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Bulgaria

Fresh Deciduous Fruit

Fresh Deciduous Fruit Annual- Revised

1999

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Report Highlights:

Domestic consumption of both fresh apples and concentrated apple juice is steadily growing. This trend supports good market opportunities in the next 3 to 5 years. Imports of fresh apples for human consumption are forecasted to remain stable at 10,000 MT in MY1999/00. Since major importers are currently looking for new supplier sources, a market niche for U.S. fresh apples exists if the pricing is competitive.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Prospects for fresh apples in MY1999/00 are for stable imports and continuing decline in exports. Increased apple production is expected in MY99/00 due to more favorable weather conditions in the spring. The crop quality should remain mediocre to poor, which will continue to limit Bulgarian export opportunities and will open a market niche for imports of fresh high quality apples for human consumption.

Market opportunities for U.S. fresh apples have not been developed yet as Greek and FYROM continue to compete with lower transportation cost and traditional trading ties. According to some traders, however, major importers are currently looking for different supplier sources to diversify fresh apples imports (reportedly, small amount of fresh apples were imported from Argentina in 1999).

Production of concentrated apple juice (CAJ) in MY99/00 should grow as a result of recent privatization and foreign investment in the largest Bulgarian processing facility "Pectin". In addition, expected higher local supply of apples for processing and more favorable domestic/export demand will push up domestic CAJ production. Bulgaria continues to be a net exporter of bulk CAJ with Austria and Germany comprising the major markets. In MY1998/99, imports of higher quality CAJ increased 50 percent from 65 MT in MY 1997/98 to meet growing local demand for juice production. This new consumer trend is a result of a gradual increase in the average Bulgarian income (currently at US$130/month per capita).

Production

Fresh Apples

As stated in previous reports, production data in the PS&D tables includes production from mixed and fruit specific orchards (only apples). The production data in the PS&D for MY1998/99 was revised 14 percent downward from the previous forecast based on official Government data and trade sources' estimates and due to a higher than forecasted decline in production. The Government data for crop area in Table #1 is the acreage for orchards that only produce apples. Because of the difficulty of extrapolating acreage from mixed orchards, the AgOffice treats "area planted" & "area harvested" in the same terms as "bearing trees" & "non-bearing trees".

Production in 1998 was 19 percent lower than in 1997 as a result of several factors:
- reduction in the number of bearing trees and increase in the number of non-bearing trees;
- freezing in the spring of 1998;
- unfavorable weather for pollination in May 1998;
- hail in May-June, 1998, and drought in July-August;
- relatively high weed and pest infestation;
- irregular and not correct trimmings;
- not sufficient input use, especially irrigation.

Prospects for MY1999/00 are for an increase in production due to more favorable weather in the spring (better climate conditions for pollination and higher soil moisture due to rainfalls). However, the hail in July and drought in August are negatively affecting the quality of apples. Therefore, 1999 apple production is expected to be more suitable for processing rather then fresh consumption.

Despite recent decline in apple production, apples continue to account for the largest portion in domestic fresh deciduous fruit production compared to fresh table grapes and pears. Apple orchards occupy about 27 percent of total fruit orchards. Currently 99.5 percent of all domestic apple production is at private hands.

Most apple orchards are owned by small and medium sized farmers. These orchards are mainly of mixed type with pears and plums and more rarely are specialized for commercial apple production. Almost all production from mixed orchards is destined for on-farm fresh consumption or on-farm processing into jams, vinegar, brandy, etc. A small portion of it is sold in urban, open air markets.

Crop Area and Variety Structure

The latest MinAg survey of the status of apple trees showed that the age structure of orchards continue to deteriorate. About 46 percent of trees should be replanted and about 40 percent are near the end of their lifespan. Only about 14 percent are in a good shape. The total number of non-bearing trees in the country increased to 12 percent of total trees in MY1998/99 compared to 11 percent in MY1997/98.

In the last year, new trees have been planted in the private sector but mainly for non commercial purposes. Therefore, the reported crop area has increased (see Table #1). However, these trees are still in young non-bearing age and the increase in area can not affect production for 1999 and the year 2000.

