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Stone Fruit Annual

Report Categories:
Stone Fruit

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Report Highlights:
Following very good 2015 year for the stone fruit sector with higher harvested areas, yields and supply,
in 2016 the weather has been more challenging to date. There were reoccurring spring rains and cold temperatures, followed by hail storms, and hot and dry summer. Thus, the average yields and production are likely to decrease more substantially for cherries and less for peaches. Investment and improvement at the production level have continued and planted areas keep growing, especially in cherry production. More investment in irrigation and in stone fruit processing are likely later in late 2016 and 2017. Likely lower stone fruit production in 2016 is expected to result in higher imports and reduced consumption.

General Information:
Overview

Stone fruit (sweet and tart cherries, peaches and nectarines) are traditional for Bulgaria and account for the largest share in fruit production. Sweet cherries are the second most important fruit after apples, and peaches follow third.

The year 2015 was very good for the stone fruit sector, especially for sweet cherries. The weather was favorable with a mild winter, and not very rainy and with moderate temperatures for the spring. The summer, however, was hot and dry and this affected peach yields. On average, 90% of planted fruit orchard areas were harvested compared to only 77% in 2014. Production of sweet cherries sharply increased by 48%, followed by peaches and nectarines by 16% while tart cherries output declined by 9%. Fresh consumption and processing were sharply upward, and imports increased despite the good domestic crop to meet growing demand.

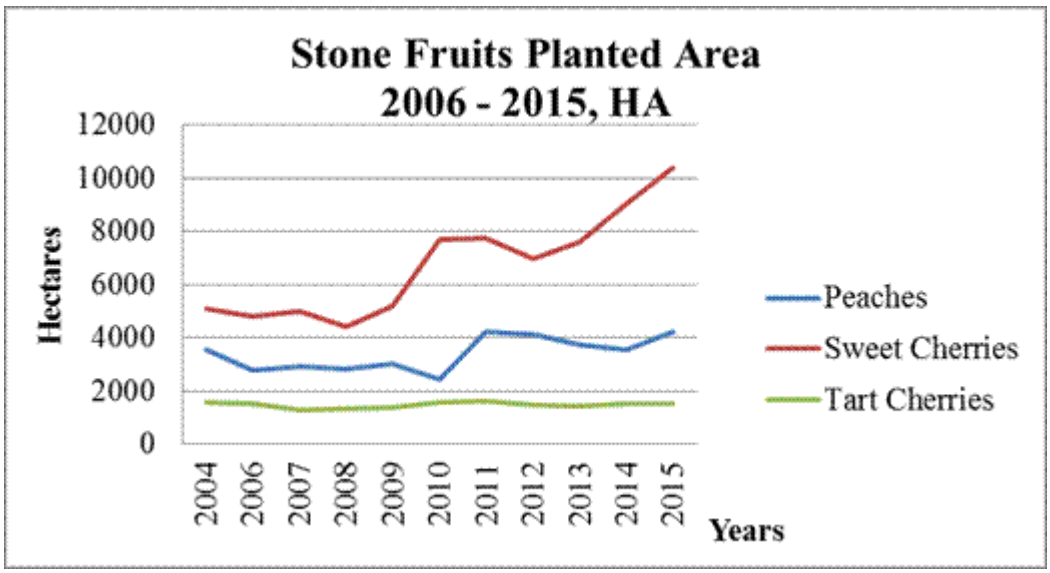
In 2016 the weather has been more challenging to date. The spring had reoccurring rains, cold temperatures and in many locations orchards incurred serious losses as a result of May hail storms. Farmers from major cherry production regions reported heavy losses. The summer in June and July to date has been hot and dry with short cooling and rainy breaks.

