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Post: Sofia

Stone Fruit Annual

Report Categories:
Stone Fruit
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Report Highlights:
Post forecasts that Bulgaria's stone fruit crop in marketing year (MY) 2017 will increase due to favorable weather, improved average yields, and orchard expansion supported by EU subsidy programs. This increase will lead to more processing and fresh consumption, particularly following a decline last year due to lower production and quality issues.

Stone fruit imports will experience steady growth, driven by higher incomes and consumer demand for healthful products. Bulgarian fresh stone fruit exports will likely be flat, although processed-product exports will continue to increase.

General Information:
MY2017 Supply and Demand Forecast

To date in MY2017, weather conditions have been mixed, but generally more favorable than 2016. Cold weather in January and February damaged some orchards, although the damage was not widespread. During the end of April, orchards in some regions were set back by freezing temperatures. May precipitation and warm, dry weather in June and July provided good conditions for ripening and harvest. Hail storms in some areas during early July led to yield reductions in affected areas.

FAS Sofia expects stable to slightly higher harvested areas for stone fruit, improved quality and respectively, and higher yields for both crops (Table 3). MinAg's August 31 weekly data showed the peach harvest as 88 percent complete, with average yields up by three percent over last year. MinAg's data also reflected that 89 percent of the cherry harvest was complete with average yields nine percent higher. Early harvest data for cherries was reported at 12 percent higher with significant improvements in quality over last year.

The expected larger crop will lead to slight increases in fruit processing and fresh consumption due to expanded supply and more affordable prices. Processed fruit products are likely to see good export prospects. Fresh consumption is projected to rebound after dropping in MY2016 due to tight supplies, higher prices, and lower quality (Tables 6 and 7). Despite steadily improving production, Bulgarian fresh stone fruit exports will be minimal and imports will continue to supplement local produce.

MY2016 Supply and Demand

Supply

Bulgaria's weather in 2016 was challenging for the stone fruit sector, especially for sweet cherries. There were reoccurring rains and cold temperatures in the spring and incurred serious losses in many farms because of hail storms in May. The summer was generally dry with high temperatures.

Planted and Harvested Area: On average, Bulgarian orchards experience a 10-percent production loss in MY2016 due to weather-related fruit damage. Only 73 percent of tart cherries could be harvested, as well as 79 percent of sweet cherries. About 90 percent of peaches were harvestable.

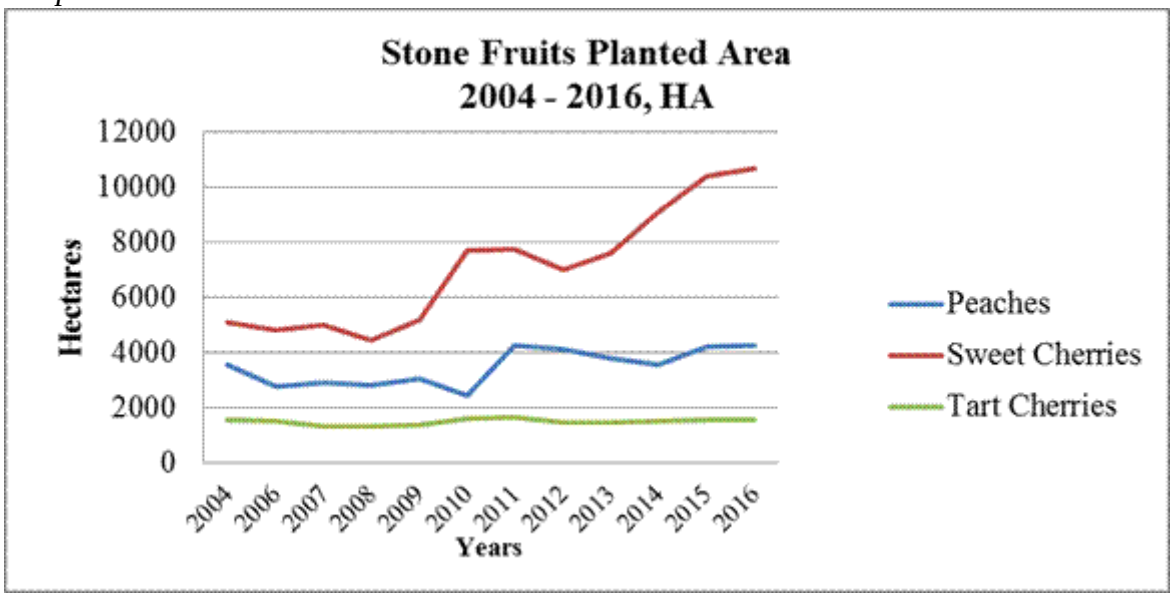
Sweet cherry acres continued to account for the highest share of Bulgaria's total fruit (stone and pomme fruit) area harvested at 23 percent. (Table 3)

