

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Fresh Deciduous Fruit Annual

**Country:** Bulgaria

**Post:** Sofia

**Report Category:** Fresh Deciduous Fruit

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**Report Highlights:**

In marketing year (MY) 2018/19, Bulgarian apple and pear production increased by 12 and 18 percent, respectively, due to favorable weather, higher yields, and increased area harvested. In contrast, table grape production declined by 10 percent due to lower area harvested. Assuming favorable weather conditions, prospects for MY2019/20, Post expects production to increase. Apple imports increased in MY2017/18 and total consumption exceeded 100,000 metric tons (MT) for the first time. Post expects pear and table grape imports in MY2019/20 to rebound and respond to higher consumer demand.

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## Apples

### **Production**

MY2018/19 Estimates: Total apple production increased by 12 percent over MY2017/18 due to a corresponding 12-percent increase in yields (Table 4), and apple quality also improved. Favorable weather conditions largely supported this increase, although the area harvested also remained stable.

New orchard area increased from 6.4 percent of the total apple area planted in 2017 to 8.4 percent in 2018, but apples still accounted for only 2.2 percent of all new Bulgarian orchard area. Organic apple production continues to grow, but still accounts for a small share of total production. In 2017, 2,990 MT of organic apples were produced from 608 HA, accounting for 6.7 percent of total apple production (source: Eurostat). Apples are an important Bulgarian horticultural crop, particularly for processing and consumption, but stone fruits, chiefly cherries and plums, strongly compete with apples for production space.

In MY2018/19, apples accounted for 9.9 percent (10.7 percent in 2017/18) of Bulgaria's total harvested orchard area and 22.0 percent (20.4 percent in the previous year) of total fruit production. Apple production ranked third for total Bulgarian fruit production, following cherries and plums.

MY2019/20 Forecast: The 2018/19 winter was mild without heavy snow or very low temperatures. Spring 2019 weather was favorable during the blossoming and pollination periods, although early April frosts negatively affected some orchards in the Varna, Bourgas, and Plovdiv regions. May and June saw abundant rainfall. Hot and dry conditions prevailed in July and August and may negatively affect quality. The harvest started earlier than usual due to warm and dry fall weather. A Ministry of Agriculture (MinAg) weekly report indicated that, as of early September, average yields increased by 19.4 percent. FAS Sofia expects higher apple production at 58,000 MT, based on official data and Post contacts.

### **Consumption**

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

**Table 1: Supply and Distribution Estimates, Apples, MY2017/18 – MY2019/20**

<b>Apples</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>UOM</b>
<b>Calendar Year Begin</b>	<b>07/2017</b>	<b>07/2018</b>	<b>07/2019</b>	<b>(MONTH/YEAR)</b>
	Final	Estimate	Forecast	
Area Planted	5,100	4,860	4,900	(HA)
Area Harvested	3,973	3,981	4,000	(HA)
Commercial production	40,927	46,298	54,000	(MT)
Non-commercial production	4,000	4,000	4,000	(MT)