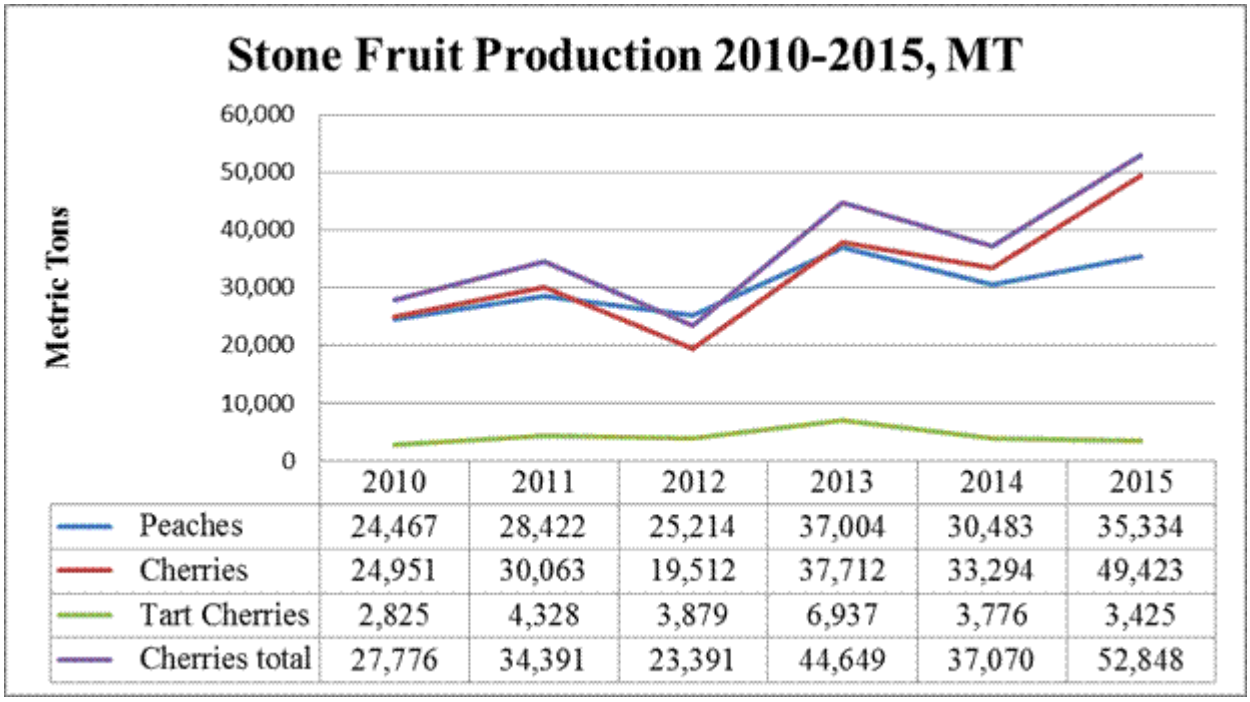
Investment and improvement at the production level have continued and planted areas keep growing, especially in cherry production. More investment in irrigation and in stone fruit processing are likely later in late 2016 and 2017. Likely lower stone fruit production in 2016 is expected to result in higher imports and reduced consumption.

Supply

Orchard Area

In 2015 unharvested areas declined due to better weather and were at 28% (31% in 2014) for sweet cherries, 22% (36% in 2015) for tart cherries, and 12% (20% in 2015) for peaches and nectarines. The increase in harvested area in 2015 compared to 2014 was 29% for sweet cherries, 26% for tart cherries (28% for total cherries) and 18% for peaches and nectarines (Table #3). In 2015 the cherry area continued to account for the highest share in total harvested area at 23%, followed by plums (19%), apples (13%) and peaches (10%).





