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Oilseeds and Products Market Update

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Report Highlights:
Following a double digit decline in total oilseed production in MY2015/16 due to summer heat and drought, Bulgarian farmers are ready to expand planted areas under sunflower and rapeseed in MY2016/17. The first attempt to grow soybeans in MY2015/16 brought disappointing results and areas are likely to decline in the next season. Provided that weather cooperates, total oilseed production may restore to its higher level and grow by 10% or more compared to MY2015/16.
MY2015/16 data to date shows slower exports of rapeseeds and sunflower seeds at the expense of higher local crush and use.

Please Note: This report is to be read in conjunction with the Annual 2016 EU28 Consolidated Report on Oilseeds and Products (Oilseeds and Products Annual_Vienna_EU-28_4-1-2016) and provides further information on Bulgarian market of oilseeds.

General Information:
Overview

FAS/Sofia's first forecast for MY2016/17 is for a reduction in planted area under soybeans and a growth in sunflower area. The soybean crop had disappointing results in terms of average yields, prices and market prospects, and many farmers plan to reduce area. Sunflower, however, performed better during the summer drought despite the decline in yields, and enjoyed better prices and positive margins. In addition, local crushers were aggressive buyers. As a result, farmers indicate an interest to increase planted area which is forecast to go well above 800,000 HA.

Fall planting of winter rapeseed has progressed well due to favorable weather and growing ex-farm prices. MY2015/16 crop's better profit margins are likely to lead to slightly higher planted area. As of today, planting was reported on 173,000 HA, 6% more than in 2014. It is estimated that the harvested area can be 170,000 HA and production at 440,000 MT or more in MY2016/17.

Weather

The summer weather in 2015 was unusually hot and dry for July and August. Despite very good soil moisture reserves until mid/end June, the scorching temperatures had a negative impact on soybean and sunflower yields. On the other hand, dry weather secured a faster July harvest.

The hot summer was followed by timely rains and moderate temperatures in the fall which were welcome for fall planting. This stimulated timely planting of the MY2016/17 rapeseed crop in early September. The weather from October to December had a mix of dry and wet days with temperatures at or above the seasonal average. Precipitation improved the soil moisture, but the alteration of dry and wet periods caused irregularities in rapeseed planting and sunflower harvest progress. As a result, rapeseed fields had uneven development and sunflower saw a deteriorated quality in select locations. The winter months were mild and the snow cover, although limited only in January, protected the rapeseed from low temperatures so no winterkill was reported. Soil moisture levels are currently favorable for spring planting of sunflower.

Oilseeds Production and Supply

Forecast MY2016/17

Soybeans

Soybean area is forecast to decline between 10% and 20% compared to MY2015/16 due to disappointing yields and prices as well as marketing challenges for the crop. It is reported that access to planting seeds this year will be easier since some farmers held back seed production from last year's crop. Provided that the weather cooperates, soybean yields can improve and compensate for the decline in area so that production may stay close to MY2015/16 level. Expectations for production vary with most optimistic reaching 50-53,000 MT (See Table 1).

Rapeseed

Rapeseed planting was reported to be ahead of last year by 6% (173,496 HA planted, per MinAg). Farmers made efforts to plant rapeseed earlier due to plans to increase planted areas. FAS/Sofia estimate is that harvested rapeseed area will be about 170,000 HA. Expectations for production are for 3%-4% growth (See Table 1). Industry sources expectations vary from 410,000 MT to 480,000 MT.

Sunflower seeds

Early reports from farmers and planting seeds suppliers indicate that planted area is likely to increase and return to its traditional level well above 800,000 HA. This is driven by the fact that sunflower showed good profitability with less risk in 2015, the crop found good demand both on the local market and for exports; and recent diversification in the types of grown sunflower proved to be a step for better marketing of the crop. Industry reports that demand for U.S. planting seeds has grown. In MY2016/17 local farmers intend to plant regular oil bearing, high-oleic, and confectionary sunflower. To date, early intentions are for lower area of the confectionary type and higher plantings of high-oleic sunflower (about 80,000 HA per industry sources). Provided that the weather is favorable, yields are likely to improve and lead to 12%-18% higher production. (See Table 1)

Table 1. MY2016/17 Forecast Oilseed Area and Production and MY2015/16 Current Production Estimates

