent of total planted area.

Industry estimates vary from 40 - 60 percent of rapeseed area lost due to winterkill, out of estimated 230,000 HA planted in the fall (no official data is available on planted area yet). Current projections for acreage to be harvested range from 95,000 HA to 150,000 HA, with losses of up to 135,000 HA. AgSofia projects 140,000 HA will be harvested, with losses of about 90,000 HA or about 40 percent. Due to rising prices for rapeseeds, some farmers are trying to salvage fields holding any potential for productive yield.

It is estimated that 60 - 65 percent of crop area lost to winterkill is being reseeded with corn (50,000 HA) with the balance, 35 - 40 percent (40,000 HA) with sunflower.

Forecasted yields are likely to be below average. Industry estimates vary between 1.7 MT/HA to 2.2 MT/HA; with total MY2012/13 production ranging from 210,000 MT to 264,000 MT. AgSofia projects yields at 1.8-1.9 MT/HA with total production around 250,000 MT. This represents a 52 percent decline in production reported for MY2011/12.

MY2011/12: Rapeseed trade volume was very active. World Trade Atlas (WTA) data until January 2012 shows Bulgaria rapeseed exports at 486,000 MT of which 39,000 MT went to non-EU markets (Turkey, Israel). Industry and preliminary Ministry of Agricultural export data through March show trade volume at 470,000 MT of which 430,000 MT went to internal EU markets.

Stocks at the end-March were 35,000 MT (source: National Grain and Feed Agency). No stocks are available for exports until the new crop is harvested. Imports were minimal, at below 2,000 MT, and mainly consisted of planting seed for the spring campaign.

In MY2012/13, regardless of expected lower crop, the country will remain a net exporter due to limited domestic crush capabilities. No significant imports of rapeseeds are projected.

Sunflower

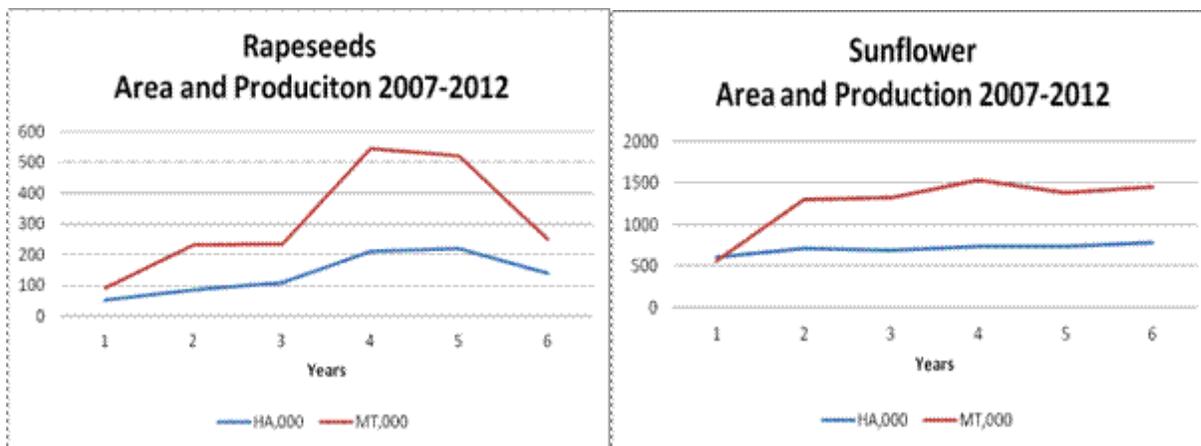
Area planted to oil-bearing sunflower is expected to increase in response to attractive prices for sunflower and products with prospects for higher prices in MY2012/13; reseeding of winterkill rapeseed area; opportunities for early planting at the end of March; strong export demand; expanding local crush capacity and improving domestic market. Planting seed distributors reported very high demand this season.