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

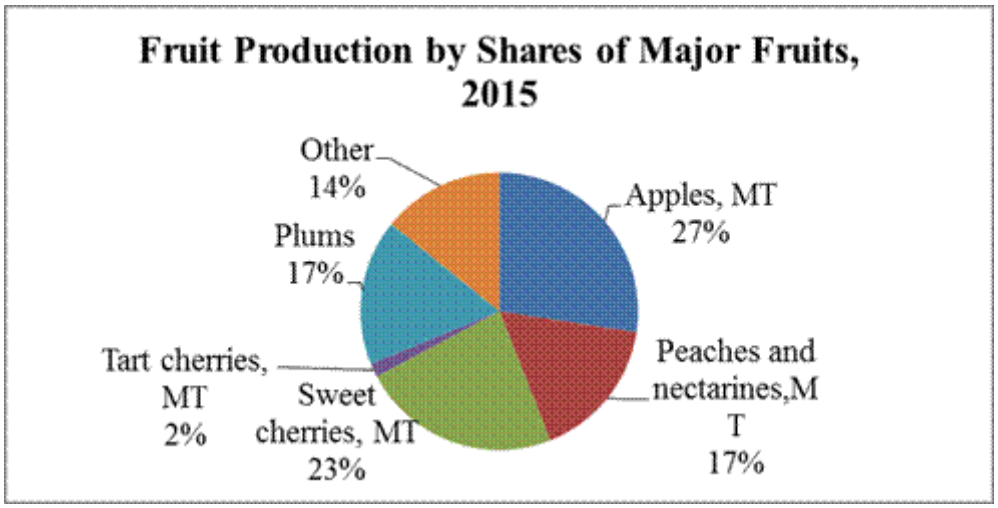
Average Yields and Production

Average yields for stone fruit in 2015 decreased by 2% for peaches and by 28% for tart cherries but were 15% higher for sweet cherries. As a result of higher harvested area and yields, production grew by impressive 48% for sweet cherries and by 16% for peaches and nectarines while it declined by 9% for tart cherries (Table #3). The average yields for sweet cherries and peaches have been increasing in the last three years with the adoption of modern technologies and introduction of more resistant rootstocks (Table #1) despite fluctuation in weather.

Table# 1. Stone Fruit Average Yields Development, 2002-2015, MT/HA

	Stone Fruit Average Yields Development, MT/HA			
	2002-2011	**2013**	**2014**	**2015**
Peaches	5.678	9.942	9.737	9.521
Sweet Cherries	3.587	5.019	5.322	6.136
Tart Cherries	2.348	4.868	3.942	2.838
Source: MinAg Statistical Bulletins				

In 2015 stone fruit remained the most important fruit in total fruit production with 42% share followed by apples with 27%. By species, apples led (27%) followed by cherries with 25% (sweet and tart) and peaches with 17%.



Prospects for 2016 are for lower yields for stone fruit due to cool and rainy spring for cherries and hot and dry summer for peaches. Most farm reports indicate cherry yields at 4.2 to 5.5 MT/HA. Farmers reported that early and medium early sweet cherry varieties yields and production were sharply downward with a reduction in some locations reaching 50%. Spring rains and hail storms have reportedly caused up to 90% losses in cherry orchards in the major production region of Kyustendil. In peach orchards, a sudden drop in temperatures and freeze in the spring (mid-May) led to losses in some regions (Rousse, Silistra). In other regions, yields are also expected to decline by 5% and/or quality is likely to deteriorate.

The weekly Minag reports to date (not statistically proven and based on verbal farmers' reports, usually below final data), indicate 17% lower yields for sweet cherries and 11% lower yields for tart cherries, as well as earlier harvest for peaches and stagnant yields.

Production Regions

Stone fruit production continued to be located mainly in Southern Bulgaria. In 2015 the major regions for sweet cherries were the Southeast with 46% of total production and South Central with 23%. For tart cherries, South Central dominated with 40% share. For peaches and nectarines, the Southeast accounted for 54% of total production, followed by the Southwest with 24%. More new and larger farms are located in the Southeast and the share of this region in total production has been growing in

the last three years.