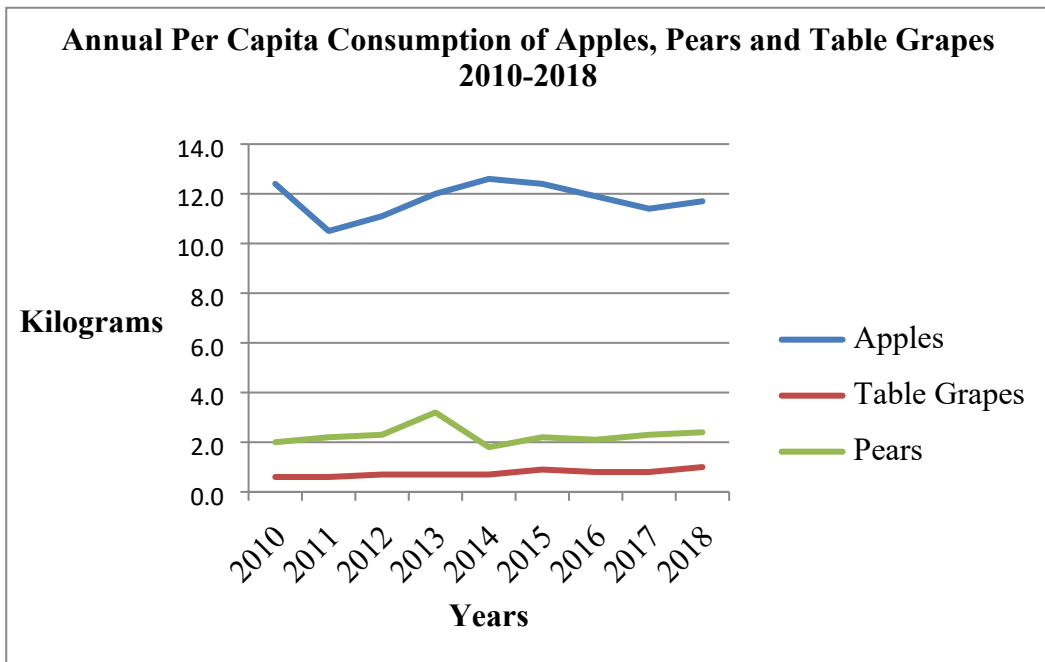
Production	44,927	50,298	58,000	(MT)
Intra EU28 Imports	23,400	24,158	22,000	(MT)
Extra EU28 imports	8,416	40,401	28,000	(MT)
Total imports	31,816	64,559	50,000	(MT)
Including fresh apples for processing	4,170	4,915	5,500	(MT)
<b>TOTAL SUPPLY</b>	<b>76,743</b>	<b>114,857</b>	<b>108,000</b>	(MT)
Fresh domestic consumption	56,223	76,257	71,000	(MT)
Intra EU28 exports	936	2,199	2,000	(MT)
Extra EU28 exports	84	12	100	(MT)
Total exports	1,020	2,211	2,100	(MT)
For processing	19,500	38,600	34,900	(MT)
<b>TOTAL DISTRIBUTION</b>	<b>76,743</b>	<b>114,857</b>	<b>108,000</b>	(MT)

#### Fresh Consumption

Fresh consumption has generally trended upward due to consumers' increasing preference for more healthful food, although consumers are still price sensitive. In 2016-2018, per capita consumption dipped below the 12.0 kg mark achieved the previous three years (Graph 1), however, in 2018, consumption increased by three percent over 2017, despite a nine-percent hike in retail prices. More and more fresh apples are consumed by the food service industry. Post expects that fresh apple consumption will continue to grow but may moderate next year.

Usually, 50-80 percent of Bulgarian apples are consumed fresh. Fresh consumption in MY 2018/19 was roughly 66 percent of total supply due to the good quality of local apples. Imports reached a record high due to favorable demand, both for fresh consumption and processing, and because import prices dropped by 55 percent from the previous MY (Trade Data Monitor/TDM). Because of higher local production and imports, total supplies in MY2018/19 exceeded 100,000 MT for the first time. Overall year-on-year fresh consumption increased by over 35 percent.

