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Fresh Deciduous Fruit Annual

Report Categories:
Fresh Deciduous Fruit

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Report Highlights:
In MY2015/16 Bulgarian apple, pear and table grape production hit another record with an annual growth of the apple crop of 7%, pears 37%, and table grapes 130%. Prospects for MY2016/17 for the three major products are relatively good, however, average yields may decline due to spring hail storms and frost in some regions, as well as a hot and dry summer.

Fresh consumption as well as consumption for processing continued to grow. Consumer demand exceeds local supply and imports increased. In MY2015/16 imports of apples increased by 17% and imports of pears by 9%.

In the middle of 2016 the Ministry of Agriculture and Foods revised its coupled support policy. It made eligibility requirements more stringent and reduced the subsidy rate under the program. Investment in the horticulture sector was encouraged through various programs with EU funds.

General Information:
<u>Apples</u>

Production

Production of apples has grown since 2008 due to new investments in orchards, supported by EU funds. Apples remain the main fruit for production and consumption in the country. In MY2015/16 apple orchards accounted for 13% of total harvested orchards and 27% of total fruit production. This ranked apples third in terms of area but the first in terms of fruit production.

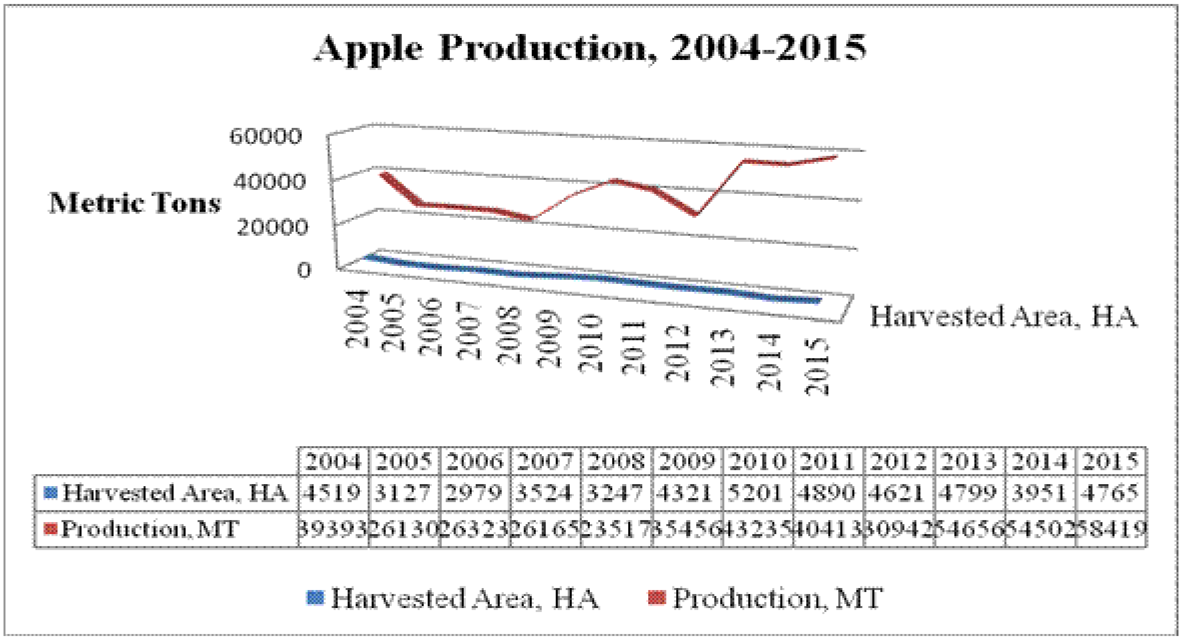
In MY2015/16 the weather was favorable for apple production, the winter was mild with no heavy snow or very low temperatures, the spring weather during blossoming and pollination was also good. Soil moisture was at sufficient levels although summer heat and dryness affected yields which declined 11% compared to MY2014/15. Overall quality improved and stimulated greater exports.

As a result of active investment in apple orchards, in 2013-2015, apple production stabilized above 55,000 MT. In MY2015/16 production reached 58,419 MT or 7% more than in the previous season and the highest level for the last 15 years. Harvested area increased by 21% and was 88% of planted area. Average yields declined from 13.8 MT/HA in MY2014/15 to 12.3 MT/HA in MY2015/16. Some farmers had to decrease use of inputs and only 55% of apple orchards were fertilized.

<u>Young Plantations</u>: Despite new plantations, the share of young apple orchards remains relatively low (see GAIN report BU1514). The newly planted young apple orchards in 2015 were 363 HA or 2.4% of all new orchards.

