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GAIN Report #BU1006

## **Bulgaria**

### **Wine**

## **Wine Industry Overview**

### **2001**

Approved by:

**Holly Higgins**

**U.S. Embassy, Sofia**

Prepared by:

FAS REGIONAL STAFF

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**Report Highlights: The Bulgarian wine industry faces a difficult time with declining wine production and lower exports. At the same time, stronger local demand and a favorable 2001 trade agreement with the EU has opened up new sales opportunities. The Bulgarian government is now considering policies to support this key domestic industry. Bulgaria exports about 80 percent of all local wine production.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
BU

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## SUPPLY

### Grape Supply

**Background:** Bulgaria has a long history of vineyard cultivation and wine production. In 1947, the State nationalized all vineyards and wineries, creating a single state monopoly "Vinprom." During the 1960s, cooperative growing arrangements were developed. By the 1980s Bulgaria was producing wine on an industrial level, mostly for the markets of the former Soviet Union. However, since the early 1990s, the sector has undergone liberalization as state-owned enterprises were sold to private investors. This has resulted in fragmented holdings and the loss of important vineyards.

Bulgaria traditionally is specialized in production of wine grapes. Growing of table grapes is not done on a commercial basis. In the last 10 years, both crop area and production has gradually declined to reach a record low level in 2000 (See Table #1).

**Crop Area:** Wine grape vineyards (as of July 1, 2000) were 96,600 hectares (HA) or only 4 percent higher than in 1999. In marketing year 2001, this area is expected to increase slightly to 97,000 HA. However, in 2000 commercially cultivated vineyards –versus artisanal production-- totaled 71,500 HA (both table and wine grapes), of which only 3,400 HA were treated with nitrogenous fertilizers and 600 HA with phosphorous coverage. Plant protection chemicals were used on 54,700 HA and only 700 HA were treated with herbicides. This low level use of farm chemicals is due to their high cost and the producers' limited financial means.

In 2000, some new rootstock plantings were made in the regions of Svishtov, Plovdiv, Silistra, Bourgas, Liaskovetz, Jambol and Chaskovo. The new planting areas were small and expensive and thus will not provide a real boost to overall grape crop production.

**Production:** Wine grape output in 2000 is estimated at 350,000 metric tons (MT), of which over 200,000 MT were purchased by commercial vintners. The average yield for wine grapes was reported at 360 kilos/hectare, varying from 500 kilos/hectare in the southern part of the country to 200-250 kilos/hectare in small, artisan vineyards, probably due to limited water supplies and low input use. Overall, the new owners improved their vineyard production and harvest management which resulted in higher yields in select regions - Chaskovo, Vidin and Svishtov - by 10 to 20 percent over 1999.

The quality of the 2000 harvest is forecast to be very good mainly due to high summer temperatures and lack of rainfall which increased the sugar content in grapes. On the other hand, high summer temperatures brought out diseases, like plant viruses and fungal problems. As a result, some older vineyards died out because of heat-related diseases or had significantly reduced yields.

**Varieties:** Bulgaria has three native grape varieties: Mavrud, Melnik and Pamid. In addition, a large portion of area planted is dedicated to traditional European varieties such as Cabernet Sauvignon and Merlot. Others, like Muscat Ottonel, Sauvignon Blanc, Traminer and Sylvaner are not so successful but with proper vineyard management and technology are now used to make

quality wines. The Soviet variety Rkatsiteli became one of the major varieties in the 1980s and was planted and developed to meet export demand from the Russian market. Increasingly popular grape varieties such as Chardonnay and Reising are expensive to plant and maintain and thus used only by vineyards with sizable foreign ownership and investment.

**Production problems:** In addition to poor quality grapes, grape harvesting, wine-making technology (such as lack of modern filtration and bottling lines or refrigeration) plus improper management of inputs, there are production problems which may require government support. In 2000, there were two widely reported problems: the inability to collect grapes at central processing points/collection points; and the harvesting of grapes in advance of full maturity.

-Older Vineyards: About 63 percent of the total vineyards are aged 20 years or more. Only 2 percent are aged 0 - 6 years. If the vineyard structure is not improved soon with newer rootstocks of appropriate varieties, there will be a critical deficit of wine grapes in both quantity and quality. Those vintners with access to a sizable quantity and consistent quality grape crop have a major competitive edge.

