USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 8/19/2016
GAIN Report Number: SP1618

EU-28

Stone Fruit Annual

2016

Approved By:
Karisha Kuypers, Agricultural Attaché

Prepared By:
Carmen Valverde, Agricultural Specialist

Report Highlights:
EU-28 production of peaches and nectarines in MY 2016/17 is estimated at almost 3.7 million MT, 6 percent lower compared to the previous harvest due to unfavorable weather conditions with considerable decreases in the main European producers, Spain and Italy, while Greek production shows an increase. Total cherry production in MY 2016/17 is projected at 623,664 MT, or almost 11 percent decrease compared with last season, where the growth in Poland and Spain could not compensate for the decline that may occur in Italy and Greece. In MY 2015/16, despite the Russian ban, EU-28 exports reoriented mainly to North Africa, Asia, Belarus and Moldova. During MY 2015/16 volumes of cherries imported from the United States decreased 63 percent. U.S. cherries exports may also be hit by

French pesticide ban.

Disclaimer: This report presents the situation and outlook for stone fruit including peaches, nectarines and cherries in the EU-28. The report presents the views of the authors and does not reflect the official view of the U.S. Department of Agriculture (USDA). The data are not official USDA data.

This report was written with the contributions of the following Foreign Agricultural Service analysts:

Xavier Audran FAS/Paris covering France
Ornella Bettini FAS/Rome covering Italy
Dimosthenis Faniadis FAS/Rome covering Greece
Mila Boshnakova FAS/Sofia covering Bulgaria
Mira Kobuszynska FAS/Warsaw covering Poland
Sabine Lieberz FAS/ Berlin covering Germany
Gellert Golya FAS/Budapest covering Hungary
Carmen Valverde FAS/Madrid covering Spain and Portugal
Tania de Belder FAS/USEU Brussels covering the EU policy section

Abbreviations and definitions used in this report

GTA Global Trade Atlas
Ha hectare; 1 ha = 2.471 acres
HS Codes Harmonized System codes for commodity classification used to calculate trade data.
Peaches and nectarines HS Code 080930
Cherries HS Code 080921, 080929
MT Metric ton = 1,000 kg
MMT Million metric tons
MS EU member state(s)
MY Marketing year: January/December
EU-28: including Croatia
Note: The European Union Member States (MS) are mandated to annually provide the EU Commission with data concerning the "production area" of permanent crops. This means "the area that can potentially be harvested in the reference harvest year. It excludes all non-producing areas, such as new plantations that have not yet started to produce" (Regulation (EC) No 543/2009 of the European Parliament and of the Council of 18 June 2009, Article 2 (f)). In this report this corresponds to the line "Planted Area". Some MS also publish harvested data, but not all of them, and as such in this report the line "Area Harvested" is an FAS Post estimate.

Executive Summary

The main EU-28 producers of peaches and nectarines are Spain, Italy, Greece and France, in this order. The area planted of peaches and nectarines in the EU stabilized in MY 2015/16 at around 232,000 ha and according to FAS post projections the production area is projected to remain stable in MY 2016/17. This is the result of productivity gains achieved with the introduction of new and higher yielding varieties that bring more diversity in the types of fruit and spread in harvest dates where Spain is gaining ground.

Production of peaches and nectarines in MY 2016/17 for the EU-28 is estimated at almost 3.7 million MT, 6 percent lower compared to the previous campaign MY 2015/16 due to unfavorable weather conditions with considerable decreases in the main European producers, Spain and Italy. In MY 2016/17 fresh consumption of peaches and nectarines is projected to decrease 4.5 percent reaching almost 2.7 MMT.

The EU-28 is a net exporter of peaches and nectarines. The main suppliers of peaches to the EU-28 in MY 2015/16 were Chile and South Africa. The EU's exports of peaches and nectarines were valued at 197 million USD in MY 2015/16, a 49 percent decrease despite a 16 percent lower volume from the previous year reaching 296,750 MT. Despite the Russian ban, EU-28 exports reoriented to other markets such as North Africa, Algeria, and Brazil.

Due to lower production forecasts in MY 2016/17, imports of peach and nectarine to EU-28 may increase and exports may decrease.

The main EU-28 producers of fresh cherries are Poland, Italy, and Spain. Traditionally Germany was in forth position, but in the last years, Greece and Hungary have surpassed German cherry production. Poland is the EU's largest producer and cherry processor, transforming 75 percent of its cherry production. Spain is the biggest exporter due to its early season harvest. Italy is the number one consumer of fresh cherries. According to FAS projections, the updated data of total EU planted area of cherries estimates an area of around 152,000 ha in MY 2016/17.

Total cherry production in MY 2016/17 is projected at 623,664 MT, or an almost 11 percent decrease compared with last season, where the growth in Poland and Spain could not compensate for the decline that may occur in Italy and Greece. Consumption of fresh cherries in the EU is estimated at 378,738 MT in MY 2016/17, remaining stable.

The EU imports of fresh cherries were valued at 134 million USD in MY 2015/16, a 22 percent decrease from the previous year with a total volume of almost 36,737 MT or 13 percent lower than previous year. According to GTA, the EU-28 during MY 2015/16, the volume of cherries imported from the United States decreased 63 percent reaching 795 MT and 5.6 million USD, or a decline of 57 percent. While the U.S. was the third largest non-EU supplier of cherries to France, after Turkey and Chile, France's decision to ban imports of cherries (at least until 12/31/2016) from countries where dimethoate can be legally used on cherry trees effectively cut access to the French market for U.S., Canada and Turkish cherries.

