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Bulgaria

Post: Sofia

Stone Fruit Annual Report

Report Categories:
Stone Fruit
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Report Highlights:
Post forecasts that total stone fruit production in marketing year (MY) 2018 will be stagnant. Cherry production is expected to reach a record high due to expanded area, favorable weather, and improved average yields. The growth in cherry stocks will foment more processing and fresh consumption. Peach production and stocks are lower due to weather-related yield losses in major production regions. Fresh peach consumption is forecast to be stable. Lower local stocks will be augmented by higher imports to meet Bulgaria's growing demand for fresh produce.

General Information:

MY2018 Supply and Demand Forecast

Weather: MY 2018 weather conditions to date have been mixed. Mild weather through mid-February helped orchard conditions, although freezing weather and snow during the middle of the month damaged some areas. March was also challenging for stone fruit trees due to frequent temperature fluctuations. In April and May, some peach orchards were damaged by hail, although precipitation was also abundant and beneficial. Although June and July were warm and rainy, which were favorable for cherry and peach production, these conditions created challenges for the cherry harvest.

Supply and Demand Estimates: According to Ministry of Agriculture (MinAg) data from October 4, Bulgaria's harvest for cherries and peaches was complete. For cherries, Bulgaria saw a 15-percent increase in harvested area, a 19-percent increase in yields, and 36 percent increase in total production. Higher supply led to lower farm-gate prices ($0.35-$0.60/kilogram), as well as farmer protests. Farmers demanded state-sponsored price setting, price supports, and more subsidies. Moreover, farmers remain divided; to date no significant marketing cooperatives or producer groups have been established to improve marketing and sales. In response to cherry-grower protests, MinAg introduced minimum support prices, which were designed to cover 44 percent of farmer costs. The larger cherry stocks and low market prices will spur cherry processing and fresh consumption (FAS Sofia estimates in Table 7).

According to MinAg data for peaches, a lower harvested area and lower yields reduced average production by 20 percent. FAS Sofia forecasts that imports will offset the decrease in local production to meet demand for fresh consumption which is projected to keep stable in 2018. However, peach processing and exports are anticipated to decline (Table 6).