-Land fragmentation: Small holdings which resulted from land privatization has had a negative impact on local grape production. In the privatization process, about 30 percent of all vineyards were destroyed and only a small portion were handed over in good shape. Land fragmentation makes impossible the supply of commercial-sized lots of grapes. Thus, vintners are forced to purchase small lots from a number of grape producers who differ significantly in quality, or use different technology and are not consistent in their production. In addition, the fragmented purchasing practices increase (considerably) the cost of collection. Land fragmentation is also a constraint to new investment. New wine producers often are willing to invest sizable funds, but can not locate or consolidate land owners. The lack of appropriate infrastructure on small farms (i.e. roads, wagons, even trellis or training structures use) leads to unnecessary losses during harvesting and hurts overall quality.

- New plantings: According to local experts, Bulgaria needs to improve and replace old vineyards and to change its variety structure. Bulgaria produces annually about 1.0 million vine planting root stocks. In addition, the Ministry of Agriculture recently allowed duty free imports of root stocks (1999 - 652,000 rootstocks/2000- 900,000 rootstocks). This supply allowed for planting of 600 HA of new vineyards. None-the-less, the new plantings are limited because of insufficient investment and lack of financial resources on the part of the newly private wineries. Due to a limited domestic rootstock supply, financial and in-kind assistance has been sought from European rootstock growers, mainly the French. Enterprises with foreign partners and investment have been able to restore their vineyards more quickly than those producers with more limited financial means.

## **Wine Supply**

In 1985, Bulgaria produced over 450 million liters of wine. By 1998, the level of wine production had fallen to 180 million liters or 40 million gallons. Estimates for 2000 and 2001 point to total annual grape production of 350,000- 400,000 MT, from which Bulgaria makes about 200-240 million liters of wine per year. This is far below the country's potential annual

production capacity of 794,000 MT of grapes or 500 million liters of wine.

Total 1999 wine production is estimated at 140-150 million liters (50-55 million liters of higher quality wine, 70-80 million liters of table wine, 5-10 million liters of sparkling and carbonated wine and about 4 million liters of flavored wine). Total wine production in 2000 is estimated at 200 million liters.

There are several types of wine produced in Bulgaria: a) so-called "quality" wine which includes an appellation of origin, can be red or white and is always bottled; b) table wine which usually has a lower quality than the appellation wines, can be red or white, and also can be bottled or in bulk and; c) and sparkling wine which can be red or white and is always bottled. The proportion of quality to table wine produced is 1:2 compared to 1:3 in European countries. The proportion of red to white wine produced is usually 50:50. Please see Attachment #1 for more details.

### **Crush Consumption**

Over the last five years, the percentage of grapes allocated for on-farm or artisanal crush was 40% to 50% and the remaining grapes were used for industrial crush due to unsatisfactory farm-gate prices. For the same reason, use of wine production facilities ranged from 40% to 80% or far below potential capacity. In 1999, the total amount of wine grapes purchased by commercial operations was 150,000-160,000 MT at an average farm gate price of 0.51 Bleva/kilo (roughly \$250/MT). In 2000, about 200,000 MT of grapes (or 57 percent of total production) were purchased by commercial wine producers.

Some of the problems in the 2000 grape purchasing campaign were as follows:

- In 1999, competition among wine producers led to unusually high farm gate prices of grapes which were of relatively low quality. As a result, the cost of production was quite high while quality was low which resulted in diminished competitiveness. Much of the 1999 wine remained unsold on the international markets. Thus, producers entering the 2000 crop year were saddled with surplus stocks of lower quality and debt.
- Carryover wine stocks from 1999 depressed demand for purchases of new crop grapes in 2000.
- Overall, the industry lacks financial resources for purchasing grapes. Lower quality grapes were purchased on an ad-hoc basis from near-by countries and were of lower end quality.
- Grape producers expected similar or even higher farm gate prices in 2000 compared to 1999 and thus some were reluctant to forward contract or sell the resulting harvest. This led to early harvesting and uneven quality of supplies entering the market.