Growers continue to invest in orchard expansion supported by EU funds. In MY2016, the MinAg reported 14,700 HA of newly planted fruit orchards, with stone fruit accounting for about 30 percent (including peaches, cherries, plums, and apricots).

Area planted growth over the last three years was 13 percent for peaches and 40 percent for cherries (2016 vs 2013). As a result, the share of young trees which have not reached production was four

percent in 2016 for peaches and 11 percent for sweet cherries.

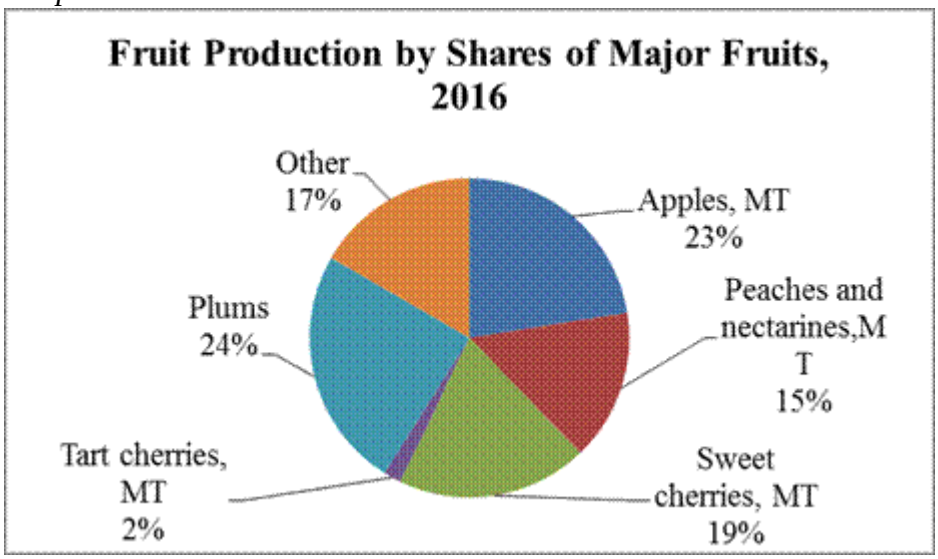
Graph 1:



