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Poultry Market Update

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Report Highlights:

Bulgaria’s poultry sector has developed successfully over the last several years due to notable growth in investment, production, and trade. The consolidation and concentration of the sector in 2011 were pronounced with 69 percent reduction in the number of small farms, with this downward trend continuing into 2012. In 2012 poultry meat output will likely recover to the 2010 level. January-November 2012 data show poultry meat output increasing nearly two percent over 2011, while chicken meat production for the same period was nearly three percent higher. In 2012, consumption continued upward as poultry meat prices remained competitive compared to red meats. For 2013 consumption is forecast flat in the wake of higher prices and stagnant income.

In 2012 poultry meat imports (January-November) increased nine percent, following the 2011 growth of 26 percent in imports. Broiler meat imports were higher with frozen items dominating over fresh/chilled products. In 2011 local meat production equaled imports for the first time. In 2012 fresh chilled broiler product exports exceeded that for frozen products. Greece and Romania were the major destination markets for Bulgarian producers.

General Information:

Poultry sector in Bulgaria has developed successfully since 2005 when a more notable growth in investment, production, and trade began. Overall, the sector continuously attracts investment, including foreign investment, and due to its stable commercial structure has excellent prospects for growth. The potential is related with efficient and abundant local grain production as well as with the growing share of retail trade, steady and constant growth in consumer spending, and well established consumer preferences towards poultry meat.

Bulgaria has several types of poultry raised for meat, mainly broilers and ducks. Poultry produced for meat accounts for 54 percent of all birds including chicken and ducks.

Chicken farms have been the backbone of the industry with broilers accounting for 44 percent (2011) of total birds and for 83 percent of poultry stocks for meat (2011). Broiler meat accounts for 75 percent of total poultry output, however, duck meat production has been growing and competing successfully in recent years.

Duck farms have been increasingly popular due to high profitability and export returns. While their number has been relatively stable since 2005, improved genetics, production efficiency, and management led to continued growth in meat output and record in 2011, 43 percent more compared to 2008.

In rural areas spent hens are slaughtered for meat use, however, this meat usually does not reach commercial channels. In general, backyard production in the poultry sector is not substantial. In 2011, 95 percent of poultry meat came from slaughterhouses vs. five percent at backyards. All ducks and broilers are slaughtered at slaughterhouses.

The country also has goose farms and mixed poultry type farms, mainly non-commercial. Turkey and ostrich production is limited, and viewed more like an exotic hobby.

Poultry Farms

The poultry sector has been growing over the last 6-7 years with some fluctuations throughout this period, related mainly to two key factors – feed availability/cost which account for 65-70 percent of production cost; and consumer spending. In general, poultry sector has not been as severely affected by the economic challenges as the red meat sectors.

In 2011 and 2012, the sector remained the least affected by higher feed prices, mainly due to its commercial structure (small percent of backyard production) and growing consumer demand.
Today, there are about 3,373 farms raising chicken but only three percent (105) of them are larger, commercially oriented broiler farms with more than 200 birds. In 2011, the number of broiler stocks increased by four percent and stabilized following the sharp drop of 13 percent between 2010 and 2009. See Tables 1 and 2.

However, the economic challenge of recent years has had an impact, mainly on the number of farms, especially on smaller operations. In 2011, the number of farms declined considerably by 68 percent in all categories of farms, with the deepest reduction registered for small farms, 69 percent. This process of concentration began years ago but was accelerated after EU accession and in years of feed deficits. Thus, the number of farms today is only 12 percent of what the country had in 2005. At the same time, the number of larger commercial farms remained almost unchanged with small fluctuations. Poultry stocks declined moderately over the years, and as of the end of 2011 the number of broilers was 85 percent of 2005 level which demonstrates the ongoing consolidation in the sector.

The consolidation and concentration in 2011 was more pronounced with 69 percent reduction in the number of small farms and 67 percent decline in stocks at these farms; while the largest farms with over 100,000 birds declined by 14 percent their stocks grew by 22 percent. In 2011, broilers were raised at 66 commercial farms (in category over 10,000 birds) compared to 92 farms in 2010 or 28 percent less than in 2010. Out of total broilers, 99 percent (6.4 million) were raised at 105 larger commercial farms (over 200 birds) which represents only 3 percent of all chicken farms. Official data for 2012 is not yet available but industry sources confirm the continuation of the consolidation trend.

