

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Bulgaria

Post: Sofia

### Vine Sector Update

Report Categories:

Wine

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Report Highlights:

**Bulgarian wine market has enjoyed a steady growth in the period 2005-2010, along with increased diversity and quality. Local vineyard area and wine grapes output, however, have been on a steady downward trend, and in 2010 harvested area declined by 42% and output by 49% compared to their 2007 record levels, respectively. The preliminary 2011 data shows further decline in wine grapes area/production. These trends predetermine challenges for the wine sector which faces shortages of raw materials, and increasing prices which not always come with a better quality. Currently, the Parliament is considering a new Wine and Spirits Bill which aims to harmonize local legislation with the European and international trade rules and is considered by the industry as a strong positive step towards much-needed reforms in the sector.**

## **General Information:**

**Disclaimer:** Information in this report is collected from publicly available sources such as specialized and daily printed and electronic Bulgarian media, published surveys of consulting companies, interviews with trade and industry, AgSofia interviews with trade and trade associations, and official statistics. The source of most statistical market information is Euromonitor International.

## **Summary**

Wine market in Bulgaria has enjoyed a steady growth over the last 5 years, along with increased diversity and improving quality. Urbanization, changing lifestyle and wellness trends are likely to bring positive effects on wine trade and consumption. Although Bulgaria considers itself a traditional wine producer, local viticulture and wine market have still a long way to go to be able to compete on the European and world markets. The trends of declining vineyards area along with a renewal of vine grape varieties, and reduction of wine production has not been turned around yet. The sector needs stronger and more persistent reform policies and investment efforts to fully demonstrate its potential.

In the near future, wine market growth is expected to be restrained by presently limited consumer purchasing power due to the economic slowdown, illegal and home-made wine and distilled spirits production; and the prevailing deficit of competitive and good quality vine grapes.

## **Wine Grapes Supply**

### Cultivated Area and Production Structure

#### Vineyard Area

At the time of EU accession (2007), Bulgaria had 135,760 HA of registered vineyards in 73,280 farms of which 111,323 HA for table wines and 24,437 HA for quality wines. The area ceiling for Bulgaria is 153,500 HA of vineyards or about 3 times more than the harvested area in 2007.

In 2010, cultivated vineyard areas were 56,968 HA of which 49,438 (87%) were harvested. Total vineyard areas including non-cultivated ones, were 82,675 HA. About 6% were young, not producing yet vineyards as 577 HA were newly planted in the summer of 2010. According to the Executive Vine and Wine Agency (EVWA) total vineyard areas in 2011 were 75,591 HA (no official data is available yet) - see Table 1.

The trend of reduction in total viticulture area has started since year 2000 and continued in 2010/2011.

The same trend was observed for the cultivated vineyards while those that are abandoned have grown. As a result, over the last 10 years, cultivated vineyards declined 63% and total vineyard area by 48%. The trend has not bottomed yet.

#### Viticulture Farms

Viticulture sees increasing differentiation between a small number, larger commercial farms, and many small farmers which often do not supply for the market. The MinAg 2010 survey shows that the country has total 147,000 vineyard farms. About 67% of vineyards area is owned and managed by

individual farmers, and the remaining 33% of area by companies which represent 0.3% of all holdings in the sector (456 farms). The number of farms of individuals is 99.7% of all farms. More than half of the farms -52%- cultivate up to 0.1 HA of vineyards; and 1.6% of farms cultivate vineyards up to 2 HA. 43% of vineyards area is in the 305 large farms of size over 30 HA.

According to industry experts, a farm should have at least 20 HA to be considered efficient and profitable. This means that about half of the currently cultivated vineyards or 30,000 HA have the potential to develop as modern commercial supplier of viticulture grapes. Smaller farms often can't effectively use farm equipment and afford buying quality planting material which leads to deteriorated quality and higher cost of grapes.

About 75% of farms produce grapes only for on-farm use, they account for 14% of vineyards area. Farms which sell to the market (8,500 holdings or 6% of all) account for 58% of all vineyards; and 19% of farms sell a part of their grapes to the market.

The fragmentation in production and the high number of small vineyards and farms lead to substantial problems with investment and marketing. Despite appeals for establishing producer organizations or marketing coops in order to have a more efficient contractual system with wineries, this does not occur and often leads to losses, non-harvested vineyards, lower grapes' utilization, and fully abandoned vineyards. The EU system for "transfer of rights" among regions and producers is underutilized.