Source: Bulgarian Ministry of Agriculture, Foods and Forests data

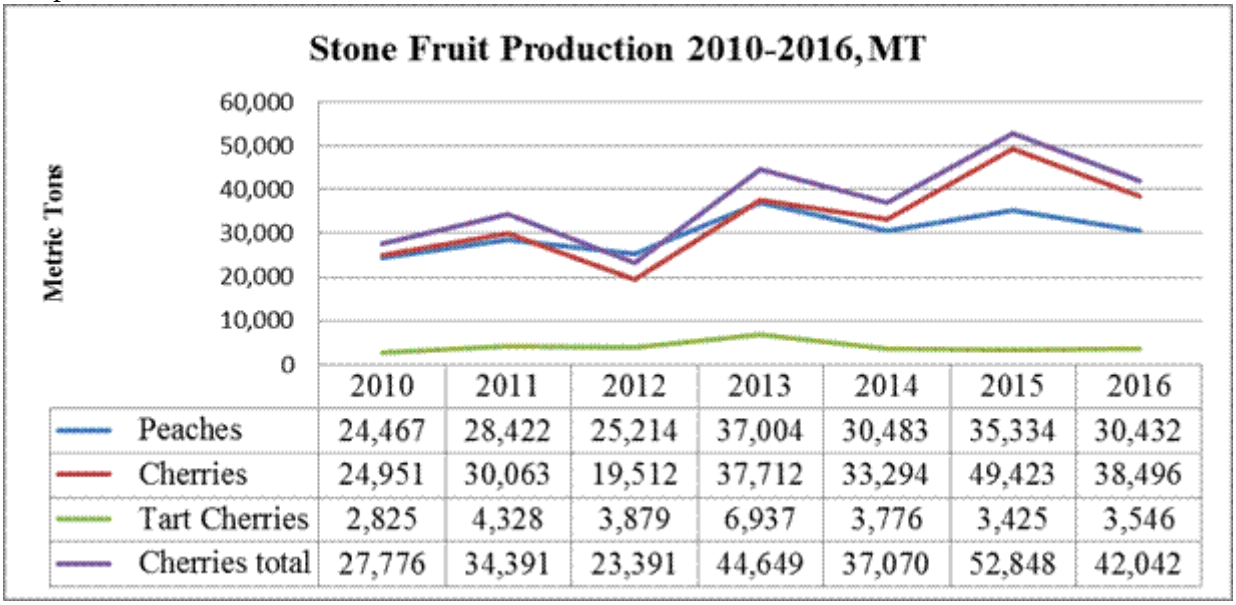
Average Yields: The unfavorable weather in MY2016 caused a reduction in average yields, specifically a 16-percent decline for peaches, and a 26-percent decline for sweet cherries. However, tart-cherry yields increased by about 10 percent (Table 1).
Because of lower harvested area and yields, production of peaches decreased by 14 percent and of cherries by 21 percent (Table 3). Fruit quality also declined, which affected processing, lowered exports, and increased demand for imports. Stone fruits still remained important, accounting for 36 percent (cherries and peaches) of Bulgarian total fruit production, followed by apples at 22 percent.

Graph 2:



Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Graph 3:



	2010	2011	2012	2013	2014	2015	2016
Peaches	24,467	28,422	25,214	37,004	30,483	35,334	30,432
Cherries	24,951	30,063	19,512	37,712	33,294	49,423	38,496
Tart Cherries	2,825	4,328	3,879	6,937	3,776	3,425	3,546
Cherries total	27,776	34,391	23,391	44,649	37,070	52,848	42,042

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Consumption

Stone Fruits for Processing

MinAg reported that the canning industry processed total 88,000 MT of fruit in MY2016, a four percent increase over MY2015. As a result, finished products from processing (71,500 MT) had a 14-percent increase over the previous season.

Peaches for Processing

The lower peach crop in 2016 reduced total peach supplies for processing, despite the 21-percent increase in imports. Since 2014, the volume of peaches for processing has been stable at about13,000 MT. In MY2016 commercial processors reported using more imported peaches due to deficit domestic supplies (Tables 4 and 5).

Processed-product production (compotes, peaches in syrup, puree, and juice) was reported at 16,290 MT of which 62 percent was exported to the EU (53 percent in MY2015) and 24 percent to third countries. Total exports of processed peaches increased by 17 percent in volume and 21 percent in value (Table 10). Processed products are exported mainly to Poland, Italy, Russia, and Romania.