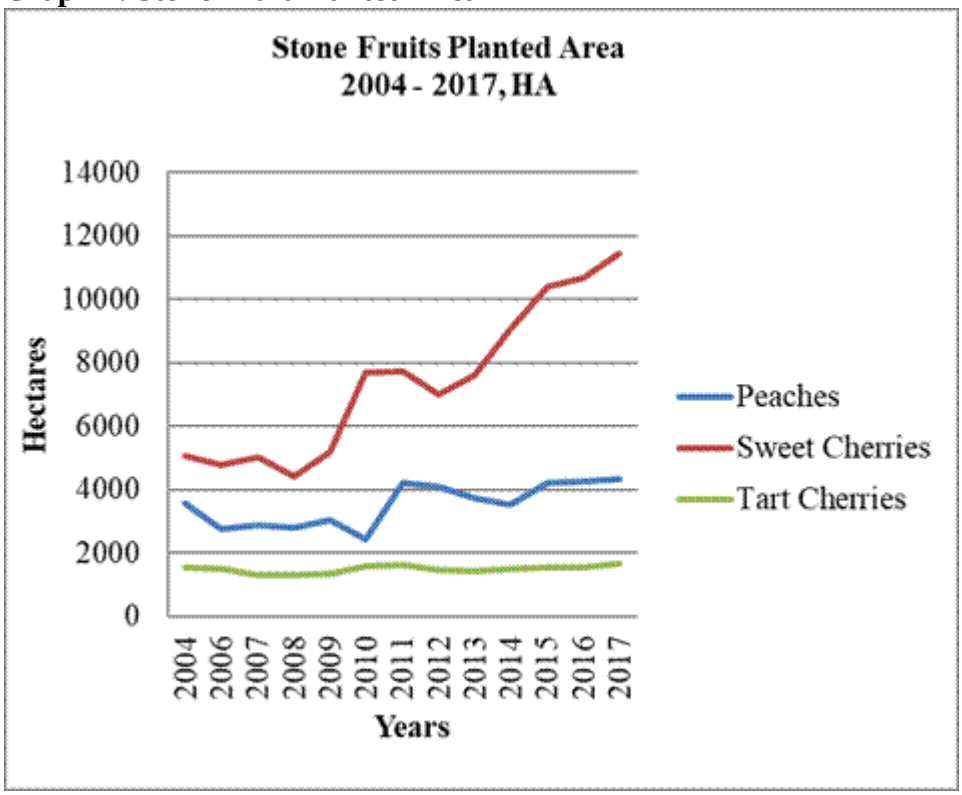
MY2017 Supply and Demand

Supply

Bulgaria's weather in 2017 was relatively favorable for the stone fruits. Abundant spring rain followed by dry and warm summer weather led to higher average yields for cherries and peaches.

Planted and Harvested Area: Due to active investments supported by EU funds, Bulgaria's stone fruit planted area continued to increase. Sweet cherries accounted for 24 percent of Bulgaria's total fruit area at 11,443 HA, of which 79 percent was harvested. The tart-cherry planted area also grew, however only 64 percent was harvested. The peach area also increased and 90 percent was harvested.

Graph 1: Stone Fruit Planted Area

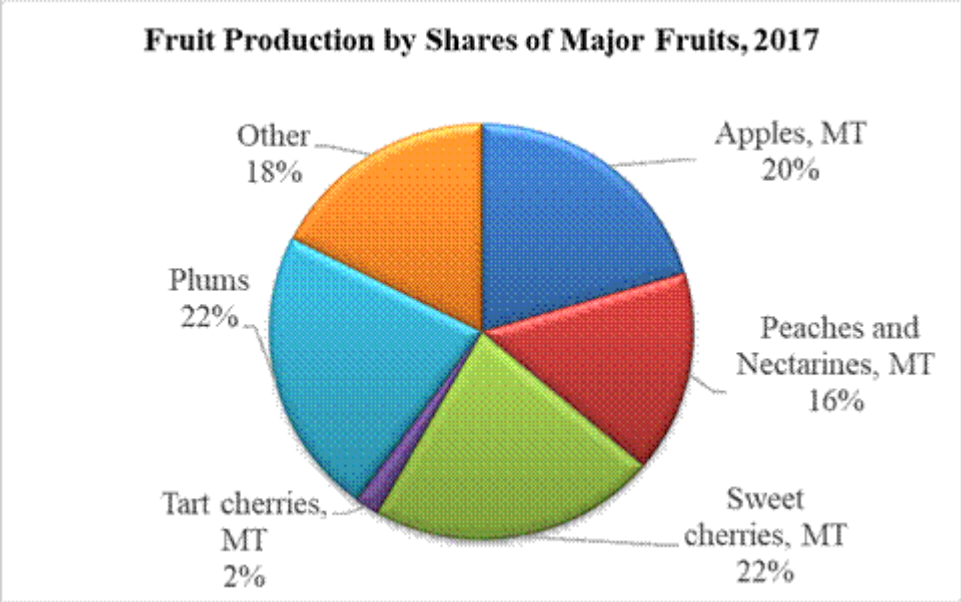


Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Average Yields: More favorable weather in MY 2017/18 drove average yields, notably and 11-percent increase for peaches, 18 percent for sweet cherries, and 23 percent for tart cherries compared MY 2016/17. (Table 1). Because of higher harvested area and yields (except for tart cherries harvested area), total stone fruit production grew by 20 percent, including 14 percent for peaches and 25 percent for cherries (sweet and tart) (Table 1). Fruit quality was better which spurred fresh consumption and exports.