Industry projections are for planted area of 640,000 - 680,000 HA under oil-bearing sunflower, and another 80,000 HA-100,000 HA under black & white sunflower. Production is expected to range from 1.38 MMT to 1.5 MMT, subject to the weather conditions during the growing season. AgSofia projections are for 780,000 HA total sunflower seeds areas or 40,000 HA more than in 2011, with production at 1.450 MMT.

Exports and domestic crush are expected to increase in MY2012/13 as a result of good demand both in the EU and in Turkey, and due to expanding local crush capacity. AgSofia projects growth in local crush by about 50,000 MT.

MY2011/12: Due to higher demand in the EU, a greater volume of sunflower seeds were exported to the common market than to Turkey then has been under the usual trade pattern. The World Trade Atlas data reports MY2011/12 lists sunflower seeds exports at 510,000 MT of which 100,000 MT went to non-EU markets (Turkey). As of the end of March the Ministry of Agriculture carries exports at 684,000 MMT of which 528,000 MT remained within the EU. Industry data, as of early May, shows exports at 794,000 MT.

Sunflower stocks as of end-March were 482,000 MT (source: National Grain and Feed Agency) or about 170,000 MT less stocks than same period a year ago. The Agency estimates that 225,000 MT more will be consumed domestically before the new crop comes onto the market. This translates to potentially up to 150,000 MT remains available for export prior to the new crop arrival.



Wheat

To date, the Ministry of Agriculture has made two preliminary field surveys on the wheat crop, at end-March and in mid-April. Survey data follows:

68 percent - good to excellent development in March as compared to 84 percent reported at the same time in 2011. April data show an improvement in this category to 77 percent.

25 percent - satisfactory in March, as compared to 14 percent in 2011. April data shows a decrease in this category to 19 percent.

7 percent – unsatisfactory in March, as compared to 2 percent in 2011. April data shows a decrease in this category to 4 percent.

The Ministry of Agriculture reports about 1,400 HA of wheat were due to winterkill. The winterkill losses vary from no losses in most production regions to 5 percent in Razgrad; and 7 percent in Bourgas, Sliven, and Yambol regions respectively. As of end-March, nitrogenous fertilization had been applied to 83 percent of wheat fields or 3 percent less than at this time in 2011. Meanwhile herbicides had been applied to 16 percent of wheat fields.

There is no official data for planted area in the fall. Industry estimates vary from 980,000 HA to 1.17 MHA. AgSofia estimate is for 1.0 MHA.

Production expectations vary from 3.5 MMT to 4.2 MMT. The Consultative Grain Council, Ministry of Agriculture, released a conservative estimate of 3.5 MMT (in early April). AgSofia projects production to be closer to 3.9 MMT.

MY2011/12: World Trade Atlas data shows MY2011/12 wheat exports at 1.889 MMT of which 105,000 MT went to non-EU markets. According to the Ministry of Agriculture, wheat exports as of end-March totaled 2.05 MMT of which 1.908 MMT stayed in the EU. Industry data as of early May shows exports at 2.247 MMT which is record for exports to date.

Wheat stocks as of end-March were 936,000 MT or 84,000 MT less than a year before. The Ministry of Agriculture estimates that less than half of stocks will be consumed prior to harvest of the new crop.

Barley

According to the Ministry of Agriculture's spring field surveys, current crop status is as follows:

60 percent - good to excellent development in March as compared to 79 percent reported at the same time in 2011. April data shows an improvement in this category to 67 percent.

30 percent- satisfactory in March, as compared to 19 percent in 2011). April data shows a decrease in this category to 25 percent.

10 percent – unsatisfactory in March, as compared to 2 percent in 2011). April data shows a decrease in this category to 8 percent.

The Ministry of Agriculture reports about 1,900 HA of barley were lost due to winterkill. Winterkill losses vary from no losses in most production regions to 10 - 20 percent in Razgrad, Sliven, Yambol,

and Bourgas areas respectively. Farmers estimate potential yields at 5 - 10 percent lower than average. As of end-March, nitrogenous fertilization had been applied on 82 percent of barley fields or 5 percent less than in 2011. Meanwhile, herbicides had been applied on 16 percent of barley fields.

