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**Report Name:** Stone Fruit Annual

Country: Bulgaria

Post: Sofia

Report Category: Stone Fruit

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#### **Report Highlights:**

Post forecasts that Bulgaria's stone fruit crop in marketing year (MY) 2020 will increase by 5.6 percent. Cherry production is forecast higher due to increased area harvested and higher average yields. Peach production is forecast to remain flat due to inconsistent yields caused by variable weather conditions between growing regions. Following MY 2019's record stone fruit consumption, MY 2020 consumption is forecast down due to COVID-19's negative effects on consumer demand and the tourism sector, although demand from processors is projected upward. Cherry imports are likely to be lower in conjunction with the uptick in local production and higher stocks. Peach imports are projected to remain stable.

### **MY 2020 Supply and Demand Forecast**

Weather: The 2019/20 winter was mild and without heavy snowfall or excessively low temperatures. Although spring 2020 weather was excessively dry, conditions were mostly favorable during the blossom and pollination periods. There was an unusual late-March and early-April snowfall which negatively affected some orchards, mainly peaches. May and June brought more rainfall which boosted cherry yields. Hot and dry conditions prevailed in July and August and may negatively impact peach yields. Since May, Bulgaria's eastern regions have been much drier and warmer than its western areas.

FAS Sofia expects peach production to be on par with MY 2018 at 34,000 metric tons (MT), based on official data and Post contacts. Farmer reports are mixed, largely depending on the weather/rainfall in the respective regions. There are concerns that if dry and hot weather persists in August, production could drop below the MY 2019 crop. An August 13 Ministry of Agriculture (MinAg) weekly report indicated that average yields were down 5.8 percent. Cherry (sweet and tart) production is projected to higher due to more rain during key development stages. FAS Sofia forecasts production at 61,200 MT, slightly above MY 2018.

### Supply and Demand Estimates:

According to MinAg data, 56 percent of the area planted for peaches was harvested as of mid-August, with lower reported yields and production. Despite lower domestic stocks, Post does not expect any notable increases of imports due to expected lower consumer demand for fresh peaches. Processors may increase their demand for fresh peaches, particularly for lower quality fruit from drought-affected regions (Table 6).

According to MinAg's early harvest data, sweet and tart cherries were fully harvested as of mid-August. The data reflect that the areas harvested for sweet and tart cherries were 17 percent and three percent higher, respectively. Average yields were up 5.1 percent and 10.1 percent, respectively, and total production increased by 22.6 percent and 13.8 percent, respectively. Higher stocks reduced farm-gate prices from five to 22 percent from last year. Farmers reported that some cherry orchards remain unharvested, as low market prices and increased labor costs made harvesting their cherries unprofitable.

FAS Sofia forecasts that cherry imports may decrease marginally due to higher local production and anticipated lower consumer demand in 2020. Cherry processing is expected to increase (Table 7).

#### MY 2019 Supply and Demand

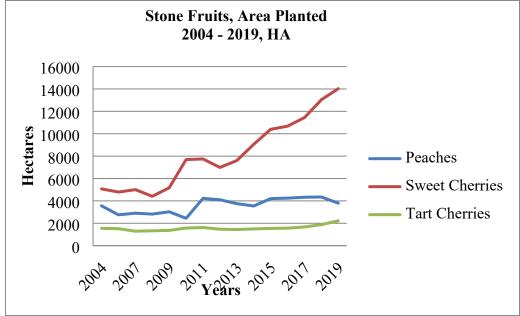
#### Supply

2019 weather conditions were mixed and were more favorable for peaches than for cherries. Spring rains and rainy harvest weather negatively affected the cherry yields and quality.

Areas Planted and Harvested: Driven largely by EU subsidies, Bulgarian farmers increased the total stone fruit area by four percent. Sweet cherries accounted for 19 percent of Bulgaria's total planted fruit area at 14,027 HA, of which 77 percent was harvested. The tart-cherry area planted also increased, however only 60 percent was harvested (62 percent last season). The 2019 area harvested for both sweet and tart cherries was 8.3 percent higher over 2018. The peach area planted also increased, but due to

weather-related challenges, just 85 percent was harvested. MY 2019 total stone fruit area harvested grew by 4.2 percent over MY 2019.