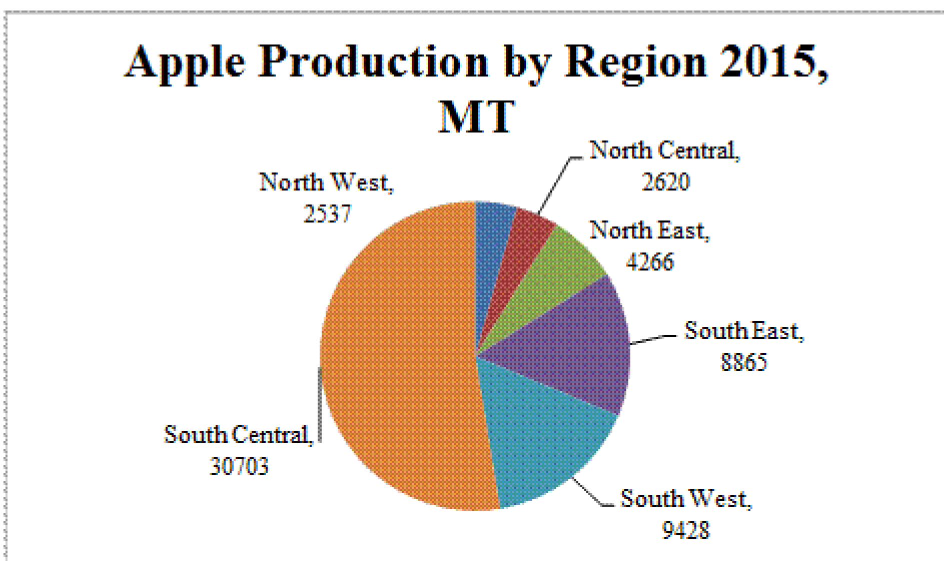
<u>Farm Development</u>: Similar to other crops, the apple sector saw increased concentration and commercialization with a decrease in the number of farms and an increase in area. According to the latest MinAg data (2013), the average size per apple farm increased from 1.06 HA in 2010 to 3.33 HA in 2013. There are about 16,000 apple farms cultivating an area of 5,500 HA. Out of this total, there are 19 production cooperatives, about 250 medium sized farms of average land size of 4.5 HA, and 15 larger farms of average size of 7.2 HA.

Organic apple orchards have developed dynamically but still represent a small share of total production. In 2015, the organic apple area was 568 HA and organic apple production was reported at 1,460 MT (Eurostat), or 2.5% of total apple production.



Source: MinAg Statistical Bulletins

Production Regions: The major production regions are South East and South Central. Non-commercial production is estimated to have declined from 14% of total apple production in in MY2013/14 to 13% in MY2014/15 and MY2015/2016, with a tendency for future declines in the medium term as a relative share in total production.



Source: MinAg Statistical Bulletin 310/May 2016

Density of Trees in Apple Orchards: Although newly planted apple orchards are highly intensive, with 2500 - 3600 trees per hectare, the prevailing type of existing orchards have lower densities from 400 to 1590 trees. See GAIN report BU1514.

Age Structure of Apple Orchards: The young trees up to 5 years old are 18% of the total area under apples, more than half (58% of the apple area) falls in the second age class from 5 to 14 years, and 12% are in the third age class aged 15 to 24 years old. See GAIN report BU1514.

Variety Structure of Apple Orchards: The most common variety is Golden Delicious with 17% of the area, followed by Florina at 15.0% and Granny Smith at 11%. See GAIN report BU1514.

MY2016/17 Prospects: The prospects for MY2016/17 are currently for a slight reduction in production. The winter was mild but with sufficient rainfall. The spring brought a sudden drop in temperatures and frosts in some regions but not in all production areas. The summer did not have extreme temperatures but was drier than normal. There are market reports about slightly higher harvested area at 4,800 HA. The weekly MinAg reports indicate that as of October 20 the collected apple harvest was 12% less than a year ago and the average yields were 10% lower. Based on these reports, FAS Sofia expects lower apple production at around 53,000 MT.

Consumption

Apples are traditionally the most consumed and processed fruit in the country. FAS Sofia current estimates for supply and demand are shown in the table below.