White wine grapes for crush: The highest demand is for Rkatsiteli, red Muscat, Dimiat and Muscat Ottonel type grapes which together make up 75 percent of all white varieties. However, these varieties rarely yield high quality wine popular on the world market. More traditional varieties such as Chardonnay, Traminer, Sauvignon Blanc and Riesling have higher average purchase prices, but there is a limited supply of these grapes in Bulgaria.

Red wine grapes for crush: The highest demand is for Cabernet Sauvignon and Merlot (about 70

percent of total red grape production) because those wines have the best export opportunities.

Table (or dessert) grapes for crushing are limited due to small acreage planted and production.

### **Farm-Gate Prices**

The farm gate prices offered by wineries in the fall of 2000 were about 30 percent lower compared to 1999. The highest prices were for those varieties which are destined for export wine - red varieties- Merlot and Cabernet Sauvignon at 0.60-0.65 Bleva/kilo; and white varieties - Chardonnay and Sauvignon Blanc at 0.50-0.60 Bleva/kilo. The remaining varieties were lower priced, i.e. prices for reds like Mavrud and other local varieties were at 0.50-0.55 Bleva/kilo; for white grape varieties like Ottonel, Riesling and Aligote at 0.40 Bleva/kilo. The remaining varieties are not destined for export production, thus prices were on average 0.20 to 0.35 Bleva/kilo.

Select spot grape prices (gross weight, ex-factory) as of October 2000, in Bulgarian leva were:

|                   |                             |                        |
|-------------------|-----------------------------|------------------------|
| White wine grapes | Chardonnay, Sauvignon Blanc | 0.4 - 0.5 Bleva/kilo   |
|                   | Riesling, Aligote           | 0.25 - 0.35 Bleva/kilo |
| Red wine grapes   | Merlot, Cabernet Sauvignon  | 0.60-0.65 Bleva/kilo   |
|                   | Mavrud                      | 0.55 Bleva/kilo        |
|                   | Gamza, Melnik               | 0.50 Bleva/kilo        |

Source: Ministry of Agriculture and Forestry, Sofia

USD1=2BLeva

### **DEMAND**

Local demand is almost fully met by local household (on-farm) and commercial production. Imports of bottled wine are limited due to relatively high import prices and still low purchasing power of local customers. Overall domestic demand is relatively stable and accounts for 20 percent of total production or about 40-50 million liters including quality, low alcohol content and “flavored” wines.

In 1999 and earlier, the local commercial market consisted of 35-37 million liters or just above 20 percent of local production. Although there are different estimates for annual average per capita consumption of wine in Bulgaria – ranging between 2.0 liters and 5.5 liters – most experts believe the larger number is correct (5.0 liters/per capita) as a significant part is non-commercial, personal production.

In 2000 and 2001, wine consumption in the domestic market declined (or is forecast lower) at the expense of increased consumption of beer and stronger spirits. According to wine producers, local commercial wine consumption fell sharply in the last two years to about 3.3 liters per capita in 2000 (this number represents “store-bought” wine or a total local commercial market of only 26-27 million liters).

The outlook is good for growing domestic demand for higher quality, brand-name, and more expensive Bulgarian wines. The increasing number of restaurants and other food service outlets like hotels and institutional caterers are looking for better quality wines and regular supplies. In addition, the so-called Bulgarian middle class is in a formative stage. Experts expect higher, more stable and thus more effective and consistent demand for products which are currently in short supply such as better quality local wines. This trend also points to a growing niche market for very high quality wines and opportunities for imported wines.

## TRADE

### EXPORTS

Bulgaria usually exports 80 or up to 90 percent of its total wine production. In 1996, Bulgaria exported total 215 million liters of wine, of which 137 million liters were bottled (HS#220421000) and 47 million liters were bulk wine (HS#220429000). Since that time, exports have declined as overall production fell (see Table #2, #5). In 2000, wine exports are expected to be 85,000 thousand liters, and for the first six months of the year, exports totaled 37,289 thousand liters. The major export market in 2000 was Germany. Other common export destinations for Bulgarian wine include the UK, Norway, the Netherlands and France.