Sweet cherries registered their highest average yield in the Southeast region – 6.8 MT/HA compared to 6.136 MT/HA for the country; peaches had the highest yields in the Southwest – 14.6 MT/HA compared to average for the country of 9.5 MT/HA.

Production Opportunities and Challenges

In recent years investments in new young, intensive orchards have been more active, supported by EU investment subsidies. In 2014 new young orchards were 12,000 HA and 15,292 in 2015. In MY2015/2016 new stone fruit orchards were 14.6% of total newly planted orchard area. The sweet cherries' share in total young orchards in 2015 was 12.7% (13.5% in 2014), however, they increased in absolute terms by 20% from 1,620 HA in 2014 to 1,941 HA in 2015.

Mineral fertilizers were used on 41% of all orchards in 2014, and organic fertilizers on 18% of the orchards. For cherries, these percentages were 64% and 17%, respectively; 73% of peach and nectarines orchards were fertilized with mineral fertilizers.

Consumption

According to recent MinAg estimates, 60% of consumed fruit by Bulgarian households come from locally grown produce. The trade in horticulture produce is estimated at U.S. $600 million annually.

Processing

Cherries

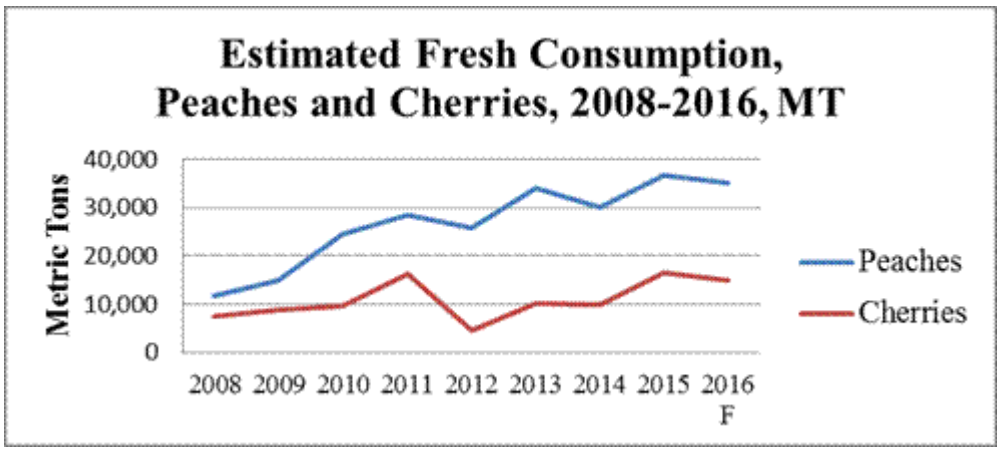
Cherries are traditionally the most demanded fruit for processing in Bulgaria, followed by apples and peaches. In 2014 (the last available official public data), cherries accounted for 31.6% of all processed fruits, followed by apples with 24.9%, peaches with 16.4% and tart cherries with 3.9%.
In 2014 cherry processors reported use of 4,570 MT imported cherries (most likely already partly processed). The final processed product was reported to be at 16,290 MT of which 1,230 MT frozen cherries and 13,050 MT cherries in alcohol (cocktail cherries). Processors reported that 5,570 MT of the final product or 34% of all was exported to the EU-28 market.
In 2015 the share of cherries used for processing traditionally dominated over fresh consumption and was estimated at 66% of total supply due to better quality. The forecast for 2016 is for 64%. The volume of cherries for processing also grew in absolute terms from 28,000 MT in 2014 to 37,000 MT in 2015 (see Tables #4, 5 and 8).
The main processed product is cherry pulp, which is exported to Germany, Russia, Australia and Italy (Table #9). Annual exports of this product are close to 7,000 MT (U.S. $24-30 million), followed by dried cherries and cherry jams. Reportedly, more cherries were also used for juice production in 2015.