The EU exports of fresh cherries in MY 2015/16 were valued at 53 million USD, a 30 percent decrease from the previous year even with a 22 percent higher volume, reaching 47,600 MT, meaning a current difficult situation on EU cherry prices. The main destinations for EU-28 cherries in MY 2014/15 were Russia, Belarus and Switzerland but in MY 2015/16 EU-28, cherry exports to Russia were negligible due to the Russian embargo. In MY 2015/16 the main destinations of cherries to Belarus, Moldova, Switzerland and Serbia experienced important growth, resulting that new markets are showing growth for the second year in a row.

Due to lower production forecasts in MY 2016/17 imports of cherries to EU-28 may increase and exports may decrease.

Commodities

Fresh Peaches & Nectarines

The main EU-28 producers of peaches and nectarines are Spain, Italy, Greece and France, in this order. There is also limited production in other EU MS, including Hungary, Portugal, Bulgaria and Poland. Italy used to be the EU's largest producer but in the last years Spain is the biggest producer and exporter due to its early season harvest and yielding varieties. Greece is the leading EU peach processor.

Crop Area

The area planted of peaches and nectarines in the EU stabilized in MY 2015/16 at around 232,000 ha and according to FAS post projections the production area is projected to remain stable in MY 2016/17. This is the result of productivity gains achieved with the introduction of new and higher yielding varieties that bring more diversity in the types of fruit and spread in harvest dates.

On the other hand, due to its competitiveness, Spain is gaining market share at the expense of other main producers as shown by Spain's increase in planted area in the last years. In Spain, the production area is moving southwards to take advantage of an extra-early harvest which is possible with a number of low-chilling varieties. The growing of peach and nectarine trees is concentrated in the regions of Cataluña, Aragón and Murcia, along the Mediterranean arch. Andalusia and Extremadura are also important growing regions. Spanish crop area is around 86,000 ha.

Italian crop area is around 72,000 ha. Stone fruit production plays a key role in the agricultural sector of several Italian regions, both in the North (especially in Emilia-Romagna and Piedmont) and in the South (Campania). The bulk of the Italian harvest occurs in June and July.

Greek farms are typically up to five hectares, much smaller than the average size in either the rest of the EU or the United States. According to industry estimates, there are approximately 48,000 hectares currently cultivated for peaches and nectarines. The main producing areas include four areas (Imathia, Pella, Pieria, Kozani) of Central Macedonia located in northern Greece, and the area of Larissa, in Thessaly, Central Greece. Most of the crop is harvested in June and July.

In France**,** peaches and nectarines orchards continued to shrink due to poor economic conditions combined with losses of trees due to the Sharka disease, reaching almost 10,000 ha.

In Hungary, the total harvested area of peaches is about 5,700 hectare. Most of the orchards are in the southern part of the Hungarian Great Plain. The relative number of trees is low (350-500/hectare) and the average age of orchards is 15-24 years on more than 40 percent of the growing areas.

Production

Production of peaches and nectarines in MY 2016/17 for the EU-28 is estimated at almost 3.7 million MT, 6 percent lower compared to the previous campaign MY 2015/16 due to unfavorable weather conditions with considerable decreases in the main European producers, Spain and Italy. Production in the main producing countries is shown in Table 1 below.

Table 1. Major EU Fresh Peach & Nectarine Producers by Volume in MT

Country	MY 2014/15	MY 2015/16	MY 2016/17
Spain	1,573,500	1,509,400	1,397,500
Italy	1,382,137	1,408,504	1,259,093
Greece	744,500	685,000	715,000
France	234,031	217,141	205,600

Source: FAS Europe offices

Spain

Spain has become in the last 3 seasons the largest peach and nectarine producer in EU-28. A growth for both peaches and nectarines production in the country's most important regions, Aragón, Cataluña and Murcia, together with the important increases in Extremadura, Andalusia and Region of Valencia, are the main factor for the higher overall Spanish production of peaches and nectarines. There has been an increase of early and mid-season peaches, mainly due to good flowering and fruit set, as well as the entry into production of new varieties. Spanish stone fruit has an important advantage in terms of quality due to the vast varietal renewal that has taken place in recent years. Newer varieties with more intense flavors and color have been planted.

According to the latest official estimations of the Spanish Ministry of Agriculture, Food and Environment (MAGRAMA), peach and nectarine production in Spain for MY 2016/17 is projected to reach almost 1.4 MMT accounting for almost 40 percent share of the total EU-28 peach and nectarine production. This is 7 percent lower compared to the previous season due to unfavorable weather conditions that resulted in a production with lower fruit yields per tree, but very good quality and calibers. Peach production is forecast at 797.500 MT, while nectarine production is forecast at 600,000 MT or 10 and 5 percent lower than previous year respectively.

Italy

In Italy peach production is forecast at 536,341 MT (588,860 MT in MY2015/16), while nectarine production is forecast at 649,199 MT (735,978 MT in MY2015/16), accounting for 34 percent of total EU-28 peach and nectarine production. The cling peach harvest is likely to reach 73,553 MT (83,666 MT in MY2015/16). Peach production is expected to drop in the South, especially in Campania, while

nectarine production is predicted to fall mostly in the North. Progressive harvests are expected with no overlaps. Moreover, according to Italy's Fresh Produce Service Centre (CSO), despite the lower product availability, the fruit should be available gradually and better distributed throughout the season. Fruit quality is forecast to be very good.

Greece

Greece's MY 2016/17 peach and nectarine production is preliminary forecasted to increase by only 4.4 percent although initial forecasts suggested higher production increase but frost occurred during spring time significantly reduced yields. Fresh peaches production is forecast to increase by approximately 12 percent, while nectarines production is forecast to remain flat (at approximately 120,000 MT). Greece's MY2016/17 cling peach crop is forecast to decline by 1.7 percent (297,000 MT), because of unfavorable weather conditions during fruit set.