Reasons for accelerated consolidation in 2011 and reportedly in 2012 and 2013 were complex and related with a number of factors such as: higher cost of production due to feed, energy and labor cost; more expensive credit and higher animal welfare investment due to policy requirements. On the demand side, the increasing share of retailers, and especially discounters, along with reduced consumer spending and more-then-ever price sensitive consumers, made competition very tight.

New regulations introduced in early 2013 will likely lead to further decline in the number of smaller farms as well as possible decline in poultry meat output. (See GAIN BU1310)

Poultry Meat Production

Total poultry meat production in 2012 (January-November data from Eurostat) totaled 91,224 MT or two percent more than for the same period in 2011 (89,785 MT). Chicken meat output for the same period was 68,810 MT or 2.5 percent more than 2011 (67,147 MT). No Eurostat or national statistics data is available for broiler meat production. Ag Sofia estimates a similar growth in broiler meat production. The forecast for 2013 is for a stable production due to flat or possible slightly lower consumption. Some rebounding in poultry meat production may be possible by the end of 2013 provided that feed cost moderates.

<u>Slaughterhouses vs. backyard meat supply</u>

Unlike beef and pork, white meat (broiler meat, duck meat and rabbit meat) is produced mainly at slaughter houses, thus commercial meat supply is usually more consistent. Since rabbit meat account for less than 1 percent meat, it will not be covered in this report.

On-farm poultry meat production usually consists of spent hens and chicken, turkey, and some other poultry types. In the period 2005-2007, backyard production grew rapidly. By 2009, backyards meat output was 222 percent more than reported in 2005. Following the peak in 2009, production has been in decline. In 2001, backyard production was 19 percent of its 2009 level. See Table 3.

In 2011, four percent of poultry stocks were slaughtered in backyards vs. 96 percent in slaughter houses. Usually, farmers keep poultry for longer time as they use chicken both for eggs and meat, therefore, the average slaughter weight is higher, about 2.2-2.5 kg/chicken, compared to slaughterhouses (1.6 kg/broiler). In 2011 back-yard meat produced accounted for five percent of total poultry meat in contrast to 2009 when such production accounted for a 21 percent share.

Due to ongoing consolidation in the sector, this backyards poultry meat supply is likely to decline further and to have almost no importance for domestic supply and consumption. As of today, the recently approved regulations for direct sales from small, usually backyard farms do not have a substantial impact. This is related to the fact that the majority of Bulgarian consumers traditionally prefer to buy meat products not from open markets as they are perceived as less appropriate in terms of sanitary and hygiene norms for foods of animal origin.

Broiler vs. duck meat

Broiler meat production has varied between 75,000 MT and 81,000 MT between 2006 and 2011. Since peaking at 81,000 MT in 2009, production has declined annually since to an estimated 76,000 MT in 2012. In 2010 the number of slaughtered birds declined by 11 percent, and meat production decreased by six percent. This was followed by a more moderate reduction in meat output of one percent in 2011 vs. 2010. According to preliminary data, broiler meat production in 2012 will equate output recorded in 2010. See Tables 5 and 6.

The forecast for 2013 is for stagnation in poultry meat supply due to anemic economic growth, freeze of consumer income and potential negative impact of recently passed regulation to limit tempering of chicken meat for retail sales.

Broiler meat (including sub-products) has the highest share in poultry meat production. Since 2006, however, its share in total poultry meat has declined from 82 percent (2006) to 75 percent (2011) and xx percent estimated for 2012. At the same time, the share of duck meat has expanded while rabbit meat share remains very small and constantly below one percent.

Duck meat share to total poultry production has increased from 16 percent (2007, 2008) to 22 percent in 2011. Duck meat output has grown in absolute terms every year since 2008 and in 2011 stood 43 percent more than in 2008. Duck meat has been popular at restaurants and has also been a good export item. However, it is not a substantial part of the daily diet for conventional shoppers yet. See Table 4.

As a result of the new regulation, wholesale prices of frozen broiler meat have increased sharply by average two percent for the week January 30-February 6 with regional fluctuations from 0.2 percent to 10 percent. Retail prices followed with weekly growth of 3.7 percent at retail chains and 0.6 percent at other retail outlets. Retail prices for chilled broiler meat also increased by 0.8 percent and 0.7 percent, respectively, at retail chains and other shops. Retail chain prices maintain prices for chilled broilers at 3.8 percent lower than other independent shops. These prices will have a negative short-term effect on demand, and in turn, on supply. For more details see GAIN BU1310.