Table 1. Supply and Demand Estimates, Apples

Apples	**2014/15**	**2015/16**	**2016/17**	UOM
Calendar Year Begin	**07/2014**	**07/2015**	**07/2016**	(MONTH/YEAR)
	Estimate	Estimate	Forecast	
Area Planted	5,600	5,416	5,400	(HA)
Area Harvested	3,951	4,765	4,700	(HA)
Commercial production	47,502	50,000	45,000	(MT)
Non-commercial production	7,000	8,419	8,000	(MT)
Production	54,502	58,419	53,000	(MT)
Intra EU28 Imports	10,203	19,416	21,000	(MT)
Extra EU28 imports	25,188	22,077	23,000	(MT)
Total imports	35,391	41,493	44,000	(MT)
Including fresh apples for			1,000	(MT)

processing	4,443	889		
TOTAL SUPPLY	**89,893**	**99,912**	**97,000**	(MT)
Fresh domestic consumption	66,100	72,203	72,000	(MT)
Intra EU28 exports	221	2,421	1,900	(MT)
Extra EU28 exports	72	88	100	(MT)
Total exports	293	2,509	2,000	(MT)
For processing	23,500	25,200	23,000	(MT)
TOTAL DISTRIBUTION	**89,893**	**99,912**	**97,000**	(MT)

<u>Consumption for Processing:</u>

In MY2015/2016 apples accounted for 27.1% up from 25.6% a year earlier of all processed fruits (MinAg Bulletin#311/September 2016), following cherries which accounted for 35.4% of the total processed fruits. Processed quantity was reported at 22,980 MT, processed by 26 commercial processors of apples (FAS Sofia estimate in Table 1 includes also non-commercial processing). In 2015 and 2016 the number of small processors increased and more companies produce now higher-end niche products such as juices made from direct squeezing and apple cider.

Over the last 3 years there has been a clear trend of increased use of apples for processing, mainly for apple concentrate, apple juice including freshly squeezed juice, dried apples, apples for use in baby food and other uses. The quantities of apples used for processing in MY2015/16 were estimated to be 7% more than in MY2014/15 due to the supply increase. Higher supply also led to lower imports of apples for processing in 2015. Due to overall growth in the fruit crop, processing plants increased their purchases of local produce and processed 9% more fruits.

A disadvantage for the apple trade, both processing and fresh consumption, is the lack of established producer organizations or marketing cooperatives although a significant progress has been made over the last year. Currently, the country has 37 producer organizations with 226 member-farmers in the agricultural sector compared to only 12 a year ago. Another 15 producer organizations are in process of registration. Most of these groups are in fresh produce production and marketing. This development is expected to help for more effective marketing locally as well as for exports.

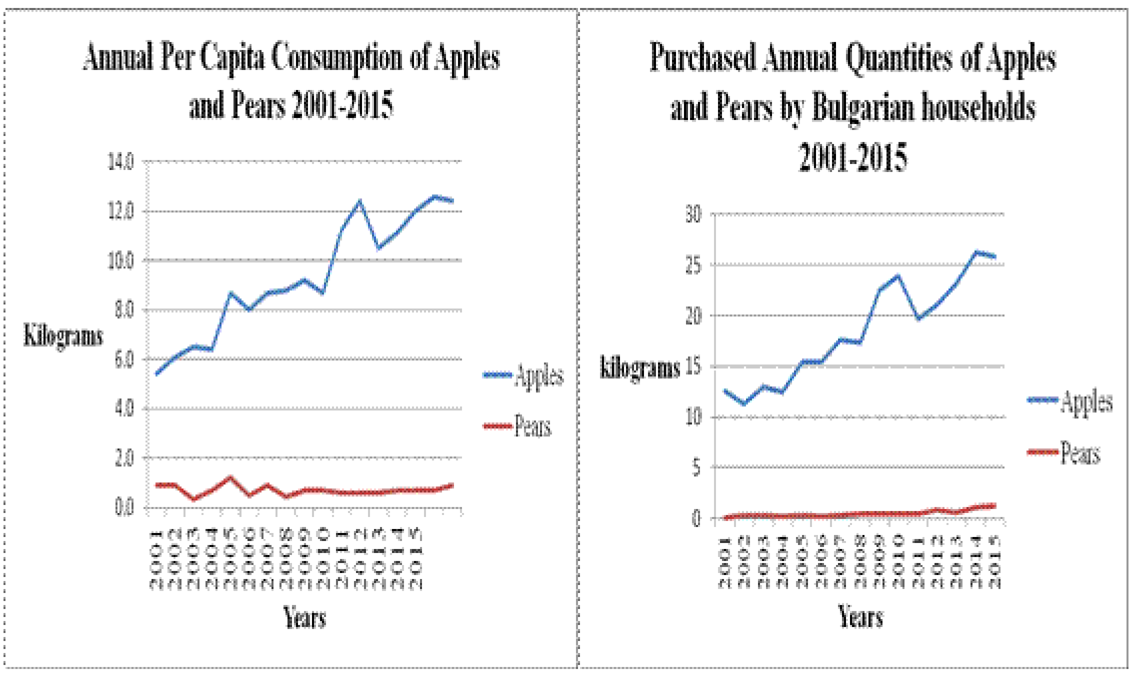
<u>Fresh Consumption</u>

Data about on-farm use of apples was reported by the MinAg for MY2015/16 at 6.6% of production (Bulletin #310/ May 2016) or 3,860 MT which is more than in the previous year (3,000 MT) and includes some processing but mainly fresh consumption. Part of this volume is usually traded at local markets, in neighborhoods, or is directly sold.