Cherries for Processing

Cherries are traditionally the most popular fruit for processing in Bulgaria, followed by apples and peaches. In MY2016, sweet cherries accounted for 30 percent of processed fruits, followed by peaches at 15 percent, and tart cherries at four percent. Since 2014, the volume of cherries for processing has

remained stable at about 30,000 MT. (Tables 4 and 5)

The 17-percent decline in total cherry supply in MY2016 resulted in lower amount of cherries used both for processing and for fresh consumption despite growth in imports by 54 percent. The relative share of cherries used for processing continued to dominate over fresh consumption, especially because of quality issues (65 percent vs 35 percent for fresh consumption relative to total supply). The volume of cherries for processing declined by six percent to 30,000 MT. The share of locally-sourced cherries was 84 percent.

The finished processed product (cherry pulp, dried cherries and jams) was reported to be three percent more than in 2015 at 22,460 MT (from sweet and tart cherries). Processors reported that 76 percent of the processed product was exported to the EU market. This is a significant increase compared to the previous season when exports to the common market were at 35 percent of the finished product. The main market for cherry pulp (the major processed product) is Germany, followed by Russia, Italy and Hungary (Table 9). Annual exports are close to 7,000 MT ($25 million in 2016).

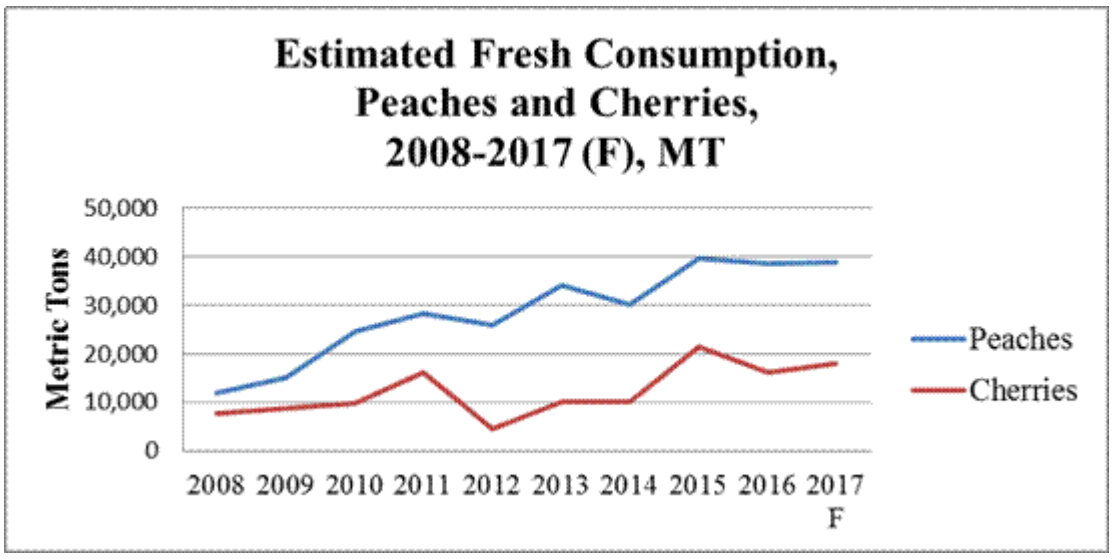
Stone Fruit for Fresh Consumption

Fresh consumption of stone fruit has increased sharply since 2008 driven by improving living standard and income, and the consumption pattern change towards healthier lifestyle (Tables 7 and 8). Despite this growth, however, fresh consumption still remains price sensitive and limited mainly to the season of higher local supply. This is more applicable to cherries which have a shorter local supply period than peaches.

In MY2016 lower availability, higher price and mediocre quality of local supply were the reasons behind a reduction in fresh consumption which occurred for the first time for the last five years. According to the national statistics, peach fresh purchases by household declined slightly from 8.1 kg/household in MY2015 to 8.0 kg/household in MY2016 while the purchase prices were six percent higher. These purchases usually do not include on-farm consumption and consumption by the hotel and food service sectors. FAS Sofia estimate for fresh consumption is for 38,000 MT or three percent less than the previous year (Table 7).