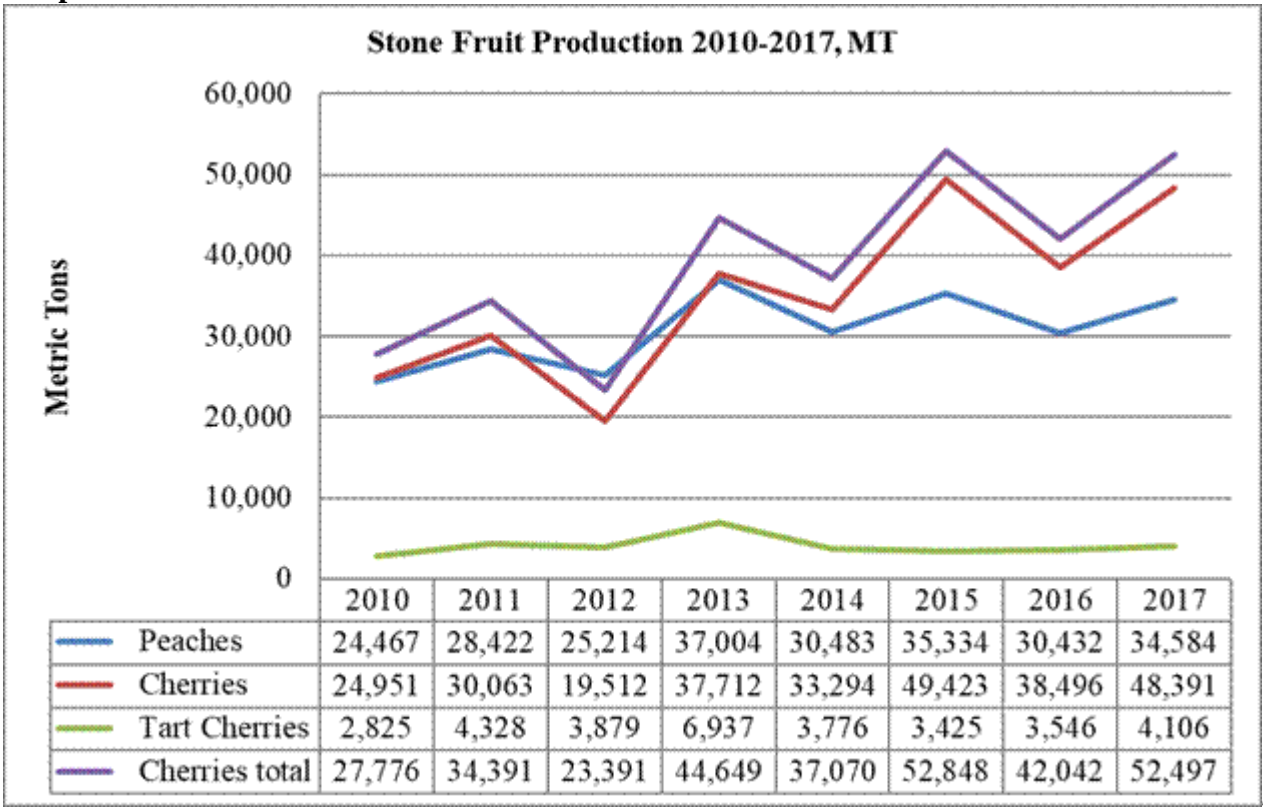
Stone fruits are Bulgaria's largest fruit category, accounting for 40 percent of Bulgarian total fruit production followed by plums at 22 percent and apples at 20 percent.

Graph 2: Fruit Production by Fruit



Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Graph 3. Stone Fruit Production



	2010	2011	2012	2013	2014	2015	2016	2017
Peaches	24,467	28,422	25,214	37,004	30,483	35,334	30,432	34,584
Cherries	24,951	30,063	19,512	37,712	33,294	49,423	38,496	48,391
Tart Cherries	2,825	4,328	3,879	6,937	3,776	3,425	3,546	4,106
Cherries total	27,776	34,391	23,391	44,649	37,070	52,848	42,042	52,497

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

Consumption

Stone Fruit for Processing

Peaches: The abundant peach crop in MY 2017/18 raised stock levels for processing, leading to a 38-percent processing increase over MY 2016/17, a record-high (Tables 3 and 4). Locally-sourced peaches comprised 33 percent of raw material, versus 67 percent from imports for production. Compote, peaches in syrup, puree, and juice production was 29 percent higher than MY 2016/17, of which 32 percent was exported to the EU (mainly to Poland, Italy, and Romania) and eight percent to third countries (Table 9). Ending stocks of processed product (December 2017) were reported higher which is likely to limit the volume of peaches for processing in MY 2018/19.