Usually, about 50% to 70% of locally grown apples are used for fresh consumption. In MY2015/16, FAS/Sofia estimate is that 55% of locally produced apples (32,000 MT) was marketed for fresh consumption through commercial outlets. Thus, total fresh consumption includes fresh imports (40,000 MT in MY2015/16) and 32,000 MT of local apples. In MY2015/16, fresh consumption is estimated to be 3% higher at 72,000 MT.

Fresh consumption has a clear tendency for growth as a result of consumers' increasing preference towards healthy food. Average per capita consumption is reported by the official statistics at 12.00 kg (2013), 12.6 kg (2014) and 12.4 kg (2015), see the graph below. In MY2016/17 consumption is expected to stagnate or grow slightly by 1-2%.

The GOB EU-funded program for schools includes apples (as well as pears and table grapes) which contributes to stable and growing fresh use. In MY2015/16 the program continued to expand and included 3,500 schools and 456,000 children. The value of the program was at 14 million leva (U.S. $8 million). In September 2016 the Cabinet approved a new regulation merging Scholl Fruit with School Milk programs which aims simplification and lower administrative cost for both programs. The MinAg stated that a new implementation policy for this program will be undertaken. The goal is to shorten the supply chain, reduce the delivery prices of fruits and also support local producers.



Source: Bulgarian National Statistical Institute

Trade

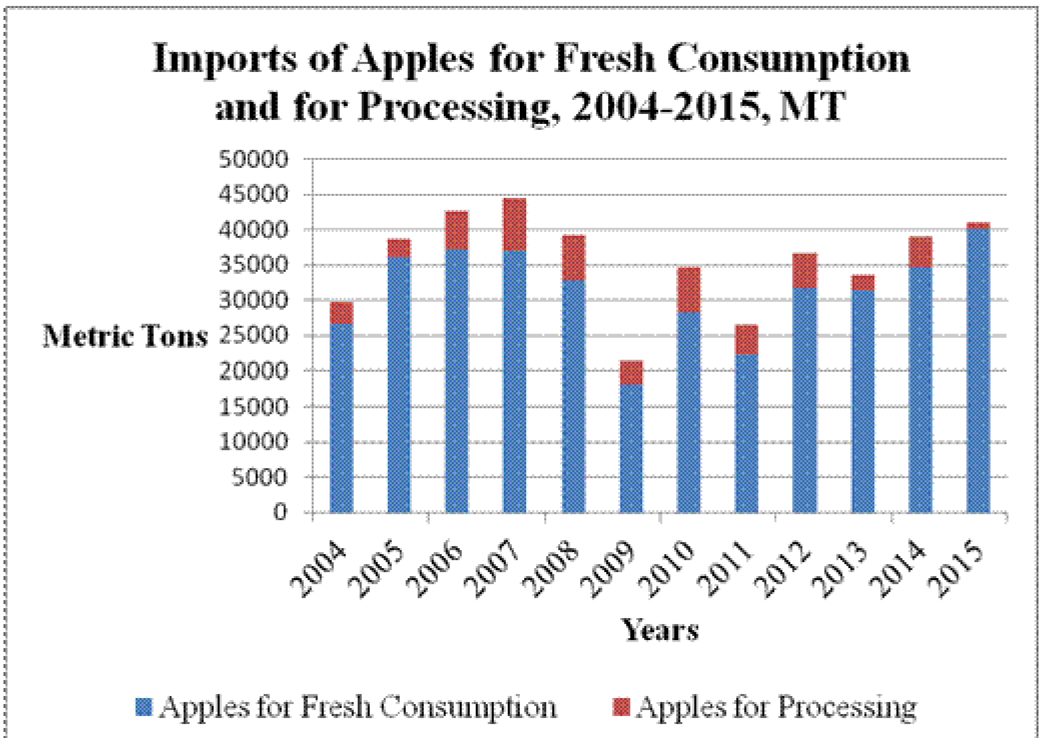
Imports

Imports of fresh apples are increasing to meet the growing consumer demand which exceeds local production. Despite higher domestic production in MY2015/16, imports skyrocketed by 17% to 41,492 MT due to the favorable demand. In value, the growth in imports was 13% to reach U.S. $10.3 million. Unlike in the previous years, imports of apples for processing were small due to sufficient local supply.