Oilseed Crops	**MY2015/16**	**MY2016/17**
Soybeans		
- Area	36,000 HA (planted); 34,000 HA (harvested)	25,000 HA-28,000 HA
- Production	40,000 MT	35,000 MT – 40,000 MT
Rapeseed		
• Area	174,000 HA (planted) 170,000 HA (harvested)	170,000 HA
• Production	422,000 MT	440,000 MT - 460,000 MT
Sunflower seeds		
• Area	814,000 HA (planted); 810,000 HA (harvested)	810,000HA-840,000 HA
• Production	1,708,000 MT	1,830,000 MT-1,900,000 MT
Source: MY2015/16 official data as of early April, MY2016/17 FAS/Sofia and industry estimates		

MY2015/16

Total Oilseeds

In MY2015/16 total oilseed area declined by 2% compared to MY2014/15. The two major crops, rapeseed and sunflower, registered 11% and 4% reductions respectively, due to complex reasons including the ban on neonicotinoids which made growing these crops riskier than before. The growth in soybean area from practically zero to an estimated 34,000 HA, motivated by new EU greening and protein crops subsidies, did not compensate for the loss in other oilseed crop area. Hot and dry summer resulted in 15% decline in total oilseed production with 20% and 15% for rapeseed and sunflower, respectively. (Please, see Tables 2 and 3).

Table 2. MY2015/16 and MY2014/15 Oilseed Crop Areas and Production Estimates

MY2015/16 vs. MY2014/15	**Harvested Areas (000 HA)**		**Production (000 MT)**	
	MY2014/15	MY2015/16	MY2014/15	MY2015/16
Soybeans	0.329 planted 0.305 harvested	34	0.736	40
Rapeseed	192 planted 190 harvested	170	528	422
Sunflower seeds	850 planted 844 harvested	810	2,011	1,708
Total	1,034	1,014	2,540	2,170
Source: Bulgarian Ministry of Agriculture and Foods and FAS/Sofia estimates				

Table 3. FAS/Sofia, Official and Industry Sources Estimates for MY2015/16 Oilseed Crops (as of April 2016)

MY2015/16 Major Oilseed Crops Estimates			
Crops	**Harvested Areas (000 HA)**	**Average Yields (MT/HA)**	**Production (000 MT)**
Soybeans	36.2 planted 34.5 – harvested (MinAg) 32- Eurostat 30-35 industry estimates	1.16	40.25 MT (MinAg) 39 - Eurostat 35-40 industry estimates
Rapeseed	173.9 - planted 170.4 harvested (MinAg) 167- Eurostat	2.47	422 MT – MinAg 430 – Industry estimate 426 – Eurostat

Sunflower	814.9 – planted 810.2 - harvested (MinAg) 11.6 planted black and white striped sunflower 10.9 harvested (MinAg as of December 9) 756-765-industry estimates 783- Eurostat	2.11	1,708 - MinAg 1,580 – Eurostat 17.05 black and white striped sunflower harvested (MinAg as of December 9) 1.6-1.8 MMT industry estimates
Source: MinAg Bulletin#14 of April, 2016 and Bulletin #11 December 9, 2015			

Soybeans

The most interesting development trends in this sector in MY2015/16 are:

- Sharp increase in planted areas motivated by new subsidies but disappointing results;
- Increased demand for crush resulting in slow growth in imports;
- Projected higher use (and imports) of soybean meal due to better poultry sector consumption;
- Higher use of soybean oil for biodiesel.

Production: Due to new subsidies provided for protein crops and for greening in 2015, farmers sharply expanded their area under soybeans. The MinAg estimate for the planted area is at 36,239 HA, with industry estimates higher up to 37,000 HA. This year was the first test year for many producers since soybean production greatly diminished over the last 25 years. First results, however, were disappointing. The hot and dry summer negatively affected the crop and yields turned low. FAS/Sofia estimate for production is currently at 40,000 MT, in line with the official and industry estimates.

Crush: Several full fat extruders and a few crushers are likely to crush local crop. Following the first sizable imports of soybeans (25,000 MT) in MY2014/15, industry sources indicate more imports are coming from Serbia, Moldova, Romania, and Ukraine. FAS/Sofia estimates for crush use are at 35,000 MT, almost 30% more than in the previous season. About 5,000 MT are estimated to be used for full-fat extrusion. Soybean meal is usually exported to neighboring countries and soybean oil is used for biodiesel locally. (Note: Due to the emerging character of this business, public or industry data is very rarely available).

