

Voluntary Report – Voluntary - Public Distribution

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Report Name: Grain and Feed Market Update

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Post: Sofia

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Report Highlights:

Bulgaria harvested a 26 percent lower grain crop in marketing year (MY) 2022/23 compared to MY2021/22, including reductions of 12 percent for wheat, 11 percent for barley, and 26 percent for corn. The decrease was due mainly to unfavorable weather (summer drought) causing a decline in yields. Exports have been depressed due to tight Black Sea competition and farmers holding stocks in expectation for higher prices. As of the end of January, the country has exported 46 percent less wheat, 76 percent less barley, and 81 percent less corn. Post projects record high ending stocks for wheat and barley and potential logistical challenges by harvest time. Current early forecast for MY2023/24 is for higher grain production if the weather remains favorable and depleted soil moisture reserves are recovered in the spring.

Weather Overview

The winter grain crops have developed relatively well due to mild winter conditions with no frost damages in November-January. The southern part of Bulgaria had surplus rain while the northern part had temperature accumulation surplus ([MARS January Bulletin Vol.30 №1](#)). February was unusually warm and dry. Winter crops benefited from warmer-than-usual temperatures and from good seasonal precipitation in the November-January period. These conditions allowed late planted crops, lagging behind in development, to catch up and to be currently in good condition. However, due to limited snowfall, the precipitation was mainly in the form of rain, and in combination with warmer than usual weather and higher evaporation due to winter winds, resulted in lower soil moisture reserves, especially at the sub-surface level. Drier-than-usual conditions with precipitation anomalies of half of the average norm or more were observed in the southeastern part of Bulgaria and along the Black Sea coast. Overall, MY2022/23 precipitation to date is significantly lower than in the previous MY. Although the crops have developed well so far, there is a serious risk about their spring development when crop water needs will increase (see Maps 1-6, Appendix, [Crop Explorer](#) and [Bulgaria data](#)).

MY 2023/24 Forecast

Unlike in the previous season, most winter crops were planted in the optimal time window due to rains in September/October. There has been a growth in fall plantings for all winter grains (Table 2), mainly due to high farm prices. The Bulgarian Ministry of Agriculture (MinAg) reported an increase in wheat area planted, from 3.7 percent to 1.12 million hectares (HA) compared to MY2022/23, as of the end of November. Barley was planted on 112,756 HA, 3.0 percent higher than in MY2022/23. It is reported that due to elevated fertilizer costs, farmers made efforts to maximize the winter grains area. Still, some softening of nitrogenous fertilizers prices may have a positive impact on the average yields due to expected improved application.

Provided the weather conditions cooperate, Post's early production estimates are for the wheat crop at about 6.55 million metric tons (MMT) and barley crop at 650,000 MT. This would represent an increase of about 2 percent for wheat and 4 percent for barley. Upon a more optimistic scenario, and depending mainly on the spring/summer precipitation, the yield potential can go higher to levels similar to MY2021/22 (Table 3).

An early Post estimate for corn is for stable areas planted. In MY2022/23 corn area declined by 10 percent compared to the record in MY2021/22, and it is projected that farmers will likely maintain the same level in the next MY. This is due to higher production costs for corn compared to sunflower, and concerns about summer droughts and the ban on neonicotinoids.

In early 2023, the authorities recognized the need for a derogation of neonicotinoids and granted a limited derogation for corn for select crops and regions, supported unanimously by the farm industry. However, following the EU Court [recommendation](#) on January 19 that member states should no longer be allowed to grant derogations temporarily permitting the use of seeds treated with 'expressly banned' plant protection products by EU law, the derogation was revoked. On the other hand, expectations for increasing prices, growing domestic demand for food/starch, and improved export demand as well as the reports from Ukraine for lower corn production in 2023, will likely stimulate farmers to not undertake any further reduction in their corn production. If the weather cooperates, production is expected to recover to 3.0 MMT (Table 3).

MY 2022/23 Production Estimates and Trade

Wheat: The latest MinAg/Eurostat official data confirmed wheat production at 6.4 MMT at standard moisture content (Table 1). MinAg estimates that about 66 percent of wheat was of milling quality (MinAg wheat [crop quality](#) report). The crop was 12 percent lower than the record crop in MY2021/22.