The major production regions in MY1998/99 remained the same - Plovdiv area with 61 percent of crop area and 50.6 percent of total production followed by Bourgas and Varna. The highest yields were also reported in Plovdiv area, 8.5 MT/HA or 30 percent higher than the average for the country. In other regions, yields were below the average for the country.

The major varieties grown in Bulgaria are Golden and Red Delicious and Jonathan. In 1998 and 1999, nurseries offered new stock apple trees including traditional varieties such as Landsberg's Reneta, Bel Flojr, Buhavitza, and new ones - Mutzo, Grenny Smith, Moliz Delicious, Demokrat, Pilot, Starcrimson, Bell Golden etc. However, general lack of investment in new orchards over the last five years has led to a lack of introduction of new varieties. This is one of the reasons for limited export opportunities.

Concentrated Apple Juice

Estimates for MY1998/99 has been revised upward based on the final data for production and higher consumption of apples for processing as well as for production of CAJ. In addition, export demand to traditional export markets remained stable and thus stimulated production. The ratio of converting fresh apples into concentrate remained at 10 percent due to the lack of upgrading in processing technology and quality of apples.

The largest enterprise for processing of apples and production of CAJ, pectin and other products "Pectin" was privatized in mid-1999 by an Austrian company (67 percent) and by management buy-out (12 percent). This should lead to higher consumption of apples for processing and eventually higher CAJ output in MY99/00.

Production Policy

The fruit sector is not a high priority in the government's agricultural policy. The government fund "Agriculture" continues to release investment loans for perennial plants at a low interest rate.

In late 1998, the MinAg approved a new basic document (Ordinance #33 of December 17, 1998, Official Gazette #154) for production and trade in fresh table fruits and vegetables including apples (total 27 types of fresh vegetables and 17 types of fresh fruits). This document is a part of the MinAg program for harmonization of Bulgarian agrarian legislation with the EU and is based of EU Directive 2251/92 for quality control of fresh fruits/vegetables.

The major requirement of this new regulation is proper quality labeling of fresh fruits and vegetables for local sales/exports according to local quality standards. The majority of these standards have already been adjusted to the EU requirements. The labels of each lot should contain provisions about the type of product, its quality, origin, producer and packer.

New labeling requirement is expected to stimulate exports of fresh fruits/vegetables since one of the major difficulties so far has been the lack of correspondence between Bulgarian and EU quality standards. All imported fresh fruits/vegetables also should meet the labeling requirements. A special Directorate to the MinAg monitors the compliance between the quality certified on the labels and quality determined by samples (both for local production and imports).

There are no Government programs or policies in 1999 to finance or subsidize fruit producers.

PSD Table, Fresh Apples

PSD Table						
Country	Bulgaria					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Planted	19000	19000	19000	19000	0	19000
Area Harvested	18000	18000	18000	18000	0	18000
Bearing Trees	19000	19000	18900	18900	0	18900
Non-Bearing Trees	2300	2300	2400	2400	0	2400
Total Trees	21300	21300	21300	21300	0	21300
Commercial Production	130000	130000	120000	100000	0	120000
Non-Comm. Production	30000	30000	30000	30000	0	30000
TOTAL Production	160000	160000	150000	130000	0	150000
TOTAL Imports	11991	10000	13000	10000	0	10000
TOTAL SUPPLY	171991	170000	163000	140000	0	160000
Domestic Fresh Consump	79899	80000	81000	64000	0	76000
Exports, Fresh Only	92	92	100	78	0	70
For Processing	74000	74000	66900	69000	0	75000
Withdrawal From Market	18000	15908	15000	6922	0	8930
TOTAL UTILIZATION	171991	170000	163000	140000	0	160000

PSD Table, Concentrated Apple Juice

PSD Table						
Country	Bulgaria					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Deliv. To Processors	74000	74000	66900	69000	0	75000
Beginning Stocks	20	20	20	20	20	20
Production	5183	5183	5000	6618	0	7000
Imports	65	65	70	100	0	100
TOTAL SUPPLY	5268	5268	5090	6738	20	7120
Exports	3948	3948	3570	5318	0	5600
Domestic Consumption	1300	1300	1500	1400	0	1500
Ending Stocks	20	20	20	20	0	20
TOTAL DISTRIBUTION	5268	5268	5090	6738	0	7120