**Graph 1: Annual Consumption of Apples, Pears and Table Grapes**



Source: Bulgarian National Statistical Institute

**Consumption for Processing:**

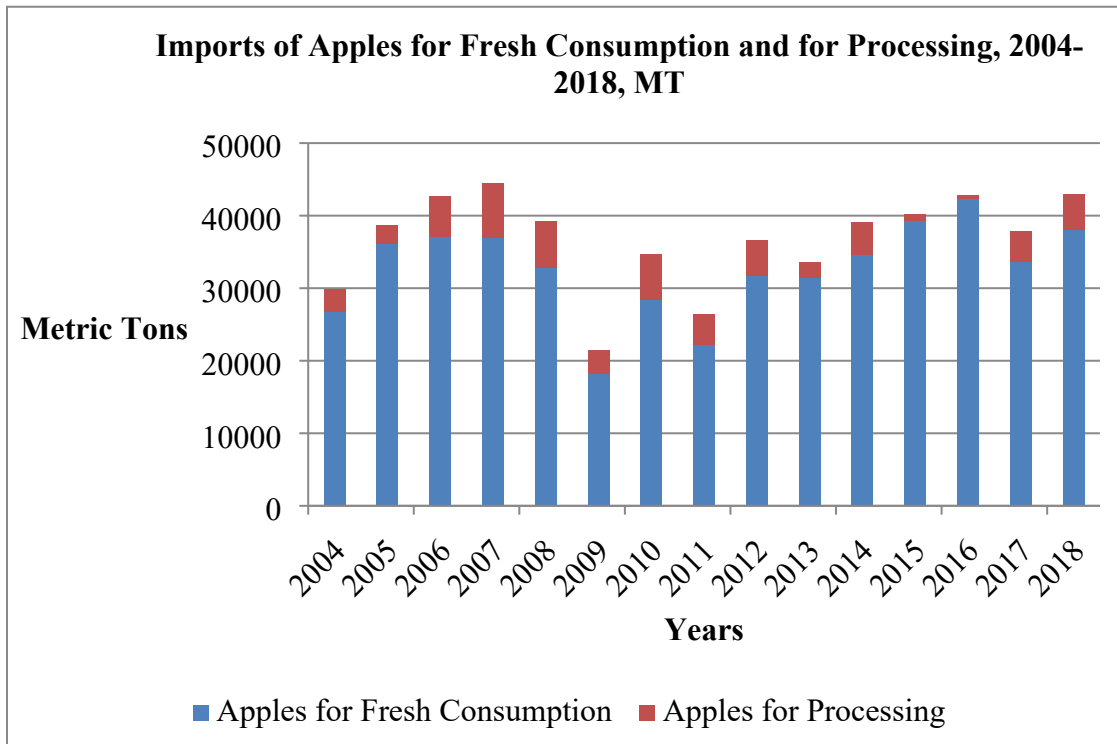
33,600 MT of apples were processed in MY2018/2019 and accounted for 34 percent of all processed fruits, an increase over the previous MY when apples’ share was 21 percent (MinAg Bulletin#365/June 2019). Cherries accounted for 29 percent of total processed fruit (32 percent in the previous season). 31 commercial processors used apples in 2018, compared to 29 in 2017. Per MinAg data, 55 percent of the apples used by commercial processors were imported (18,600 MT), while most local fruit was consumed fresh. In addition to commercial processing, about 5,000 MT were processed by farmers for their own use. Total MY 2918/19 apple processing almost doubled over MY 2017/18.

**Trade**

Imports

Since 2013, apple imports have increased along with growing consumer demand (Graph 2). In MY2018/19, lower international prices drove imports to 64,600 MT, more than double the previous MY (Table 5). The average import price in MY2018/19 was at \$164/MT, 55 percent lower than in the previous MY. North Macedonia, Poland, and Greece were Bulgaria’s primary apple suppliers. North Macedonia accounted for 58 percent of imports, a four-fold increase over the previous year. Imports of apples for processing were at 4,900 MT vs 4,200 MT in the previous year, however, the processing industry used also a lot of other imported fresh apples for its needs (estimated at 13,700 MT).

**Graph 2: Annual Apple Imports (Calendar Year Trade)**



Source: Trade Data Monitor

### Exports

Bulgaria is emerging as an apple exporter. Although in MY2018/19, exports doubled over the previous year due large stocks and good quality, exports were still relatively small at 2,200 MT. The average export price was \$533/MT, 22 percent lower than in MY2017/18. Bulgaria’s main apple export markets were Greece and Italy.

### Pears

#### **Production**

MY2018/19 Estimates: Production in MY2018/19 was 18 percent higher than the previous MY due to a 27-percent jump in the area harvested (Table 4). Yields, however, declined by six percent due to a cold spell in major production regions. Pears are not a major fruit and the area harvested in 2018 was 1.4 percent of total fruit area harvested.