### Viniculture Regions

In 2010, the concentration of vineyards continued to be the highest in South East region, 33%, and South Central, 31%. The highest decline in harvested area, over 10%, was observed in North West and South East regions. See Table 2.

A decline in white vine varieties was seen mainly in South East and South Central regions while red varieties declined in South West and North East regions.

### Viniculture Varieties and Age Structure

About 94% of vineyards are under vine (viticulture) grapes and 6% under table grapes. Red varieties dominate with 63% of all grapes (2010) or 35,500 HA vs 37% (20,500 HA) of white varieties. Red varieties dominate in all regions with the exception of North East.

The major red variety is Merlot which accounts for 30% of red vine varieties; followed by Cabernet with 24%, and Pinot Noir with 19%. Varieties such as local Mavrud, Gumza, Strogozia, and Syrah and Pinot Noir, are about 8,000 HA and account for 23% of all vine varieties. About 39% of red varieties are located in South Central region. See Table 3.

White varieties account for 37% of all vineyards. Red Misket is the leading white vine variety which accounts for 20% of all white vine varieties (4,200 HA). It is followed by Muskat Ottonel, 16%, Rkatsiteli, 15%, and Chardonnay Blanc and Dimyat, 12% each. The concentration is the highest in South East region, 47% of all white varieties.

Area under vine varieties for quality wines are 36,000 ha or 64% of all vineyards. Out of them 39% or 14,000 HA are concentrated in South East, and 27% or 9,700 HA in South Central region. Red varieties

are 61% of those appropriate for quality wine making. About 44% of this area or 16,000 HA is concentrated at 305 commercial farms of more than 30 HA while 24% of vineyard area for quality wines is at small farms of up to 1 HA.

Out of total vineyards, 92% are yield producing, and 8% are young, not yet producing vineyards. These indexes are 92% for red and 90% for white varieties.

Organic vineyards account for a tiny share, 0.55% of total vineyards but the growth has been good. Currently the area is estimated at 460 HA (end-2010) or 3 times more than in 2008 (154 HA).

The age structure of grapes is a major concern. About 51% of white varieties and 47% of red varieties are over 30 years old; 22% of white and 18% of red varieties are at 20-29 years old; and only about 9,000 HA are 3-9 years old, as 20% of them are red varieties. Newly planted vineyards for the last 10 years are over 13,500 HA. Abandoned/non-cultivated vineyards are at 64,000 farms and eradicated vineyards are under 1,600 HA at 7,200 farms.

### Wine Grapes Production

Following a good period of three years of growth in production (2006-2008), since 2009 grapes production has declined and in 2010 it was 62% of the high 2008 crop. See Table 4.

There is not any official data about 2011 yet. According to farmers, the crop was lower than in 2010 but of much higher quality; while the authorities estimated both the harvest and its quality as record high. The weather was favorable with high but not extreme temperatures and good rains during vegetation. Some of the recently planted vineyards began to yield. On the other hand, the local research viticulture institute reported higher incidence of certain diseases. The area of Vidin, Vratsa and Montana or North West reported lower yields due to issues with mildew. In general, crop in South Bulgaria is reported as better in terms of quality and yields. The sugar content has been sampled at 26% in Northern Bulgaria to 28% in Southern Bulgaria.

Unanimously, the demand for white grape varieties has been very good due to shortages. As a result, the prices for grapes increased from average 0.30 Euro/kg in 2010 to over 0.60 Euro/kg in 2011 (Chardonnay at 0.25-0.40 Euro/kg, in exceptional cases up to 0.60 Euro/kg; Muskat at 0.22 Euro/kg, Dimyat at 0.10-0.17 Euro/kg). Red grape varieties were traded at 0.50 Euro/kg (Merlot at 0.30 Euro/kg, Cabernet at 0.27-0.40 Euro/kg). On average, grapes were traded at 0.23 - 0.35 Euro/kg.

In recent years there has been a tension between farmers and wine makers during harvest campaigns. Producers insist on higher prices while wine makers claim that local grapes are the most expensive in Europe. This makes purchasing campaigns challenging and slow, and often the authorities have to organize/facilitate local and regional industry meetings at which producers negotiate prices and delivery terms with wineries. Therefore, commercial wine makers prefer to rely on their own vineyards and buy from outside suppliers only to complement if necessary their own crop.

