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Deciduous Fruit Annual Report

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Fresh Deciduous Fruit

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Report Highlights:

Deciduous fruit production is foreseen to recover in 2016, despite episodes of high temperature variations. Demand for fresh products will remain solid, encouraged by local regulations imposed on retailers. Imports are expected to fill in the gap between local production and consumer demand.

General Information:

In 2015 total Romanian fruit production declined as a result of adverse weather conditions by 8 percent, from 1.301 million MT in 2014 to 1.196 million MT in 2015. Orchard production area slightly declined to 138,500 hectares. Apples rank second after prunes by share of production in total fruit volume. The predominant species in 2015 were apples (40 percent), plums (40 percent), pears (4 percent), cherries and sour cherries (6 percent), followed by peaches, nectarines, and strawberries.

In terms of age, Romanian orchards need revitalizing as it is estimated that fruit trees on half of total area are old, with reduced productivity. Areas with trees younger than 10 years covers currently only 10 percent of total area. It is noticeable the interest of private businesses to invest in new orchards, with a high-level of investment per unit, such as performant nursing material, dripping irrigation, protection against frost, anti-hail nets, storage and packaging facilities. The Rural Development Program (2014-2020) will play a crucial role in ensuring funding for rehabilitating orchards on an estimated area of 35,000 hectares.

The fiscal measure reducing the Value Added tax (VAT) of food and non-alcoholic beverages from 24 percent to 9 percent in June 2015 has generated positive effects for food operators and consumers. The action is expected to stimulate food-processors and retailers to diversify the range of products they offer to consumers, with positive impact on consumption.

In 2016 the cooperative law was amended with the intention to respond to numerous complaints made by farmers regarding the excessive fiscal regime. The main change in the law refers to fiscal incentives. Both cooperatives, as entities, and their members will benefit from the following: cooperatives which target processing will not pay tax on profits for the first five years of activity; other types of cooperative (focused on sales, acquisitions, primary processing etc.) will receive the same exemption assuming their turnover is lower than U.S. $ 2.2 million. At the same time, assets used in common by the cooperative are exempted from taxation.

Benefits received by members of agricultural cooperatives are in general known, but Romanian farmers remain reluctant to cooperate and prefer to act as individuals. Fruit production is one of the areas in which cooperatives would bring extremely important benefits to members along the supply chain, from ensuring good prices for production inputs to securing market outlets. In the future the recent changes in legislation on cooperatives and the positive results achieved by some cooperatives may encourage other small farmers to increase their capacity to comply with market requirements in terms of quality and quantity.

APPLES

The apple area is largely concentrated in the northwestern and southern areas, which account for over 60 percent of all apple orchards. Overall there are about 100 apple varieties cultivated in Romania, with Jonathan (49.6 percent) and Golden Delicious (19.9 percent) the predominant species.

A large part of apple production originates with non-commercial operations and small farmers. In absence of proper storage conditions and cold chains, harvested production enters non-commercial channels, meaning self-consumption or home cooking, as jams and brandy production. The large majority of apples are consumed fresh in Romania while a third of all production goes for processing. In general, retailers purchase in the harvesting months fresh fruit from the local market satisfying the demand and cover further needs later on with imports.

In 2016 apple production is foreseen to boost by 2.3 percent after a fall of 9 percent the previous year (Table 1). Despite the warm temperatures in the winter, which stimulated early vegetation, and the late frost in the spring, the negative effect on apple trees was not as severe as anticipated. With slightly higher domestic production in 2016, imports are projected to decline, but remain above the level of imports prior to 2014 when the Russian Federation imposed trade restrictions. Apple consumption is forecast to marginally grow in 2016 compared to the previous year.

Table 1 - Romania, Apple area, production and consumption

APPLES	**2013**	**2014**	**2015**	**2016**
	July 2013 - June 2014	**July 2014 - June 2015**	**July 2015- June 2016**	**July 2016- June 2017**
Area	56,900	56,100	55,900	56,000
Production MT	513,600	513,200	469,000	480,000
Total Import	61,194	85,596	106,322	100,000
Total Availability	**574,794**	**598,796**	**575,322**	**580,000**
Total Export	19,196	11,464	16,583	16,000
Consumption (fresh or processing) and losses	555,598	587,332	558,739	564,000
Total Disappearance	**574,794**	**598,796**	**575,322**	**580,000**
Per capita consumption	**29.2**	**29.4**	**27.9**	**28.2**

Sources: Romanian Statistical Office; Global Trade Atlas; FAS estimates for 2016

Trade

In 2015 fresh apple imports increased by 24 percent in order to cover the supply deficit due to lower yields. Very competitive prices offered by other suppliers, such as Poland, Italy, and more recently, Macedonia, resulted in increased imports from these sources, adding more pressure on domestic suppliers (Table 2).

