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Fresh Deciduous Fruit Sector Update

Report Categories:
Fresh Deciduous Fruit
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Report Highlights:
Over the last two years, Bulgarian apple and pear production enjoyed very good average yields and production hit a record high for the last 15 years. Table grapes were an exception with a record low crop in MY2014/15 due to adverse weather conditions. Prospects for MY2015/16 to date for the three major products are very good due to favorable winter weather with moderate temperatures, sufficient soil moisture and an almost ideal spring in May.

Investment in new orchards and new horticulture technologies in recent years began to produce results. Development of the processing industry also supported the sector. Still, the constantly growing appetite of local consumers for fresh produce is met mainly by imports. New policies for domestic support with higher subsidies for the horticultural sector are expected to encourage more investment in the near future.

General Information:
Apples

Production

Bulgaria used to be a mid-size country producer in the distant past due to its favorable soil and climate conditions. In 1990, the last year before political and economic changes, apple production reached 411,000 MT but it has declined significantly during the following years due to a number of reasons related to land and farm privatization. Production reached its lowest level in 2008 with only 24,000 MT and began to rebound in the years after due to new investments in orchards supported by the EU funds. Apples remain the main fruit for production and consumption in the country. In MY2014/15, apple orchards accounted for 15% of total orchards and 32% of total fruit production. This ranked apples third in terms of area but the first in terms of fruit production in Bulgaria.

New orchards attempt to introduce a commercially oriented approach with new varieties which enjoy higher market demand. Farmers increase the density of trees, invest in irrigation, anti-frost and anti-hail systems, and storage facilities. As a result, in MY2013/14 and MY2014/15, apple production stabilized at 55,000 MT the highest level for the last 15 years. This level was reached despite the overall reduction in harvested area due to higher average yields, 11.4 MT/HA in MY2013/14 and 13.8 MT/HA in MY2014/15. These average yields are also record high for the last 15 years. In the past they were ranging from 4.0 to 8.3 MT/HA. Still, these yields remain well below the EU-average (about 20 MT/HA).

The year MY2014/15 was especially challenging for farmers due to reoccurring rains in the spring during blossoming and in the fall during the harvest campaign. This led to a significant reduction in harvested area, at 20% average for all orchards. Apple harvested area also declined by 18% in MY2014/15 compared to MY2013/14. Average yield, however, was 21% higher. Most non-commercial farmers did not harvest any orchards. Some apple farmers decided to harvest their apples earlier so that they can sell them on the market ahead of the anticipated inflow of Polish apples due to the Russian embargo. Quality suffered and motivated increased consumption of apples for processing, as well as a decline in exports.

Young Plantations: Despite the growth in the new plantations, the share of young apple orchards remains relatively low at 7%-11% of all newly planted orchards over the last 3 years. This is related to the fact that apple orchards are considered the most expensive for management, with the highest cost of investment and production, and requiring excellent professional knowledge and experience. In addition, the apple market is highly competitive both on domestic market due to large imports, and for exports. For these reasons, most of new investment in orchards is focused on cherries and plums. For the time being, the new apple plantations cannot compensate for the sharp reduction in apple areas since 1990.

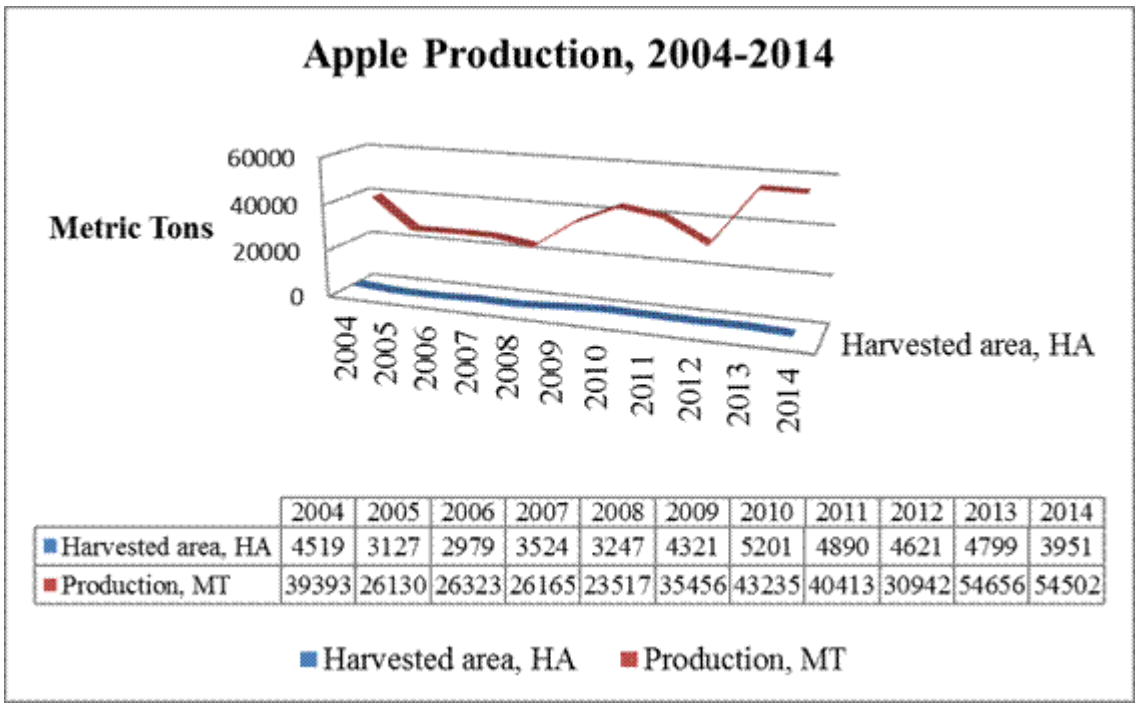
Farm Development: Similar to other crops, the apple sector saw increased concentration and commercialization with a 21% decrease in the number of farms and 24% increase in area (2010 vs 2007, source: Ministry of Agriculture/MinAg data), which led to higher average size per a farm from 0.67 HA in 2007 to 1.06 HA in 2010. The average size for apple orchards is currently very small at 0.03 HA

although new investment is done in minimum 5.0 HA orchards and most frequently at 10-20 HA, while leading producers have 30-40 HA or more per farm.

Over 92% of apple farms produce at least 50% of their apples for the market. Non-commercial production is estimated to decline from 19% of total apple production in MY2012/13 to 14% in MY2013/14 and 13% in MY2014/15, with a tendency for a further decline in the medium term as a relative share in total production.