Peaches

Main peach processed products are compotes, peaches in syrup, puree and juice. The share of peaches for processing is lower compared to cherries. It is estimated at 30% of total supply in 2015 and is forecast at the same level in 2016 (Table#7). Processed products are exported mainly to Italy, followed by Russia and Romania (Table #10).
In 2014, processors reported use of 6,500 MT imported cherries. The final processed product was at 13,860 MT of which 7,690 MT (55%) was exported to the EU-28 market and 3,590 MT to third countries.

Fresh Consumption

Fresh consumption of stone fruit has increased since 2008. The National Statistical Institute does not report average per capita consumption for stone fruit alone but it reports the average amount of purchased peaches and cherries (sweet and tart cherries) per household. In 2015, cherry purchases were at 3.1 kg/household, the highest since 2010 when this index was at 1.8 kg/household, growth of 72% for 5 years. For peaches, 2015 purchases were at 8.1 kg/household compared to 7.1 kg/household in 2010, or 14% growth. These purchases usually do not include on-farm consumption and consumption by the hotel and food service sectors.
In 2015 good supply and quality of the local crop, along with affordable prices, led to double digit growth in fresh consumption for both cherries (65%) and peaches (22%) (Tables #7 and 8).



Trade

Cherries

Fresh cherry exports remained small (around 2,000 MT in 2015) and were 6% of the crop compared to 4% in 2014. Romanian traders have been very active and are the main outlet for local farmers. Other markets for fresh cherries are Russia, Belarus, Germany and the UK. In terms of imports, Greece is the major supplier to Bulgaria. In 2015 despite the good local crop, imports increased by 21%.
Trade reported that processors had to import more cherries for processing in 2016 due to lower crop, mainly from Greece. In addition, domestic cherry prices increased due to the shortage and imports were more price-competitive.

Peaches

Fresh peach exports are destined mainly for Russia, Belarus and Ukraine while imports mostly originate from Greece. In 2015 exports of peaches were sharply downward due to the Russian embargo and better domestic demand. Imports of peaches in 2015 increased by 20% despite good local crop due to growing domestic use.

2014 - 2016 Supply, Demand and Trade

The MinAg reported that 97% of the fruit crop in 2014 was used and only 3% was lost. Total 77,600 MT of fruit or 13% less than in the previous season were processed in 2014, due to lower local supply and mediocre quality. The volume of ready finished product from processed fruit was 62,500 MT. Cherries which suffered the most quality issues had a dominant share of processing (over 50%) while peaches had a better fresh market despite lower supply.

In 2015 on average 51% (65% in 2014) of fruit were marketed through trade channels, 34% (27% in 2014) were directly sold to processors, and 5% (4% in 2014) remained for on-farm consumption (Table #2).

Table# 2. Marketing Channels of 2015 Stone Fruit Crop

Marketing Channels of 2015 Stone Fruit Crop (Percentage)				
	On-farm	Trade Channels	Processing	Other
Peaches and nectarines	2.3%	66.3%	23.2%	8.2%
Sweet Cherries	1.6%	37.3%	50.1%	11.0%
Tart Cherries	1.0%	30.7%	57.1%	11.2%
Source: MinAg bulletin #310/2016				

FAS Sofia estimates for supply and demand are shown in Tables #7 and 8. Data for 2015 is tentative and 2016 is a forecast.

Agricultural Policy and Domestic Support

The current Cabinet stated that horticulture is a priority sector for domestic support. Total domestic support for the horticulture sector is estimated at 40 million Euro (U.S. $48 million) for 2016. In 2016 horticulture producers were eligible for single area payments (SAPS) at about 280 leva/HA (U.S.$155/HA) and coupled payments. The MinAg paid coupled payments to horticulture farmers for 2015 at a rate of 1,938 leva/HA (991 Euro or U.S.$1,076/HA) set in March 2016. Total 38 million leva (U.S. $21.1 million) were paid to 7,000 eligible fruit farmers.

