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Post: Sofia

Fresh Deciduous Fruit Annual

Report Categories:

Fresh Deciduous Fruit

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Report Highlights:

In marketing year (MY) 2017/18, Bulgarian pear production increased by 42 percent. Table grape production also increased by 42 percent due to favorable weather conditions. Apple production was stagnant. Assuming normal weather, prospects for MY 2018/19 are favorable and Post expects pear, table grape, and apple production to increase.

Consumer demand continues to exceed local production, but price sensitivities remain. Apple and table grape imports declined in MY 2017/18 due to higher international prices. Conversely, a 40-percent increase in fresh-pear consumption led pear imports to grow sharply. Post expects apple and table-grape imports in MY 2018/19 to rebound. Pear consumption growth is forecast to be more moderate.

General Information:

Apples

Production

MY 2017/18 Estimates: Total apple production declined slightly, less than one percent, from MY 2016/17 (Table 1). Overall, apple quality improved over last season. The harvested area declined slightly by 3.4 percent, although this was mostly offset by higher yields, which improved by 3.7 percent. Weather in MY 2017/18 was relatively favorable. Bulgaria's winter was mild, without heavy snowfall or very low temperatures, and spring weather during the blossoming and pollination periods was favorable. Soil moisture was mostly sufficient, although hot and dry conditions during summer months negatively affected yields.

Despite new European Union (EU) subsidies, new apple-orchard area comprised only 6.4 percent of all new orchard land under production. Organic apple production has developed rapidly, but still accounts for a small share of total production. In 2016, 2,309 MT of organic apples were produced, accounting for 5.2 percent of the Bulgarian apple market. These apples were grown on 724 HA (source: Eurostat). Although apples remain widely produced, processed, and consumed in Bulgaria, their dominance is declining due to the increasing presence of other fruit varieties. In MY 2017/18, apples accounted for 10.7 percent of Bulgaria's total harvested orchard area and 20.4 percent of total fruit production. Apple area and production were third-highest among Bulgarian fruit, following cherries and plums.

MY 2018/19 Forecast: Post expects that in MY 2018/19 production will increase. The 2017/18 winter was mild and there was sufficient rainfall. In March and April 2018, a sudden cold snap brought freezing temperatures and frost to some regions, but major production areas were not negatively affected. May and June saw abundant rainfall and summer weather was generally mild. The harvest started earlier than usual due to warm and dry fall weather.

FAS Sofia expects higher apple production at 47,000 MT, based on official data and Post contacts. A Ministry of Agriculture's (MinAg) weekly report indicated that, as of October, area planted was 5.3 percent higher and average yields increased by 1.2 percent. Area harvested and apple production were 19.1 and 20.6 percent, respectively, higher over last.

Consumption

Apples are traditionally the most consumed and processed fruit in the country. FAS Sofia current estimates for supply and demand are shown in the table below.

Table 1: Supply and Demand Estimates, Apples, MY 2016/17 – MY 2018/19

Apples	2016/17	2017/18	2018/19	UOM
Calendar Year Begin	07/2016	07/2017	07/2018	(MONTH/YEAR)
	Final	Estimate	Forecast	
Area Planted	5,051	5,100	5,100	(HA)
Area Harvested		4,000	4,100	(HA)