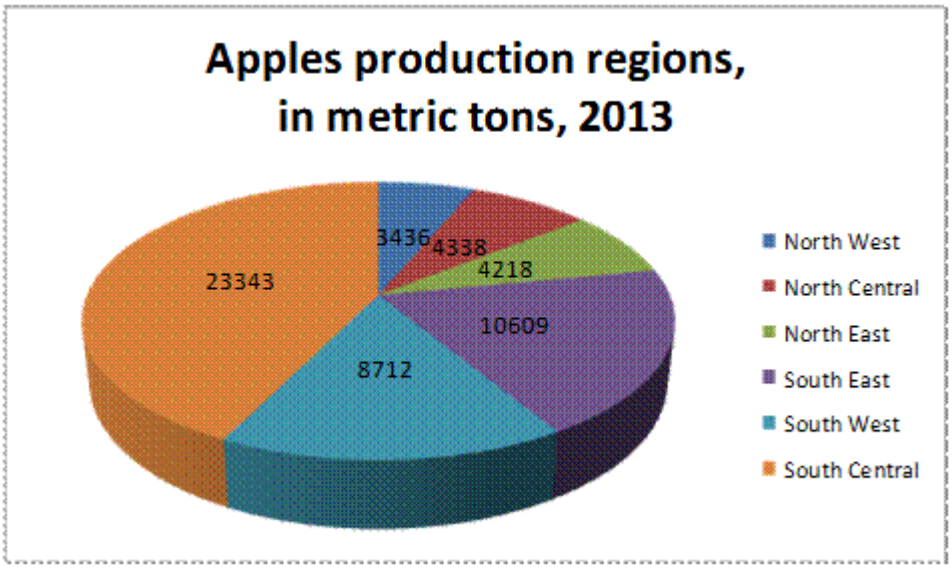
EU funds through the Rural Development Program held a key role for the development of the sector, although the industry has been very vocal about the shortage of funds for investment. Per the information provided by the MinAg Paying Agency, in 2007-2013, a total 126 investment projects for apple and pear orchard were approved with a subsidy of 27 million Bleva (US$19 million) or total investment at 55 Bleva (US$40 million). These projects were for establishing 1,789 HA of new orchards. In addition, a total of 13 projects for 12 million Bleva subsidy (US$9.0 million), for a total investment of 24 million Bleva (US$17 million), were approved for the building of specialized storage facilities for fresh produce for 14,452 MT.

Organic apple orchards are at the emerging stage. In 2012 (last available data, Eurostat), there are 78 HA organic apple orchards and 171 HA under conversion. Lately, FAS sources have indicated higher investment in organic orchards due to the opportunities in the EU market.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Harvested area, HA	4519	3127	2979	3524	3247	4321	5201	4890	4621	4799	3951
Production, MT	39393	26130	26323	26165	23517	35456	43235	40413	30942	54656	54502

Production Regions: The major production regions are South East and South Central.



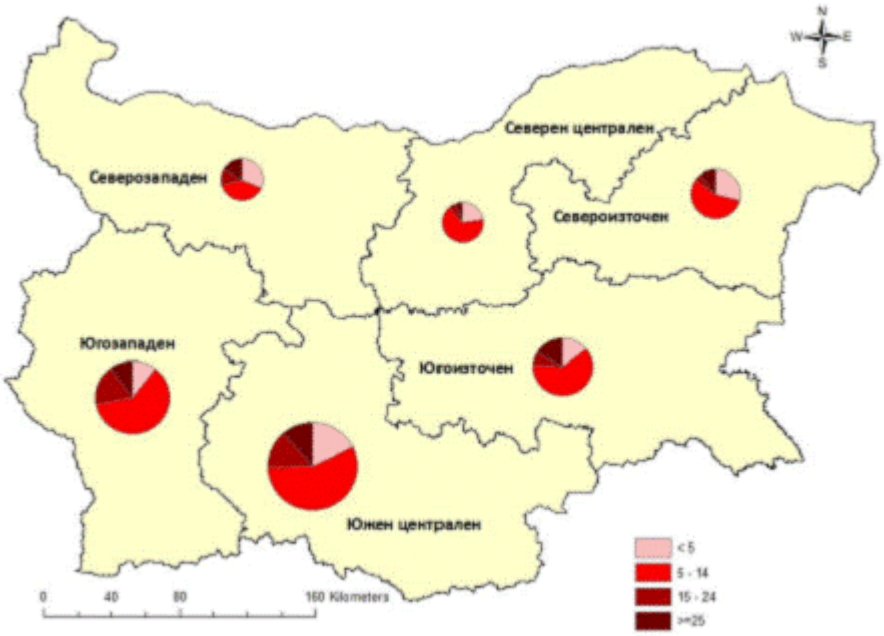
Density of Trees in Apple Orchard (Table 1): Although the newly planted apple orchards are highly intensive with 2500 - 3600 trees per hectare, the prevailing type of currently existent orchards are of lower density. The latest available public data (2012) shows that the apple orchards in the density class from 400 to 1590 trees are 77.3% of the total area. They are followed by orchards with the trees density from 1600 to 3190 trees with 14.2% of the total area. This is one of the reasons for lower average yields and the stark contrast in yields between the old and the new orchards. The new orchards typically start producing the second year and farmers target at least 35-60 MT/HA average yield.

Table 1. Types of apple orchards by the number of trees per a hectare and age in 2012

Number of trees per hectare	**Total orchards, HA**	**Percent of each type to total**	**Age of trees, years**			
			0-4	**5-14**	**15-24**	**Above 25**
Up to 400	4,416	9%	266	2,021	734	1,395
400-1590	40,514	77%	8,306	23,172	4,979	4,057
1600-3190	7,460	14%	985	5,055	478	942
Total	52,391	100%	9,558	30,248	6,191	6,394
Percent of each age group to total orchards		100%	18%	58%	12%	12%

Source: Statistical Bulletin #254, 2013 г.

Age Structure of Apple Orchards (Table 1): The young trees up to 5 years old are 18.2% of the total area under apples. More than a half or 57.8% of the apple area fall in the second age class from 5 to 14 years, and 11.8% are in the third age class from 15 to 24 years old. The fruit plantations over 25 years old are 12.2%. The distribution of orchards by age classes is similar in each production region (see the map below) with the highest share of young, below 5 years old orchards, in South Central and North East regions. Per industry reports, newly planted orchards are made with the idea to be renewed in 6-7 years with the expectations that yields in intensive orchards begin to decline and that some varieties might be of less demand after the 6th year.



Variety Structure of Apple Orchards: The most common variety is Golden Delicious - 17% of the area, followed by Florina - 15.0% and Granny Smith - 11%. Over the recent years, all three varieties have increased their areas led by Florina on the expense of Red Delicious and Gloster (2010 data). Industry representatives report that finding planting materials for new orchards is challenging since most local nurseries do not produce varieties which enjoy better market demand such as Pink Lady and Gala. Another appreciated characteristic is resistance to economically important diseases, mainly apple scab, fire blight and codling moth. Farmers often import planting material from Italy.

Table 2. Variety Structure of Apple Orchards (2010) in Bulgaria

Total, HA	**5239**	**100%**
Idared	193	3.69
Granny Smith	582	11.13
Golden delicious	874	16.69
Melrose	321	6.13
Florina	786	15.02
Gala	60	1.15
Gloster	94	1.81
Fuji	76	1.47
Red delicious	319	6.10
Jonathan	95	1.82
Jonagold / Jonagored	108	2.07

Golden rezistant	81	1.56
Pinova	64	1.23
Karastoyanka	103	1.98
Crispin (Mutsu)	229	4.38
Pinova	64	1.23
Fuji	76	1.47
Sharden	75	1.44

MY2015/16 Prospects: The prospects for MY2015/16 are currently optimistic. The winter was mild with no heavy snow or low temperatures. The spring brought favorable weather during blossoming and good pollination. Soil moisture is at sufficient levels. Provided that summer and fall weather cooperates, MY2015/16 production may exceed last year level and reach 55-60,000 MT. Quality is also expected to improve and stimulate better exports.

Consumption

Apples are traditionally the most consumed and the processed fruit in the country. FAS Sofia current estimates for supply and demand are shown in Table 3.