There is no official data on area planted to barley in the fall. Industry estimates vary from 180,000 HA to 200,000 HA. AgSofia estimate is for 190,000 HA (180,000 HA winter barley and up to 10,000 HA of spring barley). Production expectations vary from 550,000 MT to 700,000 MT. AgSofia estimates production to be closer to 600,000 MMT.

MY2011/12: World Trade Atlas data shows MY2011/12 barley exports at 323,000 MT of which 97,000 MT went to non-EU markets. According to the Ministry of Agriculture, barley exports as of end-March totaled 330,000 MMT of which 233,000 MT remained in the EU. Industry data as of early May shows exports at 336,000 MT.

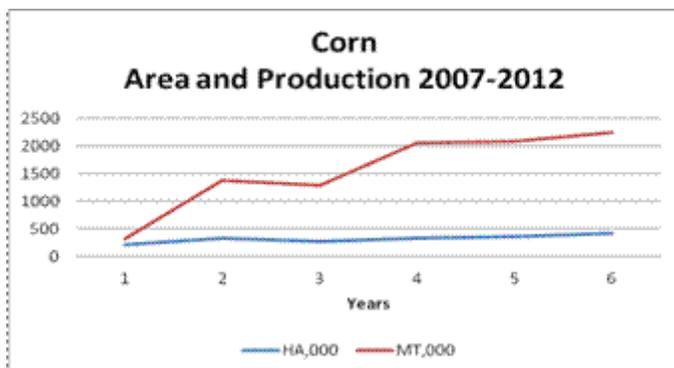
Barley stocks as of end-March totaled 137,000 MT. The Ministry of Agriculture estimated that 100,000 MT will be consumed prior to new crop arrival. It is, therefore, unlikely that Bulgaria will export more barley before the new crop is harvested.

Corn

Similar to sunflower, seed distributors reported record high sales of corn seed this season. MY2012/13 planted area estimates vary from 390,000 HA to 450,000 HA. AgSofia estimate is at 420,000 HA or about 60,000 HA more than in 2011. Industry production expectations vary from 2.0 MMT to 2.4 MT. AgSofia estimate is for 2.25 MT.

MY2011/12: World Trade Atlas data show MY2011/12 corn exports at 609,500 MT of which 283,000 MT went to non-EU markets (Egypt, Oman, Algeria, Israel, and Syria). According to the Ministry of Agriculture, corn exports as of end-March totaled 996,000 MT of which 624,000 MT remained in the EU. Industry data as of early May show exports at 1.086 MMT, which is a record for exports to date.

Corn stocks as of end-March totaled 710,000 MT. The Ministry of Agriculture estimated that 400,000 MT more will be consumed by the arrival of the new crop. Bulgaria still has potential to export more corn in MY2011/12.



Agricultural and Trade Policy

CBOT Black Sea Wheat Futures

The introduction of CBOT Black Sea Wheat futures, the first wheat futures contract with delivery points in Russian, Ukrainian and Romanian ports along the Black Sea, was broadly received by local trade. Regional contracts will be listed for electronic trading on the CME Globex platform starting June 6, 2012 and cleared through CME Clearing house. Although no Bulgarian ports are currently included in the system, a growing volume of locally produced wheat is now traded through Romanian ports, and it is expected to increase further in the future.