Cherry purchases by households declined more significantly by 42 percent with a growth of 35 percent in average purchase price. MinAg official data reveals that ex-farm prices of cherries in MY2016 were 53 percent higher than in 2015 due to the shorter crop. This corresponds with FAS Sofia's estimate for a 25-percent decline in cherry fresh consumption in 2016 from 2015 (Table 8).

Graph 4:



Source: FAS Sofia

Trade

Peaches: In MY2016 exports of peaches were 15 percent higher with the main export markets Belarus and the Czech Republic. Still exports were small relative to supply representing only three percent of production. Imports continued to increase by 21 percent due to the reduced local crop and growing domestic use. Greece dominated with 90 percent market share in imports, followed distantly by Italy and Spain. (Table 6)

Cherries: Fresh cherry exports remained small in 2016 (less than 2,000 MT) and represented only four percent of the crop. Romania remained the main outlet for the fresh cherries, followed by Italy and Serbia. In terms of imports, Greece continued to be the major supplier to Bulgaria with 78 percent share, followed by Serbia and Macedonia.

Lower local availability and favorable consumer demand supported a growth in imports which skyrocketed by 54 percent. Reportedly, most of the imported cherries were used for processing.

Agricultural Policy and Domestic Support

Coupled Support Subsidies: Stone fruit are subject of coupled support subsidies paid per area. In June 2017, the authorities paid 65 million leva ($41 million) to 14,000 horticulture farmers at a rate of 1342.66 leva/HA (839/HA) for orchards and 1080.51 leva/HA ($675/HA) for vegetables. The amount of subsidy paid to fruit growers was at 30 million leva ($19 million).

Insurance: Since 2011, the MinAg has applied a special system for insurance of horticulture crops which will be in place until 2020. It subsidizes 65 percent of the insurance premium for farmers. The insurance covers natural disasters which cause over 30 percent loss of average annual production of the respective farmer. The total insurance budget 2015-2020 is 21 million leva ($11.7 million).
In June 2016, the insurance budget was increased to 2.5 million leva ($1.39 million) due to higher interest and complete use of the previous allocation. In July 2017 the MinAg increased the subsidy

under the program again to $1.6 million in order to allow for expanded farmers' participation in the program. In September 2017, the MinAg Paying Agency reported that 3,400 HA of orchards were insured.

Pest Control Program: There is a state aid program to support pest control in orchards in the winter. In September 2017, total 2,566 horticulture farmers applied for the program. The authorities will cover a portion of pest control expenses per EU Regulation #720/2014. The annual budget of the program is $2.5 million.

Labor: In 2015 the Cabinet approved legislative changes which allowed for daily labor contracts as well as flexible work hours to be used in agriculture. The interest to these daily contracts have been high and new simplification and liberalization of the regulation was adopted in 2016 and 2017 with online contracts registration.

Marketing: In 2017 two retail chains, Billa and Metro Cash & Carry introduced programs for sales of locally produced fresh produce from select list of about 100 farmers who are certified by the retailers. Metro expects that 150 local varieties of fresh produce will be sold through the chain in a minimum volume of 12,000 MT annually.

School Program: In September 2017 the MinAg approved 215 suppliers of fresh produce for the schools. The program will cover 3,259 schools and 448,000 children in MY2017. The program is funded by EU and national funds for deliveries of fresh fruits and vegetables.

Appendix:

Table 1: Stone Fruit Average Yields Development, 2014-2016, MT/HA

	Stone Fruit Average Yields Development, MT/HA			
	2002-2011	**2014**	**2015**	**2016**
Peaches	5.678	9.737	9.521	7.975
Sweet Cherries	3.587	5.322	6.136	4.549
Tart Cherries	2.348	3.942	2.838	3.119

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Table 2: Marketing Channels of 2016 Stone Fruit Crop