Table 3. Supply and Demand Estimates, Apples

Apples	**2012/13**	**2013/14**	**2014/15**	UOM
Calendar Year Begin	**07/2012**	**07/2013**	**07/2014**	(MONTH/YEAR)
Area Planted	5,350	5,521	5,600	(HA)
Area Harvested	4,621	4,799	3,951	(HA)
Commercial production	25,000	47,000	47,502	(MT)
Non-commercial production	5,942	7,656	7,000	(MT)
Production	30,942	54,656	54,502	(MT)
Intra EU28 Imports	18,846	9,619	15,500	(MT)
Extra EU28 imports	12,816	28,547	23,500	(MT)
Total imports	31,662	38,166	39,000	(MT)
Including fresh apples for processing	4,163	4,903	5,300	(MT)
TOTAL SUPPLY	**62,604**	**92,822**	**93,502**	(MT)
Fresh domestic consumption	44,362	68,776	69,802	(MT)
Intra EU28 exports	648	716	100	(MT)
Extra EU28 exports	224	530	100	(MT)
Total exports	872	1,246	200	(MT)
For processing	17,370	22,800	23,500	(MT)
TOTAL DISTRIBUTION	**62,604**	**92,822**	**93,502**	(MT)

Processing Consumption:

In MY2013/14, apples accounted for 25.6% of all processed fruits or at the same share as a year earlier (Bulletin 274/July 2014). However, for the first time, cherries ranked first and accounted for 30.9% of

total processed fruits. Although no data is existent at this point about MY2014/15, it is expected that either the relative share of apples may be higher due to lower quality of 2014 crop or it may be stable due to the large crop but still increased in absolute terms. Our current preliminary estimate is for 3% increase in use for processing.

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 baby food, and other products. The quantities of apples used for processing in MY2013/14 were 31% more than in MY2012/13 due to the sharp increase in supply. In general, due to overall growth in the fruit crop, processing plants increased substantially their purchases of local produce in MY2013/14 and processed 35% more fruits. In MY2014/15, due to the lower quality crop processors already declared that they plan to buy more apples due to the decline in prices, harvesting challenges, and deteriorated quality. As per processors' intentions, they planned to process 26% more apples in MY2014/15. Due to the larger apple crop in MY2014/15, we think that the trend of increase of quantities of apples for processing will be preserved.

Another reason for this trend was the Russian ban. Local farmers had to accelerate harvesting in September 2014 in anticipation of an oversupply of apples from larger production countries in Northern Europe (Poland and Germany) which, unlike in the previous years when this produce was exported to Russia, was expected to flow on to the local market later in the year. For this reason, local farmers adopted strategies of faster sales at lower prices within a shorter time window in anticipation of even lower prices later in the fall. Most local farmers have no ability to store apples for a long time and in such situations more fresh produce was expected to be used by the processors.

In MY2013/14, total 26 plants processed 22,800 MT or 25% of apple supply compared to MY2012/2013 when 20 plants processed 17,370 MT or 28% of supply. In the fall of 2014, processors declared they would be willing to purchase 28,800 MT for processing in MY2014/15. Imports of apples for processing also increased in MY2013/14 by 18% which demonstrates the increasing demand by the processing industry. Per local market reports, processors are willing to buy unlimited quantities of local apples for processing provided that the suppliers can meet the set price. Prices of apples for processing are usually at the low-end and according to farmers, vary at 0.10-15 Bleva (0.07-0.10 US$/kilogram) and can be up to 10 times lower than the prices of apples for fresh consumption.

Since 2007, the number of processors of apples varied from 15 to 26. Bulgaria does not produce apple cider and the list of apple products is usually focused on juices and concentrate. Over the last 3 years, the number of processors increased, mainly for higher-end products such as juices made from direct squeezing which are sold in small 200 ml packages in specialty stores, or in 3-5 liters bag-in-box packages at the supermarket level where they enjoy an increasing popularity due to their health image, competitive price, and quality. About 5-8 companies represent the backbone of this industry. With the increase in investment in apple orchards, improved yields and stabilization in production, it is expected that the supply of apples for processing will increase. In addition, more apple producers may undertake on-farm businesses for direct sales of juice/cider. Currently, leading apple farmers report that 20% of their crop goes for processing while older orchards reportedly have over 50% of the crop for processing.

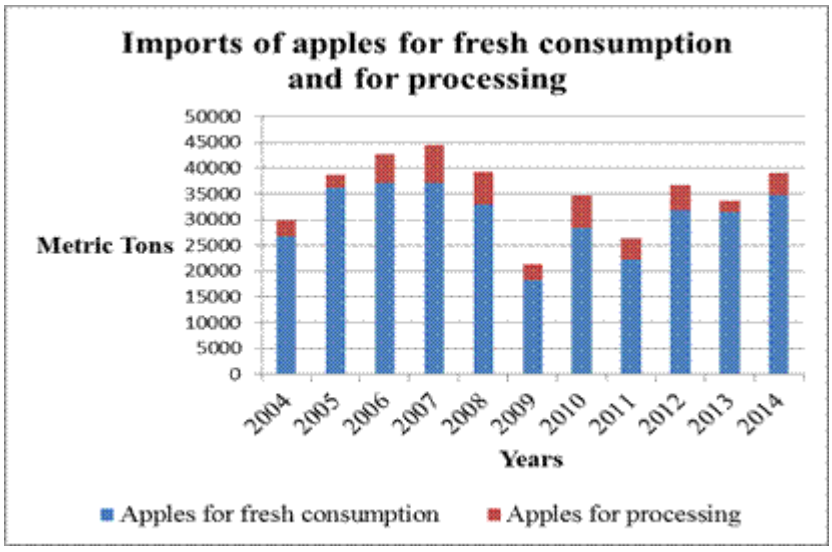
A disadvantage for the apple trade, both for processing and for fresh consumption, is the lack of

producer organizations or marketing coops. Bulgaria does not have such traditions and this new form of partnership between farmers is hard to establish for a number of reasons. Currently, the country has 12 producer organizations in the agricultural sector, 10 of which are for fresh produce (based on Ordinance № 11 of May 15 2007) and two of them began investment programs in 2013. The remaining 10 producer organizations had to commence their investment programs in 2014 but the effects still remain to be seen.

This situation prevents effective marketing of the produce both for fresh consumption and for processing, as well as for exports. Select single apple farmers cannot secure the quantities, price, quality and diversity required by retailers or processors due to their insufficient size, higher risks related to weather and /or logistics, storage etc. Market reports indicate that available cooling storage facilities for fruits and vegetables are at about 50,000 MT-70,000 MT. Contracts are not common and for this reason, both the processors and the retailers prefer to work with secured supply from imports in addition to local supply. Lately, select retailers have made efforts to facilitate as much as they can the access of local farmers to their shelves offering storage, simplified contracts, or retail space (stands) in front of the retail outlets.

Imports of apples for processing have increased over the past years as a result of the development of the local processing industry and issues with the marketing of the local produce. Over the last three years, imports of apples for processing was about 13% of total imports and is estimated to be around 14% in MY2014/15. In absolute volume, imports increased in MY2013/14 by 18% compared to MY2012/13, and in MY2014/15 are estimated to grow by another 8%.

Trade data as of January 2015 shows that imports of apples for processing in MY2014/15 were at 4,440 MT and almost all came from Macedonia. This was 37% of total fresh apples imports.