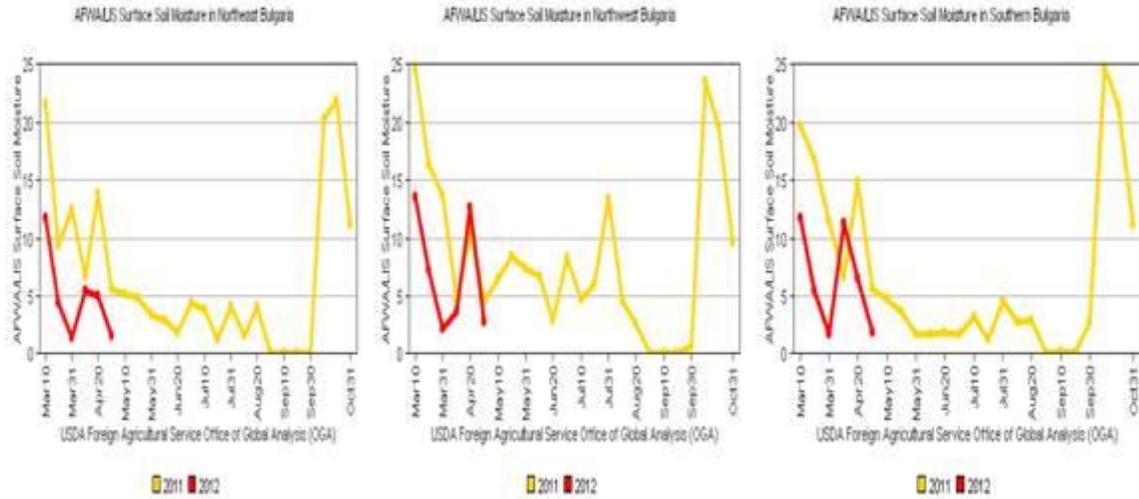
Winterkill Compensations for Farmers

The Ministry of Agriculture announced that the farmers would be compensated for winterkill losses and provisionally estimated affected area at 150,000 HA (this estimate includes all crops but rapeseed accounts for the largest share). Reportedly, about 1.0 million Euros are allocated for this purpose. However, this compensation amount will be far below actual losses. By rule, the Ministry of Agriculture will cover up to 60 - 80 percent of expenses already made by farmers. Some farmers preferred not to wait for the Ministry of Agriculture surveyors' site visit, and to proceed with re-planting. For this reason, area officially lost to winterkill will be less than the actual area suffering losses.

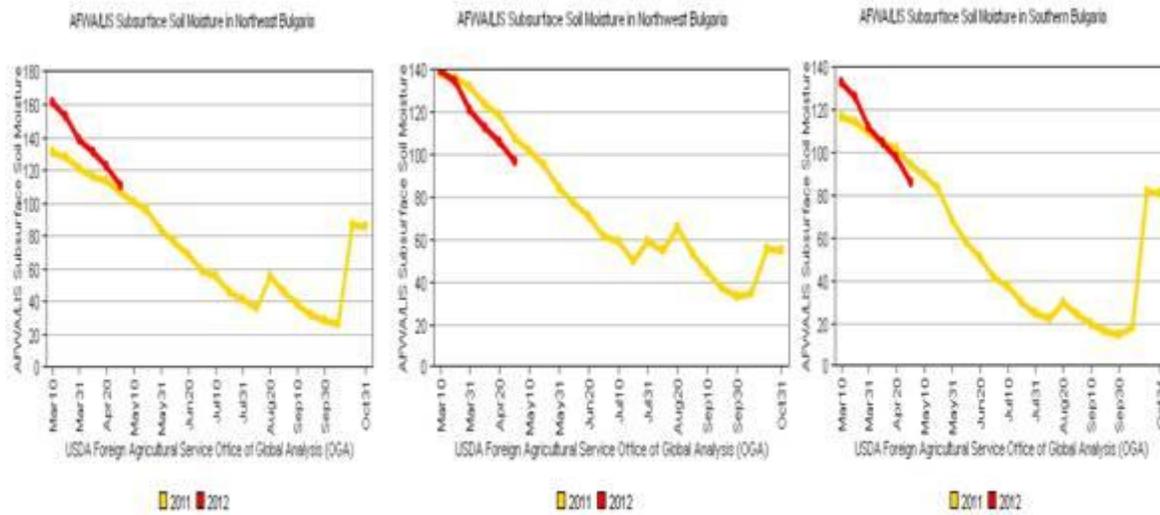
New VAT Mechanism on the Horizon

After witnessing the effectiveness of the Romanian model to control illegal grain trade via a reverse VAT system, the Bulgarian government notified the EC it would introduce the same mechanism in Bulgaria. The EC response may take up to 8 months and will require approval of all Member States. The reverse VAT is an emergency measure which can be applied for 2-3 years only but the experience shows that this period is sufficient to "clean" the grain market of illegal traders. If adopted by Bulgaria, opportunities for U.S. grain traders in the country will evolve.