MY2019/20 Forecast: MY2019/20 prospects look relatively favorable. MinAg reports from early September indicated that the area harvested increased by 31 percent and production was 8.4 percent higher, however, reported yields were 17 percent lower. FAS Sofia expects pear production in MY2019/20 at around 3,300 MT or at level similar to MY2018/19.

**Table 2: Supply and Distribution Estimates, Pears, MY2017/18 - MY2019/20**

<b>Pears</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>UOM</b>
	Final	Estimate	Forecast	
<b>Calendar Year Begin</b>	<b>07/2017</b>	<b>07/2018</b>	<b>07/2019</b>	(MONTH/YEAR)
Area Planted	625	712	650	(HA)
Area Harvested	449	571	500	(HA)
Commercial production	2,600	3,000	3,000	(MT)
Non-commercial production	240	358	300	(MT)
Production	2,840	3,358	3,300	(MT)
Intra EU27 Imports, fresh	3,510	2,428	2,800	(MT)
Extra EU27 imports, fresh	1,652	1,154	1,400	(MT)
Total imports, fresh	5,162	3,582	4,200	(MT)
<b>TOTAL SUPPLY</b>	<b>8,002</b>	<b>6,940</b>	<b>7,500</b>	(MT)
Fresh domestic consumption	6,500	6,400	6,500	(MT)
Intra EU27 exports, fresh	38	10	100	(MT)
Extra EU27 exports, fresh	-	-	-	(MT)
Total exports, fresh	38	10	100	(MT)
For processing	1,464	530	900	(MT)
<b>TOTAL DISTRIBUTION</b>	<b>8,002</b>	<b>6,940</b>	<b>7,500</b>	(MT)

**Consumption**

Since 2007, per capita fresh consumption increased to reach 0.8 kg/year in 2016 and 2017. It grew in 2018 to 1.0 kg/year. In MY2018/19, Post estimates fresh consumption will moderate slightly from the previous season. Higher local production discouraged imports, which dropped 31 percent and resulted in lower total stocks. This affected fresh consumption, which usually consists of all imported and some locally produced pears. In MY2019/20 fresh consumption is forecast to rebound. Processing declined in MY2018/19 due to lower supply. Post expects processing to rebound in MY2019/20 due to favorable demand, mainly for juice.

**Trade**

MY2017/18 pear imports reached a record high but declined 31 percent in MY2018/19 (Table 3). The average import price was comparable with the last year at \$497/MT. Bulgaria's main suppliers were Greece and Turkey. In MY2019/20, imports are forecast to rebound to meet growing local consumption.

**Table Grapes****Production**

MY2018/19 Estimates: Harvested table grape area in MY2018/19 declined by nine percent from the previous year (Table 4). Average yields were slightly lower at 6.656 MT/HA compared to 6.725 MT/HA

in MY2017/18. As a result, production decreased by 10 percent from the previous season. Quality was high due to favorable weather conditions (dry and with moderate to high temperatures).

MY2019/20 Forecast: The MY2019/20 crop is expected to increase as a result of both higher area harvested and average yields. Early September MinAg reports indicated that average yields were 22 percent above last season and the area harvested was 19 percent more, resulting in 44 percent higher collected production.

### Consumption

Fresh table grape consumption per capita has grown since 2010, reaching 2.3 kg in 2017 and 2.4 kg in 2018. Fresh consumption usually varies depending on the quality of the local crop. Official data (MinAg Bulletin 359/April 2019) reports that about 12,000 MT of local grapes were used for fresh consumption in MY2018/19. Actual fresh consumption includes local grapes as well as fresh imports. Total fresh consumption in MY2018/19 is estimated down by 12 percent from last season due to lower supply, but Post forecasts consumption will rebound in MY2019/20 due to expected higher local stocks.