In 2016 the MinAg launched a new program to stimulate growing of ancient endangered varieties of fruits and vegetables, including stone fruits. The rate is 787.39 Euro/HA (U.S.$877/HA). There are no reports if there are any eligible stone fruits varieties. Another support program in 2016 was for pest control in orchards with a budget of 3.0 million leva (U.S. $1.67 million). The program encourages use of plant protection chemicals in the spring and in the fall.

In May 2016 Bulgaria included sweet cherries in the list of products subject of additional temporary support measures for the period July 1, 2016- June 30, 2017. Farmers could chose to apply either for recall from the market or for non-harvesting. When the cherries are recalled from the market and donated to charity and educational organizations, farmers can get compensations of 48.14 Euro/100 kg; when cherries are recalled from the market and used as animal feed the compensation is 16.045 Euro/100 kg; and when cherries are non-harvested and left on the field, the compensation is 14.44 Euro/100 kg. Peaches are also included in the eligible products list in the amount up to 300 MT, along with some other horticulture crops. The total volume of support under this program is 3,000 MT.

Insurance: Since 2011, the MinAg has applied a special system for insurance of horticulture crops. It subsidizes 65% of the insurance premium for farmers. The insurance covers natural disasters which cause over 30% loss of average annual production of the respective farmer. The total insurance budget 2015-2020 is 21 million leva (U.S. $11.7 million). In June 2015, the MinAg increased the total insurance budget to 850,000 Euro (U.S. $975,000). In June 2016, the insurance budget was increased further by 1.0 million (U.S.$ 560,000) to 2.5 million leva (U.S.$1.39 million) due to higher interest and complete use of the previous allocation by 323 farmers. Despite that only 7% of orchard areas were under insurance in 2015 (9% in 2014), the MinAg expects up to 300% growth in insured areas in 2016. In the spring of 2016 the MinAg Paying Agency paid 4.2 million leva (U.S.$2.3 million) to horticulture farmers for 80% compensation for lost horticulture crops.

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 is planned for 2016.

Marketing Legislation: The regulation for direct sales was amended in 2016 to allow for higher volume of horticulture produce to be sold directly from farmers to consumers. As of July 2016, there are 10 farmer markets, mainly in major cities.

School Program: In MY2015/16 the MinAg funded a school program for deliveries for fresh fruits and vegetables to schools (EU and national funds). Unlike in previous years, the regulations have been changed to provide some preferences for deliveries of local produce. Peaches were included in the list of eligible fruits. A total of 456 000 children in 3,500 schools are beneficiaries of this program. The total budget of the program is 14 million leva (U.S. $7.8 million). The EU part of the budget for MY2016/17 is set at 3.1 million Euro (U.S. $3.7 million).

Trade Policy

In 2016 two horticulture industry groups have requested a reduction of VAT for fruits and vegetables from 20% to 0%. According to the industry groups, 85% of imported horticulture produce is in the grey sector, is not subject to fiscal control and VAT payment, which puts local producers in a disadvantaged position on the market. To bolster their argument, local industry groups pointed out the reduction in VAT from 23% to 9% in neighboring Romania.

The MinAg makes efforts to encourage farmers to form producer groups. Bulgaria had 12 recognized producer groups in 2015/16 of which 4 in the horticulture sector (44 farmers - members). More producer

groups are in process of registration in 2016 and reportedly, their number has increased to 34. Per MinAg data, existing producer groups sell only 3% of total horticulture produce in the country. By 2017, the EU funded Rural Development Program is expected to launch a special program for financing of producer groups. In 2016 the MinAg revised the major regulation (Ordinance 11 of May 15 2007) for producer groups to make it more simple, flexible and liberal.