Fresh Consumption

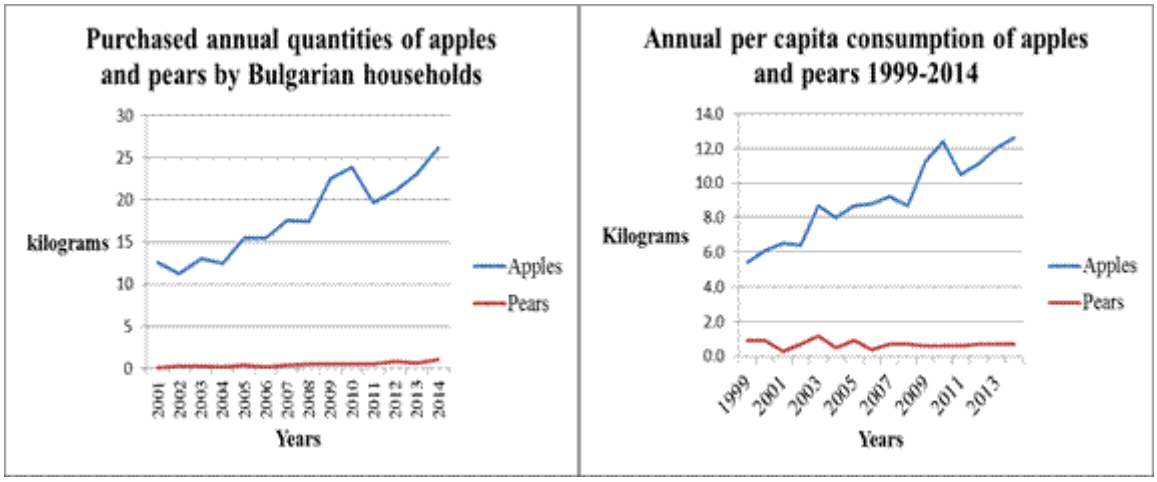
Data about on-farm use of apples was reported by MinAg for MY2013/14 at below 4%-5% of

production (Bulletin #267/ June 2014) or 2,700 MT, which is much smaller than in the previous year (13% of production in MY2012/13) and includes some processing but mainly fresh consumption. Part of this volume is usually traded in local markets, in neighborhoods, or is directly sold. No public data is available at this moment about MY2014/15, however, it is expected that the volume of on-farm consumption may be higher due to the lower quality of the crop, about 3,000 MT.

Usually, about 50% to 70% of locally grown apples are used for fresh consumption. In MY2013/14, Post's estimate is that 65% of locally produced apples (35,500 MT) was marketed for fresh consumption through commercial outlets. Thus, total fresh consumption includes fresh imports (33,263 MT in MY2013/14) and 35,500 MT of local apples. Post estimates that in MY2014/15, fresh consumption will be slightly higher, close to 70,000 MT.

Fresh consumption has a clear tendency for growth as a result of consumers' increasing preference towards healthy food, especially among the younger generation. In addition, the older population has an already well developed taste for consuming more fresh produce as done in the past. Average per capita consumption is reported by the official statistics at 11.2 kg (2009), 12.4 kg (2010), 10.5 kg (2011), 11.1 kg (2012), 12.00 kg (2013) and 12.6 kg (2014). This represents a growth of 5% in 2014 compared to 2013 and a considerable 230% increase for 2014 when compared to 15 years ago (1999- 5.4 kg). See the graphs below. Since the methodology of official statistics does not count consumption at food service and institutional outlets, actual consumption is higher. The economic recession affected fresh consumption but it was quickly restored at a higher than pre-crisis level. In MY2013/2014 fresh apples consumption grew substantially by 55% on an annual basis. In MY2014/15, consumption is likely to stabilize or grow slightly by 1-2%.

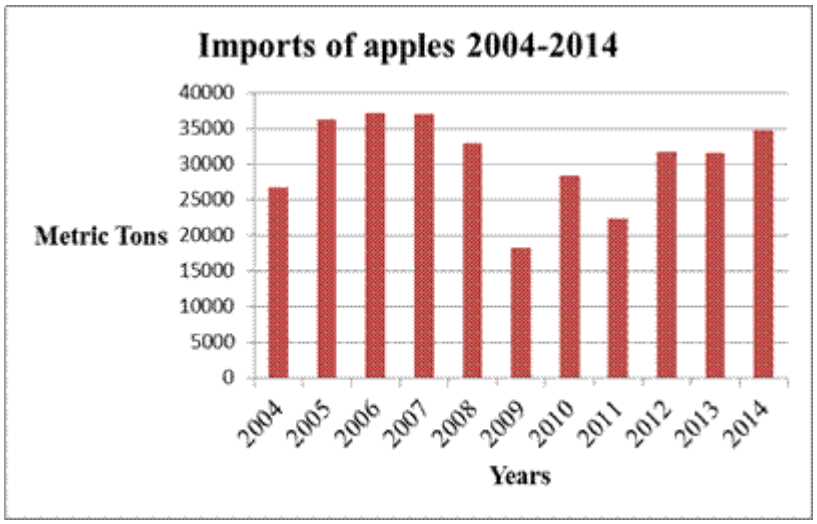
The GOB EU-funded program for schools usually includes apples which contributes to stable and growing fresh use. Since the start of the program in MY2011/12 to date, total 1,906 MT of apples and 182 MT of pears were used in the program nationwide. A total of 2,899 schools and 404,000 children benefitted from the program in MY2014/15. The value of the program was at 12 million leva (US$8 million).



Trade

Imports

Imports of fresh apples over the past few years were stable at 24-25,000 MT but had tendency to grow in 2011-2014. In MY2012/13 and MY2013/14 imports were at (32,000-38,000MT) due to the favorable demand.



In MY2014/15 to date (July 2014 - January 2015, source: World Trade Atlas), imports were at 15,190 MT vs 19,669 MT for the corresponding period in MY2013/14 or it declined by 29% compared to a year ago. Thus, the anticipation of higher apple imports due to the Russian embargo did not come true for the period July 2014- January 2015. On the other hand, imports from Poland for the above period were higher at 5,300 MT compared to 1,120 MT a year earlier, while imports from Macedonia declined from 14,700 MT last year to 5,120 MT this year (July-January). As expected, the share of EU origin increased due to more competitive prices. Macedonia is the primary source of price competitive apples, although Poland, Italy and Greece are also improving their positions.

In the first half of MY2014/15 (July-January), imports were 29% lower in volume and 31% lower in value (US$ 2.89 million compared to US$ 4.19 million). The average price for imports in MY2014/15 was lower after November and according to market reports, depressed local market prices (Table 4).