**Graph 1: Stone Fruits, Area Planted** 



Source: Bulgarian Ministry of Agriculture, Foods and Forests data

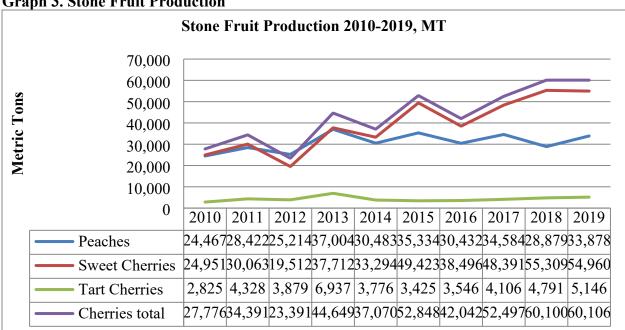
Average Yields: More favorable weather in MY 2019 increased average peach yields by 28.5 percent. Sweet and tart cherry yields, however, declined by 7.8 percent and 4.3 percent, respectively, from MY 2018 (Table 1).

Because of the area harvested increase and inconsistent yields among the different commodities, total stone fruit production increased by 5.6 percent, including a 17-percent increase for peaches (Table 1). Peach quality was better, which spurred fresh consumption. Stone fruits continued to be the largest fruit category, accounting for 40 percent of Bulgarian total fruit production (234,600 MT) followed by plums at 24 percent and apples at 19 percent.

Fruit Production by Shares of Major Fruits, 2019 Other Apples, MT 17% 19% Peaches and nectarines,MT 14% Plums 24% Sweet

**Graph 2: Horticulture Production by Type of Fruits** 

Source: Bulgarian Ministry of Agriculture, Foods and Forests data



cherries, MT

23%

**Graph 3. Stone Fruit Production** 

Tart cherries,

MT

2%

Source: Bulgarian Ministry of Agriculture, Foods and Forests data

# Consumption

Peaches: In MY 2019, peaches were the third most-popular fruit for processing among Bulgarian food processors, with a share of 13 percent, following apples (39 percent) and sweet cherries (26 percent). The increased peach crop in MY 2019 also drove stock levels above the previous year. This increased peach procurements by food processors by 11 percent over MY 2018 (Tables 3, 4 and 6). Despite the uptick in peach processing, MY 2019 production of peaches in syrup, compotes, purees, and juice

(15,480 MT) are reportedly lower compared to MY2018 (16,590 MT). About 70 percent of final products were exported to the other EU markets, mainly Poland, Italy, Romania, and Hungary, 16 percent were exported to third countries (Russia, Canada) and 14 percent were the local sales (Table 9). As a result, ending stocks of processed products as of December 2019 reached 15,520 MT, up by 20 percent over December 2018. Higher ending stocks drove processed product exports by 32 percent during the first five months of 2020 (Table 9). Post expects that higher exports during the first half of 2020 may also drive demand for processed stone fruit products in MY 2020 (Table 6), especially when fresh consumption is lower due to COVID-19's negative affect on tourism.

Cherries: Traditionally, sweet cherries are Bulgaria's most popular stone fruit for processing. In MY2019, sweet cherries accounted for 26 percent of all processed fruits, while tart cherries only accounted for two percent. Total cherries for processing accounted for 28 percent of processed fruits, ranking second after apples.

Due to stagnant local supply, increased exports, and continued growth in fresh consumption, MY 2019 cherry processing decreased by 5.4 percent from MY 2018 (Tables 3,4 and 7). 72 percent of processed cherries were locally sourced. 38 percent of the processed products like cherry pulp, dried cherries, and jams were exported within the EU, mainly to Germany (Table 8). Similar to peaches, ending stocks of processed cherry product as of December 2019 reached 13,280 MT, a 41-percent increase over December 2018. This spurred processed-products exports to grow by 16 percent during January-May 2020 over the same period in 2019 (Table 8). Post expects this uptick in exports will drive demand for cherries among processer in MY 2020, supported also by local production growth and lower prices.

# Stone Fruit for Fresh Consumption

Fresh stone fruit consumption has increased sharply in recent years due to more disposable income and growing consumer preference for more healthful products (Tables 6 and 7). Still, fresh consumption remains price sensitive and seasonal.