Table #3. Peaches and Cherries Area, Yields and Production, 2011-2016 F

Peaches and cherries area, yields and production, 2009-2015						
	2011	**2012**	**2013**	**2014**	**2015**	**2016F**
Harvested Area, HA						
Peaches	4,225	4,103	3,753	3,139	3,711	3,650
Sweet Cherries	7,747	6,989	7,605	6,256	8,055	7,000
Tart Cherries	1,624	1,470	1,441	958	1,207	1,100
Cherries total	9,371	8,459	8,937	7,214	9,262	8,100
Yields, MT/HA						
Peaches	6.728	6.146	9.942	9.737	9.521	9.1
Sweet Cherries	3.880	2.792	5.019	5.322	6.136	5.0
Tart Cherries	2.664	2.638	4.868	3.942	2.838	3.0
Production, MT						
Peaches	28,422	25,214	37,004	30,483	35,334	33,200
Cherries	30,063	19,512	37,712	33,294	49,423	35,000
Tart Cherries	4,328	3,879	6,937	3,776	3,425	3,300
Cherries total	34,391	23,391	44,649	37,070	52,848	38,300
Source: MinAg statistical bulletins, 2015 is final official data #310/2016, 2016 is FAF/Sofia forecast						

Table #4. Processing of Peaches and Cherries in 2010-2015

Processing of peaches and cherries in 2010-2015						
Processed fruits, MT	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 E**
Peaches	3,720	8,750	12,000	9,000	12,740	16,000
Sweet Cherries	15,870	14,740	16,620	30,900	24,480	34,000
Tart Cherries	1,999	2,300	3,840	5,100	3,050	3,000
Cherries total	17,869	17,040	20,460	36,000	27,530	37,000
Source: MinAg Bulletins #163/2010, #175/2011, #184/2012, #196/2012, #248/2013, #274/2014, #290/2015. 2015 is FAS/Sofia estimate.						

Table #5. Processing of Peaches and Cherries at Commercial Plants in 2011-2014

Processing of peaches and cherries in 2011-2014, MT								
	2011		**2012**		**2013**		**2014**	
	No of plants	Processed raw	No of plants	Processed raw	No of plants	Processed raw	No of plants	Processed raw

		material		material		material		material
Peaches	22	8,750	17	12,000	21	9,000	18	12,740
Sweet Cherries	30	14,740	26	16,620	32	30,900	33	24,480
Tart cherries	27	2,300	26	3,840	33	5,100	33	3,050
Cherries total		17,040		20,460		24,600		27,530
Source: MinAg Bulletins #163/2010; #175/2011, #184/2012, #196/2012, #248/2013, #274/2014, #290/2016.								

Table #6. Trade in Fresh Peaches and Cherries, 2009-2016

Trade in peaches and cherries, 2009-2015 (January-December)								
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (January-May)**
Peaches, HS 080930								
Imports	7,716	6,424	11,296	16,673	9,472	15,242	18,366	572
Exports	995	2,642	2,811	3,964	3,316	2,619	941	30
Cherries, other than sour HS 080929								
Imports	0	0	0	1,520	5,020	1,809	1,540	61
Exports	0	0	0	1,192	3,366	1,092	1,579	2
Sour Cherries HS 080921								
Imports	0	0	0	139	141	502	1,257	59
Exports	0	0	0	202	268	288	514	28
PG Cherries, HS 080920, 080929, 080920								
Imports	278	1,031	978	1,659	5,161	2,311	2,797	120
Exports	434	1,257	2,180	1,394	3,634	1,380	2,093	30
Source: World Trade Atlas								

Table #7. Supply and Demand Peaches and Nectarines 2009-2016 Forecast (F)

Peaches	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 T**	**2016 F**
Harvested Area, HA	3,309	4,264	4,225	4,103	3,753	3,139	3,711	3,650
Production	17,187	24,467	28,422	25,214	37,004	30,483	35,334	33,200
Imports	2,455	6,424	11,296	16,673	9,472	15,242	18,366	17,200
Total supply	19,642	30,891	39,718	41,887	46,476	45,725	53,700	50,400
Exports	1,018	2,642	2,571	3,964	3,316	2,619	941	1,200
Processing	3,630	3,720	8,750	12,000	9,000	13,000	16,000	14,000
Fresh Consumption	14,994	24,529	28,397	25,923	34,160	30,106	36,759	35,200
Total Distribution	19,642	30,891	39,718	41,887	46,476	45,725	53,700	50,400
Note: 2015 data is tentative estimates and 2016 data is forecast by FAS/Sofia								