Table 2. Apples Trade 2013-2015, MT

Apples Imports and Exports, HS#080810 (MT) MY2013/14 - MY2015/16			
	MY2013/14	**MY2014/15**	**MY2015/16**
Imports	38,165	35,391	41,493
Exports	1,246	293	2,509
	Calendar Year 2013	**Calendar Year 2014**	**Calendar Year 2015**
Imports	31,491	34,667	40,160
Exports	445	1,130	697

Source: World Trade Atlas



Source: World Trade Atlas

Macedonia was the primary source for non-EU, price competitive apples, accounting for 46% of total imports in My2015/16. Macedonia almost doubled its exports to Bulgaria in MY2015/16 compared to the year before. The other major suppliers were Poland, Italy and Greece. The average price for imports in MY2015/16 was 4% lower compared to MY2014/15 at U.S.$249/MT and the lowest for the last three marketing years.

Exports

Exports of apples are still at the emerging stage. In MY2015/16 exports were higher due to good supply and quality to 2,500 MT. The average export price was significantly less to U.S.$190/MT or 65% lower than in MY2014/15. The export markets were Poland, Czech Republic and Romania.

Agricultural Policy

In 2014 the MinAg declared a new policy to encourage horticulture production as its top priority for the period 2014-2020. The authorities allocated a portion of the national support for extra subsidies per hectare for horticulture producers (coupled support). Apples, pears and table grapes were included in the list of eligible crops.

The coupled support allocation was for 20 million Euro (U.S. $22 million) annually 2014-2020. In 2015 the subsidy rate per hectare was 1,938 leva (U.S.$1,107/HA).

Apple orchards which benefitted from this support were 2,578 HA in 2015. The applications for 2016 are for 3,158 HA or 22% more. For pears, 284 HA were subsidized in 2015 and 382 HA or 34% more applied for 2016. For table grapes, 895 HA were subject to subsidies in 2015 and 1,621 HA or 81% more applied for support in 2016.

Coupled support program has a limit established by the EC and if the subsidized area exceeds the limits, the subsidies will be removed. The limit for apples is 5,201 HA, for pears 546 HA, and table grapes 2,629 HA. In mid-2016 the MinAg excluded several crops from this program as the applications exceeded the established limits (walnuts, plums and table grapes).

The budget for all fruit orchards was set at 32 million leva (U.S. $18.2 million) and the subsidy rate for apples and pears for 2017 was determined at two levels: 1,607 leva/HA (U.S.$918/HA) for the first 30 HA and 1,071 leva/HA (U.S.$612/HA) for orchards above 30 HA. Table grapes were included in a new program with an annual budget of 7.2 million leva (U.S.$4.1 million) and a subsidy rate of 908 leva/HA (U.S.$560/HA) for the first 30 HA and 653 leva/HA (U.S.$373/HA) for vineyards above 30 HA.

In addition, the required minimum average yield for participating in the program was sharply increased: for apples from 4.34 MT/HA for 2015 and 2016 to 12.83 MT/HA for 2017; for pears from 2.69 MT/HA (2015 and 2016) to 7.60 MT/HA (2017); for table grapes from 2.64 MT/HA (2015 and 2016) to 4.50 MT/HA (2017).

Farmers are also eligible for direct subsidies (See GAIN report BU1514). In addition, farmers are eligible for support covering part of their expenses for plant protection chemicals in the winter period at a rate of U.S.$57/HA (2016 budget is U.S. $600,000). The MinAg also subsidizes some of the cost of insurance of horticulture farmers (65% of insurance premium). The budget of this program for 2016 was increased to 2.5 million leva (U.S. $1.5 million) and about 400 farmers took part in it. The program will be active until 2020.