Consumption
Fresh Apples

The data in the MY1998/99 P,S&D tables are the AgOffice's estimate based on industry and MinAg information. Apples for processing in MY1998/99 are estimated at 66,000 MT for CAJ production, and about 3,000 MT for vinegar and spirits (including also processing in households) or a total of 69,000 MT. Due to the lower quality of apples compared to MY1997/98, 49 percent of total supply (compared to 43 percent in MY1997/98) was used for processing.

The estimate for fresh apples consumption is about 64,000 MT which coincides with the official statistics numbers (National Statistical Institute). Overall consumption in MY1998/99 declined 20 percent compared to the previous year for several reasons: lower total supply of quality apples, higher market prices (see prices), and higher price/quality competition of the part of citrus fruits, mainly bananas and oranges in the fall-winter time.

There was no significant change in the consumption pattern in MY1998/99. Since all imports are used for fresh consumption, their relative share in total consumption in MY1998/99 increased to 16 percent compared to 12 percent in the previous year. Higher quality fresh domestic and imported apples were almost entirely consumed in urban areas and are sold on wet markets. On-farm fresh consumption consists usually of good to excellent quality apples of late varieties which can last from October to April-May of the following year.

The average annual consumption of fresh apples per capita in 1998 was 8.4 kilos, second after citrus fruits, 9.6 kilos. The annual consumption fluctuates by months as follows:

Mnt	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
kilo	0.7	0.8	0.7	0.6	0.4	0.1	0.1	0.1	0.7	1.4	1.3	1.2

It is interesting to note that consumption is quite price sensitive and is the lowest in the time of the highest prices (see the price table for fresh apples).

Losses and withdrawal from the market figure in the P,S and D table is the AgOffice estimate - it declined to 5 percent of total supply compared to 9 percent in MY1997/1998 due to better storage conditions.

Prospects for MY99/00 are for an increase in fresh consumption to 76,000 MT due to expected higher supply, continued increase in average income and anticipated higher prices of citrus fruits.

Concentrated Apple Juice

Consumption of CAJ in MY1998/99 has increased 8 percent compared to the previous year due to higher local demand for juices. Consumption should continue to grow in MY1999/00 due to higher consumer demand for juices and soft drinks. According to a latest marketing research (1998), the structure of soft drinks consumption in the country is as follows:

Total non alcohol drinks - 70 liters per capita (compared to 208 liters/capita in EU) of which: carbonized waters - 40 liters (57 percent), mineral water - 15 liters (21 percent), non carbonized soft drinks - 11 liters (16 percent) and fruit juices - 4 liters (6 percent). Although the share of fruit juices remains the smallest in the structure of non alcohol drinks consumption, it has quickly increased from 1 percent in 1994 to 9 percent in 1999. The forecast is that this percent will further grow to 10 percent in the year 2000 on the expense of carbonized drinks. The total amount of annual juice consumption in Bulgaria has increased from 19 million liters in 1997 to 52 million liters (est.) in 1999 which is about 6.5 liters per capita.

Prices

Farm-gate prices of apples in 1998 were relatively low, between 600 Bleva/kilo (US$0.34) and 850 Bleva/kilo (US$0.48) and remained at about 80 percent of wholesale price (see Table #2.). Wholesale prices in 1998 varied between 630 Bleva/kilo (US$0.36) and 1,990 Bleva/kilo (US$1.137). The highest prices of apples are registered in the period May - June when the supply is almost entirely from imports. By the end of the year, prices are also comparatively high since most apples on the market are either imported or from local storage facilities i.e they include storage cost. Average retail price of apples in 1998 were 752 leva/kilo (US$ 0.43) compared to 473 leva (US$0.27) in 1997 or 58% higher (see the Retail Price Table for 1998 and 1999). Expectations for the retail market prices in MY99/00 are for the range of 1.0 - 2.0 Bleva/kilo (US$0.57 - US$1.11).