France

France's peaches and nectarines crop is expected to be down 5 percent compared to previous season and 11 percent compared to the 5 year average due to lower production area and unfavorable weather condition throughout the late spring season.

Hungary

In MY 2016/17, spring frost did not cause significant damages to the orchards and draught and hailstorms did not affect the production negatively, unlike last year. Therefore, higher production is expected reaching 44,300 MT.

Portugal

In Portugal, the peach and nectarine orchards are mostly located in the inland center region. According to Portuguese official data, peach production in MY 2015/16 reached 46,000 MT and may remain flat in MY 2016/17. Nectarine production in Portugal is negligible.

Bulgaria

In MY 2016/17 average yields are expected for peach and nectarine due to a dry summer. In peach orchards, a sudden drop in temperatures and freeze in the spring (mid-May) led to losses in some regions (Rousse, Silistra). In other regions, yields are also expected to decline by 10 percent-20 percent and/or quality is likely to deteriorate. Peach and nectarine production in MY 2016/17 may reach 34,200 MT.

Poland

In 2016 production of peaches is forecast at 9,600 MT, 3 percent lower than in the last year. In the last 2 years peach orchards area diminished to 2,500 hectares or 7.4 percent decline. The biggest peach

orchard in the region of Lower Silesia in Poland was cut off in 2015. Orchard owners' interest in peach cultivation diminished in Poland last year. Another consecutive year of low prices for peaches made some growers to switch for other varieties fruit production.

Decline in production is expected to be much smaller than the decline in crop area due to very favorable weather conditions during this season. The main problem for Polish peach growers is constant lack of enough soil moisture and lack of capital for investments in orchard irrigation.

Consumption

In MY 2016/17 fresh consumption of peaches and nectarines is projected to decrease 4.5 percent reaching almost 2.7 MMT. Peaches and nectarines for processing may also decrease 8 percent due to a lower supply compared to previous year.

Most Italian and Spanish peaches and nectarines are consumed fresh. Consumers in southern countries generally prefer large, sweet, and pulpy fruits, while the North European markets prefer smaller, slightly sour, and crunchy fruits. Apart from the economic situation and the industry's concern for the increasing complexity of the destination markets, the overall goal is to encourage consumption for a product that is the main summer fruit. Greek nectarine production is destined mainly for the fresh market; freestone peaches are used for fresh consumption, and clingstone peaches are predominantly used in processing. In France, consumption is expected to remain stable due to good weather conditions throughout the late spring and summer. In the last 10 years, annual fruit consumption fluctuated between 37.5 and 48.5 kg/capita in Hungary. Stone fruits (including peaches and nectarines) had a significant share of the domestic consumption. Almost the entire nectarine and peach production is for domestic use and the market is determined by demands.

Trade

The EU is a net exporter of peaches – with exports largely exceeding imports.

Imports

As seen in Table 2 below, the main suppliers of peaches to the EU-28 in MY 2015/16 were Chile and South Africa. More than half of total imports are sourced in the southern hemisphere and are imported during the European off-season. The EU's imports of peaches and nectarines were valued at 73 million USD in MY 2015/16 with 28,200 MT, 8 percent higher than previous year due to the decrease in production.

In the first half of 2016 EU-28 imports of peaches and nectarines increased 11 percent with imports from Chile and South Africa at normal volumes while imports from Turkey increased 103 percent. Due to lower production forecasts in MY 2016/17 imports may increase.

Table 2. EU-28 Imports of Fresh Peaches & Nectarines by Origin in MT

Country of Origin	MY 2013/14	MY 2014/15	MY 2015/16
Chile	10,856	4,344	9,923
South AFRICA	7,617	8,997	8,879
Morocco	4,940	5,279	4,791
Turkey	2,483	1,679	1,580
Macedonia	1,514	1,256	614
Others	4,554	4,535	2,413
Total Imports	**31,964**	**26,090**	**28,200**

Source: GTA

Exports

The EU-28 is a net exporter of peaches and nectarines. The EU's exports of peaches and nectarines were valued at 197 million USD in MY 2015/16, a 49 percent decrease despite16 percent lower volume from the previous year reaching 296,750 MT. Despite the Russian ban, EU-28 exports reoriented the markets. The main destination for EU-28 peaches and nectarines in MY 2015/16 was Belarus with a 123 percent increase from MY 2014/15, surpassing Russia as a first destination with a 99 percent decline reaching 0 MT (See Table 3). The EU's major producers compete for sales within the European market. Thanks to an earlier harvesting period with good quality products, Spain dominates the European market. Spanish total exports in 2015 were 851,711 MT from which 92 percent of its peach and nectarine exports go mainly to the EU-28. The main destinations are Germany (201,520MT), France (144,743 MT) and Italy. The 100 percent decreased to Russia were compensated with an increase of exports to other Member States and to new markets such as North Africa (Algeria and Egypt), Brazil and Asia. In addition China authorized since July 2016 the imports of peaches from Spain. In 2014, Italy exported 298,442 MT of peaches and nectarines, 19 percent less than 2013. Lower volumes were exported to Germany (-12 percent), the leading destination, representing 44 percent of total exports.

In 2015, Italy exported 258,685 MT of peaches and nectarines, 13 percent less than 2014. Lower volumes were exported to Germany (-21 percent), the leading destination, representing 40 percent of total exports. In 2015, Italy imported 97,179 MT of peaches and nectarines, a surge of 29 percent compared to 2014 driven by the increased volumes from Spain (+27 percent), the main supplier accounting for approximately 84 percent of total imports.