Pears

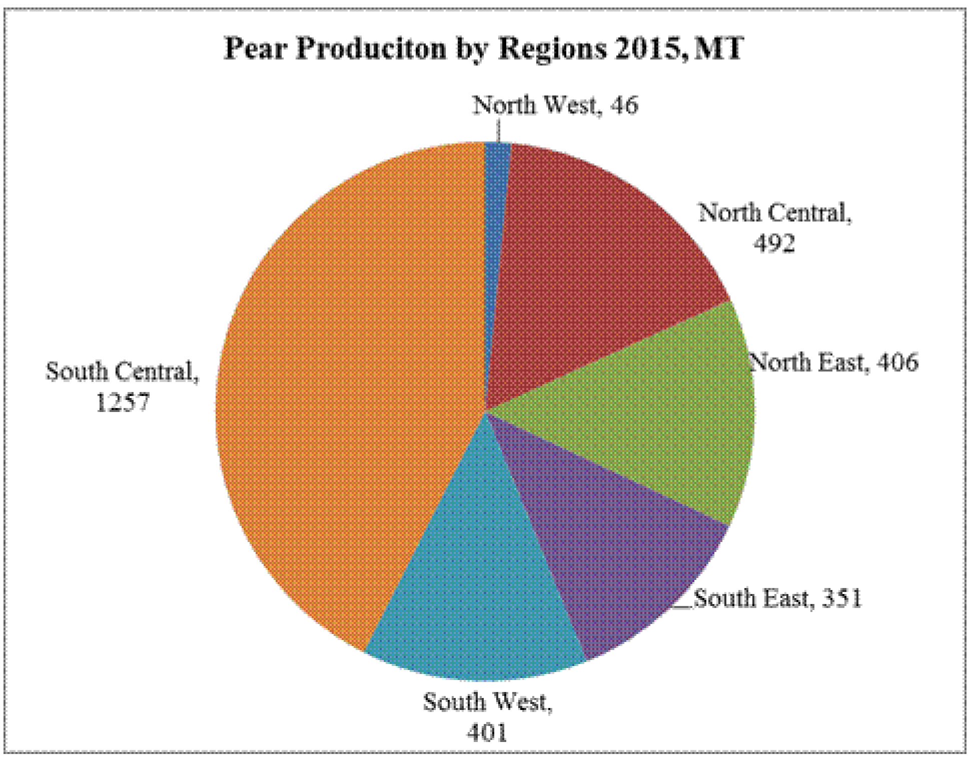
Production

Production in MY2015/16 continued to increase and was 37% higher than in the previous year, mainly due to 57% growth in harvested area as a result of new investments. Average yields were 12% lower at 5.6 MT/HA compared to 6.4 MT/HA in MY2014/15. Pears are not a major fruit and harvested area in 2015 was 1.5% of total fruit harvested areas. Similarly, newly planted orchards are 0.4% from all new orchards in 2015.

Table 3. Production of Pears 2010-2015

Production of Pears 2010-2015						
Years	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Harvested Area, HA	546	469	442	451	336	528
Crop, MT	1,468	1,974	1,364	2,894	2,154	2,953
Average Yields, MT/HA	4.5	2.7	3.1	6.4	6.4	5.6

Source: MinAg Statistical Bulletins



Commercial interest in growing pears is limited, therefore, production levels are not likely to change drastically in the near future. Non-commercial production is estimated at 500 MT. There is no public data about young, newly planted pear orchards.

Main pear varieties are: Cure 27%, Williams 16%, Abbe Fetele 8%, and Santa Maria Morettini 5%. Organic pear orchards are at the emerging stage. In 2015 (Eurostat) there were 101 organic pear orchards fully converted and under conversion, which produced a 34 MT crop.

MY2016/17 Prospects: The prospects for MY2016/17 are not very good. There are market reports about harvested area at 500 HA. The weekly MinAg reports indicate that as of October 20 collected pear harvest was 17% lower than a year ago due to lower yields. Based on these reports, FAS Sofia expects lower pear production at around 2,800 MT.

Consumption

Please, see the consumption per capita graphs in the apple section.

Table 4. Supply and Demand Estimates, Pears

Pears	**2014/15**	**2015/16**	**2016/17**	UOM
	Estimate	Estimate	Forecast	
Calendar Year Begin	**07/2014**	**07/2015**	**07/2016**	(MONTH/YEAR)
Area Planted	600	655	650	(HA)
Area Harvested	336	528	500	(HA)
Commercial production	1,754	2,453	2,400	(MT)
Non-commercial production	400	500	400	(MT)
Production	2,154	2,953	2,800	(MT)
Intra EU27 Imports, fresh	2,995	3,310	3,300	(MT)
Extra EU27 imports, fresh	303	298	300	(MT)
Total imports, fresh	3,298	3,608	3,600	(MT)
TOTAL SUPPLY	**5,452**	**6,561**	**6,400**	(MT)
Fresh domestic consumption	4,600	5,220	5,300	(MT)
Intra EU27 exports, fresh	84	90	90	(MT)
Extra EU27 exports, fresh	5	-	-	(MT)
Total exports, fresh	89	90	90	(MT)
For processing	763	1,251	1,010	(MT)
TOTAL DISTRIBUTION	**5,452**	**6,561**	**6,400**	(MT)

Fresh consumption varies depending on the quality of the crop and the year. Since 2007 consumption per capita has been stable at 0.6-0.7 kg per year but increased to 0.9 kg/year in 2015. Purchased quantities of pears by households in kilograms per year was 0.5-0.6 kg/year in 2008-2013, however, it increased to 1.1 kg/capita in 2014 and 1.3 kg/capita in 2015, doubling compared to past consumption.