**Bulgarian wine exports in 1999:** Total 1999 wine exports were 42 percent lower than in 1998. The reduction was the biggest for sparkling and carbonated wines falling by 59 percent, followed by a drop in bulk wines of 56 percent and bottled wine exports were off by 34 percent from 1998 levels. The reductions were seen mainly in markets of the former Soviet Union (FSU), with a drop in exports to those markets of 55 percent compared to 1998. One reason for this downward export trend was the constantly changing regulations for import duties on Bulgarian wines. This forces Bulgarian exporters to look for ways to avoid these duties by shifting export destinations to seek cheaper tariff rates. In addition, Bulgarian wine brands are falsified by local producers in the FSU markets.

**Bulgarian wine exports in 2000:** (see Table #3) Exports of wine in the first six months of 2000 were roughly at the same levels for 1999. Exports of sparkling and carbonated wines fell dramatically in 2000 mainly due to the loss of FSU markets. Exports of bottled wines decreased overall by only 3 percent, and there was a slight increase in bulk wine exports by 2 percent. Germany remains the largest export market with 57 percent of total Bulgaria wine exports. German demand is growing and sales in 2000 to that destination were 66 percent higher than in 1999. Declining sales to Japan and France were also noted in 1999/2000. In the recent past, one advantage of Bulgarian wine –as seen by importers– was the good price-to-quality ratio.

The major reasons for reduced Bulgarian wine exports are:

-Low competitiveness of Bulgarian wine in international markets. Small and fragmented vineyards with old stocks and poor variety structures; the slow process of establishing new planting, low yields per hectare, all led to lower grape production at high production costs. High

prices for grapes and inconsistent and/or low quality of grapes can make Bulgarian wine expensive and difficult to sell.

- Inconsistency in quality due to the blending of grapes from a number of producers with varied quality, different maturity, and with high collection costs, makes it difficult for wineries to produce every year wine at the approximately the same level of quality. It negatively affects the image of Bulgarian wine producers and reduces demand on the export markets.

- Bulgarian wine faces tough competition on the international markets from the "new world" producers such as Australia, Chile, Argentina and New Zealand. These countries offer excellent and consistent quality wines at competitive prices, following with aggressive marketing and promotional policies. These countries also have domestic support programs for wine and grape producers.

Bulgarian wine faces new, tough competition in the EU market. According to one industry report from 1999, the consumer/market rating of Bulgarian red wine such as Cabernet Sauvignon in the British market was consistently below consumer ratings of Chilean, Australian and Argentine wines.

## **Trade Agreements**

### **European Union (EU) Export Quotas**

(Table #4)

Bulgaria exports wine to the EU using export quotas under agreements revised on annual basis.

In 2001, Bulgaria hopes to revive wine exports to the EU with new increased import quotas. Under the 2001 agreement, the EU quotas for Bulgaria are increased by 84,370 hectoliters (note: one hectoliter is 100 liters) to a total of 681,800 hectoliters with the increase concentrated mainly in the bulk wine sector. The agreement is one of the first signed with EU applicant member states and supplements the initial so-called "double zero" accords on agriculture which entered into force in July 2000. Another change in the new wine agreement is that imports under the quota will be duty free, thus eliminating EU import duties levied at 40 percent ad valorem. This hopefully will make Bulgarian wine more attractively priced on the EU market.

Table #4. Export Quotas for Bulgarian Wine to the EU and Actual Exported Volumes (1000 Liters)

|   |
|---|
| <p style="text-align: center;"><b>Quotas for Exports of Bulgarian Wine to the EU and Actual Exported Volumes in<br/>Thousand Liters</b></p> |
|---|

|  | 1998   | 1999           | 2000    | 2001   |
|--|--------|----------------|---------|--------|
| Bottled wine   |        |                |         |        |
| Quota  | 40,123 | 43,443         | 46,763  | 48,500 |
| Actual Export  | 44,466 | 36,307/33,558* | 24,847  |        |
| Wine in bulk   |        |                |         |        |
| Quota  | 12,800 | 12,800         | 128,000 | 19,500 |
| Actual Export  | 17,476 | 13,344/14,195* | 154,762 |        |
| Sparkling wine   |        |                |         |        |
| Quota  | 160    | 170            | 180     | 180    |
| Export   | 27     | 101/190*       | 28      |        |
| Source: Ministry of Economy<br>* Ministry of Agriculture estimates |        |                |         |        |

### Central European Free Trade Agreement (CEFTA)

The CEFTA agreement dated 1999 gave export quotas to Bulgarian wine producers as follows:

Hungary - 5,000,000 liters at 40 percent duty. The registered exports to Hungary were 28,000 liters, mainly for re-export.