Table 4. Average price of imported apples MY2014/15 and MY2013/14

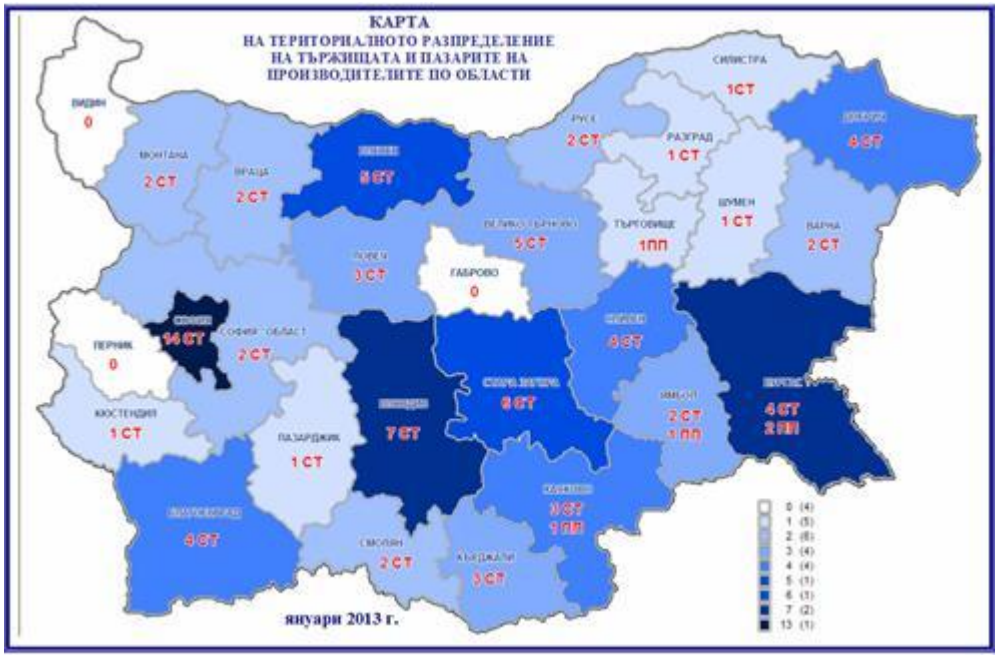
Average price of imported apples by months August- January 2014/15 and August – January 2013/14							
Partner Country	**Unit**	**Unit Value (U.S. Dollars)**					
		08/14	**09/14**	**10/14**	**11/14**	**12/14**	**01/15**
World	Tons	335.14	288.84	224.64	143.97	214.6	254.33
		08/13	**09/13**	**10/13**	**11/13**	**12/13**	**01/14**
World	Tons	362.76	200.12	135.24	154.78	308.61	313.96
Source: WTA, Eurostat							

Exports

Exports of apples are still at the emerging stage. In MY2013/14, exports were higher due to good supply and quality to 1,245 MT but are likely to drop again in MY2014/15 to only 200 MT due to the oversupply of apples on the EU market from the Russian ban. The export markets are Russia, Romania and Greece.

Local Market Pattern

Apples are the main traded fruit in the country, both locally produced and imported. The Government Agency for Wholesale and Producer Markets (AWPM) monitors all 58 wholesale markets in 23 regions, as shown on the map below.



The Agency 2014 annual report reveals that 31% of traded apples were of local origin as compared to 69% for imported apples.

Wholesale prices of apples followed a clear seasonal trend starting from 1.02 Bleva/kg (US$0.68/kg) in January 2014, gradually increasing by 55% until July when it reached its maximum of 1.60 Bleva/kg (US$1.06/kg) and have declined again until December to 1.03 Bleva kg (US$0.68/kg). This annual pattern is typical for apples with the maximum prices reached in July 2013 at 1.97 Bleva (US$1.31/kg), July 2012 at 1.50 Bleva/kg (US$1.00/kg) and July 2011 at 1.79 Bleva (US$1.19/kg). The Agency also reports that the prices of Bulgarian apples are exceeding those of imported apples in the summer season and the opposite occurs in the remaining of the year. At the same time, FAS sources report that locally produced apples are on the highest sale in post-harvest time August – December while imports dominate from January to July. This is related both to smaller supply of local apples as well as to the lack of appropriate storage facilities.

The last AWPM survey (2010) showed the following findings:

- Local produce (fruits and vegetables) accounted for 36% of sales in tonnage and 25% in value sales of all traded foods at the wholesale markets;
- Imported produce accounted for 33% of sales in tonnage and 28% in value sales of all traded foods;
- Local produce is traded at 24 wholesale markets while imported produce is sold at 34 wholesale markets;
- Local apples accounted for 7.6% of volume sales of local fruits and vegetables, and 6.8% of value sales in the same category;
- imported apples accounted for 8% of volume sales of imported fruits and vegetables, and 6% of value sales in the same category;

At the retail level, there are 3 major types of outlets. Bulgaria has traditions in specialty fresh fruits and vegetables shops (about 2700) located close to consumers, in downtown or residential areas. In addition, consumers like traditional open markets which allow for both direct sales from farmers as well as sales from small traders who carry products from the wholesale markets. At these markets, however, the origin of the product can be often mislabeled. Supermarket retailers have increasingly emphasized fresh produce shelves to display more choice for consumers in proper packaging with the priority given to convenience. Per reports from select retail chains, the Bulgarian origin of fresh produce including apples on their shelves is from 25% in the winter period to 50% in the summer. Over the last 2 years, some retailers made serious efforts to source more locally produced products and establish better relationship with farmers. At supermarkets, Italian apples prevail, followed by apples from Poland, Bulgaria, Macedonia and Austria. Preferred varieties are Golden and Red Delicious, Granny Smith, Red Chef, Morgan, Da Costa (Poland) and Ider (Macedonia).

Trade Policy

New Russian Ban on Re-exports of Plant Products : On April 24, Bulgarian media reported that Rosselkhoznadzor had notified Bulgarian authorities that it would ban re-exports of plant products from Bulgaria from April 25, 2015. The news was published on Rosselkhoznadzor website (http://www.fsvps.ru/fsvps/news/13363.html). The Russian officials had stated that the same ban could be also imposed on other EU countries. The stated reason for this restriction was that the Russian authorities had found out a number of reportedly not legitimate re-export certificates and not legitimate phyto-sanitary export certificates from the country of origin. Russian officials stated that "the Bulgarian authorities have no will to fight over contraband". The Russian officers referred to re-exports from Bulgaria of originating from China, Brazil and Morocco apples, however, the origin of the product could not be verified. Reportedly, Morocco confirmed that phyto sanitary certificates for three shipments of 63.5 MT of apples are most likely counterfeit. Rosselkhoznadzor requested urgent consultations with their Bulgarian counterparts since they questioned the authenticity of the Bulgarian certificates. On April 27, Rosselkhoznadzor (http://www.fsvps.ru/fsvps/news/13389.html) reported that since the ban on re-export from Bulgaria, the Russian food safety authority detained 54 shipments of about 1000 MT of fresh apples and pears, which had Bulgarian re-export certificates issued based on "counterfeit" export phyto sanitary certificates of countries excluded from the embargo (China, Brazil

and Macedonia). The products were sent to the exporter.

On April 25, Rosselkhoznadzor's publication pointed out that that the problem with counterfeit of initial phyto sanitary export certificates from the countries of origin grows and the ban can be expanded to all EU (http://www.fsvps.ru/fsvps/news/13364.html). It says that "the case with imported apples with counterfeit Bulgarian certificates is only one of many examples". Rosselkhoznadzor comments that "the free movement of plant products in the EU with no phyto sanitary certificates and the lack of close coordination between member-states phyto- sanitary authorities with their counterparts from other countries" is the reason for this situation. It also adds that the attempts for delivery of embargoed plant products covered as non-EU origin continue. The Russian authority says "the EU food safety authorities do not check the authenticity of certificates and do not analyze the logistics of movement of the product and only issue re-export certificates for products whose phyto sanitary safety is not proven." Further, Rosselkhoznadzor warns that it "may undertake protective restrictions on all plant production from all EU, including fruits and vegetables, but also soybeans and soybean meal, imported through Baltic ports if traceability is not guaranteed".

