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Bulgaria

Post: Sofia

Tree Nuts Annual

Report Categories:

Tree Nuts

Approved By:

Jonn Slette

Prepared By:

Mila Boshnakova

Report Highlights:

Bulgaria is a growth market for U.S. tree nuts. Opportunities for almond, walnut, and pecan exports are driven by modern retail's deep footprint, rising incomes, evolving consumer preferences, an expanding food-processing industry, and tourism. Post expects Bulgarian tree nut imports and consumption will rebound in marketing year (MY) 2017/18, following a drop in MY 2016/17. 2017 retail tree nut sales data (to date) shows a 3.2 percent increase over last year. Bulgaria's retail market is fragmented with three leading companies accounting for about one-third of total market share.

General Information:
Overview

Bulgaria is a net importer of almonds and walnuts. Local tree-nut supplies have increased due to EU support, however consumer demand outstrips production capacity and drives import growth.

Domestic Tree Nuts Supply MY2016/17: In MY2016/17, average tree-nut yields were higher due to more favorable weather and better input usage. Growth in harvested areas and strong yields resulted in a 98-percent increase in almond production and a 37-percent increase more for walnut production over the previous year.

Demand, Market Size and Structure: The Bulgarian retail market for tree nuts is valued at about $56 million (Euromonitor). Retail growth in 2017 is projected to be 3.2 percent (roughly the average since 2012). Annual sales growth from 2018 to 2022 should remain at about three percent. Top importers and handlers/processors are expanding and upgrading storage and processing facilities. Three brands (and respective companies), Detelina, Rois, and Elit account for about one-third of the total national retail market share. Seven other companies maintain four to eight percent each. Only one retail player reduced its market presence in 2017. Kronos, Dani, and Kerpi are retail companies which are showing the most rapid growth.

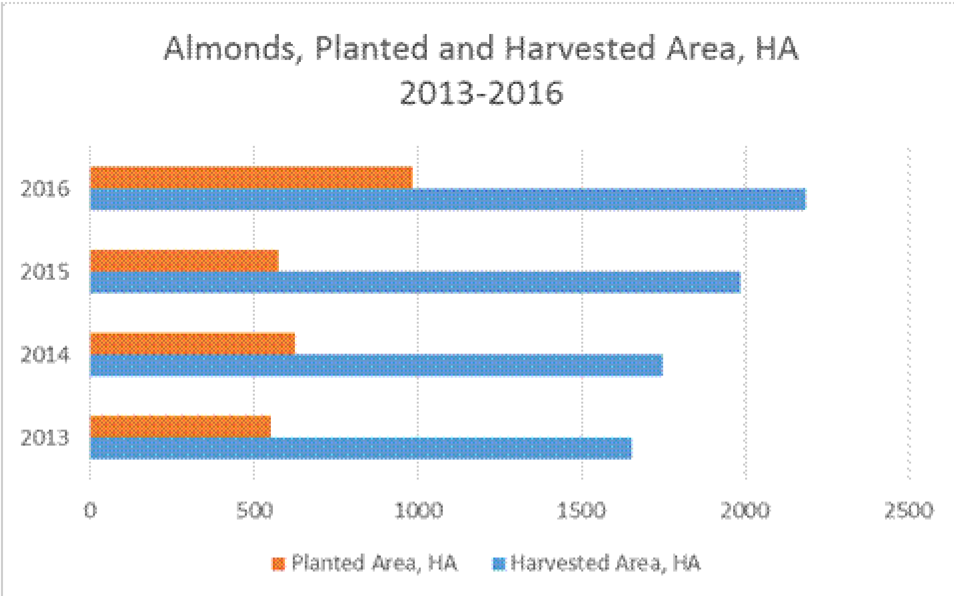
In addition to traditional packaged nuts, consumer-bulk sales are increasingly popular. Several stakeholders have established their own specialty-retail chain where they sell nuts and dried fruits in bulk (photos below). Other retail chains have also adopted this model and offer nuts in bulk to consumers. Most small street kiosks also use this approach.