Poland - 8,500,000 liters at 50 percent reduction of the base duty in select categories. The registered exports were 10, 212,000 liters in 1999.

Czech Republic - For bottled wine, the quota is at 300,000 liters at 25 percent import duty. Actual 1999 exports were 424 thousand liters. The same quota was valid for 2000.

- Bulk wine, 1,200,000 liters at 25 percent duty. No registered exports in 1999. The same quota was valid for 2000.

Slovakia - Bottled wine, 50,000,000 liters at 25 percent import duty. No registered exports in 1999. The same quota was valid in 2000.

Bulk wine, 500,000 liters at 25 percent import duty. No registered exports in 1999. The same quota was valid for 2000.

### Trade Agreements with Turkey and Macedonia

The following export quotas are valid since 1999:

- Turkey - 50 thousand liters at 50 percent reduction of the base duty.
- Macedonia - 1,000 thousand liters bottled wine at 50 reduction of the base duty in select categories. No registered exports in 1999.

### STOCKS

Unsold wine stocks in CY2000 were 80 million liters. According to the Ministry of Agriculture

and most wine producers, these stocks were accumulated due to falling exports of lower quality wine.

## **IMPORTS**

To date, Bulgaria has imported mainly bulk wine, from regional suppliers such as Macedonia, Moldova and Romania. Imports of bulk wine accounted for 88 percent of all wine imports in 1995; 99 percent in 1996 and 90 percent or above in 1999 and 2000. Due to insufficient quantities of domestic grapes and wine, imported bulk wine is used for blending with Bulgarian wine which is then re-exported - primarily to meet export demand for the FSU markets. Therefore, Bulgarian imports are driven mainly by demand for the export trade to FSU market.

In 1998, wine imports totaled roughly 23,000,000 liters which was twice as high compared to 1997 levels (see Table #6). Bottled wine imports run below one percent of the total and are destined for high end hotels, restaurants and retail outlets. Although very small, these imports of high quality and more expensive wine continue to increase. Bulk wine is forecast to account for 90 percent of total wine imports in 2000 and 2001.

While bulk wine imports continue to dominate the import market, there is strong (albeit slim) demand for imported bottled, sparkling and carbonated wine for direct consumption. These imports mainly add to the diversity of local retail and hotel supplies and do not signal any overall shortage. Of note in 2000 is the fact that bottled wine imports during the first six months were already 170 percent higher than the same period in 1999. Both in 1999 and 2000, imports from France and Italy increased at the expense of bottled wines brought in from Netherlands and Macedonia.

According to the CEFTA agreement, Bulgaria granted import quotas for 1999 and 2000 to Hungary of 5,000,000 liters at a 35 percent duty. Under the free trade agreement with Macedonia, Bulgaria has granted a quota of 1,000,000 liters of bottled wine at 50 percent reduction of the base duty. Regular import duties which are valid for U.S. exporters can be seen in Attachment #2.

## **GOVERNMENT POLICY**

Bulgaria is currently at a major crossroads in wine industry development. The main issue is whether the country will develop large industrial wine making companies (similar to Australia) or will follow the EU model of small-to-medium sized firms producing appellation wine.

Although the government's stated priority is to support grapes/wine production and wine exports, no special preferences, regimes, regulations or subsidies are provided. The only policy instrument the government makes available is "soft" regulations. Therefore, wine producers and exporters are worried that international competitors have the strong support of their respective governments while in Bulgaria, wine exports and promotions are left in the hands of traders.

In February 2001, wine producers called for the lifting of excise duties on wine and the removal of the national trade licensing regime. Producers' arguments are that wine should be treated as

an agricultural product and not as an alcoholic drink. So far, the government's reaction has been to state that removal of a licensing regime is possible because it may reduce corruption and will start in 2001. However, the lifting of excise duties might be possible not earlier than in 2002. Other problems for wine producers is that the VAT remains on grapes and there is little relief in terms of bank credits or investment support schemes.