Agricultural Policy

There has been a strong public and political move to support horticulture production in 2014-2020 which is due partly to the sharp decline in local production over the recent years. In the period 2007-2014, direct subsidies per area (EU-Single Area Payment Scheme) stimulated farmers to grow lower value crops on larger areas. This affected very positively grains and oilseeds production which expanded substantially. The subsidy used to cover on average 20%-25% of the production cost of grains but its share in horticulture production was much smaller. This policy was subject of strong industry and public criticism. Most Bulgarians like to think of the country as a "garden" due to long lasting gardening traditions, and in addition there has been an effort to motivate higher added-value ag production. In 2011-2014, the MinAg adopted special policy for crop insurance and for premiums provided for quality fresh produce. Despite the positive effects, these policies were considered not sufficient for the sector and not sustainable.

Thus, 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 coupled support for extra subsidies per hectare for horticulture producers. This allocation is for 20 million Euro (US$22 million) annually 2014-2020 as the rate per hectare may differ depending on the amount of applications (HA). The MinAg estimate is that the rate for 2015 may be around 507 Euro (US$565)/HA. Eligible farmers should have at least 0.5 HA orchards; have a minimum yield for apples 4.34 MT/HA and for pears – 2.69 MT/HA; and a minimum of 25% lower yields for organic orchards. If farmers cannot achieve the minimum yield, the subsidy is re-calculated for a smaller area. Yields should be justified by sales documents.

Farmers are also eligible for direct subsidies of 82 Euro (US$91)/HA and 66 Euro (US$74)/HA greening subsidy. Farmers can also receive more subsidies if they have farms below 30 HA, and/or if they are young, and/or if they have organic orchards, and/or if located in less favored areas. In addition, the investment projects in orchards or storage/ processing of horticulture produce will have a priority funding under the EU-Rural Development Program 2015-2020.

In 2015 (April/May), the Ministry of Labor and Social Policy responded to a long lasting request by horticulture industry to introduce daily labor contracts. Due to seasonality in farm work and demand for the high number of workers at harvest time, the lack of such contracts was a serious challenge for farmers. In general, the deficit of manual labor has become a strong limiting factor in agriculture, especially for horticulture and dairy, while at the same time unemployment is still high (around 11%), especially in minority groups. On the other hand, labor expenses in Bulgaria are 6.5 times less expensive than the average for the EU (Eurostat) with average hourly rate of 3.80 Euro (US$5.0) compared to 24.60 Euro (US$32) in the EU. This advantage, along with still inexpensive agricultural land prices, makes investment in orchards attractive although many other challenges in infrastructure (irrigation, roads, storage, cold chain) remain to be addressed.

Pears

Production

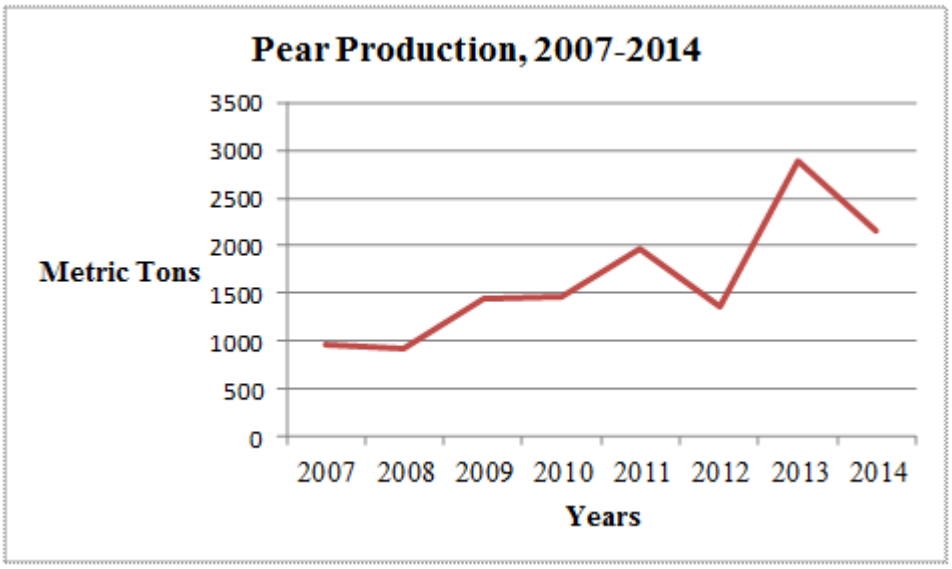
Pears used to be a main fruit in the past but over the recent years they lost its economic importance and are currently considered a minor fruit. In addition to economic reasons, a few important diseases which are challenging to control (fire blight) are the man driver behind the reduction in areas. Still, areas and production since 2007 have a tendency to increase (please see the graph below).

Production in MY2013/14 boomed by 112% higher than in the previous year, mainly due to 108% growth in average yields at 6.42 MT/HA (compared to 3.09 MT/HA in MY2012/13) as a result of very favorable weather. Harvested area increased 2% vs MY2012/13. In MY2014/15, harvested areas declined similar to other fruits due to adverse weather and despite the fact that the average yield was the same as in the previous year, production declined by 26%. Pears accounted for only 1% of total harvested fruit area. Young pears plantations are also about 1% of all new orchards.

Table 5. Production of Pears 2004-2014

Production of pears 2004-2014, HA and MT

Years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Harvested Area, HA	336	205	152	312	253	324	546	469	442	451	336
Crop, MT	1795	750	572	965	924	1442	1468	1974	1364	2894	2154
Average yields, MT/HA	5.338	3.63	4.2	3.1	3.7	4.5	2.7	4.2	3.1	6.4	6.4



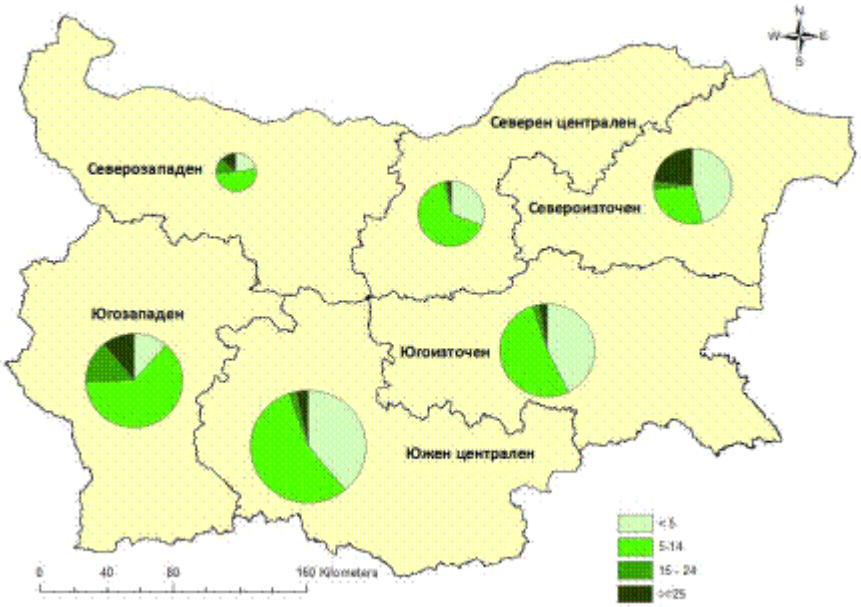
There is not much commercial interest in growing pears, therefore, the production level is not likely to change drastically in the near future. Currently yields are dependent almost entirely on the climate factor. Pears are usually grown in rural backyards and commercial orchards are few. Non-commercial production over the last three years is estimated at 300 MT -500 MT (please see Table. 7).