Bulgarian processors are increasingly using tree nuts, particularly for sweet and confectionary products like waffles, cookies, desserts, and chocolate (industry leaders include Mondelez Bulgaria, Pobeda, Prestige96, Day and Night, Velikovi, BGline). Trade sources indicate that processors consume about one-third of total supply and is valued at over $20 million. Confectionary products are distributed on the locally, however international sales offer the best growth opportunities. Over the last three years, exports of these products (HS#1905) have been above $200 million, with Romania, Greece, and Germany being primary markets. As of June 2017, Bulgarian confectionary exports grew by an additional seven percent over 2016.

Another growing sales channel is specialty confectionary outlets, which use whole, ground, sliced nuts. Market leaders include Nedelya, Markrit, and Skyline, all of which have chain outlets. Per trade sources, this sector is driving the demand for blanched/sliced almonds.

Almonds

Production: MY2016/17 was a strong year for Bulgarian almond production. Area planted in MY 2016/17 was 10 percent higher than 2015. Harvested area increased by 72 percent and non-harvested area decreased by 15 percent (Table 1). Despite this growth, harvested area remains below 50 percent of area planted. Over the last four years, the share of harvested area varied from 29 percent (2015) to 45 percent (2016). Organic almond orchards were reported at 1.175 HA or 59 percent of planted almonds (as of 2015).



Source: Ministry of Agriculture, Foods and Forests

Ministry of Agriculture (MinAg) data shows that in 2016 new areas under production accounted for 33 percent of all almond acreage, mostly because of new investments. Despite this, almond production is still overall less attractive than walnuts, mainly due to strong international competition and established imports.

The weather in 2016 was favorable with a rainy and warm spring, an early summer and alternating periods of short warm and cool temperatures. The average yields increased by 15 percent, coupled with more acres under production and larger harvested area, resulted in a production increase of a whopping 98 percent over 2015 (Table 1).

Consumption: Based on limited public data and industry interviews, FAS Sofia estimates almond consumption at 1,800– 2,000 metric tons (MT) in the last four years with variations due to price fluctuations (Table 2). In MY2016/17, consumption is projected to rebound and grow by 60 percent. Post expects consumption in MY2017/18 will increase by three percent based on the more stable economy, higher consumer spending, and demand from processers (Table 2).

Trade: Bulgaria is a net importer and consumer of almonds. Annual imports range between 1,100 MT-1,800 MT. About 450-800 MT are imported from other EU Member States such as Greece, although trade sources report that most of these imports are U.S. origin (transshipments). The bulk of imports are shelled almonds (HS#080212).

Following a temporary decline in MY2015/16, imports rebounded in MY2016/17. During September 2016 through June 2017, total almond imports were at 1,444 MT (1,373 MT shelled and 71 MT in-shell almonds) or 91 percent more than in the corresponding period during the previous year (Table 4). In value terms, imports for this period were at $7.2 million, a 93-percent increase. Imports during the second quarter of 2017 accelerated despite higher average prices ($6,281/MT in the second quarter of 2017 versus $5,061/MT in 2016). Imports of shelled almonds grew during this same period by 84 percent in volume terms and 92 percent in value terms. Imports from the United States for the same period increased by 133 percent in tonnage (780 MT) and 313 percent in value ($4.3 million). U.S. market share accounted for 57 percent in volume terms and 62 percent in value terms (Tables 4 and 5).

Walnuts

Production: MY2016/17 was also a good year for Bulgarian walnut production, although the quality of the crop was reported to be lower than in previous seasons. Total area planted expanded by 15 percent, stimulated largely by EU subsidies (Table 1). The harvested area increased by 24 percent over MY2015/16. Still, the harvested area remains below half of planted (similar to almonds). Over the last four years, harvest area varied from 27 percent (2014) to 47 percent (2013) of area planted. Average yields in MY2016/17 increased by 10 percent due to favorable weather and better orchard management. As a result, total production grew by 37 percent over the previous season, falling just three percent short of 2013's record.