In 2015, Greece exported 153,033 MT of fresh peaches and nectarines, mainly to Romania (26,907 MT), Bulgaria (20,111 MT), Lithuania (16,783 MT), and Turkey (12,764 MT).

France has a massive peaches and nectarines trade deficit, importing five times more than it exports. Spain accounts for more than 90 percent of French peaches and nectarines imports, while Morocco became the largest third country supplier. Belgium, Switzerland and Germany are the largest customers of French peaches and nectarines exports.

Due to lower production forecasts in MY 2016/17 exports may decrease.

Table 3. EU-28 Exports of Fresh Peaches & Nectarines by Destination in MT

Country of Destination	MY 2013/14	MY 2014/15	MY 2015/16
Belarus	28,460	71,042	158,692
Switzerland	29,803	29,181	32,150
Ukraine	29,494	37,828	15,875
Turkey	350	6,432	12,292
Algeria	6,082	13,704	11,415
Brazil	10,440	11,704	10,839
Others	202,880	187,107	55,487
Total Exports	**307,509**	**356,998**	**296,750**

Source: GTA

Production, Supply and Demand Data

Table 4. Production, Supply and Demand Data Statistics

Fresh Peaches & Nectarines EU-28	2014		2015		2016	
	2014/15		2015/2016		2016/2017	
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
		Data		Data		Data
Area Planted	232,438	233,217	232,778	232,601		232,110
Area Harvested	214,121	214,114	213,110	210,654		210,260
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0

Commercial Production	4,140,521	4,014,672	3,986,400	3,913,647		3,699,230
Non-Comm. Production	41,823	40,552	40,300	39,532		37,063
Production	4,182,344	4,055,224	4,026,700	3,953,179		3,706,293
Imports	26,400	26,090	28,000	28,200		30,000
Total Supply	4,208,744	4,081,314	4,054,700	3,981,379		3,736,293
Fresh Dom. Consump.	2,859,615	2,731,560	2,821,900	2,816,705		2,688,962
Exports	357,400	356,998	310,000	296,750		265,000
For Processing	971,729	972,756	882,800	827,924		762,331
Withdrawal From	20,000	20,000	40,000	40,000		20,000
Total Distribution	4,208,744	4,081,314	4,054,700	3,981,379		3,736,293

HA, 1,000 TREES, MT

Source: FAS Europe offices

Commodities

Fresh Cherries (Sweet & Sour)

The main EU-28 producers of fresh cherries are Poland, Italy, and Spain. Traditionally Germany was in forth position but in the last years, Greece and Hungary have surpassed German cherry production (See Table 5). Poland is the EU's largest producer and cherry processor transforming 75 percent of its cherry production. Spain is the biggest exporter due to its early season harvest. Italy is the number one consumer of fresh cherries.

Crop Area

According to FAS projections, the updated data of total EU planted area of cherries estimates an area of around 152,000 ha in MY 2016/17.

Production

Total cherry production in MY 2016/17 is projected at 623,664 MT, or almost 11 percent decrease compared with last season, where the growth in Poland and Spain could not compensate the decline that may occur in Italy and Greece.

Table 5. Major EU Fresh Cherries (Sweet & Sour) Producers by Volume in MT

Country	MY 2014/15	MY 2015/16	MY 2016/17
Poland	224,600	228,000	235,000
Spain	111,800	86,100	87,500
Italy	110,766	111,119	70,000

Greece	66,600	84,700	60,000
Hungary	91,850	65,000	60,000
Germany	56,922	48,564	48,088

Source: FAS Europe offices

Poland

In the EU, Poland is the leader in cherry production, with almost 40 percent share of the total EU cherry production. Cherries are the main stone fruits cultivated in Poland.
In MY 2016/17 total sweet and sour cherries production in Poland is expected to increase in comparison with last year by 3.1 percent. Total production of cherries (tart and sweet) is forecast at 235,000 MT. The total number consists of 185,000 MT sour cherries and 50,000 MT sweet cherries. Cherry orchard's acreage was smaller by 1.5 percent than in 2015 and amounted to 38,500 hectares.

Winter 2015/16 was another mild winter in Poland. There were no winter losses in the number of cherry trees. Cherry plantations came into the 2016 season in a very good shape. The area planted diminished as some farmers gave up unprofitable production. 2016 is the second consecutive year of very low farm gate prices for cherries in Poland. Cherry growers suffer from lack of capital for investments, mostly for necessary irrigations. The cherry crop in 2016 is high but the quality of fruits is diverse. The main problem for cherry growers is lack of soil moisture what weakens cherry trees immunity against pests. Due to the low production profitability, many orchards were not protected enough against pests and diseases.

Italy

Italy's MY 2016/17 cherry production is preliminarily forecast at 70,000 MT. Southern Italy, which accounts for two thirds of the national cherry production, is forecast to register a production decrease (especially for early varieties), due to adverse weather conditions during fruit set and the Drosophila Suzuki fruit fly. Overall, calibers are on average, but the quality registered is not as good as last year. *Bigarreau* and *Giorgia* varieties are forecast to register lower quantities than the excellent past campaign. Despite the lower production, the Italian cherry area is forecast to keep an upward trend, thanks to new orchards entering in regime in Veneto, Piemonte, Trentino, Emilia-Romagna, and Puglia. Turi (Puglia), Vignola (Emilia- Romagna), Verona (Veneto), and Cuneo (Piedmont) are the main cherry producing areas.

Spain

According to the Ministry of Agriculture, Food and Environment (MAGRAMA) Spanish cherry production for MY 2016/17 is projected at 87,500 MT, 1.6 percent rise from the previous year's level. The main cherry producing areas are Extremadura, accounting for over 35 percent of Spain's total, and Aragon, responsible for over 20 percent of Spain's production.