To assist the institutional development of the two major government structures - the Wine and Vine Chamber and the Executive Wine and Vine Appellation Agency-- the EU's "PHARE" development program sponsored a 2.5 million Euro project (with a French partner) for a two year period. The funds will be used to provide for laboratories and testing facilities. A joint project with Germany will begin to classify and certify vine nursery stocks.

There will soon be support programs for the industry through local investment loans out of the government's Fund Agriculture, the EU's "SAPARD" funds and some other minor bilateral European or EU accession programs (see Attachment #3).

**Table#1. Crop Area in HA and Production of Grapes in MT in Bulgaria in 1996-2000**

| <b>Crop Area in HA and Production of Grapes in MT in Bulgaria in 1996-2000</b> |      |     |      |     |      |     |      |     |      |     |
|--|------|-----|------|-----|------|-----|------|-----|------|-----|
|  | 1996 |     | 1997 |     | 1998 |     | 1999 |     | 2000 |     |
|  | HA   | MT  |
| Grapes, total  | 111  | 661 | 111  | 636 | 117  | 404 | 116  | NA  | 116  | NA  |
| Wine Grapes  | 94   | 520 | 94   | 495 | 98   | 320 | 97   | 307 | 97   | 350 |
| Table Grapes   | 14   | 71  | 14   | 74  | 15   | 48  | 15   | NA  | 15   | NA  |

**Table #2. Exports of Bulgarian Wine in 1997-1999 in Thousand Liters**

| <b>Exports of Bulgarian Wine in 1997-1999 in Thousand Liters</b> |         |         |        |
|--|---------|---------|--------|
|  | 1997    | 1998    | 1999   |
| Wine, total  | 162,247 | 152,270 | 87,626 |
| Bottled wine   | 111,718 | 92,777  | 61,518 |
| Table wine   | 40,272  | 53,252  | 23,549 |
| Sparkling and Carbonated wine                                    | 10,257  | 6,241   | 2,559  |

**Table #3. Bulgarian Wine Exports in the First Six Months of CY2000 in Thousand Liters**

| <b>Bulgarian Wine Exports in the First Six Months of CY2000 in Thousand Liters</b> |                            |                           |
|--|----------------------------|---------------------------|
| Country of Destination   | Exports in thousand liters | Export Price in USD/Liter |
| UK   | 4764                       | 1.41                      |
| Germany  | 9781                       | 0.62                      |
| Poland   | 3779                       | 0.94                      |
| Latvia   | 2291                       | 1.02                      |
| Japan  | 1489                       | 0.75                      |
| Sweden   | 1204                       | 1.56                      |
| Lithuania  | 1203                       | 1.03                      |
| Estonia  | 1124                       | 0.78                      |
| U.S.   | 255                        | 1.50                      |
| Total  | 31,750                     | 0.96                      |

**Table #5. Bulgarian Wine Exports 1998-2000 by Type and by Country in Thousand Liters**

| <b>Bulgarian Wine Exports 1998-2000 by Type and by Country in<br/>Thousand Liters</b> |         |        |                          |
|---|---------|--------|--------------------------|
|   | 1998    | 1999   | 2000/first<br>six months |
| Wine total  | 152,270 | 87,626 | 37,289                   |
| Sparkling and carbonated  | 6,241   | 2,559  | N/A                      |
| Bulk  | 53,252  | 23,549 | 10,720                   |
| Bottled   | 92,777  | 61,518 | 26,129                   |
| Germany   | 8,283   | 8,686  | 4,633                    |
| UK  | 22,305  | 16,774 | 5,215                    |
| Poland  | 7,347   | 9,620  | 4,641                    |
| Japan   | 5,072   | 206    | 107                      |
| FSU   | 33,251  | 14,963 | N/A                      |
| Lithuania   | 2,084   | 3,172  | 1,325                    |
| Latvia  | 4,653   | 5,596  | 2,867                    |
| Estonia   | 1,460   | 2,293  | 1,181                    |
| USA   | 793     | 598    | 283                      |