Cherries: Traditionally, cherries are Bulgaria's most popular fruit for processing. In MY 2017/18, sweet cherries accounted for 30 percent of all processed fruits, followed by apples at 19 percent, peaches at 18 percent, and tart cherries at three percent. Due to abundant supplies, cherry processing (by volume) increased by eight percent over MY 2016/17 (Tables 3 and 4). 77 percent of locally-sourced cherries went for processing. Most imported cherries were bound for fresh consumption. About 67 percent of the processed products like cherry pulp, dried cherries, and jams were exported within the EU (Table 8).

Stone Fruit for Fresh Consumption

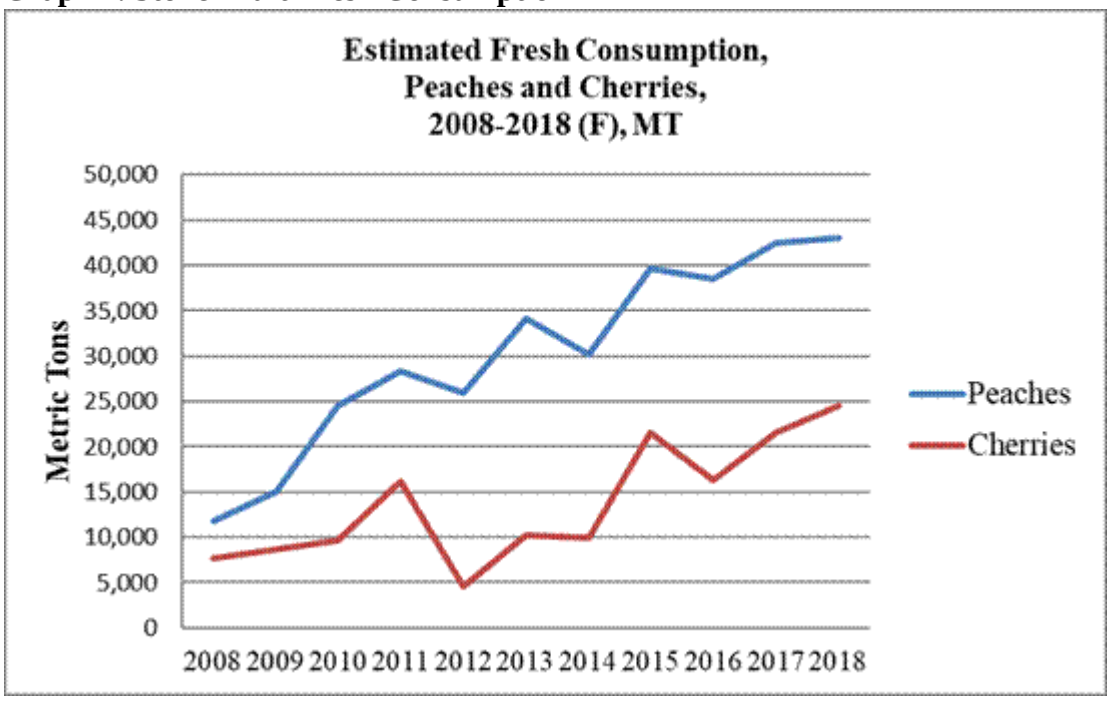
Fresh stone-fruit consumption increased sharply in recent years due to improving living standards and more disposable income. Many consumers increasingly prefer healthful (Tables 6 and 7) products. Despite this growth, fresh consumption still remains price sensitive and seasonal, particularly for local cherries, which have a shorter season than peaches. In MY 2017/18 higher stocks, lower prices, and better quality drove an increase in fresh consumption over the previous season.

Peaches: FAS Sofia estimates that in MY 2017/18, fresh consumption will increase by 10 percent over the previous year (Table 6). According to national statistics, fresh peach purchases by households increased from 8.0 kg/household in MY 2016/17 to 10.0 kg/household in MY2017/18, as consumer prices were eight percent lower.

MinAg's weekly bulletin showed wholesale peach prices as of August 31, 2018, at 22 percent higher than August 2017 prices. Although this reflected the ongoing harvest, higher prices are likely to slow growth in fresh consumption. This corresponds with FAS Sofia's forecast for MY2018/19 for a 1.1 percent increase in peach fresh consumption (Table 6).