The EVWA estimated that between 160,000 MT and 170,000 MT will be purchased by the commercial wineries and processed into wine in 2011. Unlike in previous years, in 2011 Italian, Czech and Slovak companies were interested to purchase white grapes (about 7,000 MT) and export it for wine making purposes.

## **Wine Grapes Utilization**

The volume of grapes used for wine manufacturing is on a steady decline since 2008. In 2010, grapes for processing were 70% of those processed in 2008. A positive trend is that the share of grapes used for processing into wine has increased from 83% to 93%. The drop in total supply led to lower raw materials for the commercial wineries as well. In 2010, they processed 72% of what they used to in 2008 which resulted in lower wine production as well. See Table 5.

According to EVWA, the amount of wine grapes expected to be commercially processed into wine in 2011 is 160-170,000 MT compared to 148,454 MT in 2010. The 2011 commercial wine output was estimated to be 110 million liters compared to 103 million in 2010 (official statistics reports 2010 output at 99 million liters).

### Home-made wine making

Home production has been a major challenge competing in volume terms with industrial products. The situation has been thriving for years. While the problem was seemed to lessen in conditions of increased urbanization and improving living standards, the economic crisis has deepened the problem once again.

There has been a general trend of decline in used grapes and home-made wine making. Home-made wine in 2010 was 55% less compared to 2007. Its share to total wine production plunged from 23% in 2007 to 13%-16% in 2008-2010. However, in the period 2008-2010 the volume of grapes used for home-made wine increased by 9% (2010/2008). In 2010, both the volume and relative share of grapes for home-made wine making has increased by 19% in tonnage and from 17% to 24% in relative shares compared to 2009. Home-made wine in 2010 was 7% more than in 2009. See Tables 5 and 6.

The economic downturn encouraged the significance of subsistence farming and the consumption of non-commercially produced alcohol. Household on low and medium incomes feel the need to rely on wine and spirit produced outside of the commercial sector. Home-made wine is not only purchased for its very competitive price but also due to the traditions, and the perception that all home-made products are “natural” and do not contain chemicals and preservatives. Current prospects are that this trend will continue as long as there is not a visible improvement in the economic situation and consumers’ income. Although no data is available yet for 2011, it is expected that this trend will continue.

## **Policy**

### EU funding

For the 7 year period 2006/2007- 2013, EU funds for the Bulgarian vine and wine sector are 166 million Euros (112.7 million Euro for the period 2009-2013). Disbursement of these funds is under the national operative vine/wine sector development program. Eligible producers should have at least 0.1 HA vineyard. Funds can be spent for conversation and modernization of vineyards; crop insurance; promotion in third markets (mainly in Russia; Asia-China, Hong Kong, Mongolia, Vietnam; Canada and Far East); and product innovations, especially at small and medium size wineries. The program allows grabbing of 8%-19% of 153,000 HA viticulture land. See Table#6

Bulgaria makes efforts to use as maximum as possible from the EU funds in the vine and wine sector. In

2010, the authorities paid 14.3 million Euro subsidies out of total budget of 21.2 million Euro or 67% for 114 projects. The utilization of the separate budget under different sub-programs was 80% (13.7 million Euro) for restructuring and conversion of vineyards (55 projects); and 28% (566,000 Euro) under insurance budget (58 projects) program. In 2011, the MinAg approved 15 applications for 111 HA for eradication of vineyards with EU funds. See Table#7

**Table #1. Area under grapes in Bulgaria, 2000-20010, HA**

<b>Areas under grapes in Bulgaria, 2000-20010, HA</b>			
<b>Year</b>	<b>Cultivated area at farms</b>	<b>Not cultivated area</b>	<b>Total area under grapes</b>
2000	153,200	7,271	160,471
2001	146,995	4,190	151,185
2002	129,998	15,200	145,198
2003	103,019	28,050	131,069
2004	95,551	34,029	129,580
2005	94,724	32,118	126,842
2006	85,320	43,537	128,857
2007	97,387	22,954	120,341
2008	88,570	22,246	110,816
2009	74,018	27,416	101,434
2010	56,968	25,707	82,675