Table #8. Supply and Demand Cherries Total 2009-2016 Forecast (F)

Cherries	2009	2010	2011	2012	2013	2014	2015 T	2016 F
Harvested Area, HA	6,532	9,267	9,371	8,459	8,937	7,214	9,262	8,100
Production	21,414	27,776	34,391	23,391	44,649	37,070	52,848	38,300
Imports	276	1,031	978	1,659	5,161	2,311	2,797	3,500
Total supply	21,690	28,807	35,369	25,050	49,810	39,381	55,645	41,800
Exports	436	1,257	2,180	1,394	3,634	1,380	2,093	1,000
Processing	12,540	17,869	17,040	20,460	36,000	28,000	37,000	27,000
Fresh Consumption	8,714	9,681	16,149	4,590	10,176	10,001	16,552	13,800
Total Distribution	21,690	28,807	35,369	25,050	49,810	39,381	55,645	41,800
Note: 2015 data is tentative estimates and 2016 data is forecast by FAS/Sofia								

Table #9. Exports of Processed Cherries, 2013-2015

Bulgaria Export Statistics						
Commodity: 200860, Cherries, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi						
Calendar Year: 2013 - 2015						
Partner Country	**2013**		**2014**		**2015**	
	U.S.$	**MT**	**U.S.$**	**MT**	**U.S.$**	**MT**
World	29,571,414	6,746	28,160,431	6,658	23,626,437	6,442
Germany	26,673,184	4,734	25,498,159	4,704	21,925,434	4,987
Russia	1,253,668	1,059	1,275,906	1,114	651,476	637
Australia	247,493	164	254,424	172	218,835	189
Italy	255,997	174	155,095	102	150,753	125
United States	208,551	120	191,286	115	134,767	97
Israel	251,397	157	160,684	109	96,939	88
Netherlands	0	0	158,585	54	89,897	38
Poland	29,986	17	51,290	32	70,404	51
Canada	76,762	44	90,215	57	68,352	54
Romania	78,491	38	60,696	41	66,748	51
Austria	54,246	30	33,455	20	61,627	54

Source: WTA

Table #10. Exports of Processed Peaches, 2013-2015

Bulgaria Export Statistics			
Commodity: 200870, Peaches, Prepared Or Preserved, Whether Or Not Containing Added Sweetening Or Spirit, Nesoi			
Calendar Year: 2013	**2013**	**2014**	**2015**

- 2015	U.S.$	MT	U.S.$	MT	U.S.$	MT
World	10,378,189	8,984	11,116,121	9,438	10,496,128	11,443
Italy	3,072,533	2,230	3,447,915	2,530	2,464,660	2,200
Russia	2,763,310	2,441	2,946,073	2,555	2,209,085	2,370
Romania	1,404,505	1,259	778,928	695	1,262,265	1,464
Czech Republic	412,927	426	737,825	703	1,224,222	1,496
Poland	1,587,123	1,599	1,650,804	1,568	990,153	1,192
Slovakia	240,860	232	447,330	451	881,580	1,068
Hungary	430,829	427	453,099	433	628,099	762
Germany	20,428	13	111,996	71	310,428	348
United States	102,585	77	58,189	42	99,542	79
Australia	21,113	19	25,939	26	70,528	81
Canada	28,807	24	53,037	40	55,316	55
Spain	21,441	16	46,304	38	49,941	49
Austria	95,577	62	55,193	35	40,823	34
Finland	0	0	0	0	37,709	32

Source: WTA

End of Report