Cherries: FAS Sofia estimates that fresh consumption in MY 2017/18 will increase by 43 percent over the previous year (Table 7). Cherry purchases by households grew from 1.8 kg/household in MY 2016/17 to 2.2 kg/household in MY 2017/18. Consumer prices declined by nine percent year-on-year. MinAg weekly data during the end of the harvest season in June 2018 showed prices 20 percent lower compared to last year. Lower prices should lead to substantial fresh-consumption growth in MY2018/19. FAS Sofia forecasts a 14-percent increase in fresh cherry consumption in MY 2018/19 over MY 2017/18 (Table 7).

Graph 4. Stone Fruit Fresh Consumption



Source: FAS Sofia

Trade

Peaches: In MY 2017/18, peach exports were 62 percent higher due to higher stocks and better quality. Primary export markets were Belarus and Ukraine. Imports increased by 25 percent to meet growing domestic use. Greece was the primary supplier, with more than 93 percent market share in imports, followed distantly by Italy (Table 5). According to MinAg data, about 12,000 MT, over 40 percent of imports, were destined for processing.

Cherries: Fresh cherry exports increased by 56 percent but still represented only four percent of the total crop. Romania remained the main outlet for the fresh cherries and accounted for 43 percent of exports, followed by Germany. Imports declined by 18 percent due to better local crop and Greece continued to be the major supplier to Bulgaria with 82 percent share.

Agricultural Policy and Domestic Support

Agricultural Policy: In December 2017, Bulgaria adopted its National Strategic Plan for Operational Programs of Fresh Produce Producers 2017-2021. In August 2018, MinAg modified the strategy and will limit support for producers' organizations to 10 percent of their sales as of January 01, 2019. Current support levels are as high as 25 percent of the sales of producers' groups.

Coupled Support Subsidies: Stone fruits are subject of coupled-support subsidies paid per area. In June 2017, Bulgaria 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. Fruit growers received 30 million leva ($19 million). In July 2018, this amount was increased to 79 million leva ($46 million), of which 32 million ($19 million) was allocated to fruit producers. As a result, growers of

peaches, nectarines, and sweet cherries reported expanded areas, while the eligible areas under tart cherries declined. About 10,000 horticulture farmers benefitted under the program. Fruit-producer subsidies were higher compared to the previous season at 1,835 leva/HA ($1,080/HA) for farms with up to 30 HA and 1,224 leva/HA ($720/HA) for farmers above 30 HA. The eligibility requirements (minimum yields) for coupled support was set at 7.5 MT/HA for peaches and nectarines, 4.7 MT/HA for sweet cherries and at 4.2 MT/HA for tart cherries.

In August 2018, MinAg updated the requirements for coupled support for 2019. Total coupled support allocation will be divided at 35 percent of fresh produce and 65 percent for the dairy and livestock industries. Farmers must prove at least 50 percent of the national average yield of the respective crop to be eligible for coupled support.

Crop Insurance: Since 2011, MinAg has implemented a special horticultural-crop insurance program, which will remain in place through 2020. In July 2017, the Paying Agency increased the subsidy under the program to $1.6 million in order to allow for expanded farmers' participation in the program. In September 2017, the authorities reported that 3,400 orchard HA 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).

In addition to crop insurance, MinAg compensates farmers for lost crops due to extreme weather conditions, particularly which result in total losses. In August 2018, MinAg approved €350,000 compensations for farmers for losses due to unfavorable weather in 2017. This included growers of stone fruits and tree nuts. The subsidy covered 500 HA at a rate of 1,354 leva/HA ($796/HA) for peaches and nectarines and at 1,260 leva/HA ($741/HA) for cherries. In September 2018, the MinAg allocated 700,000 leva ($412,000) for compensations of losses caused by unfordable weather in 2018 at the same rates as in 2017.

In September 2017, cherry farmers from four regions, including Kyustednil, Pazardjik, Sliven and Stara Zagora) were eligible to receive at least 141,000 leva ($83,000) for 100 percent losses. The support was at a rate of 2,000 leva/HA ($1,176/HA).