In Spain, cherry harvesting takes place from the end of April through mid-August. The dominant varieties are: *Napoleon*, which is sold fresh and used for jams; *Ambrunesa*, which is a late variety with a crispy consistency and sweet taste; and, *Burlat*, an early harvested variety bearing a thick fruit with red, strong, juicy and sweet pulp. Some new varieties include *Starking*, *Lapins*, *Summit*, *Vittoria*, *Van* (California), *Picota* and *Sandy*. The sour varieties include *Richmond*, *Montmorency*, and *Morello*.

Greece

Greece's MY 2016/17 cherry season is forecast to decrease 29.2 percent after a record production in 2015, because of the warm winter and unfavorable weather conditions during blossom, which minimized fruit set.

Pella and Imathia in Northern Greece are the main producing areas.

Hungary

Cherry crops accounts for about 10 percent of the total fruit production of the country. Although tart cherry area has increased since 2014, yield varied significantly.
In MY 2016/17 frosts damages in late spring may result in lower production estimated at about 60,000MT. Annual sweet cherry production is around 9,000-10,000MT in Hungary but late spring frost and the relatively high amount of precipitation at ripening has decreased the yield and the quality of sweet cherries this year.

The main production areas are Bács-Kiskun and Szabolcs-Szatmár-Bereg Counties.

Germany

German total cherry production for MY 2016/17 is estimated at 48,088 MT or 1 percent below last year and 9 percent below the average of the preceding ten years. This is the second year in a row with below average production resulting from heavy rains, hail, and frost during flowering. However, this masks a different development in the sweet and tart cherry sector. Sweet cherry production is estimated at 32,353 MT, an increase of 3 percent compared to previous season, while tart/sour cherry production is estimated at 15,735 MT, a decrease of 8 percent. This is in line with the trend in Germany cherry growing toward sweet cherries and away from tart cherries.

France

After an already lower crop in MY 2015/16, France's cherries crop in MY 2016/17 may also decline due to an excess of rain throughout the spring combined with hail storms and strong winds in early June in

the main producing regions. Area planted to cherry trees continued to decline as old orchards are not systematically renewed. Producers blame the lack of new disease resistant varieties as well as the high production cost.

In the main producing regions (southern half of France), there were reports of large pest and fungal infestation, especially Drosophila Suzukii and Moniliosis in several production areas. The French decision to ban a pesticide (Dimethoate) efficient against Drosophila Suzukii may have enhanced the losses (See Policy Section).

Bulgaria

The general prospects for the MY2016/17 season show cherry production to be 17 percent lower than in the previous year reaching 43,500 MT due to unfavorable weather conditions. Farmers reported that early and medium early sweet cherry varieties yields and production were sharply downward with a reduction in some locations reaching 50 percent. Spring rains and hail storms have reportedly caused losses in cherry orchards in the major production region of Kyustendil.
Sweet cherries are the second most important fruit after apples and peaches follow third. In recent years, farmers have increased their investment in cherry orchards and new foreign investment was attracted to cherry processing.

Portugal

In Portugal in MY 2016/17, projections point to stable production compared with last year.

Consumption

Consumption of fresh cherries in the EU is estimated at 378,738 MT in MY 2016/17, remaining stable. Italy is the biggest consumer of fresh cherries while Poland processes 75 percent of its cherry production. Cherries for processing may remain stable in MY 2016/17.

Sweet cherry is a seasonal fruit consumed as fresh and unprocessed. Sour cherry is utilized principally by the processing industry. The main sour cherry products are frozen fruits, juice concentrates and jams or marmalade. In countries such as Spain, Portugal, France, Italy and Greece, domestic consumption is almost exclusively for fresh use, with minor amounts bought by the brining and processing industry. In Germany, fresh cherries are considered a seasonal product and stocked in supermarkets mainly during the German marketing season (July/August). In contrast, peaches are stocked year round but are hardly grown in Germany. This explains the lower per capita consumption of cherries (2.2 kg) compared to peaches (3.7 kg). Consumer preferences clearly trend towards larger sizes (>28 mm). Smaller cherries can only be marketed at a large discount.

The use of tart cherries for processing is relatively stable and roughly amounts to 75-90 percent of the German domestic production. The majority of tart cherries are used for canning (over 80 percent), while the remainder finds its way into juice production. The percentage of sweet cherries used for processing fluctuates between 20 and 50 percent depending on the weather during harvest.

In Hungary, average per capita fruit consumption is under the EU-28 average. The majority of cherries harvested are destined for fresh exports and the processing industry.

In France, poor weather conditions in the late spring / early summer negatively impacted the consumers demand to its lower level since 2012, but the shorter crop kept price strong.

Trade

The EU is a net exporter of cherries but with trade values almost balanced. However, during MY 2016/17 EU-28 imports of cherries may be higher than EU-28 cherry exports due to the expected decline in supply. These are sourced mostly from Turkey, the world's leading cherry producer (Table 6). While the main destinations for the major EU producers are other Member States, the most important external destinations are Switzerland and Belarus with Serbia and Moldova experiencing important growth.

Imports

The EU imports of fresh cherries were valued at 134 million USD in MY 2015/16, a 22 percent decrease from the previous year with a total volume of almost 36,737 MT or 13 percent lower than previous year. According to GTA, the EU-28 imported 2,155 MT of cherries from the United States in MY 2014/15, a rise of 52 percent valued at 13 million US Dollars, 30 percent above MY 2013/14. During MY 2015/16 volumes of cherries imported from the United States decreased 63 percent reaching 795 MT and 5.6 million USD or a decline of 57 percent.