Price Table, Fresh Apples, CY1998 and CY1999

Prices Table			
Country	Bulgaria		
Commodity	Fresh Apples		
Prices in	Bleva	per uom	kilogram
Year	1998	1999	% Change
Jan	1004	1165	16.04%
Feb	1056	1242	17.61%
Mar	1094	1235	12.89%
Apr	1136	1237	8.89%
May	1185	1418	19.66%
Jun	1376	1788	29.94%
Jul	1533	1780	16.11%
Aug	1035		-100.00%
Sep	1002		-100.00%
Oct	861		-100.00%
Nov	948		-100.00%
Dec	1084		-100.00%
Exchange Rate		Local currency/US $	

Trade

The data in the trade matrixes are on a marketing year basis. The data for MY1997/98 was revised based on final official figures. The data for MY1998/99 are preliminary official data for the first six months of MY1998/99 while the reported by trade amount for the next six months is in the line of "others".

Exports

Exports of fresh apples in MY1998/99 decreased further due to the poor quality of apples and lack of satisfactory marketing. The major markets for Bulgarian apples remained Russia followed by the Netherlands. The main difficulties for Bulgarian exports to Western markets are high production cost, low quality, lack of appropriate packaging, and lack of demanded varieties (Cox Orange Reneta, Johan Gold, El Star, Gala, Macintosh etc.).

Bulgaria is given an export quota to the EU for the period July 1, 1998 - June 30, 1999 of 1,035 MT at a reduced import duty of 20 percent of the basic duty. Reportedly, there were no exports under this quota.

Exports of CAJ in MY1998/99 increased 48 percent due to higher supply and better export opportunities. Major markets of Bulgarian concentrated apple juice remained the same - Austria and Germany. In MY1999/00, exports should further increase due to projected higher production and better marketing.

Imports

Fresh apples imports in MY1998/99 remained stable at 10,000 MT, less than projected by the AgOffice due to transportation difficulties in the region for the period March-June, 1999 (conflict in Kosovo) and keen competition of citrus fruits in the winter of 1998. The major portion in imports was Golden Delicious (40 percent) and Grenny Smith (20 percent) followed by other varieties. The major suppliers remained Greece and Macedonia.

Imported apples for fresh consumption are delivered to the country mainly in the period March - August (the peak is May - June) and small quantities in the winter months. At summer period, however, consumption of fresh apples is lower due to higher supply of other locally produced fruit and traditionally higher prices of imported apples. In the winter, the price of imported apples is competitive with prices of bananas and slightly higher than prices of oranges.

Imports of CAJ increased 50 percent to 98 MT in MY1998/99 but still remained at a low level. The major suppliers for Bulgaria were Austria, Romania and Greece.

Import Trade Matrix, Fresh Apples, MY 1998/99

Import Trade Matrix			
Country	Bulgaria		
Commodity	Fresh Apples		
Time period	MY1998/99	Units:	metric tons
Imports for:			1
U.S.		U.S.	
Others		Others	
The Netherlands	42		
Iran	77		
Turkey	343		
Macedonia	3150		
Greece	2120		
Total for Others	5732		0
Others not Listed	4200		
Grand Total	9932		0

Export Trade Matrix, Fresh Apples, MY 1998/99

Export Trade Matrix			
Country	Bulgaria		
Commodity	Fresh Apples		
Time period	MY1998/99	Units:	metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
The Netherlands	12		
Russia	42		
Cyprus	2		
Malta	3		
Ukraine	3		
Panama	2		
Romania	5		
Lebanon	2		
Total for Others	71		0
Others not Listed	7		
Grand Total	78		0

Import Trade Matrix, Concentrated Apple Juice, MY 1998/99

Import Trade Matrix			
Country	Bulgaria		
Commodity	Concentrated Apple Juice		
Time period	MY1998/99	Units:	metric tons
Imports for:			1
U.S.		U.S.	
Others		Others	
Greece	10		
Romania	14		
Hungary	8		
Italy	6		
Austria	20		
Total for Others	58		0
Others not Listed	40		
Grand Total	98		0