Slaughterhouses

In 2012, as in 2011, 25 certified poultry slaughterhouses were operational. There are 3-5 companies which are vertically integrated and dominate poultry meat production. These companies produce feed, poultry stocks, and poultry meat for the market, accounting for over 50 percent of local commercial supply.

Local consumers prefer to buy whole broilers/grills for home use. For this reason, since 2007, the proportion of grill to cuts at slaughterhouses is about 60 to 40 with some fluctuations throughout that period. In years of better consumer spending, the share of cuts was higher (2008) up to 42 percent while price sensitive consumers prefer to buy whole birds. See Table 7.

Over the last five years ending stocks of poultry meat as of December 31 can vary from 2,300 MT to 10,000 MT. In December 2012, stocks were estimated at xxx MT whereas in 2011, stocks were 2,805 MT. This is much lower than in recorded in 2010 (10,850 MT) and in 2009 (8,400 MT) but higher than in 2008 (2,300 MT).

Poultry Meat Consumption

Local consumers prefer poultry meat which is also the least expensive meat on the market. It ranks first, followed by pork, in the daily diet and this pattern is not likely to change soon. Poultry meat consumption is more than any other meat resistant to sharp fluctuations in consumption due to ability of suppliers to offer a wide range of low-end to high-end product choices. In addition, it remains the main meat item for the ethnic Muslim population (about 10 percent of population).

Poultry meat annual per capita consumption shows a stable trend of growth. For the period 2005-2011, consumption increased from 7.9 kg to 10.9 kg or by 38 percent. It is estimated that actual volume of consumption is higher due to the expanding share of food service sector which is usually not counted accurately in official statistics.

Over the period 2005-2009, total poultry meat consumption has steadily increased and as of 2009 was 31 percent higher than in 2005 and reached 168,000 MT. In 2010, however, higher production cost (due to feed and energy) led to lower output, increased poultry meat prices and, as a result, consumption dropped by 15 percent vs. 2009. However, demand was still stable due to partial substitution of pork and beef in the daily diet. In 2011, consumption rebounded since poultry meat prices, although higher than in the past, still remained competitive compared to red meats.

Thus, consumption remains stable in 2012 after growing by 5 percent in 2011. The forecast for 2013 is for flat or slightly lower consumption due to increasing prices and stagnated consumer income.

In the structure of poultry meat consumption, the largest share belongs to local meat. Throughout the years since 2005, the relative share of local supply has varied between 69 percent (2008, 2011) and 79 percent (2006, 2007). Since 2009, there is a trend of decline in the share of local supply from 77 percent to 69 percent due to decline in output which also can't catch up with growth in consumption. On-farm poultry meat consumption remains very low at only three percent of total in 2011 compared to 16 percent in 2009 and 9 percent in 2005. See Table 8.

At the same time, the relative share of imports (all poultry products, including processed poultry meat) has been continuously growing since 2005. Imports grew in absolute and relative terms. In 2011, imports reached 104,000 MT or 167 percent more than 2005 and 18 percent higher than in 2010. The year 2011 became a turning point for the local market when the local meat production became equal to imports at 103,000 MT.

Exports of poultry meat (all poultry products, including processed poultry meat) have shown very stable growth increasing in 2011 to 57,000 MT or 56 percent more than in 2005. A sharp increase occurred between 2008 and 2009 when exports jumped by 136 percent and between 2009 and 2010, with 54 percent. Over the last 2 years, exports increased due trans- border trade with Romania and Greece.

Trade

<u>Poultry meat:</u>

In 2012 (January-November), imports of poultry meat HS#0207 (excludes processed products), have grown to 102,102 MT, or 9 percent more than the same period in 2011 (93,614 MT). Major suppliers were Poland, Romania, and Greece. This import sum for 11 months equals the total 2011 import (102,096 MT). Poultry meat imports in 2011 were 26 percent greater than in 2010.

In 2012, exports for the same period totaled 42,243 MT or 4.5 percent less than in 2011 (44,227 MT). Major markets were Greece, Romania, and France. In 2011, exports totaled 47,488 MT of which about half went to the Romanian market, followed by Greece, France, and Belgium.