Acreage for Bulgarian organic walnuts has increased significantly, driven largely by EU support programs. Organic walnut acreage increased from 7,199 HA in 2014 to 11,340 HA in 2015 (the last available public data) and accounted for 86 percent of all walnut orchards. Overall, organic walnuts, almonds, hazelnuts and chestnut production reached 18,484 HA in 2016, a 20-percent increase 2015. Total organic tree nut production grew by 68 percent and reached 1,430 MT in MY2016/17 (mainly walnuts).

Production/Domestic Support Policy: Investments in walnut production has skyrocketed due to more EU subsidies for newly planted tree nut orchards and for organic orchards. Out of total organic tree nut orchards, the largest were those under walnuts at 74 percent (as of 2015). Young walnut orchards account for the lion's share (52 percent) of all new young fruit plantations in 2016 (47 percent in 2015).

Walnut farmers can benefit from the same domestic support as almond growers. In addition, walnuts were eligible for coupled support, along with some other horticultural crops. These subsidies in 2016 were set at $622/HA, paid in March 2017. For 2017-2020, MinAg made a proposal to the EC to exclude walnuts from its coupled-support program due to reaching the ceiling for coupled support. According to the MinAg analysis, eligible area for coupled support under walnuts jumped from 3,066 HA in 2015 to 8,259 HA in 2016, a169-percent increase. This exceeds the allowed area ceiling under the program by 3,000 HA/57 percent. In addition, the subsidies tend to result in higher area planted without demonstrable corresponding production growth.

Consumption: Consumption is estimated based on interviews with trade sources and statistical data for consumption patterns. Trade sources indicate that consumption is at 1,400 MT -1,500 MT (Table 3). There is substantial walnut consumption, especially in the rural areas, which remains outside commercial channels. In MY2016/17 and MY2017/18, consumption is projected to increase.

Trade: Bulgaria is a net producer and exporter of walnuts. Local demand for quality products is increasing. Major export markets are Turkey, Albania, Iraq, and EU countries such as Romania, Greece, Hungary, and Italy. During October 2016 – June 2017, exports of in-shell walnuts dropped sharply by 73 percent from the same period the previous year, reportedly due to quality concerns. Shelled walnuts were at 564 MT or 21 percent less than in the same period last season. FAS Sofia estimates MY2016/17 exports will decline.

In MY2016/17 traders reported deteriorating walnut quality from older orchards and higher demand for imports, which offer more consistent quality. Imports of shelled walnuts (October 2016-June 2017) were 16 percent higher (mainly from Ukraine and Poland) over the same period last marketing year (Table 4). Demand for in-shell walnuts has increased to meet the deficit of quality domestic walnuts, as wells as to keep deshelling business afloat, and to fulfill export commitments and local contracts. In-shell imports increased to 471 MT, a ten-fold increase over the previous year, mainly from Poland, and for the first time from the United States (199 MT).

FAS Sofia projects higher imports of walnuts this season, a trend which is also likely to continue into next year, due to the growing demand for direct consumption and processing by the confectionary industry.

Appendix:

Table 1. Walnut and Almond Production, 2013-2016

Walnut and Almond Production, 2013-2016			
Years	**Harvested Area, HA**	**Average Yield, kg/HA**	**Production, MT**
Almonds			
2016	987 HA harvested (2,184 HA planted, 730 HA young plantings, 1,197 HA non-harvested)	852	841 (505 in shelled basis)
2015	574 HA harvested (1,986 HA planted, 770 HA young plantings; 1,412 HA non harvested)	739	424 (254 in shelled basis)
2014	627 HA harvested (1,750 HA planted; 603 HA young plantings; 1,123 HA non harvested)	699	438 (262 in shelled basis)
2013	553 HA harvested (1,654 HA planted 1,034 young plantings; 1,101 HA non harvested)	1,807	999 (599 in shelled basis)
Walnuts			
2016	6,280 HA harvested (15,153 HA planted, 7,579 HA young plantations, 8,873 HA non harvested)	790	4,959
2015	5,055 HA harvested (13,122 HA planted; 7,210 HA young plantations; 8,067 HA non harvested	718	3,627
2014	2,777 HA harvested	601	1,670