Fresh consumption in MY2015/16 is estimated at 13% more than in the previous season due to good supply and quality. In MY2016/17 fresh consumption is forecast to be stable at 5,300 MT. Fresh consumption usually consists of all imports and about 55%-75% of locally produced pears.

Processing also increased over the last two years to reach 700-1,200 MT (FAS Sofia estimates, as no official data is collected or published); and the rest is used for fresh consumption; while tiny quantities are exported. Due to good crop in MY2015/16, processing was at the higher end of the range and estimated at 1,250 MT.

Trade

Imports of pears increased significantly over the last two years and in MY2015/16 were 9.4% more than in the previous season (from Greece, Italy, Czech Republic). Imports have a tendency to grow due to improving fresh consumption. In MY2016/17, imports are forecast to stabilize due to lower local supply.

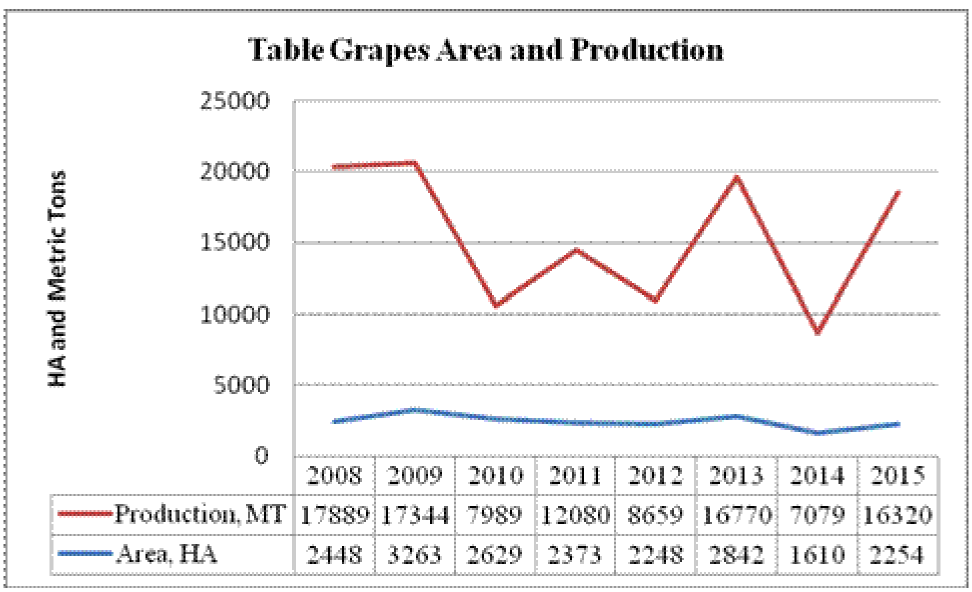
Table 5. Imports of Pears 2013-2015, MT

Imports of Pears, HS#080820 (MT) MY2013/14 - MY2015/16			
	MY2013/14	**MY2014/15**	**MY2015/16**
Total	1,367	3,298	3,608
	Calendar Year 2013	**Calendar Year 2014**	**Calendar Year 2015**
Total	1,515	2,621	3,585

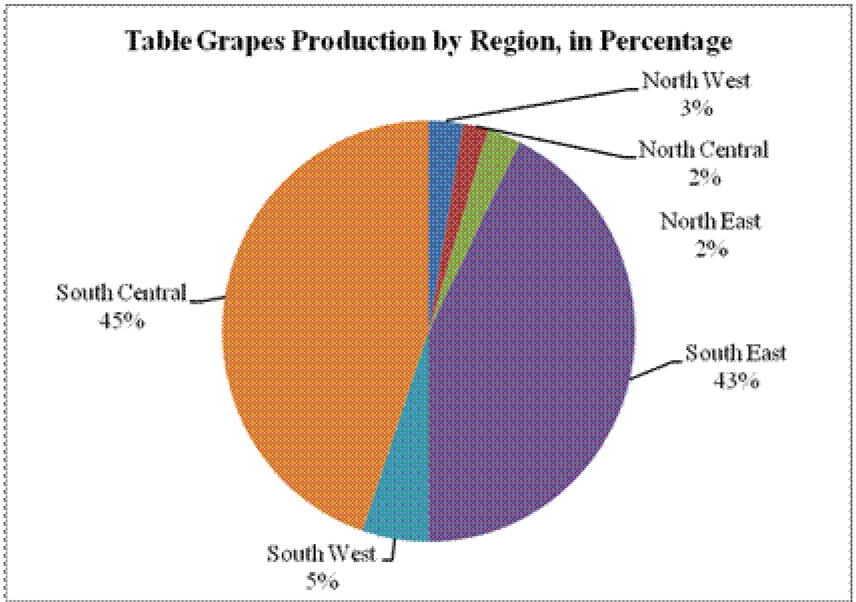
Source: WTA

Table Grapes

Production



Harvested table grape area in MY2015/16 increased by 40% to 2,254 HA compared to the record bad previous year and also due to some new plantings. Total area of table grapes accounted for 5.8% in MY2015/16 of all vineyards area. Location of table grape regions did not change. Most table grapes are located in Southern Bulgaria (84%) with the rest in Northern part of the country.