Trade: Imports of soybean in the first quarter of MY2015/16 are reported at 16,239 MT (source: WTA), almost all imported from Romania. Exports are at 2,851 MT to Turkey.
Industry reports indicate continued exports of beans to Turkey and imports from Serbia and Romania as of today. Trade in soybean meal was reported at 35,156 MT in the first quarter of the year and exports

at 4,879 MT, again with the major partner Romania.

Data for MY2014/15 is shown in Table 4. Due to small size of this trade, it is concentrated only in the region.

Table 4. Soybeans, Soybean Meal and Soybean Oil Trade, MY2014/15

MY2014/15 **Soybean, Soybean Meal and Soybean Oil Trade**	
Soybean Imports (HS#1201)	25,192 MT Including: 15,442 MT – Serbia 7,268 MT – Romania 1,968 MT - Moldova
Soybeans Exports (HS#1201)	177 MT
Soybean Meal Imports (HS#2304)	117,537 MT Including: 112,443 MT Romania
Soybean Meal Exports (HS#2304)	9,305 MT Including: 7,102 MT - Romania
Soybean Oil Imports, (HS#150710, 150790)	12,619 MT Including: 8,897 MT – Serbia 1,652 MT - Greece
Soybean Oil Exports (HS#150710, 150790)	2,869 MT Greece, Austria, Romania
Source: World Trade Atlas/WTA	

Rapeseed

The most interesting development trends in this sector in MY2015/16 are:

- Decrease in planted areas due to discouraging margins and higher production risks (neonics uncertainty), a 20% decline in production;
- Lower production reduces export potential;
- Lower local supply combined with EU and regional deficit leads to less crush, respectively less exports of meal and oil;
- Higher imports of rapeseed oil for meet demand for biodiesel.

Production: Rapeseed yields and production were lower when compared to the exceptional yields of 2014. The MinAg data is for 422,081 MT and industry estimates are as high as 430,000 MT.

Crush: Lower local production and the shortage of rapeseed on the EU market leads to a reduction in crush and in the output of meal and oil. Select crushers try to substitute rapeseed with sunflower seeds and soybeans. Crush expectations vary from 45,000 MT (select industry sources) and 70,000 MT (MinAg estimate) to 120,000 MT (other industry sources) compared to estimated 110,000 MT in MY2014/15. FAS/Sofia current estimate is for 80,000 MT. Exports of rapeseed meal and oil decline (Table 6). It is expected that imports of rapeseed oil will complement lower production to meet the biodiesel demand.

Trade: Trade to date has been active and exports as of April 2016 are reported at 287,910 MT, according to the MinAg (Table 5). FAS/Sofia estimate annual exports to reach 360,000 MT.

Stocks: The MinAg estimates beginning stocks high at 40,000 MT compared to industry estimates of 8,000 MT - 30,000 MT. As of April 2016, available stocks in the country were reported at 121,040 MT. FAS/Sofia projects ending stocks at about 20,000 MT.

Table 5. Rapeseed Trade, MY2014/15 and MY2015/16 to date (April 2016)

Rapeseed HS#1205	**MY2014/15**	**MY2015/16** **MinAg, WTA and Industry Sources**
Imports	55,133 MT Including: 23,090 MT-Romania 21,781 MT- Hungary 4,497 MT – Ukraine 3,115 MT - Croatia 2,047 MT- Moldova	5,680 MT (July - December WTA) 4,869 MT (MinAg data as of April 2016)
Exports	464,913 MT Including: 128,007 MT– France 90,797 MT– Belgium 86,029 MT – Turkey 55,761 MT - The Netherlands 52,407 - Portugal *Source: WTA*	245,409 MT (July - December WTA) – Including: 111,000 MT - France 61,000 MT - Belgium 287,910 MT exports (MinAg data as of April 2016)

Table 6. Rapeseed Meal and Oil Trade MY2014/15 and MY2015/16 to date (December 2015)