Marketing Channels of 2016 Stone Fruit Crop (Percentage)				
	On-farm	Trade Channels	Processing	Other
Peaches and nectarines	1.9%	54.6%	25.5%	18.0%
Sweet Cherries	1.4%	41.3%	42.9%	14.4%
Tart Cherries	1.6%	28.7%	63.7%	6.0%

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Table 3: Peaches and Cherries Area, Yields and Production, 2011-2017 F

Peaches and Cherries Harvested Area, Average Yields and Production, 2012-2017F						
	2012	**2013**	**2014**	**2015**	**2016**	**2017 F**

Harvested Area, HA						
Peaches	4,103	3,753	3,139	3,711	3,816	3,800
Sweet Cherries	6,989	7,605	6,256	8,055	8,463	8,600
Tart Cherries	1,470	1,441	958	1,207	1,137	1,200
Cherries total	8,459	8,937	7,214	9,262	9,600	9,800
Yields, MT/HA						
Peaches	6.146	9.942	9.737	9.521	7.975	9.0
Sweet Cherries	2.792	5.019	5.322	6.136	4.549	4.7
Tart Cherries	2.638	4.868	3.942	2.838	3.119	3.0
Production, MT						
Peaches	25,214	37,004	30,483	35,334	30,432	34,000
Cherries	19,512	37,712	33,294	49,423	38,496	40,400
Tart Cherries	3,879	6,937	3,776	3,425	3,546	3,600
Cherries total	23,391	44,649	37,070	52,848	42,042	44,000
Source: MinAg statistical bulletins, 2016 is final official data #326/2016 bulletin, 2017 is FAF/Sofia forecast						

Table 4: Processing of Peaches and Cherries in 2011-2016

Processing of Peaches and Cherries in 2011-2016						
Processed fruits, MT	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Peaches	8,750	12,000	9,000	12,740	13,090	13,090
Sweet Cherries	14,740	16,620	30,900	24,480	29,960	25,690
Tart Cherries	2,300	3,840	5,100	3,050	2,000	4,090
Cherries total	17,040	20,460	36,000	27,530	31,960	29,780
Source: MinAg Bulletin #332/2017.						

Table 5: Processing of Peaches and Cherries at Commercial Plants in 2013-2016

Processing of peaches and cherries in 2011-2014, MT								
	2013		**2014**		**2015**		**2016**	
	No of plants	Processed raw material	No of plants	Processed raw material	No of plants	Processed raw material	No of plants	Processed raw material
Peaches	21	9,000	18	12,740	25	13,090	23	13,090
Sweet Cherries	32	30,900	33	24,480	34	29,960	29	25,690
Tart cherries	33	5,100	33	3,050	30	2,000	28	4,090
Cherries total		36,000		27,530		31,960		29,780
Source: MinAg Bulletins #248/2013, #274/2014, #290/2016, #332/2017.								

Table 6: Trade in Peaches and Cherries, 2010-2016 (January-December) and 2017 (January – May)

Trade in peaches and cherries, 2010-2016 (January-December)								
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017 (January-May**
Peaches, HS 080930								
Imports	6,424	11,296	16,673	9,472	15,242	18,366	22,202	347
Exports	2,642	2,811	3,964	3,316	2,619	904	1,043	0
Cherries, other than sour HS 080929								
Imports	0	0	1,520	5,020	1,809	1,540	1,419	169
Exports	0	0	1,192	3,366	1,092	1,579	745	2
Sour Cherries HS 080921								
Imports	0	0	139	141	502	1,257	2,901	91
Exports	0	0	202	268	288	514	762	86
PG Cherries, HS 080920, 080929, 080920								
Imports	1,031	978	1,659	5,161	2,311	2,797	4,320	260
Exports	1,257	2,180	1,394	3,634	1,380	2,093	1,507	88
Source: World Trade Atlas								

Table 7: Supply and Demand Peaches and Nectarines 2010-2017 Forecast (F)