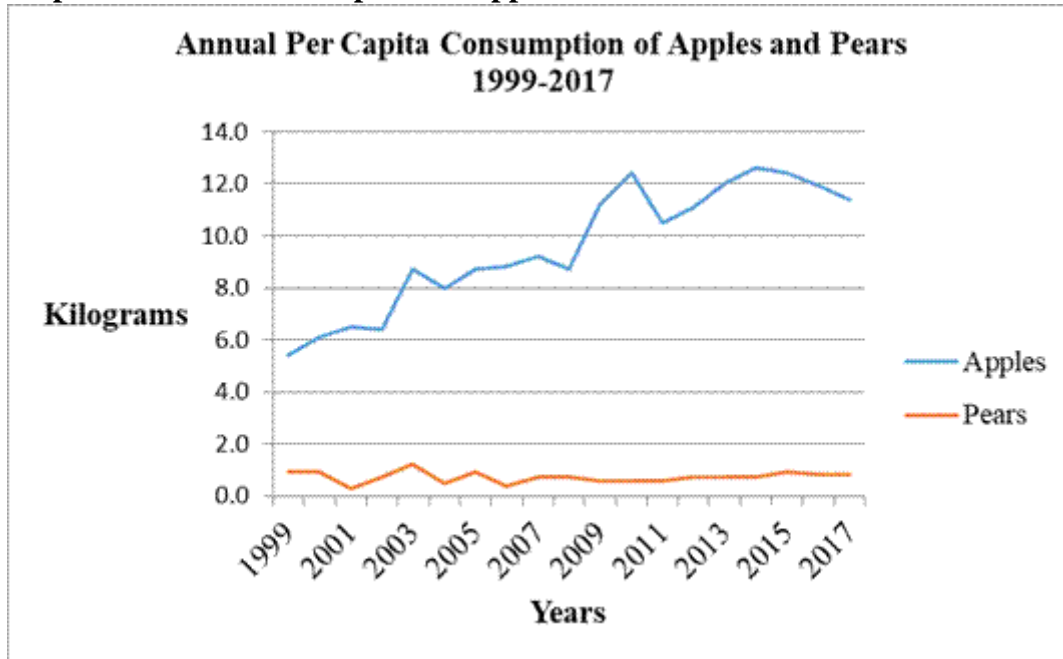
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Commercial production	40,000	40,927	43,000	(MT)
Non-commercial production	4,755	4,000	4,000	(MT)
Production	44,755	44,927	47,000	(MT)
Intra EU28 Imports	28,530	23,217	26,000	(MT)
Extra EU28 imports	14,013	8,420	9,000	(MT)
Total imports	42,543	31,637	35,000	(MT)
Including fresh apples for processing	471	4,170	5,000	(MT)
TOTAL SUPPLY	87,298	76,564	82,000	(MT)
Fresh domestic consumption	64,511	56,096	60,000	(MT)
Intra EU28 exports	219	935	900	(MT)
Extra EU28 exports	88	63	100	(MT)
Total exports	307	998	1,000	(MT)
For processing	22,480	19,470	21,000	(MT)
TOTAL DISTRIBUTION	87,298	76,564	82,000	(MT)

Fresh Consumption

Fresh consumption has generally trended upward due to consumers' increasing preference for more healthful food, although consumers remain price sensitive. In 2013-2015, official per capita consumption data indicated 12.00 kg (Graph 1). In 2016 and 2017, per capita consumption dipped below 12.0 kg, although Post expects that trend will reverse soon.

Usually 50-80 percent of Bulgarian apples are consumed as fresh. Fresh consumption in MY 2017/18 reached 80 percent, as quality and stocks were high. Fresh consumption of imported apples was lower, as import prices averaged 41 percent higher in MY 2017/18 over MY 2016/17 (WTA). Despite the bump in local production, overall fresh consumption declined by 13 percent year-on-year due to high prices of imported apples.

Graph 1: Annual Consumption of Apples and Pears



Source: Bulgarian National Statistical Institute

Consumption for Processing:

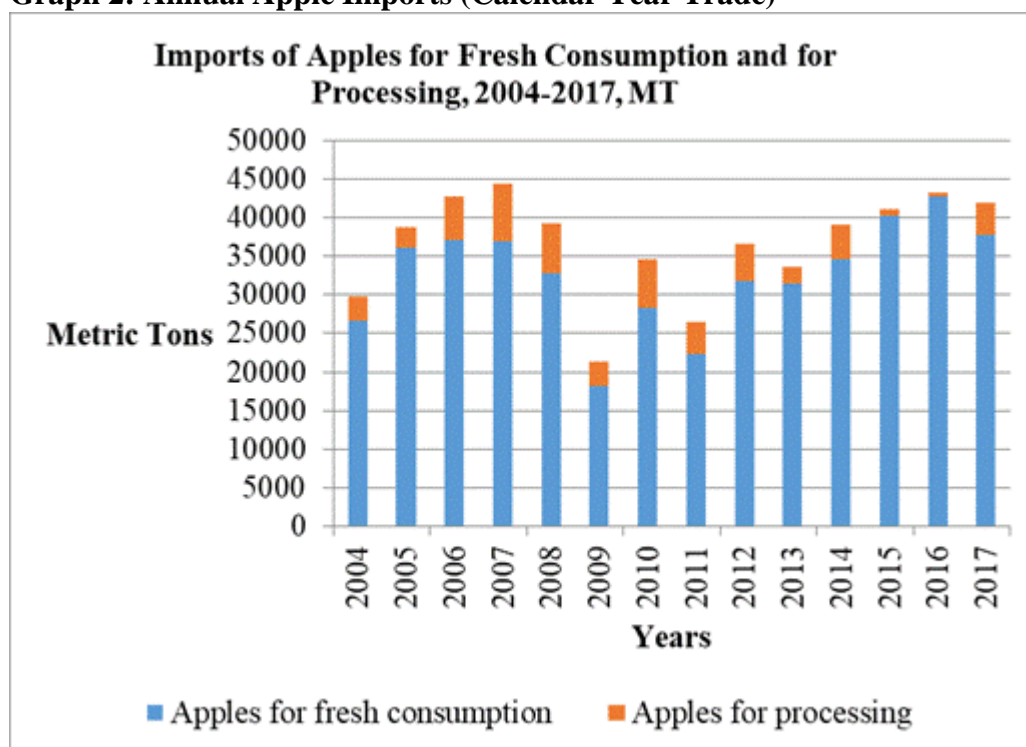
In MY 2017/2018, apples accounted for 21 percent of all processed fruits, a decrease of 26 percent from the previous MY (MinAg Bulletin#347/August 2018). Cherries accounted for 32 percent of total processed fruits. 29 commercial processors used apples in 2017, compared to 31 in 2016. Per the MinAg data, 43 percent of apples used for processing came from imports, as more local fruit was consumed fresh. As a result, apple processing dropped by 13 percent from MY 2016/17.

Trade

Imports

Since 2013, fresh-apples imports have increased to meet growing consumer demand (Graph 2). In MY 2017/18, higher prices limited imports, which declined for the first time since 2012, to 32,000 MT or by 25 percent (Table 2, marketing years trade). The average import price in MY 2017/18 was at \$362/MT and the highest for the last five marketing years. Greece, Poland, and Macedonia were the primary origins of apples. Greece apples accounted for 32 percent of imports, doubling from the previous year.

Graph 2: Annual Apple Imports (Calendar Year Trade)



Source: World Trade Atlas

Exports

Bulgarian apple exports of apples are emerging. In MY 2017/18 although exports were higher over the previous year, it remained under 1,000 MT. The average export price was \$664/MT, 20 percent lower than in MY 2016/17. The main export markets were Romania and Italy.

Pears

Production

MY 2017/18 Estimates: Production in MY 2017/18 was 42 percent higher than the previous MY due to a 29-percent jump in average yields, as well as a 10-percent increase in harvested area (Table 1). Yields achieved a three-year high due to favorable weather. Pears are not a major fruit and harvested area in 2017 was 1.5 percent of total fruit harvested areas.

MY 2018/19 Forecast: MY 2018/19 prospects look favorable. MinAg reporting from October indicates that as harvested area increased by 22.2 percent higher and yields increased by 26.3 percent. Pear

harvest more than doubled over last year due to better yields. FAS Sofia expects pear production in MY 2018/19 at around 3,500 MT.