	(10,103 HA planted; 5,193 young plantings; 7,326 HA non harvested)		
2013	3,689 HA harvested (7,873 HA planted 3,700 young plantings; 577 HA non harvested)	1,382	5,099
Source: Ministry of Agriculture, Foods and Forests, Bulgaria, Statistical Office			

Table 2. Production, Supply and Demand, Almonds, MY2014-2017, MT

Bulgaria	**MY2014 (Sep.2014-August 2015)**	**MY2015 (Sep.2015-August 2016)**	**MY2016 (Sep.2016-August 2017)**	**MY2017 (Sep. 2017-August 2018)**
	Final	Final	Estimate for the current year	Forecast
Beginning Stocks	0	0	0	0
Production	262	254	505	520
Imports from EU	792	477	450	450
Imports from non-EU	838	553	950	1,000
Total Imports	1,630	1,030	1,400	1,450
Total Supply	1,892	1,284	1,905	1,970
Exports EU	40	173	105	110
Exports to non-EU	0	5	5	10
Total exports	40	178	110	120
Human Consumption	1,852	1,106	1,795	1,850
Ending Stocks	0	0	0	0
Total Distribution	1,892	1,284	1,905	1,970

Notes: *Production* data is provided by statistics in in-shell basis and is converted in shelled weight for the purpose of the Supply and Demand Table (in-shell almonds are multiplied by 0.6 conversion index per USDA methodical guidance to be converted in shelled almonds). Due to discrepancy between official Bulgarian MinAg data and Eurostat data in select years, local official data is used as it is believed to be more accurate.
Trade data is given in shelled weight: HS#080212 (shelled) data is summarized with the converted (multiplied by 0.6) data for HS#080211 (in-shell), for imports and for exports. Data for MY2016/17 is currently available as of June 2017 and it is estimated on this basis, while MY2017/18 is forecast.

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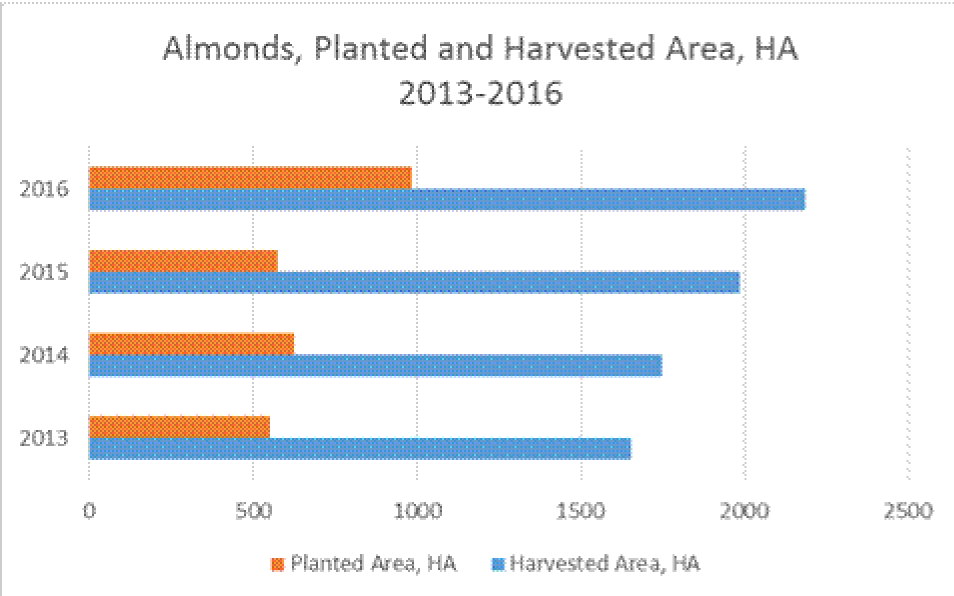