Pest Control Program: There is a state-sponsored program to support pest control for orchards during winter. In September 2017, total 2,566 horticulture farmers applied for the program. Authorities covered 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, 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 introduced more simplifications in use of daily labor contracts due to high interest and labor deficit. In 2017, the number of daily labor contracts increased to 205,000, as an increasing number of farmers are hiring seasonal workers. Larger farms employed seasonal workers from Ukraine, Moldova, and Macedonia.

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) support

for carrying out of their 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 including Billa, Metro Cash & Carry, Kaufland and Lidl introduced programs for sales of 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 summer 2018, retailers organized seven local festivals with local communities and farmers to demonstrate the diversity of the local produce. Kaufland announced 250,000 leva ($147,000) for certification of 15 farmers under Global G.A.P. Reportedly, 60 local farms are 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 Feeding 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 was budgeted for 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 1: Peaches and Cherries Area, Yields and Production, 2013-2018 F

Peaches and Cherries Harvested Area, Average Yields and Production, 2013-2018F						
	2013	**2014**	**2015**	**2016**	**2017**	**2018 F**
Harvested Area, HA						
Peaches	3,753	3,139	3,711	3,816	3,893	3,700
Sweet Cherries	7,605	6,256	8,055	8,463	8,989	9,000
Tart Cherries	1,441	958	1,207	1,137	1,074	1,100
Cherries total	8,937	7,214	9,262	9,600	10,063	10,100
Yields, MT/HA						
Peaches	9.942	9.737	9.521	7.975	8.884	8.6
Sweet Cherries	5.019	5.322	6.136	4.549	5.383	5.7
Tart Cherries	4.868	3.942	2.838	3.119	3.823	3.8
Production, MT						
Peaches	37,004	30,483	35,334	30,432	34,584	31,800
Cherries	37,712	33,294	49,423	38,496	48,391	51,000
Tart Cherries	6,937	3,776	3,425	3,546	4,106	4,200
Cherries total	44,649	37,070	52,848	42,042	52,497	55,200
Stone Fruits total	81,653	67,553	88,182	72,474	87,081	87,000
Source: MinAg statistical bulletins, 2017 is final official data, 2018 is FAF/Sofia forecast						

Table 2: Stone Fruit Average Yields Development, 2014-2017, MT/HA

	Stone Fruit Average Yields Development, MT/HA			
	2014	**2015**	**2016**	**2017**
Peaches	9.737	9.521	7.975	8.884
Sweet Cherries	5.322	6.136	4.549	5.383
Tart Cherries	3.942	2.838	3.119	3.823
Source: Bulgarian Ministry of Agriculture, Foods and Forests data				

Table 3: Processing of Peaches and Cherries in 2012-2017

Processing of Peaches and Cherries in 2012-2017						
Processed fruits, MT	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Peaches	12,000	9,000	12,740	13,090	13,090	18,100
Sweet Cherries	16,620	30,900	24,480	29,960	25,690	29,190
Tart Cherries	3,840	5,100	3,050	2,000	4,090	2,950
Cherries total	20,460	36,000	27,530	31,960	29,780	32,140
Source: MinAg Bulletin #347/2018						

Table 4: Processing of Peaches and Cherries at Commercial Plants in 2014-2017

Processing of peaches and cherries in 2014-2017, MT								
	2014		**2015**		**2016**		**2017**	
	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	18	12,740	25	13,090	23	13,090	25	18,100
Sweet Cherries	33	24,480	34	29,960	29	25,690	32	29,190
Tart cherries	33	3,050	30	2,000	28	4,090	29	2,950
Cherries total		27,530		31,960		29,780		32,140
Source: MinAg Bulletins #290/2016, #332/2017, #347/2018								

Table 5: Trade in Peaches and Cherries, 2011-2017 (January-December) and 2018 (January – May)

Trade in peaches and cherries, 2010-2016 (January-December)								
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 (January-May)**
Peaches, HS 080930								
Imports	11,296	16,673	9,472	15,242	18,366	22,202	27,703	691
Exports	2,811	3,964	3,316	2,619	904	1,043	1,695	97