The difference between poultry and broiler totals is trade in duck and turkey meat. In 2012 (January-November), broiler meat accounted for 90 percent of imports. In 2011, boiler meat share was also 90 percent. Turkey meat accounts for the remaining quantity of imported poultry meat. With exports, broiler meat accounted for 72 percent of poultry exports in 2012 and for 74 percent in 2011 due to strong exports of local duck meat.

<u>Broiler meat:</u>

<u>Imports:</u> In 2012 (January-November), imports of fresh chilled broiler meat alone also continued to increase to reach 42,100 MT with growth of 13 percent (HS#020711) and 67 percent (HS#020713). Imports of frozen broiler meat were down to 49,200 MT as the reduction occurred under both HS classifications – HS#020712 at 24 percent lower and HS#020714 at 10 percent lower. Total imports for 12 (January-November period) were equal to total 2011 imports (91,300 MT); therefore, annual 2012 imports are likely to exceed 2011 levels.

In 2011, Bulgaria significantly increased imports of fresh broiler meat to 32,200 MT of which that from the EU - 26,800 MT (HS#020711 and HS#020713). Still imports of frozen products (HS#020712 and

HS#020714) dominated (59,360 MT) with the largest import category frozen chicken cuts at 51,973 MT. By tariff numbers imports were consistently higher than in 2010 as follows – 50 percent (HS#020711), 7 percent (HS#020713), 69 percent (HS#020712) and 45 percent (HS#020714). Total imports were 91,542 MT of which 4,500 MT from Brazil.

Brazil was the only non-EU exporter of broilers to Bulgaria in 2009-2012. Poland, Greece, Romania, and the Netherlands are the major suppliers of broiler meat to Bulgaria.

Exports: In 2012 (January- November), exports were 30,400 MT so the annual exports may remain below 2011 level. Unlike in 2011, exports of fresh chilled products dominated with 19,600 MT vs. 10,800 MT for the frozen product. Greece and Romania remained the major markets.

Exports of broiler meat in 2011 were higher than before at 35,400 MT. Exports of frozen broiler meat were 20,100 MT exceeding that of fresh chilled exports at 15,300 MT. Most export categories had growth – 17 percent (HS#020711), 30 percent (HS# 020712), 12 percent (HS020714) – while exports under HS#020713 (fresh chilled cuts) declined 45 percent. These exports are a result of more active trade with Romania and Greece which became the major export markets for local broilers.

Table 1. Chicken farms development 2005-2011, number of farms and stocks

Chicken farms development 2005-2011, number of farms and stocks			
As of December 31	Total number of farms	Number of farms with more than 100,000 birds	Number of chickens (,000)
2011	3,373	12	6,522
2010	10,719	14	6,263
2009	8,303	15	7,224
2008	11,603	17	6,967
2007	9,951	11	7,173
2006	22,740	17	7,540
2005	28,629	16	7,656
Source: Ministry of Agriculture and Food Statistical Bulletins			

Table 2. Farms raising chicken for meat as of December 2011

Farms raising chicken for meat as of December 2011				
Number of birds per farm	Farms		Chicken raised for meat	
	Numbers	Percent Change 2010 - 2011	Numbers (,000)	Percent Change 2010 - 2011
1-199	3,268	-69.1 percent	52	-66.5 percent

200-9999	39	-30.4 percent	142	-29.0 percent
10,000 – 99,999	54	-30.8 percent	1,668	-20.4 percent
100,000 and above	12	-14.3 percent	4,660	+22.2 percent
Total	3,373	-68.5 percent	6,522	+4.1 percent
Source: Ministry of Agriculture, Bulletin 190/May 2012				

Table 3. Poultry Meat Output at Slaughterhouses and at Backyards

Poultry Meat Output at Slaughterhouses and at Backyards (MT)						
	Total Slaughtered Birds, (,000)	At slaughterhouses	At backyard	Total poultry meat output	At slaughterhouses	At backyard
2011	54,650	52,266	2,384	103,857	98,610	5,247
2010	58,462	54,418	4,045	106,915	99,065	7,850
2009	73,944	59,491	14,453	130,152	103,037	27,115
2008	61,055	53,000	8,055	108,552	91,341	17,211
2007	66,627	58,434	8,193	116,389	100,153	16,236
2006	59,904	51,962	7,942	107,413	91,237	16,176
2005	57,178	51,245	5,933	98,432	86,200	12,232
Source: Ministry of Agriculture and Food Statistical Bulletins						