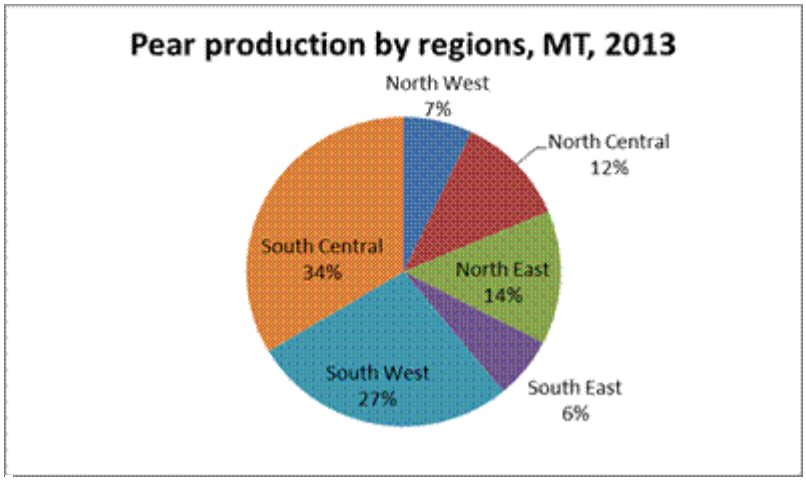
Main pear varieties are: Cure – 27%, Williams – 16%, Abbe Fetele – 8%, and Santa Maria Morettini – 5%. Organic pear orchards are at the emerging stage. In 2012 (last available data, Eurostat), there are 4 HA organic pear orchards and 47 HA under conversion.

Table 6. Types of pear orchards by the number of trees per a hectare and age in 2012

Number of trees per hectare	**Total orchards, HA**	**Percent of each type to total**	**Age of trees, years**			
			0-4	**5-14**	**15-24**	**Above 25**
Up to 400	517	10%	170	87	132	129
400-1590	4,426	82%	1,487	2,492	150	299
1600-3190	456	8%	136	320	0	0
Total	5,400	100%	1,792	2,899	282	427
Percent of each age group to total orchards		100%	33%	54%	5%	8%

Pears by age and regions:





Consumption:

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

Table 7. Supply and Demand Estimates, Pears

Pears	**2012/13**	**2013/14**	**2014/15**	UOM
	New	New	Estimate	
Calendar Year Begin	**07/2012**	**07/2013**	**07/2014**	(MONTH/YEAR)

Area Planted	550	593	600	(HA)
Area Harvested	442	451	336	(HA)
Commercial production	1,100	2,394	1,754	(MT)
Non-commercial production	264	500	400	(MT)
Production	1,364	2,894	2,154	(MT)
Intra EU27 Imports, fresh	1,578	1,179	1,800	(MT)
Extra EU27 imports, fresh	186	188	200	(MT)
Total imports, fresh	1,764	1,367	2,000	(MT)
TOTAL SUPPLY	**3,128**	**4,261**	**4,154**	(MT)
Fresh domestic consumption	2,684	3,481	3,600	(MT)
Intra EU27 exports, fresh	110	30	30	(MT)
Extra EU27 exports, fresh	-	-	-	(MT)
Total exports, fresh	110	30	30	(MT)
For processing	334	750	524	(MT)
TOTAL DISTRIBUTION	**3,128**	**4,261**	**4,154**	(MT)

Fresh consumption varies depending on the size and the quality of the crop. Since 2007, consumption per capita has been stable at 0.6-0.7 kg per year (this data does not include food service and institutional sectors) with the tendency to grow slowly. In 2014, it was at 0.7 kg/capita. Fresh consumption in MY2013/14 was 30% more than in the previous season due to good supply. In MY2014/15, fresh consumption is estimated to reach 3,600 MT or more. It usually consists of all imports and about 60%-75% of locally produced pears.

The usual utilization pattern for pears includes processing of 330-800 MT (FAS Sofia estimates), and the rest for fresh consumption. Small quantities below 1,000 MT are exported. Due to a good crop in MY2013/14, processing was at the higher end of the range and estimated at 750 MT. In MY2014/15, the quantities for processing are estimated to decline to below 600 MT due to the lower crop.

Trade:

Imports are stable below 2,000 MT and have a tendency to grow due to slowly increasing fresh consumption. In MY2014/15, imports are likely to grow due to unstable local supply, and similar to apples, higher EU origin imports are expected. For the period June 2014 – January 2015, imports were at 1,857 MT or 330% more than in the same period in the previous year (555 MT). The origin was Greece, Italy, Argentina, Turkey and Chile. Exports are very small and do not exceed 150 MT for the last three years.

Table 8. Imports of Pears 2012-2014, MT

Imports of Pears, HS#080820 (MT) MY2012/13 - MY2014/15			
	MY2012/13	MY2013/2014	MY2014/15
Total	1,764	1,367	1,857 (January 2015)
	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014
Total	1,513	1,515	2,621

Source: WTA

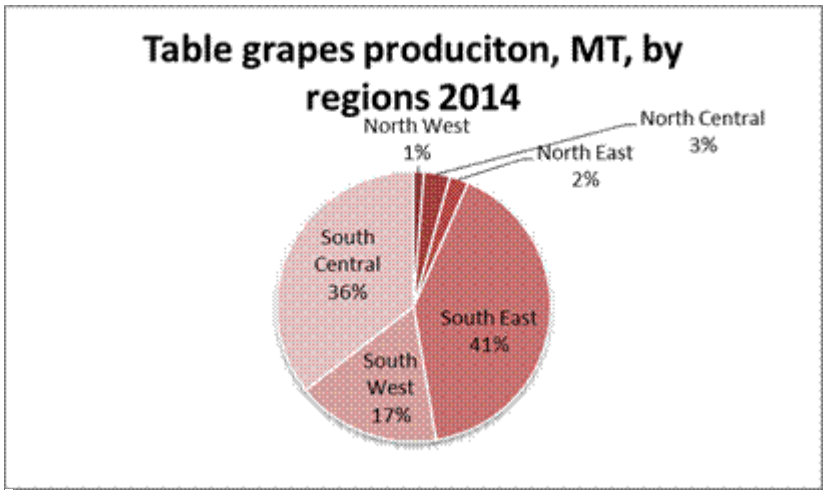
The last AWPM survey (2010) showed that local pears accounted for 1% of sales of local fruits and vegetables and 1% of sales of imported fruits and vegetables.

Table Grapes

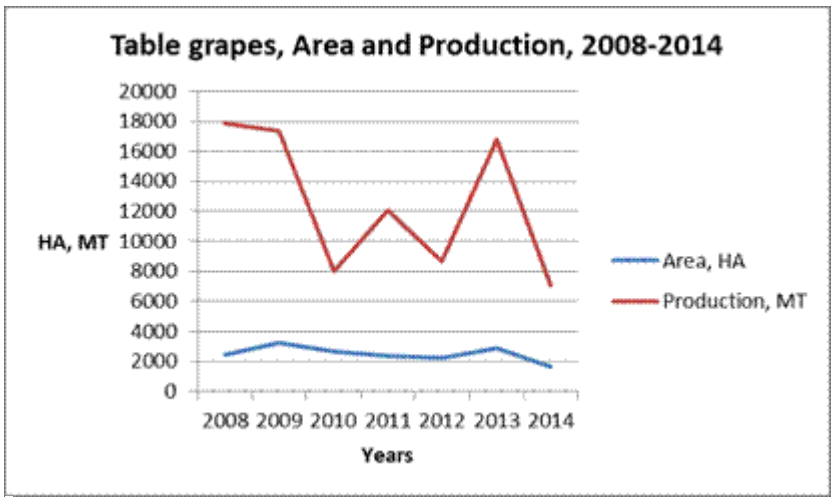
Production

Table grapes production area has fluctuated since 2007 with the tendency to decline.
Harvested area in MY2013/14 increased by 26% to 2,842 HA vs 2,248 HA in MY2012/13 due to some new plantings and good weather during harvest. In MY2014/15, harvested area was sharply down by 43% compared to the previous year due to very adverse weather. Table grapes area accounted for 5.0% of all grapes area in MY2014/15 (5.6% in MY2013/14 and 4% in MY2012/13).