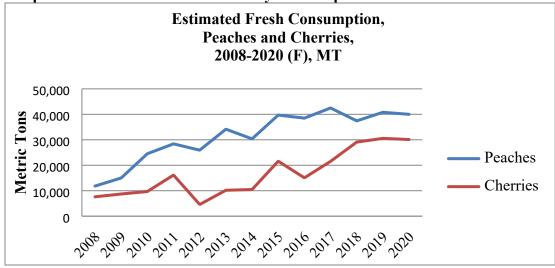
Peaches: FAS Sofia estimates that in MY 2019, fresh consumption increased by nine percent over MY 2018 (Table 6). According to official statistics, household fresh peach consumption grew from 7.1 kg/household in 2018 to 8.9 kg in 2019, as consumer prices were six percent lower.

In MY 2020, peach prices reportedly increased due to lower local stocks. As of mid-August, MinAg reported peach prices increased by 20 percent over the corresponding period in 2019. Higher peach prices were also driven by a decline in fruit quality due to the drought. Post expects that higher prices will decrease fresh consumption. Post forecasts that in MY 2020 fresh peach consumption will decline by two percent from MY 2019 (Table 6).

Cherries: In MY 2019, cherry production was roughly the same as MY 20218 but of lower quality due to rains during harvest. Quality-related issues increased imports by 17 percent over MY 2018. Most imported cherries were bound for fresh consumption. Retail cherry prices for consumers were reported to be 14 percent higher. This affected fresh consumption, which increased over the previous season by five percent (Table 7). Some fresh consumption was also likely used for home processing. Still, fresh consumption reached a new record level. In MY 2020, fresh consumption is likely to be lower due to COVID-19's negative affect on the tourism. Slightly better crop, however, was supported by more favorable prices. According to a MinAg report, from May 29 to July 1, 2020, weekly cherry prices

ranged from five to 22 percent lower from the corresponding period in 2019. Cherry quality was also better over 2019. As a result, fresh consumption is projected to decrease only by about two percent.

**Graph 4: Post Fresh Peach and Cherry Consumption Estimates** 



Source: FAS Sofia

#### **Trade**

Peaches: In MY 2019, peach exports remained at about 1,000 MT. During the first five months of 2020, peach exports were down by 13 percent. Bulgaria's main export market was Belarus. MY 2019 imports were stable, about two percent below last year, despite the growth in local production, primarily due to strong demand from both fresh consumption and processing. Greece continued to be Bulgaria's primary peach supplier, with over 96 percent of market share (Table 5). Imports through May 2020 were 79 percent higher, most of which entered into the market in May, mainly by Greece, but also Turkey and Spain. Post expects that MY 2020 imports will moderate due to lower fresh consumption.

Cherries: MY 2019 fresh cherry exports increased by 52 percent and were shipped mainly to Germany. Despite the bigger crop, strong consumer demand drove a 17-percent increase in imports due to mediocre crop quality. Greece continued to be Bulgaria's major supplier with 55 percent market share, although Turkey was also competitive and increased its cherry exports to Bulgaria by 500 percent over MY 2018, accounting for 41 percent Bulgaria's cherry imports.

## **Agricultural Policy and Domestic Support**

*Agricultural Policy*: In Bulgarian's 'National Strategic Plan for Operational Programs of Fresh Produce Producers 2017-2021' (see <u>GAIN</u>), the Government of Bulgaria (GOB) recognized the horticulture industry as a political priority. In 2019 and 2020, MinAg increased its level of domestic support (mainly coupled support) and improved the dialogue with the industry.

Following the COVID-19 pandemic in the spring of 2020, the GOB approved Decree 87/April 30, as well as a follow-up version, Decree 118 of June 12/2020, mandating retail chains to allocate store shelf space for locally produced foods, including fresh horticulture. Following pressure from the retail industry, the GOB made the regulation temporary from June to December 31, 2020. Retailers also made significant efforts to voluntarily expand the assortment and volume of locally grown horticultural

products, displaying them on dedicated shelves for local products only. Some retailers introduced new private labels for domestic products. One large retailer/wholesaler went beyond promoting to retail consumers also promoted domestic foods and produce to food service outlets and hotels. The MinAg Paying Agency allocated €2.0 million under a *de minimis* program for farmers to deliver produce to retailers as a part of COVID support, to include stone fruits.