Table 4. Duck Stocks and Duck Meat Production, 2005-2011

Duck Stocks and Duck Meat Production, 2005-2011					
	Duck stocks as of December 31	Slaughtered birds, (,000)	Duck meat output (MT)	Sub-products (MT)	Total duck meat and sub-products (MT)
2011	1,343	5,645	16,196	5,129	21,325
2010	1,628	5,365	14,999	4,831	19,830
2009	1,024	4,604	12,421	5,055	17,476
2008	1,299	3,906	10,970	3,977	14,947
2007	1,829	4,359	11,982	4,588	16,570
2006	1,405	4,639	14,520	3,373	17,893
2005	1,653	4,553	12,953	3,916	16,869
Source: Ministry of Agriculture and Food Statistical Bulletins					

Table 5. Poultry and Broiler Meat Production at Slaughterhouses in 2005-2011 (MT)

Poultry and Broiler Meat Production at Slaughterhouses in 2005-2011 (MT)					
	Broiler meat, carcass weight	Sub-products	Total Broiler Meat and Sub-products	Total Poultry Meat*	Total Poultry Meat and Sub-products
2011	68,773	4,702	73,475	88,650	98,610
2010	70,450	5,204	75,654	88,932	99,065
2009	75,981	5,391	81,372	92,432	103,037

2008	68,374	5,528	73,902	81,782	91,341
2007	73,360	6,543	79,903	88,980	100,153
2006	63,830	6,395	75,225	81,426	91,237
2005	58,717	5,438	64,155	76,752	86,200

*Includes broiler meat, meat from spent hens, and ducks.
Source: Ministry of Agriculture and Food Statistical Bulletins

Table 6. Poultry Meat Production 2011

Poultry Meat Production 2011							
		Live Weight		Carcass Weight			
Categories	Slaughtered birds (,000)	Total (MT)	Average (Kg)	Total (MT)	Average (Kg)	Sub-products (MT)	Percent Change, 2010 -2011,
Broilers	44, 789	94,260	2.1	68,773	1.6	4,702	-2.9 percent
Hens and cocks	1,824	4,883	2.7	3,615	2.1	128.1	+8.2 percent
Turkey	NA	NA	8.6	NA	6.3	NA	-18.4 percent
Ducks	5,645	26,958	4.8	16,196	3.8	5,129	+7.5 percent
Rabbits	NA	NA	2.7	NA	1.7	NA	+18.5 percent
Total	52,279	126,191	-	88,650	-	9,960	-0.5 percent

Source: Ministry of Agriculture Bulletin 193/June 2012

Table 7. Select Poultry Products Output at Slaughterhouses, 2005-2011 (MT)

Select Poultry Products Output at Slaughterhouses, 2005-2011 (MT)					
	Broilers and Chickens		Ducks	Total Poultry	
	Grill (whole birds)	Cuts	Cuts	Grill	Cuts
2011	48,516	21,831	15,004	49,570	36,834
2010	52,373	20,271	14,592	52,596	34,863
2009	54,171	23,404	12,386	54,783	35,818
2008	46,721	23,189	10,914	46,735	34,128
2007	52,137	23,037	11,982	53,044	35,019
2006	46,521	18,420	14,506	48,261	32,929
2005	44,772	17,762	7,533	50,191	25,295

Source: Ministry of Agriculture and Food Statistical Bulletins;
Note: Slaughterhouses produce also whole ducks/grill and poultry cuts for further processing which are not included in the table

Table 8. Domestic Production, Imports, Exports and Consumption of Poultry Meat in 2005-2011

Domestic Production, Imports, Exports and Consumption of Poultry Meat in 2005-2011					
Commercial production	Produced on-farm	Total Poultry Meat	Imports*	Exports*	Domestic Consumption
2011					

98,610	5,247	103,857	103,454	56,801	150,509
2010					
99,065	7,850	106,915	87,428	51,254	143,089
2009					
103,037	27,115	130,152	71,073	33,090	168,135
2008					
91,341	17,211	108,552	62,289	13,972	156,868
2007					
100,153	16,236	116,389	43,611	12,446	147,554
2006					
91,237	16,176	107,413	45,183	10,602	141,993
2005					
86,200	12,232	98,432	38,728	8,652	128,507
Source: Ministry of Agriculture and Food Statistical Bulletins					