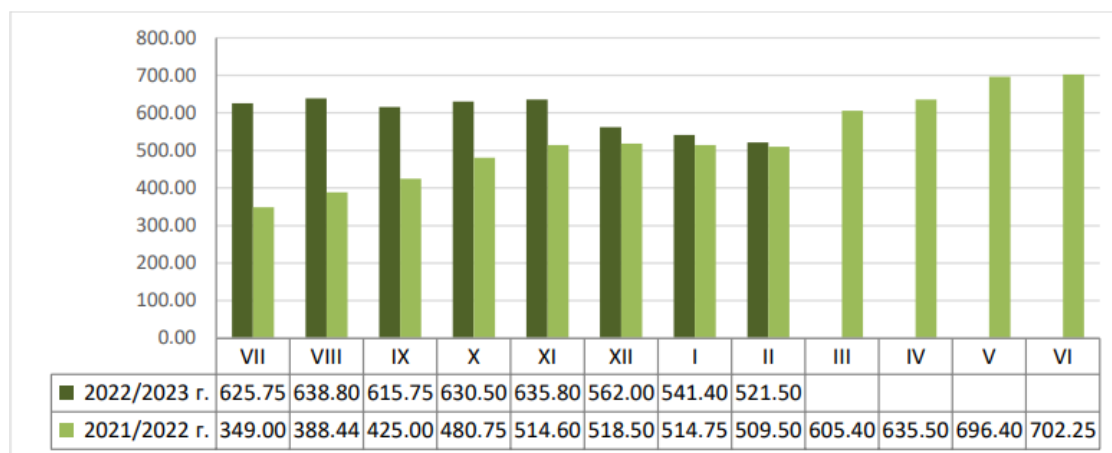
Export demand for wheat has been depressed. Following record high farm prices in May-June 2022, prices began to decline since then. The gap between the local ex-farm prices and the EU prices has gradually widened (Graphs 1 and 2). After some uptick in export prices in September, export prices have declined due to increasing Black Sea competition.

Farmers preferred to keep their stocks due to higher production costs, skyrocketing inflation (which peaked in October at almost 20 percent), and expectations that prices will climb again to their summer level. Farmers were reluctant sellers also due to an unclear picture about the prices of inputs for the spring planting campaign.

The war in Ukraine made the market highly unpredictable and volatile. Since Bulgarian grain is exported on the Black Sea basis, exports were hit by all war-related uncertainties and risks related to logistics, insurance, and financing. As of the end of January, wheat exports were reported to be 46 percent lower than a year ago at 1.7 MMT, compared to 3.2 MMT in the corresponding period in MY2021/22 (Table 5, Graph 3).

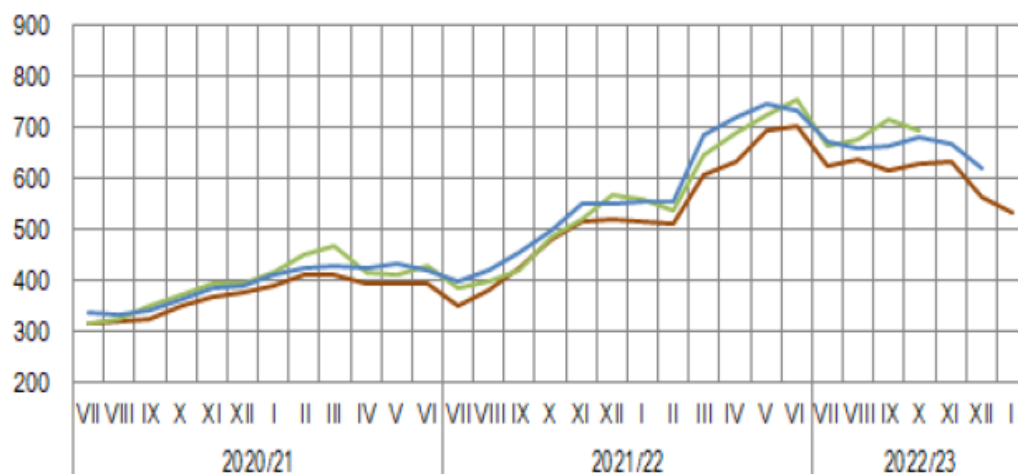
Graph 1. Wheat Monthly Market Prices, MY2022/23 vs MY2021/22 in Bulgarian Leva (BGN)/MT

2021/2022 г. и 2022/2023 г.