Source: MinAg Bulletins

**Table #2. Vineyards distribution in the country in 2010**

<b>Vineyards locations in the country, 2010</b>			
<b>Regions</b>	<b>Total area, HA</b>	<b>Harvested area, HA</b>	<b>Harvested area, %</b>
North West	6,984	4,612	66.0
North Central	4,315	3,277	76.0
North East	5,764	4,825	84.0
South East	19,051	17,802	93.0
South Central	17,694	16,000	90.0
South West	3,160	2,922	92.0
Total	56,968	49,438	87.0

Source: MinAg Bulletin, #177, July 2011

**Table #3. Variety structure of vineyards in 2010 (based on harvested area)**

<b>Variety structure of vineyards in 2010 (based on harvested area)</b>		
	<b>Area, HA</b>	<b>Share, %</b>
Red vine varieties	31,272	63.0%
White vine varieties	15,537	31.0%
Table grapes	2,629	6.0%
Total	49,438	100%

Source: MinAg Bulletin, #177, July 2011

**Table #4. Grapes production and average yields in Bulgaria, 2006-2010, HA**

Grapes production and average yields in Bulgaria, 2006-2010, HA					
Year	Grape production total, MT	Vine grapes, MT	Table grapes, MT	Average yields for vine grapes, kg/ha	Average yields for table grapes, kg/ha
2006	336,128	293,610	13,563	4,494	4,383
2007	376,663	341,818	13,641	4,855	5,460
2008	369,430	345,650	17,889	4,390	7,305
2009	281,302	255,257	17,344	4,944	5,315
2010	230,198	210,398	7,989	4,495	3,039

Source: MinAg Bulletins  
 Note: Total grapes production includes also grapes for self-standing vines

**Table #5. Wine grapes production utilization, 2008 - 2010**

Wine grapes production utilization, 2008 – 2010, MT and %						
	2008		2009		2010	
	MT	In %	MT	In %	MT	In %
Total grapes	369,430	100%	281,302	100%	230,198	100%
Grapes for wine manufacturing	307,574	83%	245,425	87%	213,854	93%
Grapes for direct consumption	61,856	17%	35,877	13%	16,344	7%
Grapes processed at commercial wineries	203,447	66%*	181,926	74%*	148,454	69%*
Grapes processed for homemade wine	46,444	16%*	42,352	17%*	50,643	24%*
Other products	54,881	18%*	21,147	9%*	14,757	7%*

Source: MinAg Bulletins; \*as a share of grapes for wine manufacturing

**Table #6. National vine and wine program funding, in 1000 Euro**

National vine and wine program funding, in 1000 Euro							
Measure	EC regulation	Budget years					Total
		2009	2010	2011	2012	2013	
Promotions in third markets	EC/XXXX/2008, art.9	1,560	2,120	2,200	2,700	2,670	11,250
Restructuring and conversion	Art.10	12,548	17,114	17,772	21,927	21,702	91,063
Crop insurance	EC 1493/1999, Art.13	1,500	2,000	2,050	2,450	2,370	10,370
<b>Total</b>		<b>15,608</b>	<b>21,234</b>	<b>22,022</b>	<b>27,077</b>	<b>26,742</b>	<b>112,683</b>

Source: National Vine and Wine Chamber

Table#7. National vine and wine program utilization 2009/2010-2011/12

National Program Utilization 2009/2010-2011/12			
Program	Budget Euro	Contracted, Euro	Paid, Euro
• <u>2009/2010</u>			
“Restructuring and Conversion”	17 114 000	16 585 821 (96,9%)	13 751 988 (80,3%)
“Crop Insurance”	2 000 000	-	566 498 (28,3%)
“Promotion in third countries”	2 120 000	-	-
<i>Total</i>	21 234 000	-	14 318 486 (67,3%)
• <u>2010/2011 г.</u>			
Program			
“Restructuring and Conversion”	17 772 000	14 207 600 (80%)	
“Crop Insurance”	2 050 000	575 450 (28%)	
“Promotion in third countries”	2 200 000	80 312 (3,7%)	
<i>Total</i>	22 022 000	14 863 362 (67,5%)	
• <u>2011/2012 г.</u>			
“Restructuring and Conversion”	21 927 000		
“Crop Insurance”	2 450 000		
“Promotion in third countries”	2 700 000		
<i>Total</i>	27 077 000		

Source: EVWA