France has a large trade deficit in cherries, the bulk of imports coming from EU-28 (mainly Spain followed by Germany). While the U.S. was the third largest non-EU supplier of cherries to France, after Turkey and Chile, France's decision to ban imports of cherries (at least until 12/31/2016) from countries where dimethoate can be legally used on cherry trees effectively cut access to the French market to U.S., Canada and Turkish cherries. France imported U.S. Cherries in July, August and September when the domestic/EU supply weakened. Those cherries were imported fresh by air cargo and are often purchased by restaurants.

Germany is the third largest importer of cherries in the world, after China and Russia. German imports vary between 45,000 and 70,000 MT of cherries annually; the majority originates from other EU member states, mainly Austria, Italy, and Spain for sweet cherries and Hungary, Poland, and the Czech Republic for tart cherries. The largest non-EU suppliers are Turkey for sweet cherries and Serbia for tart cherries. Separate customs codes for sweet and tart cherries were only introduced in 2012. Since then Turkey has increased its market share in German sweet cherry imports from 3 percent to 14 percent. For MY 2016/17, imports are forecast to increase, as Poland, and Serbia, major tart cherry suppliers to Germany, and Turkey for sweet cherries report optimal growing conditions.

In MY 2015/16, Italy imported 10,285 MT of cherries, mainly from Spain, Turkey, and Austria while Spain imported only 1,590 MT, mainly from Chile and Argentina.

During the first half of 2016, imports of cherries to the EU-28 increased 121 percent with Turkey and Serbia experiencing important growth, resulting in an expected overall growth of EU-28 cherry imports for MY 2016/17.

Table 6. EU-28 Imports of Fresh Cherries (Sweet & Sour) by Origin in MT

Country of Origin	MY 2013/14	MY 2014/15	MY 2015/16
Turkey	26,864	25,294	28,284
Chile	3,089	4,940	2,992
Serbia	15,510	6,834	2,106
Argentina	519	687	929
United States	1,420	2,155	795
Canada	466	1,064	675
Others	**1,811**	**1,363**	**956**
Total Imports	**49,679**	**42,337**	**36,737**

Source: GTA

Exports

The EU exports of fresh cherries in MY 2015/16 were valued at 53 million USD, 30 percent decrease from the previous year with 22 percent higher volume, reaching 47,600 MT meaning a current difficult situation on EU cherry prices. The main destinations for EU-28 cherries in MY 2014/15 were Russia,

Belarus and Switzerland but in MY 2015/16 EU-28 cherry exports to Russia were negligible due to the Russian embargo. In MY 2015/16 the main destinations Belarus, Moldova, Switzerland and Serbia experienced important growth resulting that new markets are showing growth for the second year in a row.

Poland's MY 2015/16 total exports of fresh dessert cherries were higher than in 2014 by 43 percent. In 2015 fresh sweet and sour cherries fruit exports (including EU-28 trade) amounted to 17,580 MT, valued at US $13.1 million. The value of total cherry exports diminished by 7 percent compared to 2014. Export destinations changed for Polish cherry exporters in the last two years. Until 2014 Russia was the main cherry export market for both tart and sweet cherries capturing 60 percent of Poland's total cherry exports. In MY 2015/16 the main destination of export sales are EU member states, sourcing mostly fruits for processing. Now Germany is the main export destination for sour cherries, capturing 45 percent of Poland's sour cherries external sales. For sweet cherries Belarus partly replaced Russian demand. Strong competition from markets like Turkey, Serbia and Hungary diminished Polish sour cherry export prices, diminishing profitability of production for both the processors and farmers.
For MY 2016/17 calendar year it is forecast that Poland's sour and sweet cherry exports will exceed 2015 level by 6 percent. Sweet cherry exports volume will require new sales destinations.

Italy and Spain are mainly focused in the intra-EU market. In MY 2015/16, Italy exported 6,715 MT of cherries, a decline of 35 percent compared to the previous year, mainly because of reduced volumes to Germany, the Italian leading destination, while Spain exported 26,796 MT or 30 percent below last year, mainly to United Kingdom, Italy, Germany and France. Spain increased cherry exports to new markets such as North Africa, Algeria, and Asia.
In MY 2015/16, Greece exported 15,200 MT of cherries, mainly to Moldova (5,092 MT), the Netherlands (3,226 MT), and Germany (2,252).

In Hungary, tart cherries are sold to canneries and in smaller amounts to freezing plants and for fresh fruit exports. Hungary is one of the biggest canned cherry exporters in the EU. In MY 2015/16, import volume was negligible while the exports were around 22,800MT. Exports to the main trade partner, Germany decreased further by 17 percent. Until 2014, Russia was the second largest foreign market of the country to where 3,300-5,800MT of tart cherries were exported. Since the Russian embargo was put into force, this opportunity has ended. At the same time, exports to Austria and Poland have experienced important growth. Frozen cherry exports were also up by 7 percent to 6,100MT in 2015, of which the vast majority was destined for Germany and Poland. Hungary is a net exporter of fresh sweet cherries, however, its exports declined by 27 percent (to 2,386MT) in 2015. In 2016, lower volumes of sweet cherry imports were in the domestic market than a year ago and more frozen and canned cherries were exported. These facts could result in a moderate decrease in Hungary's fresh fruit exports this year.

During the first half of 2016, exports of cherries to the EU-28 decreased 54 percent resulting in an expected decline of EU-28 cherry exports for MY 2016/17.