**Table #6. Bulgarian Wine Imports in 1998-2000 (first six months) by Country in Thousand Liters**

| <b>Bulgarian Wine Imports in 1998-2000 (first six months)<br/>by Country in thousand liters</b> |        |       |       |
|---|--------|-------|-------|
|   | 1998   | 1999  | 2000  |
| Wine imports, total   | 22,546 | 9,904 | 2,365 |
| Bulk wines, total   | 21,868 | 9,766 | 2,045 |
| Moldova   | 1,553  | 1,165 | 326   |
| Macedonia   | 19,688 | 8,454 | 1,713 |
| Sparkling wine, total   | 622    | 26    | 9     |
| Macedonia   | 621    | 0     | 0     |
| Italy   | 0      | 3     | 8     |
| Bottled wine  | 56     | 112   | 311   |
| The Netherlands   | 22     | NA    | NA    |
| Macedonia   | 21     | NA    | NA    |

**Attachment #1. Regions and Appellations**

Bulgaria is divided in five wine production zones depending on the soil and climate conditions.

1. Northern region, planted mainly with reds: Cabernet Sauvignon, Merlot and Gamza;
2. Sub-Balkan region, typically planted with white varieties: Muscat, Rkatsiteli and Riesling;
3. Southern region, planted with the red varieties of Pamid and Mavrud;
4. South-western region where the indigenous red Melnik variety is grown.
5. Eastern region along the Black Sea coast.

According to the 1978 "Wine Appellation Law," officially recognized wines in Bulgaria must fall into the following categories:

- *Wine without declared origin*: with declared variety or registered brand name.
- *Regional wines*: also called "country" wines which must state the grape varieties used.
- *Declared Geographical Origin*: these are wines made from specific varieties of selected grapes originating from a particular geographical region. The "DOC" wines are declared by the vintner and labeled as such.
- *Controlled Appellation of Origin*: These wines are made from grapes which originated from strictly defined and controlled micro-regions where vineyards have a registered, but limited maximum yield of grape per hectare and defined minimum sugar content. Controls are periodically made by the state wine board.
- *Reserve Category Wines*: This is a special category of wines aged in specially approved oak

casks. Reserved wines can be either of declared geographical origin, or of controlled appellation of origin.

### **Attachment # 2. Import Duties on Wine for CY2000**

Import duties on wine for CY2000 are as follows:

|  |                              |
|--|------------------------------|
| 2204 10 Sparkling wine   |                              |
| 2204 10 11 0 Champagne   | 12% + 35ECU/hectoliter       |
| 2204 10 19 0 Other   | 12% + 35ECU/hectoliter       |
| Other  |                              |
| 2204 10 91 0 Asti Spumante   | 12% + 35ECU/hectoliter       |
| 2204 10 99 0 Other   | 12% + 35ECU/hectoliter       |
| Other wine which fermentation was disrupted or terminated by adding of alcohol |                              |
| 2204 21 In containers up to 2 liters   | 12% + 35ECU/hectoliter (HLT) |
| 2204 29 Other  | 12% + 35ECU/HLT              |
| 2204 30 Other types of wine  | 40%                          |

### **Attachment #3. Financial aid**

The SAPARD program can finance projects for planting and for restoration of old vineyards. The size of any individual projects is from 10,000 to 500,000 Euro. Producers who can apply should have at least 2 HA of wine type grapes, including 0.5HA of table grapes and 1.00 HA of nursery stocks. The financing can be used also for purchasing of equipment. All projects should be agreed upon with the local or regional Wine Chambers and approved by the National Wine and Vine Agency. Wine producers (versus farmers) also can apply as the minimum required production is 500 MT annually. Producers should be registered in the National Registry of Producers of Wine Grapes, Wine and other Grapes products. The size of the production project financing are from 100,000 Euro to 1,500,000 Euro.

In addition to these programs, the Ministry of Agriculture and Forestry's "Fund Agriculture" has 6 different soft term loan programs with support programs varying from \$10,000 to \$120,000 in size and planted areas from 2.0 HA to 13.0HA. These loans are targeted at investments, have a grace period of 5 years and a repayment schedule over 10 years. In 2000, the Fund Agriculture approved 47 projects for establishment of new vineyards valued at 20 million leva and 5 projects for the restoration of vineyards at a total of 368,000 leva. Also, about 3,500 HA from the state land fund were released to producers for new root stock plantings in 2000.