MY2014/15 **Rapeseed Meal and Rapeseed Oil Trade**		**MY2015/16 to date** **(July-December 2015)**
Rapeseed Meal Imports (HS#230641, 230649)	2,081 (Romania)	2,337 MT
Rapeseed Meal Exports (HS#230641, 230649)	58,535 MT Including:	14,138 MT Including:

	28,547 MT - Spain 14,250 MT - Germany 5,098 MT – Morocco	4,500 MT - Italy 4,100 MT – Spain 3,100 MT - Greece
Rapeseed Oil Imports, HS#151411, 151491, 151499	1,118 MT (EU)	5,704 MT (4,455 MT from Ukraine)
Rapeseed Oil Exports HS#151411, 151491, 151499	15,361 MT Including: 9,991 MT- The Netherlands 3,900 MT - Italy	12,884 MT Including: 7,195 MT – Italy 3,044 MT - Austria
Source: WTA		

Sunflower

The most interesting trends in this sector in MY2015/16 are:

- Decrease in planted areas, which along with drought affected yields, led to 21% lower production. Production risks (neonics uncertainty) remain;
- Quality of the crop suffered due to drought and rainy harvest weather in some regions;
- Production of high-oleic sunflower increases although less than expected due to adverse summer weather;
- Production of confectionary sunflower grows due to aggressive planting seeds sales and good farmers' demand;
- Lower production reduces export potential;
- Lower local supply leads to less crush, respectively less exports of meal and oil;
- The most vital is the non-crush use: for shelled sunflower (bakery) and for confectionary type (snacks). Exports of these final products thrive;
- Consumption of sunflower meal as well as hi-pro meal is stable and grows slowly.

Production: Yields and quality were lower due to the summer heatwave, farmers reported smaller size seeds, poor pollination and empty seeds in select regions, and overall lower oil content.

The MinAg data about 2015 crop confirmed that 61.3% of analyzed samples met the quality standards compared to 76.4% in MY2014/15 and 55.1% in MY2013/14. About 70% of the samples had 42% or higher oil content compared to 88.4% in MY2014/15 and 72.2% in MY2013/14. About 23% of samples had oil content of 45% and above. On average the 2015 crop had 43% oil content, 2.9% foreign matter, and 39.3 kg/dm^3 (57% of the samples).

The FAS/Sofia estimate for the total crop is at 1.7 MMT which includes oil bearing, high oleic and confectionary sunflower seeds. There is no official data about the supply of various types of sunflower seeds. Industry sources estimates are: confectionary – 100,000 MT; high oleic production about 70,000 MT - 80,000 MT (compared to about 20,000 MT produced in MY2014/15).

Reportedly, interest in confectionary sunflower seeds was higher than expected. The crop is currently exported but at a slower than anticipated pace thus leading to more stocks. This is forecast to lead to lower planted areas of confectionary type in MY2016/17.

Crush: Crushers have been very active in sourcing sunflower seeds and the competition with exporters has intensified. Exports to date lagged behind the last season (Table 7) due to the active domestic demand for crush and peeling/de-hulling. Crushers, however, face strong competition over meal and oil prices and challenging lower crushing margins. Reportedly, select crushers have temporary stoppages and some are switching from processing to exports of available stocks. The MinAg estimates crush in MY2015/16 at 800,000 MT compared to 900,000 MT in MY2014/15. Industry sources have lower estimates at 750,000 MT to 850,000 MT. The current FAS/Sofia estimate is for 850,000 MT as compared to 950,000 MT in MY2014/15. Lower crush is anticipated to lead to lower production and exports of sunflower meal and oil.

The expansion of capacities in recent years led to a higher local demand for crush, for bakery/peeled sunflower seeds and for processing of confectionary sunflower seeds. According to the Bulgarian Union of Vegetable Oil Producers, the major 19 crushing companies have a capacity of 2.75 MMT. There are also more than 80 smaller units which process sunflower seeds (not necessarily crush) with an estimated capacity of 200,000 MT. Industry total capacity is for 2.95 MMT. It is forecast that this will motivate higher local use and lower exports of sunflower seeds in the future.