Although modest as compared to production volume, apple exports recovered in 2015 increasing by 45 percent, still below the level of 2014 (Table 3). The increase came entirely from exports to Hungary, as volumes to other destinations, such as Germany and Bulgaria, dropped.

Table 2 – Romania, Fresh Apple Imports (Year Ending: June)

Country	Unit	Quantity	% Change

		2014	2015	2016	2016/2015
Total, of which	T	61,194	85,596	106,322	24.21
Poland	T	29,215	43,479	59,315	36.42
Italy	T	10,313	18,763	20,817	10.95
Germany	T	5,552	8,334	7,463	- 10.45
Macedonia	T	1,669	532	6,268	1079.04
Hungary	T	3,570	7,292	6,146	- 15.71
Austria	T	2,068	2,056	1,840	- 10.50
Greece	T	1,519	955	1,552	62.45
Serbia	T	2,291	21	754	3460.37
France	T	141	163	378	132.03
Moldova	T	3,258	1,759	181	- 89.73
Other	T	1,598	2,242	1,608	- 28.28

Source of Data: Global Trade Atlas

Table 3 – Romania, Fresh Apples Exports (Year Ending: June)

Country	Unit	Quantity			% Change
		2014	2015	2016	2016/2015
Total, of which	T	19,196	11,464	16,583	44.65
Hungary	T	8,551	5,850	13,004	122.28
Germany	T	8,261	4,577	3,234	- 29.35
Bulgaria	T	418	227	253	11.62
Italy	T	1,534	500	-	- 99.98
Other	T	432	310	93	-70

Source of Data: Global Trade Atlas

Marketing

Fresh apples are among the top consumer fruit preference. Per capita consumption varies around 28-29 kg/year. The amended retail law requires retailers to purchase starting with January 2017 at least 51 percent of the fruits from the “short supply chain”. Even prior to this law retailers were seeking to enlarge their portfolio with local produce and fruits, thus responding to Romanian consumers’ perception that local apples are tastier and healthier. Lack of proper storage, sorting and adequate transportation facilities for fresh fruits and vegetables prevent though many local farmers from supplying their products to modern retail chains. The new retail provisions may incentivize in the medium and long-run the domestic producers to invest more in their operations.

APPLE JUICE

Apple juice production has seen a positive trend over the past several years. The solid domestic demand and strong regional competition limited export opportunities (Table 4), but Romania remains a net apple juice exporter. Apple juice imports stagnate at around 900 MT per year.

The available EU funding encouraged some investors to utilize the raw materials available in traditional apple producing areas and process the apples into fresh juices or canned fruits. Demand for fresh juices in cities with higher purchasing power is expected to continue rising. These premium products are produced for either room temperature or temperature control storage. The latter category enjoyed in

2015 strong focus from food and beverage producers and a positive response from consumers. Some companies invested in packaging, mostly targeting the younger generation, which is strongly focused on a balanced diet. In addition to large-size processing capacity units producing juice, small-size capacity units are being established in the neighborhood of the traditional apple production areas. Apple juice from these operations is marketed in the system of “bag-in-box” packages of two to five liters, pure or in combination with other fruits.

Table 4 - Romania Apple Juice Exports (Year Ending: June)

Partner Country	Unit	Quantity			% Change
		2014	2015	2016	2016/2015
World	T	5,060	4,424	2,217	- 49.89
Hungary	T	1,257	2,468	1,761	- 28.66
Croatia	T	-	307	237	- 22.54
Bulgaria	T	24	562	120	- 78.65
Austria	T	1,597	55	25	- 54.79
Germany	T	1,587	937	4	- 99.54
Other	T	595	96	70	-27.08

Source of Data: Global Trade Atlas

PEARS

Area covered with pear trees is around 3,400 hectares. The south, northwestern and western regions are the most important in terms of pear production. In terms of varieties, according to data provided by the Statistical Office, there are about 50 pear varieties cultivated in Romania, the largest shares being taken by Cure and Williams (over 60 percent), followed by Conference (7 percent) and Abate (6 percent).