Table 7. EU-28 Exports of Fresh Cherries (Sweet & Sour) by Destination in MT

Country of Destination	MY 2013/14	MY 2014/15	MY 2015/16
Belarus	4,160	6,681	27,560
Moldova	1,501	2,049	8,158
Switzerland	3,411	3,579	2,889
Serbia	703	414	1,881
Algeria	951	1,352	1,248
Others	32,438	24,675	5,864
Total Exports	**43,164**	**38,750**	**47,600**

Source: GTA

Table 8. Production, Supply and Demand Data Statistics:

Fresh Cherries,(Sweet&Sour) EU-28	2014		2015		2016	
	2014/15		2015/16		2016/2017	
	Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
		Data		Data		Data
Area Planted	154,863	153,924	154,120	154,523		152,680
Area Harvested	151,428	150,689	150,362	149,260		146,830
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	708,146	719,776	708,600	699,253		623,664
Non-Comm. Production	37,271	37,883	37,295	36,803		32,824
Production	745,417	757,659	745,895	736,056		656,488
Imports	42,300	42,337	40,000	36,737		60,000
Total Supply	787,717	799,996	785,895	772,793		716,488
Fresh Dom. Consump.	424,405	421,906	436,038	415,050		378,738
Exports	38,800	38,750	47,000	47,600		30,000
For Processing	324,212	339,040	302,557	309,843		307,450
Withdrawal From	300	300	300	300		300
Total Distribution	787,717	799,996	785,895	772,793		716,488

HA, 1,000 TREES, MT
Source: FAS Europe offices

Policy

Stone fruit falls under the EU fruit and vegetables regime and is part of the Common Agriculture Policy (CAP). The following section explains the main elements of the EU fruit and vegetables policy that refer to the stone fruit sector. The second part explains the EU measures that were taken in response to the Russian embargo.

I. EU Policy Related to Stone Fruit

1. The New Common Agriculture Policy (CAP) Reform

The single Common Market Organization (CMO) provides a framework for market measures under the CAP, which is outlined in Regulation (EU) No 1308/2013, and entered into force on January 1, 2014.

The CAP 2020 reform consists of four basic regulations, supplemented by delegated acts. Commission Delegated Regulation (EU) No 499/2014, which entered into force on May 16, 2014, amended the implementing rules for the fresh and processed fruit and vegetables sectors (Commission implementing Regulation (EU) No 543/2011).

These market measures aim to:

a) Create a more competitive and market-oriented sector

Producer Organizations (POs) are still the key elements in the EU's CMO for fruit and vegetables. POs are legal entities established by producers to market commodities, including stone fruit. EU subsidies are not paid to individual producers but are channeled through POs. In order to qualify for EU subsidies, a PO must submit an operational program financed through an operational fund. The EU's financial contribution is paid directly into each PO's operational fund. The calculation of the estimated amount of the operational fund is based on the operational program and the value of the marketed production. As of January 20, 2014, operational programs are approved under the Regulation (EU) No 1308/2013. Commission Delegated Regulation 499/2014 introduced new elements regarding the operational programs and clarified the criteria with which the POs must comply in order to be eligible for EU funding. It also introduced a sanction mechanism in the case of non-compliance.

Fresh fruit and vegetable imports into the EU are checked for compliance with EU-harmonized marketing standards. These standards apply at all marketing stages and include criteria such as quality, size, labeling, packaging, and presentation. Commission implementing Regulation (EU) No 543/2011 provides for a general marketing standard for all fresh fruits and vegetables. Specific marketing

standards are still in place for ten products, including peaches and nectarines, and are set out in Part B of Annex I on page 86 (section 5).

b) Diminish crisis-related fluctuations in producers' income

To achieve this objective, EU funding is offered under the operational programs for:

- Product withdrawal
- Green harvesting/non-harvesting;
- Promotion/communication tools;
- Training measures;
- Harvest insurance;
- Assistance to secure bank loans, and support for administrative costs associated with setting up mutual funds.

National authorities must determine, in their national strategies, which of these instruments can be funded in their countries. POs may take out loans on commercial terms to finance crisis prevention and management measures. The repayment of the capital and the interest on those loans may be eligible for financial assistance under the operational programs of POs.

c) Encourage increased consumption of fruit and vegetables in the EU

The European "School Fruit Scheme" (SFS) originated in 2009 as a measure to combat child obesity and includes three elements: free distribution of fruit and vegetables in schools, information campaigns on healthy eating habits, and monitoring and evaluation. As in previous years, the EU funds of $164 million (€150 million) was allocated in the school year 2016/2017 to 25 Member States that decided to participate in the program - with Sweden, Finland and United Kingdom opting out.

The Regulation on the new School Scheme for Milk, Fruit and Vegetables was published in the Official Journal on May 24, 2016. Regulation EU No 2016/791 will apply as of **August 1, 2017.**

The sector may also benefit from the European **promotion** budget for agricultural products and **quality schemes**. The Commission reformed its promotion policy with an extension of the product scope and a greater focus on export markets. The promotion budget will increase gradually from $76 million (€60 million) to $255 million (€200 million) annually until 2020. National co-funding will no longer be needed and EU associations will be able to apply directly for a program.

d) Increase the use of environmentally friendly cultivation and production techniques

At least 10 percent of operational program funding must be spent on environmental actions that go beyond mandatory environmental standards. MS with recognized POs must draw up a National Framework for Environmental Action (NEF) as part of their "national strategy for sustainable

operational program." The NEF must contain a non-exhaustive list of environmental actions and the conditions applicable to them in the MS concerned.
For information on the CAP after 2014, please see: http://ec.europa.eu/agriculture/cap-post-2013/index_en.htm

2. Certification of Fruit Shipments

Plant products need a phytosanitary certificate to be exported to the EU. Phytosanitary certificates issued by a USDA/Animal Plant Health Inspection Service (APHIS) inspector are required to accompany fruit, vegetable, and nut shipments. APHIS issues phytosanitary certificates in accordance with international regulations established by the International Plant Protection Convention of the Food and Agriculture Organization of the United Nations. This standard-setting body coordinates cooperation between nations to control plant and plant product pests and to prevent their spread.