Most table grapes are grown in Southern Bulgaria.



Production in MY2014/15 declined significantly (by 58%) due to reoccurring rains which left many vineyards not harvested. The crop included 7,079 MT table grapes and 1,436 MT produced on single-standing vines or total 8,515 MT, accounting for 6.4% of total grapes (vine and table grapes) or the same share as in MY2013/14 (16,770 MT table grapes and 4,374 MT from single-standing vines or total commercial production of 21,144 MT). The average yield in MY2014/15 was record low at 4.397 MT/HA compared to 5.901 MT/HA in MY2013/14 (reduction by 25%). MY2014/15 harvest was of poor quality due to rainy and cool spring and summer, hail storms and rainy fall. MY2015/16 crop is expected to be good due to favorable weather to date and production is likely to rebound along with the improved quality.

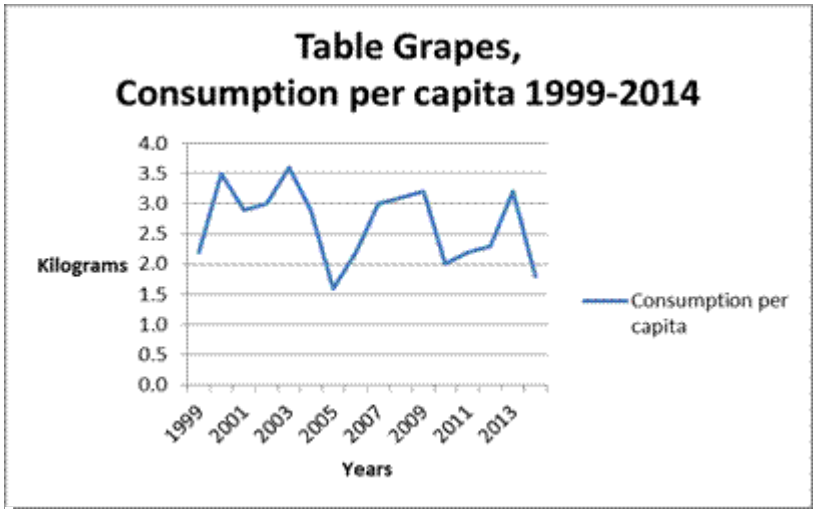


Overall, table grapes vineyards do not enjoy high commercial interest and the use of inputs and proper technology has been declining over the last several years. In addition, local production is rarely competitive compared to imports and marketing is a challenge.

Consumption

Fresh grapes consumption varies considerably depending on the size and the quality of the crop, and is unstable. The recent trend of growth since 2010 was interrupted by the sharp drop in production in MY2014/15 (see the graph below). Consumption per capita was at 2.0 kg/per capita (2010), 2.2 kg (2011), 2.3 kg (2012) and 3.2 kg in 2013 but dropped to 1.8 kg in 2014.

Mediocre quality and low crop in MY2014/15 discouraged consumption (estimated at about 21,000 MT) of local produce and is likely to lead to higher imports. In MY2013/14, the quality of local table grapes harvest was very good and also higher supply, and as a result consumption was much higher at 26,000 MT.



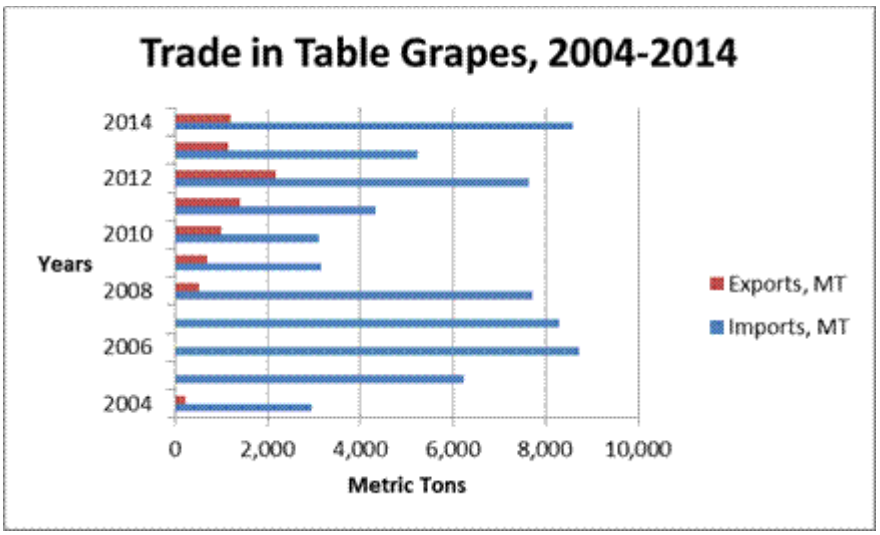
Consumption channels are the same as for apples and pears (wholesale markets, retail chains, specialty stores, on-farm use, open markets, direct sales etc.).

Table 9. Supply and Demand Estimates, Table Grapes

Table Grapes	**2012/13**	**2013/14**	**2014/15**	(UOM)
	New	New	Estimate	
Calendar Year Begin	**06/2012**	**06/2013**	**06/2014**	(MONTH/ YEAR)
Area Planted	2,248	2,842	1,610	(HA)
Commercial production	10,139	21,144	8,515	(MT)
Non-commercial production	500	400	500	(MT)
Production	10,639	21,544	9,015	(MT)
Intra EU27 Imports, fresh	5,873	4,608	8,000	(MT)
Extra EU27 imports, fresh	1,769	714	5,000	(MT)
Total imports, fresh	7,642	5,322	13,000	(MT)
TOTAL SUPPLY	**18,281**	**26,866**	**22,015**	(MT)
Fresh domestic consumption	15,982	25,823	20,615	(MT)
Intra EU27 exports, fresh	1,963	862	1,350	(MT)
Extra EU27 exports, fresh	336	181	50	(MT)
Total exports, fresh	2,299	1,043	1,400	(MT)
TOTAL DISTRIBUTION	**18,281**	**26,866**	**22,015**	(MT)

Trade:

Imports of table grapes were stable in the past at about 3,000 MT but over the last two years imports have grown to 5,500 MT – 7,700 MT as two thirds come from the EU sources, mainly Greece, Italy and Spain. The non-EU supplier is Macedonia. MY2013/14 imports were lower at 5,300 MT due to better and price competitive local supply. In MY2014/15 imports are likely to be higher at 13,000 MT due to a poor local crop. From June 2014 to January 2015, imports were at 8,294 MT.



Exports are emerging with the highest level in 2012 (2,200 MT) and at about 1,200 MT in the last two years. Major markets are UK, Hungary, Czech Republic and Romania.

End of Report