*Taxation:* In summer 2019, MinAg noted its support for industry demands to reduce the value added tax (VAT) for stone fruit producers, processors, and traders, similar to the precedent set by the grain sectors. In the spring of 2020, the industry renewed its request to eliminate the VAT or reduce it to five percent, citing the GOB issuing such tax breaks to other sectors during COVID. As of August 2020, GOB officials still have not indicated clear support for such a policy change.

Coupled Support Subsidies: Stone fruits are eligible for coupled support subsidies based on area. In 2019, MinAg's eligibility requirements for coupled support were as follows: 7.5 MT/HA for peaches and nectarines, 4.7 MT/HA for sweet cherries, and at 3.7 MT/HA for tart cherries. Subsidy rates were set at €902/HA for farms up to 30 HA and €601/HA for larger farms. In June 2020, MinAg increased the coupled support budget with €1.5 million for horticulture farmers. The updates rates for all fruits (except plums and table grapes) grew as follows: 1,876 leva/HA (€957/HA) for the first 30 HA; 1,250 leva/HA (€638/ha) for farms with more than 30 HA.

In the spring of 2020, the GOB was pressured by some industry groups for inefficient coupled support payouts. These groups claimed that a significant portion of these subsidies were paid to fraudulent farmers and/or payments for products which were not actually produced (mainly vegetables). As a result, MinAg has committed to increase on-site inspections for horticulture.

In August 2020, the MinAg announced €1.6 million COVID-related support for those processors with at least 15 percent higher fruit procurements over 2019. The rate was set at 27 leva/MT (€13.8/MT) for peaches and nectarines. Also in August, MinAg's Paying Agency dispersed 19 million leva (€9.7 million) for horticulture farmers. The rates for stone fruits were up to 250 leva/HA (€12.7/HA). The program targeted COVID-related and drought affected farmers. The GOB also announced €54 million of COVID-related support program for various agricultural sectors, including 15 percent national co-financing. Horticulture farmers are eligible for up to €7,000 rate per a farm. Eligible farmers should must demonstrate a 20-percent loss in sales due to the pandemic from January to April 2020.

*Marketing:* To support fresh produce marketing, the MinAg approved funds ( $\in$ 50,000 for 2019) for GLOBAL G.A.P certification for 2019 and 2020. The program covers annual farmer expenses up to  $\in$ 600 and up to  $\in$ 2,500 per producer group.

In 2019, Kaufland introduced a program to reduce pesticide residues, similar to an existing program by Billa, another retail chain. In July 2020, Lidl also introduced a €85,000 program for Global G.A.P. in partnership with the European Bank for Reinstruction and Development, targeting 15 small/medium sized farmers.

In July 2020, the MinAg announced 15.6 million leva support ( $\in$ 8.0 million) for short supply chains and local farmer markets. The maximum subsidy per a beneficiary is  $\in$ 300,000.

School Program: Since 2017, Bulgaria's school lunch program has included dairy products and fresh produce. In 2019, the EC allocated €2.59 million for fresh produce and €1.156 for dairy products (total €3.7 million) for the 2019/20 Bulgarian school year. In 2020, the pandemic and the shift to virtual learning disrupted the program, as well as an unwillingness by some families to accept food and fresh produce deliveries.

# **Appendix:**

Table 1: Peaches and Cherries Area, Yields and Production, 2015-2020 F

<b>Peaches and Cher</b>	Peaches and Cherries Area Harvested, Average Yields and Production, 2015-2020F															
	2015	2016	2017	2018	2019	2020 F										
Area Harvested, HA																
Peaches	3,711	3,816	3,893	3,521	3,214	3,300										
Sweet Cherries	8,055	8,463	8,989	10,049	10,837	10,900										
Tart Cherries	1,207	1,137	1,074	1,184	1,328	1,333										
Cherries total	9,262	9,600	10,063	11,233	12,165	12,233										
Yields, MT/HA																
Peaches	9.521	7.975	8.884	8.202	10.541	10.300										
Sweet Cherries	6.136	4.549	5.383	5.504	5.072	5.138										
Tart Cherries	2.838	3.119	3.823	4.046	3.875	3.900										
<b>Production, MT</b>																
Peaches	35,334	30,432	34,584	28,879	33,878	34,000										
Cherries	49,423	38,496	48,391	55,309	54,960	56,000										
Tart Cherries	3,425	3,546	4,106	4,791	5,146	5,200										
Cherries total	52,848	42,042	52,497	60,100	60,106	61,200										
Stone Fruits total	88,182	72,474	87,081	88,979	93,984	95,200										
Source: MinAg Sta	tistical Bu	lletins, 2019	is final office	ial data, 20	020 is Post fo	Source: MinAg Statistical Bulletins, 2019 is final official data, 2020 is Post forecast										