Council Directive 2000/29/EC contains provisions concerning compulsory plant health checks. This includes documentary, identity, and physical plant health checks to verify compliance with EU import requirements. More information can be accessed on DG Health and Consumer Protection's website http://ec.europa.eu/food/plant/organisms/imports/inspection_en.htm.

Commission Regulation 1756/2004 provides for plant health checks to be carried out at reduced frequency when justified. The list of products recommended for plant health checks at reduced levels was issued on October 22, 2015. On an annual basis, the Commission monitors imports of fruit and vegetables to determine how to adjust the frequency of testing consignments.

3. Maximum Residue Levels for Fruit

Maximum Residue Levels (MRLs) for pesticides, including import tolerances, have been harmonized throughout the EU since September 2008. As a marketing tool, some retail chains in the EU adopt private standards that exceed EU regulations by requiring their suppliers to adhere to stricter company policies that limit the maximum residues to 30, 50, or 70 percent of the respective EU MRL. Please find the link to the EU MRL database, as well as to the International MRL database developed by USDA for MRLs worldwide.

4. Tariffs

EU imports of fresh fruit and vegetables are subject to the Entry Price System (EPS) which has been in place in its current form since the Uruguay Round. It is a complex tariff system that provides a high level of protection to EU producers. In this system fruits and vegetables imported at or above an established entry price are charged an ad valorem duty only. Produce valued below the entry price are

charged a tariff equivalent in addition to the ad valorem duty. The tariff equivalent is graduated for products valued between 92 and 100 percent of the entry price. The ad valorem duty and the full tariff equivalent are levied on imports valued at less than 92 percent of the entry price.

Commission Delegated Regulation (EU) No 499/2014 has introduced provisions on the entry price system, which aligns the clearance of goods that are subject to the entry price to the Custom Code. These provisions, applicable since October 1, 2014, introduced a flat rate, which is the standard import value, to clear customs when products are sold on consignment.

Tariff levels for 2016 are published in Commission Implementing Regulation 2015/1754.
The tariffs for stone fruit remain unchanged compared to the levels of 2014 and can be found on page 97 for cherries, peaches and nectarines. The United States tends to sell high quality products at higher prices which typically do not face additional duties.

II. Russian ban on agricultural products

On August 7, 2014, the Russian government implemented a ban for one year on a range of agricultural and food products, including citrus fruit, from the United States, the European Union (EU), Canada, Australia, and Norway, in response to U.S. and EU sanctions over Russian actions in Ukraine. The CMO rules (see Regulation 1308/2013 in part I) provide various market management tools to stabilize markets and the Commission is also empowered under the reformed CAP to take "exceptional measures" in case of market disruption. As such, the Commission introduced specific market support measures for the European fruit and vegetables sector since the start of the ban in 2014.

Commission Delegated Regulation (EU) 2016/921 introduces the new aid scheme for fruit and vegetable producers as the ban continues through 2017. It extends the previous scheme in the coming weeks but with a lower budget and ceilings for volumes to be withdrawn as operators have found new markets since the beginning of the Russian import ban. As before, the Commission proposes an additional quantity of up to 3000 tons for all Member States to further stabilize the market. The aid for market withdrawals and free distribution entered into force on July 1, 2016, and producers of fruit and vegetables have until July 31, 2017, to apply for their allocation.

More information on the Commission's response to the Russian ban can be found here:
http://ec.europa.eu/agriculture/russian-import-ban/index_en.htm

III. French ban of Dimethoate on cherries

On April 22, 2016, France temporarily banned the import and sale of cherries imported from countries where the chemical product dimethoate can be used on cherries and cherry trees. It follows the French ban on use for domestic production. Dimethoate was used to fight Drosphila suzukii, an Asian fruit fly

which causes considerable damages in cherry orchards but is suspected by France of being dangerous to human health. France imports roughly one fifth of its consumption, the bulk coming from EU countries including some (such as Spain, Italy and Spain) that have already banned dimethoate. The French prohibition will de facto suspend imports of cherries from the United States, valued at around $1 million annually. On the other hand, as France's production is likely to be impacted by the ban on the pesticide, French cherries are likely to be scarcer and more expensive, creating opportunities for competitors on traditional French export markets such as the UK. The EU has not officially reacted to the French decision but fruit importers and traders fear that France may soon implement a similar domestic ban against other EU-approved pesticides or chemicals, de-facto shutting down the free movement of EU and third country fruit and vegetables into France. For more information, see GAIN FR1606 (U.S. Cherries Exports to France hit by French Pesticide Ban).

Trade Shows

Trade shows in Europe offer excellent opportunities for U.S. exporters to meet potential clients or business partners from EU countries and other continents. The most important trade shows related to the fruit and vegetable sectors are:

Fruit Logistica

Fruit Logistica Berlin, Germany (Interval: yearly) Target Market: Germany/EU/Central & Eastern Europe Good venue for exhibiting fresh and dried fruit, nuts and related products http://www.fruitlogistica.de	Next Fair: February 08-10, 2017

Fruit Logistica is one of the most important trade shows for fresh and dried fruits in Europe. The next show will take place on **February 8-10, 2017.** More than 2,400 companies from across the entire fresh produce value chain will participate, including major global players as well as small and medium-sized suppliers from around the world.

Bio Fach

Bio Fach Nuremberg, Germany (Interval: yearly) Target Market: Germany/Europe The leading European trade show for organic food and non-food products http://www.biofach.de	Next Fair: February 14-19, 2017

Bio Fach is one of the most important trade shows for organic products in Europe. The next show will take place on **February 14-19, 2017.**