Table 2: Supply and Demand Estimates, Pears, MY2016/17 - MY2018/19

Pears	2016/17	2017/18	2018/19	UOM
	Final	Estimate	Forecast	
Calendar Year Begin	07/2016	07/2017	07/2018	(MONTH/YEAR)
Area Planted	560	625	630	(HA)
Area Harvested	410	449	540	(HA)
Commercial production	1,742	2,600	3,100	(MT)
Non-commercial production	250	240	400	(MT)
Production	1,992	2,840	3,500	(MT)
Intra EU27 Imports, fresh	3,630	3,496	3,200	(MT)
Extra EU27 imports, fresh	369	1,652	1,300	(MT)
Total imports, fresh	3,999	5,148	4,500	(MT)
TOTAL SUPPLY	5,991	7,988	8,000	(MT)
Fresh domestic consumption	4,660	6,500	6,300	(MT)
Intra EU27 exports, fresh	519	38	100	(MT)
Extra EU27 exports, fresh		-	-	(MT)
Total exports, fresh	519	38	100	(MT)
For processing	812	1,450	1,600	(MT)
TOTAL DISTRIBUTION	5,991	7,988	8,000	(MT)

Consumption

Since 2007, per capita fresh consumption increased to reach 0.8 kg/year in 2016 and 2017. Similarly, purchased quantities of pears by households increased to 1.3 kg/household in 2017, double from 2013. In MY 2017/18, Post estimates fresh consumption to increase by 39.5 percent over the previous season due to high local stocks and a 29-percent increase in imports. In MY 2018/19 fresh consumption is forecast to be slightly lower. Fresh consumption usually consists of all imports and about 50 percent of locally produced pears.

Processing also increased in MY 2017/18 due to higher local stocks. The forecast for MY 2018/19 is for processing to grow further, due to favorable demand, mainly for juice.

Trade

Pear imports increased significantly over the last three years and were 29 percent higher in MY 2017/18 over the previous season, mainly from Greece and Turkey (Table 3). In value terms, imports reached \$2.6 million, averaging \$495/MT, which was slightly above the previous season, but remained much below average prices over the last five years. In MY 2018/19, imports are forecast to decline slightly due to better local supply.

Table Grapes

Production

MY2017/18 Estimates: Harvested table grape area in MY 2017/18 increased by 5.8 percent over the previous year (Table 1). Average yields were 6.725 MT/HA, an increase of 34 percent over the previous year. In southeastern Bulgaria, yield averages of 10.727 MT/HA were achieved. Production was 42 percent higher compared to MY2016/17 and accounted for seven percent of the total grape crop. Quality was high due to favorable weather conditions (dry and with moderate to high temperatures).

MY 2018/19 Forecast: The MY 2018/19 crop is expected to increase as a result of higher average yields. The October MinAg reports indicated that average yields were 16.1 percent above last season, although the harvested area was 4.5 percent less. Collected crop was reported at 25,000 MT.

Consumption

Table grape fresh consumption per capita has grown since 2010 to 2.1 kg (2016) and 2.3 kg (2017). Purchased quantities by households also increased to 10.2 kg/household in 2017 compared to 7.8 kg/household in 2016. Fresh consumption usually varies depending on the quality of the local crop. In MY 2017/18, the quality was very good which stimulated higher consumption. Official data (MinAg Bulletins 342/April 2018) reports that about 10,000 MT of local grapes were used for fresh consumption. Actual fresh consumption includes local grapes as well as fresh imports. Total fresh consumption in MY 2017/18 dropped by seven percent less from last season due to lower imports, but Post forecasts consumption will increase in MY 2018/19 due to better local supply.

Table 3: Supply and Demand Estimates, Table Grapes, MY2016/17 – MY2018/19

Table Grape	2016/17	2017/18	2018/19	UOM
	Final	Estimate	Forecast	
Calendar Year Begin	07/2016	07/2017	07/2018	(MONTH/YEAR)
Area Planted	2,300	2,500	2,500	(HA)
Area Harvested	2,009	2,126	2,200	(HA)
Commercial production	10,066	12,000	23,000	(MT)
Non-commercial production	2,016	2,297	2,000	(MT)
Production	12,082	14,297	25,000	(MT)
Intra EU27 Imports, fresh	8,953	7,457	3,000	(MT)
Extra EU27 imports, fresh	5,935	3,473	2,000	(MT)
Total imports, fresh	14,888	10,930	5,000	(MT)
TOTAL SUPPLY	26,970	25,227	30,000	(MT)
Fresh domestic consumption	25,902	24,174	28,000	(MT)
Intra EU27 exports, fresh	972	974	1,000	(MT)
Extra EU27 exports, fresh	96	79	1,000	(MT)
Total exports, fresh	1,068	1,053	2,000	(MT)
TOTAL DISTRIBUTION	26,970	25,227	30,000	(MT)