Peaches	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017F**
Harvested Area, HA	4,264	4,225	4,103	3,753	3,139	3,711	3,816	3,800
Production	24,467	28,422	25,214	37,004	30,483	35,334	30,432	34,000
Imports	6,424	11,296	16,673	9,472	15,242	18,366	22,202	20,000
Total supply	30,891	39,718	41,887	46,476	45,725	53,700	52,634	54,000
Exports	2,642	2,571	3,964	3,316	2,619	904	1,043	1,000
Processing	3,720	8,750	12,000	9,000	13,000	13,130	13,100	14,000
Fresh Consumption	24,529	28,397	25,923	34,160	30,106	39,666	38,491	39,000
Total Distribution	30,891	39,718	41,887	46,476	45,725	53,700	52,634	54,000
Note: 2016 data is tentative estimates and 2017 data is forecast by FAS/Sofia								

Table 8: Supply and Demand Cherries (Sweet and Tart) 2010-2017 Forecast (F)

Cherries	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017F**
Harvested Area, HA	9,267	9,371	8,459	8,937	7,214	9,262	9,600	9,800
Production	27,776	34,391	23,391	44,649	37,070	52,848	42,032	44,000
Imports	1,031	978	1,659	5,161	2,311	2,797	4,320	4,800
Total supply	28,807	35,369	25,050	49,810	39,381	55,645	46,352	48,800
Exports	1,257	2,180	1,394	3,634	1,380	2,093	1,507	1,000
Processing	17,869	17,040	20,460	36,000	28,000	32,017	30,000	31,000
Fresh Consumption	9,681	16,149	4,590	10,176	10,001	21,535	16,352	17,800
Total Distribution	28,807	35,369	25,050	49,810	39,381	55,645	46,352	48,800
Note: 2016 data is tentative estimates and 2017 data is forecast by FAS/Sofia								

Table 9: Exports of Processed Cherries, 2014-2016

Bulgaria Export Statistics

Commodity: 200860, Cherries, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi							
Calendar Year: 2014 - 2016							
Partner Country	Unit	2014		2015		2016	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	28,160,349	6,657	23,563,019	6,382	25,396,028	6,837
Germany	T	25,498,139	4,704	21,925,391	4,987	23,848,260	5,461
Russia	T	1,275,875	1,114	643,452	628	546,382	566
Italy	T	155,096	102	150,767	124	186,363	157
Hungary	T	43,337	17	1,296	1	171,961	111
Israel	T	160,680	109	96,951	88	96,,467	87
Chile	T	0	0	0	0	70629	51
Romania	T	60,703	41	66,740	51	69,252	71
Poland	T	51,281	32	70,398	51	68,301	49
Canada	T	90,203	57	68,372	54	56,213	47
Slovakia	T	26,809	19	7,494	6	49,647	49
China	T	504	0	18,296	16	43,819	37
Australia	T	254,417	172	163,465	138	39,889	36
United States	T	191,326	116	134,739	97	34,549	31
Source of Data: WTA/Eurostat							

Table 10: Exports of Processed Peaches, 2014-2016

Bulgaria Export Statistics							
Commodity: 200870, Peaches, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi							
Calendar Year: 2014 - 2016							
Partner Country	Unit	2014		2015		2016	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	11,116,121	9,438	10,288,001	11,209	12,454,257	13,081
Poland	T	1,650,804	1,568	990,153	1,192	2,310,967	2,649
Italy	T	3,447,915	2,530	2,464,660	2,200	2,235,314	1,850
Russia	T	2,946,073	2,555	2,083,796	2,230	1,849,550	1,992
Romania	T	778,928	695	1,262,265	1,464	1,505,885	1,604
Czech Republic	T	737,825	703	1,224,222	1,496	1,254,443	1,461
Hungary	T	453,099	433	628,099	762	1,093,530	1,282
Slovakia	T	447,330	451	881,580	1,068	962,973	1,094
Germany	T	111,996	71	310,428	348	511,881	377
Greece	T	4,855	12	6428	1	113,998	111
Source of Data: WTA/Eurostat							