Table 2: Stone Fruit Average Yields Development, 2016-2019, MT/HA

	<b>Stone Fruit</b>	Stone Fruit Average Yields Development, MT/HA							
2016 2017 2018 2019									
Peaches	7.975	8.884	8.202	10.541					
Sweet Cherries	4.549	5.383	5.504	5.072					
Tart Cherries	Tart Cherries 3.119 3.823 4.046 3.875								
Source: MinAg Statistical Bulletins									

**Table 3: Processing of Peaches and Cherries in 2014-2019** 

Processing of Peaches and Cherries in 2014-2019											
Processed 2014 2015 2016 2017 2018 2019											
fruits, MT											
Peaches	12,740	13,090	13,090	18,100	13,820	15,330					
Sweet Cherries	24,480	29,960	25,690	29,190	29,190	29,220					
Tart Cherries	3,050	2,000	4,090	2,950	3,830	2,030					
Cherries total	27,530	31,960	29,780	32,140	33,020	31,250					
Source: MinAg S	Statistical I	Bulletins #33	32/2017, #347	7/2018, #365/2	2019; #379/2	020					

Table 4: Processing of Peaches and Cherries at Commercial Plants in 2016-2019

Processin	Processing of peaches and cherries in 2016-2019, MT											
	2016		2017	2017			2019	2019				
	No of	Processed	No of	Processed	No of	Processed	No of	Processed				
	plants	raw	plants	raw	plants	raw	plants	raw				
		material		material		material		material				
Peaches	23	13,090	25	18,100	22	13,820	26	15,330				
Sweet	29	25,690	32	29,190	33	29,190	37	29,220				
Cherries												
Tart	28	4,090	29	2,950	28	3,830	32	2,030				
cherries												
Cherries		29,780		32,140		33,020		31,250				
total												
Source: N	IinAg Sta	atistical Bulle	tins #29	0/2016, #332	/2017, #3	347/2018, #3	65/2019,	#379/2020				

Table 5: Trade in Peaches and Cherries, 2013-2019 (Jan-Dec) and 2020 (Jan-May)

Trade in peaches and cherries, 2013-2019 (January-December) and 2020 (January-May)												
	2013	2014	2015	2016	2017	2018	2019	2020				
Peaches, HS	080930		1									
Imports	9,472	15,242	18,366	22,202	27,703	23,625	23,245	541				
Exports	3,316	2,619	904	1,043	1,695	1,260	1,022	62				
Cherries, oth	er than tart	HS 080929	)									
Imports	5,020	1,809	1,540	1,419	1,890	2,363	3,983	130				
Exports	3,366	1,092	1,579	745	1,041	1,349	2,185	78				
Tart Cherries	s HS 08092	1										
Imports	141	502	1,257	2,901	1,636	1,539	576	19				
Exports	268	288	514	762	1,310	532	678	54				
PSD Cherrie	s, HS 08092	20, 080929	, 080920									
Imports	5,161	2,311	2,797	4,320	3,525	3,902	4,559	149				
Exports	3,634	1,380	2,093	1,507	2,351	1,881	2,862	132				
Source: Euro	ostat/TDM											

Table 6: Supply and Demand Peaches and Nectarines 2013-2020 Forecast (F)