Trade

Although table-grape imports have trended up in recent years to over 10,000 MT, imports in MY 2017/18 declined by 27 percent as average import prices were 33 higher over MY 2016/17 (Table 4).

Bulgaria's main table-grape suppliers were Greece and Turkey. Post expects that a better crop in MY 2018/19 will cut into imports.

Agricultural Policy and Domestic Support

Agricultural Policy: In December 2017, Bulgaria adopted the ‘National Strategic Plan for Operational Programs of Fresh Produce Producers 2017-2021’. In August 2018, MinAg amended the strategy to limit the support for producers’ organizations to 10 percent of total sales as of January 1, 2019. To date, the level of support under this program was up to 25 percent of producer-group sales.

Coupled Support Subsidies: Fresh deciduous fruits are eligible for coupled support subsidies based on area. In June 2017, Bulgaria paid 65 million leva (\$41 million) to 14,000 horticulture farmers based on a rate of 1,342.66 leva/HA (\$839/HA) for orchards and 1,080.51 leva/HA (\$675/HA) for vegetables. The total subsidies paid to fruit growers was at 30 million leva (\$19 million). In July 2018, Bulgaria increased this support to 79 million leva (\$46 million), of which 32 million (\$19 million) to fruit producers. About 10,000 horticulture farmers received funding under the program. Fruit producer subsidies this year higher over the previous season and were set at 1,835 leva/HA (\$1,080/HA) for farms up to 30 HA and 1,224 leva/HA (\$720/HA) for farms above 30 HA. The eligibility requirements (minimum yields) for coupled support was set at 12.8 MT/HA for apples and at 7.6 MT/HA for pears. Table grapes were included in a separate new program (table grapes and plums only) for domestic support where the subsidy rate was set at 1,140 leva/HA (\$670/HA) for farms up to 30 HA and at 760 leva/HA (\$447/HA) for farms above 30 HA. The budget of this separate program for table grapes and plums for 2017 was 6.26 million leva (\$3.7 million).

In August 2018, the MinAg updated the requirements for coupled support for 2019. Farmers must demonstrate that at least 50 percent of the national average yield of the respective crop to be eligible for coupled support. For apples and pears, the new updated requirements for average yields are lower, for apples from 12.8 MT/HA to 11.9 MT/HA, and for pears from 7.6 MT/HA to 5.9 MT/HA.

Crop Insurance: Since 2011, MinAg has applied a special system for insurance of horticulture crops which will be in place until 2020. In July 2017, the Paying Agency increased the subsidy under the program to \$1.6 million to allow for expanded participation in the program. In September 2017, Bulgarian authorities reported that 3,400 HA of orchards were insured. In June 2018, the Paying Agency increased the initially allocated budget for insurance by 700,000 leva (\$412,000) to total 2.2 million leva (\$1.3 million).

Pest Control Program: There is a state aid program to support pest control for orchards during the winter. In September 2017, 2,566 horticulture farmers applied for the program. Bulgaria covers a portion of pest control expenses per EU Regulation #720/2014. The annual budget of the program in 2017 was \$2.5 million. In January 2018, the MinAg allocated more funds for 2018, 4.7 million leva (\$2.7 million), of which 2.4 million leva (\$1.4 million) were paid to 2,500 growers at a rate of 270 leva/HA (\$159/HA) in June and the rest will be paid in the fall.

Labor: In January 2018, the Cabinet simplified daily labor contracts due to Bulgaria’s labor deficit. Increasingly, farmers hire seasonal workers, largely from Ukraine, Moldova, Belarus.