Cherries, other than sour HS 080929								
Imports	0	1,520	5,020	1,809	1,540	1,419	1,890	495
Exports	0	1,192	3,366	1,092	1,579	745	1,041	62
Sour Cherries HS 080921								
Imports	0	139	141	502	1,257	2,901	1,636	90
Exports	0	202	268	288	514	762	1,310	37
PG Cherries, HS 080920, 080929, 080920								
Imports	978	1,659	5,161	2,311	2,797	4,320	3,525	585
Exports	2,180	1,394	3,634	1,380	2,093	1,507	2,351	99
Source: World Trade Atlas								

Table 6: Supply and Demand Peaches and Nectarines 2011-2018 Forecast (F)

Peaches	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018F**
Harvested Area, HA	4,225	4,103	3,753	3,139	3,711	3,816	3,893	3,700
Production	28,422	25,214	37,004	30,483	35,334	30,432	34,584	31,800
Imports	11,296	16,673	9,472	15,242	18,366	22,202	27,703	28,200
Total supply	39,718	41,887	46,476	45,725	53,700	52,634	62,287	60,000
Exports	2,571	3,964	3,316	2,619	904	1,043	1,695	1,500
Processing	8,750	12,000	9,000	12,740	13,090	13,090	18,100	15,500
Fresh Consumption	28,397	25,923	34,160	30,366	39,706	38,501	42,492	43,000
Total Distribution	39,718	41,887	46,476	45,725	53,700	52,634	62,287	60,000
Note: 2017 data is tentative estimates and 2018 data is forecast by FAS/Sofia								

Table 7: Supply and Demand Cherries (Sweet and Tart) 2011-2018 Forecast (F)

Cherries	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018F**
Harvested Area, HA	9,371	8,459	8,937	7,214	9,262	9,600	10,063	10,100
Production	34,391	23,391	44,649	37,070	52,848	42,032	52,497	55,200
Imports	978	1,659	5,161	2,311	2,797	4,320	3,525	3,000
Total supply	35,369	25,050	49,810	39,381	55,645	46,352	56,022	58,200
Exports	2,180	1,394	3,634	1,380	2,093	1,507	2,351	2,500
Processing	17,040	20,460	36,000	27,530	31,960	29,780	32,140	33,700
Fresh Consumption	16,149	4,590	10,176	10,471	21,592	15,065	21,531	24,500
Total Distribution	35,369	25,050	49,810	39,381	55,645	46,352	56,022	58,200
Note: 2017 data is tentative estimates and 2018 data is forecast by FAS/Sofia								

Table 8: Exports of Processed Cherries, 2015-2017

Bulgaria Export Statistics

Commodity: 200860, Cherries, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi							
Calendar Year: 2015 - 2017							
Partner Country	Unit	2015		2016		2017	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	23,563,019	6,382	25,497,528	6,936	27,584,323	7,026
Germany	T	21,925,391	4,987	23,848,260	5,461	25,475,718	5,331
Italy	T	150,767	124	186,363	157	499,971	372
Russia	T	643,452	628	541,558	566	290,799	307
Romania	T	66,,740	51	69,252	71	207,558	203
Chile	T	0	0	70,629	51	191,749	127
Poland	T	70398	51	68,301	49	180,834	123
Israel	T	96,951	88	96,467	87	118,069	110

Source: WTA/Eurostat

Table 9: Exports of Processed Peaches, 2015-2017

Bulgaria Export Statistics Commodity: 200870, Peaches, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi							
Calendar Year: 2015 - 2017							
Partner Country	Unit	2015		2016		2017	
		USD	Quantity	USD	Quantity	USD	Quantity
World	T	10,288,001	11,209	12,928,860	13,610	12,774,631	12,903
Poland	T	990,153	1,,192	2,310,967	2,649	2,540,552	3,086
Italy	T	2,464,660	2200	2,235,314	1,850	2,365,408	1,853
Romania	T	1,262,265	1,464	1,505,885	1,604	1,748,799	1,775
Russia	T	2,083,796	2,230	2,120,377	2,301	1,290,420	1,350
Hungary	T	628,099	762	1,093,320	1,,282	1,157,863	1,270
Czech Republic	T	1,224,222	1,496	1,254,443	1461	1,076,295	1,217
Slovakia	T	881,580	1,068	962,973	1,094	788,169	853

Source: WTA/Eurostat