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Table 3. Production, Supply and Demand, Walnuts, MY2014-2017, MT

Bulgaria	**MY2014 (Oct.2014-Sep 2015)**	**MY2015 (Oct.2015-Sep 2016)**	**MY2016 (Oct.2016-Sep 2017)**	**MY2017 (Oct.2017- Sep.2018)**
	Final	Final	Estimate for the current year	Forecast

Beginning Stocks	2,840*	3,411*	521*	500*
Production	1,670	3,627	4,959	4,700
Imports from EU	236	209	230	200
Imports from non-EU	254	210	670	700
Total Imports	490	419	900	900
Total Supply	5,000	7,457	6,380	6,100
Exports EU	1,416	1,663	1,500	1,500
Exports to non-EU	2,284	4,474	3,000	3,200
Total exports	3,700	6,137	5,000	4,700
Human Consumption	1,300	1,320	1,380	1,400
Ending Stocks	0	0	0	0
Total Distribution	5,000	7,457	6,380	6,100

Notes: *Production* data is in in-shell basis for the purpose of the Supply and Demand Table. Due to discrepancy between official Bulgarian MinAg data and Eurostat data in select years, local official data is used as it is believed to be more accurate. *Trade data* is given in in-shell weight: HS#080231 (in-shell) data is summarized with converted (multiplied by 2.34) data for HS#080232 (shelled), for imports and for exports. Data for MY2016/17 is currently available as of June 2017. MY2017/18 is forecast.
*Estimates for non-commercial trade (production and consumption)

Table 4. Imports of Almonds and Walnuts, MY2016/17

	Imports September 2016-June 2017	Imports September 2015-June 2016	Change in Percentage
Shelled Almonds HS#080212			
• In Metric Tons	1,373	747	+84%
• In millions U.S. Dollars	6.98	3.63	+92%
--From the United States			
• In Metric Tons	779	333	+133%
• In millions U.S. Dollars	4.3	1.04	+313%
In-shell Walnuts HS#080231			
• In Metric Tons	471	44	+1070%
• In million U.S. dollars	0.531	0.046	+1154%

Shelled Walnuts HS#080232			
• In Metric Tons	176	151	+16%
• In million U.S. dollars	1.07	0.54	+98%
Source: World Trade Atlas			

Table 5. Imports of Almonds, 2012-2017

Bulgaria Import Statistics								
Commodity: 080212, Almonds, Fresh Or Dried, Shelled								
Calendar Year: 2012 - 2016, Year To Date: 06/2016 & 06/2017								
000' United States Dollars								
Partner Country	**Calendar Year**					**Year To Date**		
	2012	**2013**	**2014**	**2015**	**2016**	**06/2016**	**06/2017**	**%Change**
World	4,109	8,042	7,395	4,099	5,749	2,347	4,750	102.34
Greece	1,703	3,231	3,634	1,982	2,416	1,122	780	-30.51
United States	2,063	3,386	2,373	799	1,953	660	3,330	404.5
Canada	0	132	35	400	520	80	414	417.28
Spain	17	181	0	62	451	251	23	-90.93
Germany	131	432	312	284	180	67	44	-35.09
Romania	0	0	0	13	110	86	18	-79.27
Netherlands	119	572	243	140	51	38	91	137.14
Czech Republic	24	25	36	37	34	18	12	-38.09
Italy	2	7	2	239	17	10	10	-1.12
Croatia	0	0	0	0	10	10	12	16.39
Austria	1	0	0	39	3	2	5	155.58
Source of Data: WTA/Eurostat								

Retail shelves for bulk nuts, photos


nuts&fresh