Surface Soil Moisture in Major Production Regions as of end-April 2012

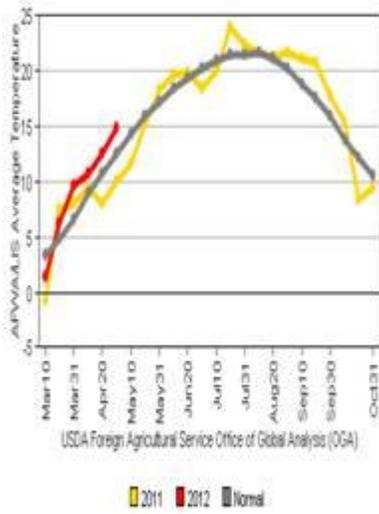


Subsurface Moisture in Major Production Regions as of end-April 2012

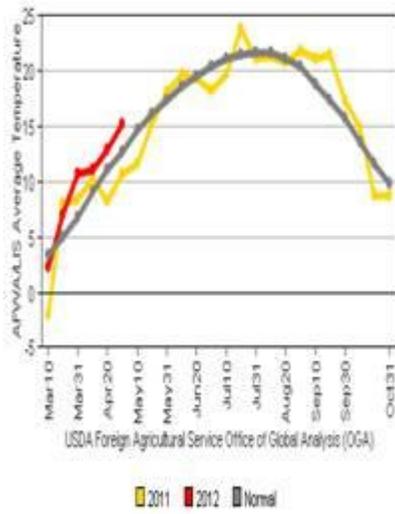


Average Temperatures in Major Production Regions as of end-April 2012

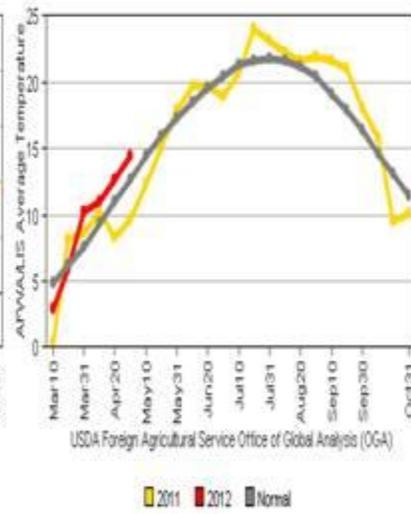
APVAALS Average Temperature in Northeast Bulgaria



APVAALS Average Temperature in Northwest Bulgaria

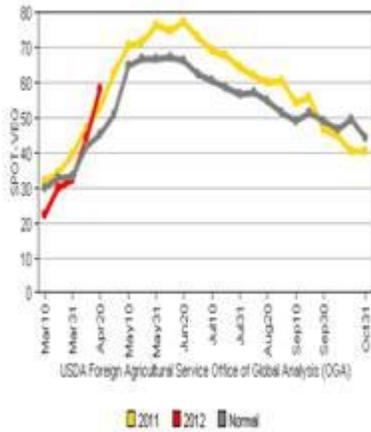


APVAALS Average Temperature in Southern Bulgaria

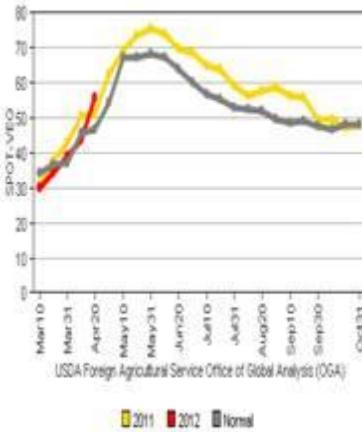


Vegetation Index SPOT-VEG in Major Production Regions as of end-April

SPOT-VEG in Northeast Bulgaria



SPOT-VEG in Southern Bulgaria



SPOT-VEG in Northwest Bulgaria