Table 6. Supply and Demand Teaches and Nectarines 2013-2020 Forecast (F)										
Peaches	2013	2014	2015	2016	2017	2018	2019	2020		
Harvested Area,	3,753	3,139	3,711	3,816	3,893	3,521	3,214	3,300		
HA										
Production	37,004	30,483	35,334	30,432	34,584	28,879	33,878	34,000		
Imports	9,472	15,242	18,366	22,202	27,703	23,625	23,245	23,000		
Total supply	46,476	45,725	53,700	52,634	62,287	52,504	57,153	57,000		
Exports	3,316	2,619	904	1,043	1,695	1,260	1,022	1,000		
Processing	9,000	12,740	13,090	13,090	18,100	13,820	15,330	16,000		
Fresh Consumption	34,160	30,366	39,706	38,501	42,492	37,424	40,801	40,000		
Total Distribution 46,476 45,725 53,700 52,634 62,287 52,504 57,153 57,000										
Note: 2019 data is te	ntative estii	nates ana	! 2020 da	ta is fored	cast by F.	AS/Sofia				

Table 7: Supply and Demand Cherries (Sweet and Tart) 2013-2020 Forecast (F)

Cherries	2013	2014	2015	2016	2017	2018	2019	2020
Harvested Area,	8,937	7,214	9,262	9,600	10,063	11,233	12,165	12,233
HA								
Production	44,649	37,070	52,848	42,032	52,497	60,100	60,106	61,200
Imports	5,161	2,311	2,797	4,320	3,525	3,902	4,559	4,000
Total supply	49,810	39,381	55,645	46,352	56,022	64,002	64,665	65,200
Exports	3,634	1,380	2,093	1,507	2,351	1,881	2,862	2,600
Processing	36,000	27,530	31,960	29,780	32,140	33,020	31,250	32,500
Fresh Consumption	10,176	10,471	21,592	15,065	21,531	29,101	30,553	30,100
Total Distribution	49,810	39,381	55,645	46,352	56,022	64,002	64,665	65,200
Note: 2019 data is te	ntative estii	nates and	2020 dat	a is forec	ast by FA	S/Sofia	-	

**Table 8: Exports of Processed Cherries, 2015-2020** 

Commodity: 200860, Cherries, Prepared or Preserved, Whether or Not Containing Added Sweetening or Spirit, Nesoi

Calendar Year: 2015-2019 and January-May: 2019, 2020

Calciluai	Calcidat 1 cat. 2013-2017 and January-May. 2017, 2020											
	Unit	Calenda	ar Year (	UOM1: T	January-May							
Partner		2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19			
World	T	6,382	6,936	7,188	6,663	6,486	1,689	1,953	15.63			
EU 28	T	5,342	5,943	6,185	6,040	5,938	1,513	1,802	19.10			
Germany	T	4,987	5,461	5,331	5,597	5,347	1,371	1,626	18.60			
Russia	T	628	566	426	357	291	102	120	17.65			
Italy	T	124	157	372	163	220	1	3	200			
Romania	T	51	71	203	170	217	72	93	29.17			
Australia	T	138	135	85	132	127	44	0	-100			

Source: Eurostat/TDM

Table 9: Exports of Processed Peaches, 2015-2020
Commodity: 200870, Peaches, Prepared or Preserved, Whether or Not Containing Added **Sweetening or Spirit, Nesoi** 

Calendar Year: 2015-2019 and January-May: 2019, 2020

		Calenda	r Year(U	OM1: T)	January-May				
Partner	Unit	2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
World	T	11,209	13,610	13,130	13,124	10,893	4,961	6,541	31.85
EU 28	T	8,686	10,559	10,368	11,200	9,355	4,109	5,674	38.09
Poland	T	1,192	2,649	2,886	3505	2,826	1,062	1,122	5.65
Italy	T	2,200	1,850	1,853	1,682	1,878	725	1,190	64.14
Romania	T	1,464	1,604	1,775	2,201	1,830	923	1,071	16.03
Hungary	T	762	1,282	1,270	1,747	1,118	644	902	40.06
Slovakia	T	1,068	1,094	853	1,115	870	547	626	14.44
Russia	T	2,230	2,301	1,579	1,197	706	427	537	25.76
Czech									
Republic	T	1,496	1,461	1,217	458	326	32	553	1628.13
Canada	T	55	77	180	274	321	161	156	-3.11
Germany	T	348	377	355	325	269	81	90	11.11

Source: Eurostat/TDM

# **Attachments:**

No Attachments.