Export Trade Matrix, Concentrated Apple Juice, MY 1998/99

Export Trade Matrix			
Country	Bulgaria		
Commodity	Concentrated Apple Juice		
Time period	MY1998/99	Units:	metric tons
Exports for:			1
U.S.		U.S.	
Others		Others	
Austria	3473		
Germany	1230		
Italy	421		
Total for Others	5124		0
Others not Listed	194		
Grand Total	5318		0

Trade Regime for Fresh Apples

There were no duty free import quotas for fresh apples in the CY1999.

Preference for the EU in 1999 are as follows:
HS# 0808 10 with the exception of 0808 10 20 5, 0808 10 50 5, 0808 10 90 5 - import quota of 3,880 MT at 40 percent import duty. For the period August 1 - December 31, the minimum duty of 180 USD/MT is applied.

Fresh apples are not a subject of any preferences in trade with CEFTA countries.

Trade Regime for CAJ

There were no duty free import quotas for CAJ in CY1999.

According to CEFTA agreement, trade in CAJ among CEFTA members is levied maximum 12 percent import duty. The exception is Poland since this duty applies only within the quota of 48 MT for 1999 and 56 MT for the year 2000.

All importers should pay a VAT of 20 percent, import duty, and one percent cross-border tax.

Reportedly, there are not any phyto sanitary barriers for imports of fresh apples and CAJ to Bulgaria.

The 1999 Tariff Schedule was changed in December 1998 as shown below:

Import Duties for Fresh Apples and Apple Concentrate in 1999		
HS Number	Description	Duty
HS# 0808 10 00	Apples	
HS#0808 10 00 1	In bulk, not suitable for direct consumption, designed for processing in the period Sep.16 - Dec.15	5% plus 62 ECU/MT
Other HS# 0808 10 20	From the variety Golden delicious	
HS# 0808 10 20 4	January,1 - end of February	5% + 62 ECU/MT
HS# 0808 10 20 5	March, 1 - May, 31	20%
HS# 0808 10 20 6	June, 1 - July, 31	5% + 62 ECU/MT
HS# 0808 10 20 7	August, 1 - December, 31	10% + 127 ECU/MT
HS# 0808 10 50	From the variety Granny Smith	
HS# 0808 10 50 4	January,1 - end of February	5% + 62 ECU/MT
HS# 0808 10 50 5	March, 1 - May, 31	20%
HS# 0808 10 50 6	June, 1 - July, 31	5% + 62 ECU/MT
HS# 0808 10 50 7	August, 1 - December, 31	10% + 127 ECU/MT
HS# 0808 10 90	Other	
HS# 0808 10 90 4	January,1 - end of February	5% + 62% ECU/MT
HS# 0808 10 90 5	June, 1 - July, 31	20%
HS# 0808 10 90 7	August, 1 - December, 31	10% + 127 ECU/MT
HS#2009 70	Apple juice, concentrated and not concentrated	40%

Table 1. Crop area, yields, and production of apples in calendar years 1995 - 1998				
Indexes	1995	1996	1997	1998
Crop area, HA*	14,783	14,800	13,500	14,700
Crop area in number of trees*	19,400	20,000	19,000	19,000
K trees	19,400	20,000	19,000	19,000
Avg. Yields, MT/HA	2.50	7.95	6.76	6.56
Production, MT	80,000	180,000	160,000	130,000
Apples orchards	37,000	100,000	91,000	96,000
Mixed orchards	44,000	80,000	69,000	34,000
Note:* Crop area in HA is official data which reports only specific apple orchards. Crop area in number of trees includes all trees from mixed and specific orchards and is included in the P,S&D table.				

Table 2. Average farm-gate prices and retail prices for 1995-1999 for apples in leva per kilogram					
Prices	1995	1996	1997	1998	1999
Farm-gate	8.00	15.00	125.00	850.00	1,000-1,500
Retail	50.00	80.00	600.00	1,200.00	1,200-1,800
Note: 1999 preliminary data.					