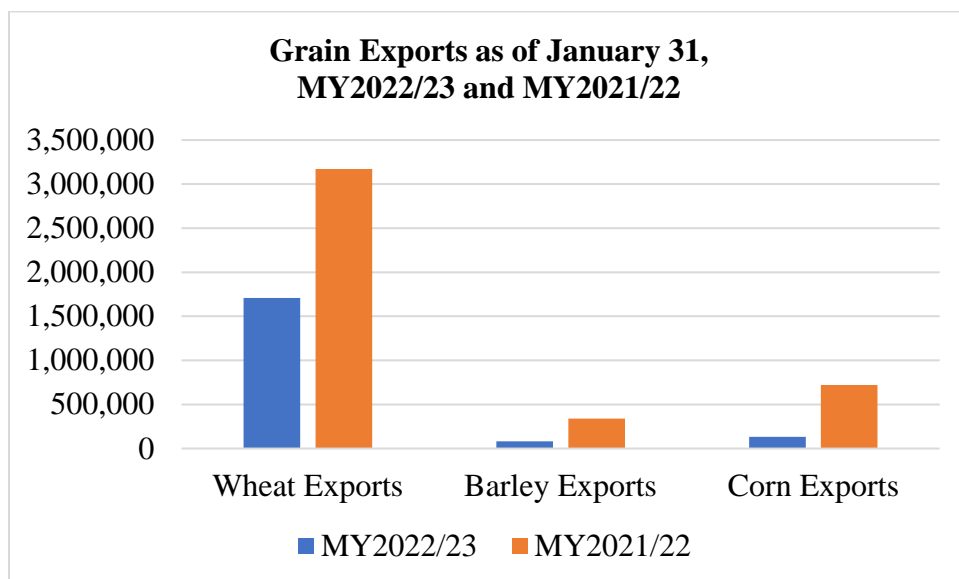


Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

Graph 2. Wheat Monthly Prices, MY2021/22 - MY2022/23 (January), BGN/MT



Graph 3. Grain Exports, MY2022/23 and MY2021/22



Source: Bulgarian Ministry of Agriculture Monitoring of Commodity Markets Weekly Bulletins

Bulgaria is a net wheat exporter. However, due to depressed farm prices, there have been speculations in media and in the farm community about the influx of more wheat from Ukraine at cheaper prices displacing local grains. Bulgaria does not share a border with Ukraine and this makes these imports more costly compared to shipments to Romania (port of Constantza). There are reports about incoming wheat cargos from Ukraine at competitive prices, however, it is believed that these imports are small. The MinAg data (Table 5) shows wheat imports (16,322 MT) at the end of January at 61 percent lower than a year ago, while EU Customs report imports from the third countries as of February 5 at 12,777 MT. TDM indicates imports of wheat from Ukraine in July-November 2022 at 14,279 MT.

Local feed consumption continues to decline in MY2022/23 (Table 5). This is mainly due to the difficult situation of the dairy, livestock, and poultry industries that have suffered from expensive feed and stagnant meat prices, resulting in negative margins. Food inflation has reached about 25 percent in 2022 and the share of disposable income spent on food increased to over 30 percent. In the last quarter of 2022, consumers began to ration their purchases. Official statistics reported a decline in per capita consumption of red meat from 10.1 kg in at the end of 2021 to 9.6 kg at the end of 2022.

Domestic food consumption tended to decrease too. In the last quarter of 2022, bread and bakery consumption per capita declined (compared to a year ago) from 19.6 kg to 18.9 kg (Table 5). These trends also contribute to the accumulation of higher than usual ending stocks, which in turn may depress farm prices.

As a result of the above trends, the country may face record high ending stocks despite its lower wheat crop. The MinAg reported wheat stocks at the end of January at 19 percent higher than a year ago (Table 5, Graph 4) at 3.8 MMT. With still depressed exports and declining domestic use, Post projection for MY2022/23 ending stocks is at about 900,000 MT or higher. This raises concerns about logistical issues at harvest time as well as about additional pressure on farm prices.