Table 5 - Romania, Pear area, production and consumption

PEARS	2013 July 2013 - June 2014	2014 July 2014 - June 2015	2015 July 2015- June 2016	2016 July 2016- June 2017
Production MT	66,800	61,300	44,682	52,000
Total Import	8,667	18,785	21,780	22,300
Total Availability	**75,467**	**80,085**	**66,462**	**74,300**
Total Export	615	36	382	510
Consumption (fresh or processing)	74,852	80,049	66,080	73,790
Total Disappearance	**75,467**	**80,085**	**66,462**	**74,300**
Per capita consumption	**3.94**	**4.00**	**3.30**	**3.69**

Sources: Romanian Statistical Office; Global Trade Atlas; FAS estimates for 2016

Pear production is expected to recover in 2016 with improved weather conditions. Pear production is projected to increase by 16 percent, but will remain well below the volumes of 2014 and 2013 (Table 5). In Romania part of the production is consumed fresh and part in used in jams or brandy production. The largest majority of pear production is non-commercial, which means that harvest is mostly marketed in open markets or used for self-consumption. Only a limited share of local production reaches retail chain in fresh form, thus retailers satisfy consumer demand from abroad.

Pear imports have been on a positive trend triggered by internal demand. After a sharp increase of more than 100 percent in 2014/2015 imports slowed down and grew by 16 percent in 2015/2016 (Table 6). Two thirds of pear imports originate from Italy and the Netherlands. Pear exports remain insignificant, not exceeding 400 MT per year.

Table 6 - Romania Pear Imports (Year Ending: June)

Partner Country	Unit	Quantity			% Change
		2014	2015	2016	2016/2015
World	T	8,667	18,785	21,780	15.94
Italy	T	4,151	11,155	10,939	- 1.94
Netherlands	T	2,005	4,496	5,150	14.54
Belgium	T	234	736	2,777	277.13
Poland	T	89	514	767	49.23
Greece	T	692	608	519	- 14.54
Turkey	T	404	65	379	479.22
Czech Republic	T	3	23	336	1363.04
Spain	T	211	186	264	42.15
Hungary	T	167	183	220	20.15
Argentina	T	78	-	105	0.00
Other	T	632	818	322	-60.64

Source of Data: Global Trade Atlas

TABLE GRAPES

Table grape production is projected to grow by 14 percent in 2016 compared to the previous year (Table 7). Most table grape production is located in the southeast region. According to data published by the Statistical Office, there are about 40 table grape varieties cultivated in Romania, three quarters of the area being covered with Afuz Ali, Chasselas Dore and Hamburg Muscat varieties.

Table 7 - Romania, Table Grape area, production and consumption

TABLE GRAPES	2013	2014	2015	2016
	June 2013 - July 2014	June 2014 - July 2015	June 2015- July 2016	July 2016- June 2017
Production MT	55,400	36,000	42,100	48,000
Total Import	24,256	29,996	34,379	33,000
Total Availability	**79,656**	**65,996**	**76,479**	**81,000**
Total Export	1,184	137	642	900
Consumption (fresh or processing)	78,472	65,859	75,837	80,100
Total Disappearance	**79,656**	**65,996**	**76,479**	**81,000**

Sources: Romanian Statistical Office; Global Trade Atlas; FAS estimates for 2016

Retail chains market table grapes throughout the year. Import is the main source of acquisition, except fall and the beginning of winter, when local production is preferred due to price and freshness. The major foreign suppliers are Moldova, Italy and Greece (Table 8). Table grape exports are negligible.

Table 8 - Romania Table Grapes Imports (Year Ending: June)

Partner Country	Unit	Quantity			% Change
		2014	2015	2016	2016/2015
World	T	24,255	29,996	34,379	14.61
Moldova	T	2,083	11,455	11,105	- 3.05
Italy	T	12,197	10,122	10,091	- 0.31
Greece	T	4,198	3,246	5,540	70.65
Netherlands	T	1,459	2,033	2,627	29.17
Macedonia	T	2,595	561	1,757	213.45
Germany	T	137	373	924	147.46
Turkey	T	545	1,326	757	- 42.94
Other	T	1,042	879	1,578	79.52

Source of Data: Global Trade Atlas

End of report.