Production in MY2015/16 was 130% higher compared to MY2014/15 and accounted for 6.2% of the total grape crop. The average yield in MY2015/16 increased to 7.240 MT/HA or by 65% compared to the last year. The South east region had the highest average yield of 10.883 MT/HA. The MY2015/16 grapes harvest was exceptional due to favorable weather conditions (dry and with moderate- to- high temperatures). The overall quality and sugar content was also higher.

The MY2016/17 crop is expected to be higher due to an increase in harvested area despite lower yields. In some regions farmers report losses up to 30% due to adverse weather such as hail storms and spring frosts. The weekly MinAg reports indicate that as of October 20 average yields were 9.3% lower than a year ago. These reports, although not statistically proven, also indicate much higher planted and harvested areas. Based on this data, FAS Sofia expects table grape production at around 25,000 MT.

PSDs contain higher production for table grapes since it includes also vine type grapes supply used for fresh consumption only as well as non-commercial production. Thus total local supply of grapes for fresh consumption was 95% higher than in MY2014/15.

Consumption

Fresh grape consumption varies considerably depending on the year and the crop. In MY2015/16, the quality of the local table grape harvest was very good and also higher in volume. Data about consumption of locally produced grapes is official and sourced by the Vine and Wine Executive Agency

(MinAg Bulletins 309/May 2016). It was reported that 18,884 MT of locally produced grapes in MY2015/16 were used for fresh consumption compared to 8,819 MT in MY2014/15. These quantities include all locally produced table grapes plus some vine grapes. Actual fresh consumption includes these local quantities and all fresh imports. Total fresh consumption in MY2015/16 was 58% more than in the previous season and is forecast to drop slightly in MY2016/17.

Total table grape fresh consumption per capita has been growing since 2010 as reported by official statistics at 2.3 kg (2012) and 3.2 kg (2013) then it dropped to 1.8 kg (2014) to the poor crop and restored to 2.2 kg (2015).

Table 6. Table Grape, Supply and Demand Estimates

Table Grape	**2014/15**	**2015/16**	**2016/17**	UOM
	Estimate	Estimate	Forecast	
Calendar Year Begin	**07/2014**	**07/2015**	**07/2016**	(MONTH/YEAR)
Area Planted	2,300	2,300	4,976	(HA)
Area Harvested	1,610	2,254	4,600	(HA)
Commercial production	7,079	16,320	21,000	(MT)
Non-commercial production*	3,094	3,534	4,000	(MT)
Production	10,173	19,854	25,000	(MT)
Intra EU27 Imports, fresh	4,479	5,976	4,500	(MT)
Extra EU27 imports, fresh	3,981	2,370	2,000	(MT)
Total imports, fresh	8,460	8,346	6,500	(MT)
TOTAL SUPPLY	**18,633**	**28,200**	**31,500**	(MT)
Fresh domestic consumption	17,279	27,230	30,000	(MT)
Intra EU27 exports, fresh	1,305	800	900	(MT)
Extra EU27 exports, fresh	49	170	600	(MT)
Total exports, fresh	1,354	970	1,500	(MT)
TOTAL DISTRIBUTION	**18,633**	**28,200**	**31,500**	(MT)
*Note: The data in this line represents the estimates for vine grapes which are produced and consumed as table grapes, as well as non-commercial table grapes production.				

Trade

Table 7. Table Grape Trade, 2013 - 2015

Table Grape Imports and Exports, HS#080610 (MT) MY2013/14 - MY2015/16			
	MY2013/14	**MY2014/15**	**MY2015/16**
Imports	5,321	8,460	8,346
Exports	1,043	1,354	970
	Calendar Year	**Calendar Year**	**Calendar Year**

	2013	**2014**	**2015**
Imports	5,237	8,591	8,246
Exports	1,131	1,182	1,119

Imports of table grapes were stable in the past at about 3,000 MT but over the last two years imports have grown to over 8,000 MT. Two thirds of imports come from EU sources, mainly Greece and Italy. Non-EU suppliers are Macedonia and Turkey. In MY 2015/16 imports were stable at 8,400 MT, complementing local supply. In MY2016/17 imports are likely to decline due to expected higher local crop.

End of Report