Other Uses (Non Crush) and Sunflower Seeds for Food – Demand for bakery/peeled sunflower seeds for food has been favorable and stable. It is estimated that this industry consumes about 400-480,000 MT of sunflower seeds sufficient for production of 250 - 300,000 MT of ready product (shelled seeds). In the current marketing year, this industry was a more aggressive player and the use is likely to be higher compared to the previous season by 50,000 MT or more. Almost all of the shelled seeds are exported for the needs of the bakery/confectionary industry. About 15,000 MT are estimated to remain for local consumption. Sunflower flour made from smaller size shelled seeds and sunflower pellets from hulls (used as an energy source) are secondary products which are also produced for exports (Turkey). Confectionary sunflower seeds are also processed mainly for foreign markets and a small part remains for local use as snacks (2-3,000 MT). Use of sunflower planting seeds is relatively stable at about 4,000+ MT.

Trade – Exports to date have been sluggish due to aggressive local purchases (Table 7). Exports are currently forecast at about 900,000 MT compared to above 1.0 MT in MY2014/15. Overall, Bulgaria is increasingly shifting its trade from exports to more domestic processing, and from exports of oil-bearing sunflower seeds to more diversified exports of value-added processed products.

In MY2014/15 (Table 8), exports showed these new trends with an increasing share of bakery/shelled sunflower seeds on the expense of oil-bearing type. Accordingly, exports under HS#12060091 had 30% growth while that under HS#12060099 had 28% decline, with a total exports under HS#1206 at 15% lower. If exports of bakery/shelled sunflower seeds (estimated at about 280,000 MT) are converted in in-shell basis, exports reach over 1.0 MMT. Average export price of sunflower seeds was U.S. $526/MT or 7% lower than in the previous marketing year. About 84% of sunflower seeds was sold on the EU market with the major destination The Netherlands.

Stocks: The MinAg's supply and demand balance for sunflower seeds is on a marketing year starting from September 1. For MY2015/16, the MinAg shows high beginning stocks at 235,000 MT (400,000 MT per other official sources) while the ending stocks are forecast at 86,000 MT. FAS/Sofia estimate for beginning stocks is at 160,000 MT and ending stocks at 80,000 MT. As of early April available stocks are reported by the authorities at 1.198 MMT.

Table 7. Sunflower Seeds Trade, MY2014/15 and MY2015/16 to date (April 2016)

Sunflower HS#1206	**MY2014/15**	**MY2015/16 to date – MinAg, FAS/Sofia and Industry Sources**
Imports	74,301 MT Of which: 4,078 MT of planting seeds (HS#12060010) 21,498 MT shelled or in grey and white shell (HS#12060091) 48,724 MT oil bearing (HS#12060099) By origins: 55,154 – Romania 5,113- Ukraine 4,226 – Moldova	43,371 MT (October -December, WTA) 87,134 MT (MinAg data as of April 2016)
Exports	845,308 MT Of which: 299,210 MT shelled or in grey and white shell (HS#12060091) 545,158 MT oil bearing (HS#12060099) By destinations: 211,084 - The Netherlands 96,985 – France 90,419 – Spain 71,802 - Portugal 65,167 - Germany 76,913 – Turkey	239,063 MT (October - December, WTA) of which 85,977 MT shelled or in grey and white shell (HS#12060091) 376,161 MT exports (MinAg data as of April 2016) Of which 152,035 MT shelled or in grey and white shell (HS#12060091)

Source: WTA
Note: Industry sources estimate exports of shelled sunflower at 280,000 MT or 450,000 MT converted in in-shell basis; exports of confectionary sunflower (grey and white shells) at 20,000 MT. Thus total exports converted in in-shell basis is estimated at 1,010,000 MT.

Table 8. Sunflower Meal and Oil Trade, MY2014/15

Sunflower Meal and Oil Trade MY2014/15	
Sunflower Meal Imports (HS#2306 30)	63 MT
Sunflower Meal Exports (HS#230630)	273,297 MT Including: 68,704 MT - Turkey 48,142 MT- Greece 21,157 MT- Romania 18,007 MT- Germany
Sunflower Flour Exports (HS#120890)	75,829 MT – Turkey
Sunflower Oil Imports, (HS#1512)	11,878 MT (EU, mainly Romania and Hungary)
Sunflower Oil Exports (HS#1512)	315,178 MT Including: 63,919 MT – Greece 42,443 MT- Spain 38,458 MT- Macedonia 28,172 MT- South Africa 28,172 MT- South Africa 19,701 MT - Germany 17,894 MT – The Netherlands
Source: WTA	

End of Report