Marketing: Five out of 12 producer organizations for fresh produce (Fruit Logistica, Semele, Happy Fruits, Dunav Plod) were recognized as successfully completing five-year plans for eligibility for EU and national financial support. These organizations will receive 2 million leva (\$1.2 million) for

carrying out operational programs in 2018 valued at 4.7 million leva (\$2.8 million). The financial aid accounts for up to 25 percent of organizations' sales. In addition to this national support, the five organizations were receive EU subsidy equal to 4.1 percent of their sales or 390,000 leva (\$230,000).

In 2018 several retail chains, Billa, Metro Cash & Carry, Kaufland and Lidl introduced marketing programs for local produce from select list of farmers certified by the retailers. Metro has worked with 150 local growers of fresh produce who delivered 4,300 MT to the retail chain in the first year of the program (2017). In the summer of 2018, the retailer organized seven local festivals with local communities and farmers to demonstrate the diversity of the local produce. Kaufland announced an investment of 250,000 leva (\$147,000) for certification of 15 farmers under Global G.A.P. Reportedly, there are 60 local farms certified under the standard. In June, Billa introduced a program for reduction of pesticides residues in fresh produce in cooperation with SGS Switzerland and Global 2000 Austria. The program is applied for 150 local farmers' suppliers of Billa Bulgaria. Lidl launched a program for sales of authentic home-made processed products such as jams, juices, compotes etc.

School Program: Since October 2017, the school program has been reformed to include both dairy products and fresh produce. In MY 2017/18 the program covered 3,450 schools or 77 percent of all schools in the country and 456,000 children. Under the program, 3,600 MT of fresh produce was supplied to schools to be served twice a week. The school lunch program for 2018 has a budget of 19.5 million leva (\$11 million) of which 13 million (\$8 million) are funded by the national budget and the rest by the EU funds. The sub-program for fruits is budgeted with 5.4 million leva (\$3.2 million).

Appendix:

Table 4: Production of Apples, Pears and Table Grapes 2012-2017

Apples						
Years	2012	2013	2014	2015	2016	2017
Harvested Area, HA	4,621	4,799	3,951	4,765	4,111	3,973
Crop, MT	30,942	54,656	54,502	58,419	44,755	44,927
Average Yields, MT/HA	6.7	11.4	13.8	12.3	10.9	11.3
Pears						
Harvested Area, HA	442	451	336	528	410	449
Crop, MT	1,364	2,894	2,154	2,953	1,992	2,840
Average Yields, MT/HA	3.1	6.4	6.4	5.6	4.9	6.3
Table Grapes						
Harvested Area, HA	2,248	2,842	1,610	2,254	2,009	2,126
Crop, MT	8,659	16,770	7,079	16,320	10,066	14,297
Average Yields, MT/HA	3.9	5.9	4.4	7.2	5.0	6.7

Source: MinAg Statistical Bulletins

Table 5: Apple Trade, 2015-2017, MT

Apples Imports and Exports, HS#080810 (MT) MY2015/16 - MY2017/18			
	MY2015/16	MY2016/17	MY2017/18
Imports	41,482	42,543	31,637
Exports	2,490	307	998

	CY2015	CY2016	CY2017
Imports	40,220	42,822	37,768
Exports	678	2,313	929

Source: World Trade Atlas (WTA)

Table 6: Pear Trade, 2015-2017, MT

Imports of Pears, HS#080830 (MT) MY2015/16 - MY2017/18			
	MY2015/16	MY2016/17	MY2017/18
Total	3,609	3,999	5,148
	CY2015	CY2016	CY2017
Total	3,585	3,752	4,906

Source: WTA

Table 7: Table Grape Trade, 2015 – 2017, MT

Table Grape Imports and Exports, HS#080610 (MT) MY2015/16 - MY2017/18			
	MY2015/16	MY2016/17	MY2017/18
Imports	8,346	14,888	10,930
Exports	970	1,068	1,053
	CY2015	CY2016	CY2017
Imports	8,246	14,936	10,730
Exports	1,118	1,107	1,061

Source: WTA