**Table 3: Supply and Distribution Estimates, Table Grapes, MY2017/18 – MY2019/20**

<b>Table Grape</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>UOM</b>
	Final	Estimate	Forecast	
<b>Calendar Year Begin</b>	<b>07/2017</b>	<b>07/2018</b>	<b>07/2018</b>	<b>(MONTH/YEAR)</b>
Area Planted	2,500	2,500	2,500	(HA)
Area Harvested	2,130	1,938	2,200	(HA)
Commercial production	12,850	11,900	13,000	(MT)
Non-commercial production	2,300	1,001	1,500	(MT)
Production	15,150	12,901	14,500	(MT)
Intra EU27 Imports, fresh	7,583	7,460	8,000	(MT)
Extra EU27 imports, fresh	3,365	2,805	3,000	(MT)
Total imports, fresh	10,948	10,265	11,000	(MT)
<b>TOTAL SUPPLY</b>	<b>26,098</b>	<b>23,166</b>	<b>25,500</b>	(MT)
Fresh domestic consumption	25,013	22,100	24,450	(MT)
Intra EU27 exports, fresh	982	1,022	1,000	(MT)
Extra EU27 exports, fresh	103	44	50	(MT)
Total exports, fresh	1,085	1,066	1,050	(MT)
<b>TOTAL DISTRIBUTION</b>	<b>26,098</b>	<b>23,166</b>	<b>25,500</b>	(MT)

### Trade

Annual table-grape imports averaged 10,000 MT over the last two marketing years. In MY2018/19, imports were six percent lower from the previous year and average import price were seven percent higher over MY2017/18 (Table 4). Bulgaria's main table-grape suppliers were Greece and Turkey. Post expects that despite a better crop in MY2019/20, import levels will remain stable due to increasing demand for fresh consumption.

## **Agricultural Policy and Domestic Support**

*Agricultural Policy:* In 2017, Bulgaria adopted the 'National Strategic Plan for Operational Programs of Fresh Produce Producers 2017-2021' ([GAIN](#)) and recognized the horticulture industry as a political priority. In 2018 and 2019 the authorities increased the level of domestic support and improved their dialogue with the industry. In September 2018, MinAg established a Consultative Council on Fresh Produce which included six industry groups and in April 2019, a new Deputy Minister for horticulture was appointed. Coupled support was outlined as a priority policy tool and the MinAg expressed its official position to support a higher level of 18 percent coupled support in the new CAP 2021-2027.

*Taxation:* In the summer of 2019, MinAg decided to support the industry's demand for a reverse value added tax (VAT), similar to its model for the grain producers, processors and traders. Currently, domestic processors prefer to buy imported produce from other EU countries (mainly from Greece) since they are not required to pay VAT, unlike when purchasing local produce. At equal farm-gate prices, this makes local farmers uncompetitive. The Minister of Agriculture stated that only 30-40 percent of local farmers are VAT registered, due to the small amount of their sales. If adopted, this taxation model would also help to reduce gray market players. As of the end of September 2019, no Cabinet decision on this issue has been taken.

*Coupled Support Subsidies:* Fresh deciduous fruit is eligible for coupled support subsidies based on area. The budget for coupled support was at €38 million. In March 2019, MinAg approved eligibility requirements (minimum average yields) for coupled support, as follows: 11,914 kg/HA for apples; 5,922 kg/HA for pears; and 4,500 kg/HA for table grapes. The subsidy rate was set at €902/HA for farms up to 30 HA and €601/HA for larger farms for apples and pears. For table grapes, the rate was set at €516/HA for farms up to 30 HA and at €344/HA for larger farms.

*Crop Insurance:* Since 2011, MinAg has applied a special system for insurance of horticulture crops which will remain in place until 2020. In October 2018, MinAg increased the budget under the program to compensate for the losses from unfavorable weather (frosts) in areas of Varna, Dobrich, Lovech, Silistra, and Shoumen. The crop insurance is estimated to cover up to €300/HA and is substantially lower than the rate for coupled support. A pending problem is that the insurance companies do not cover early frost risks (before April 20), usually the most dangerous time for the orchard crops. According to many farmers, this type of domestic support is key and they continue to press higher budgets under the insurance program.

*Pest Control Program:* There is a state aid program to support pest control for orchards ([GAIN](#)). The program pays out twice annually in the spring and in the fall. Bulgaria covers a portion of pest control expenses per EU Regulation #720/2014. In October 2018, the MinAg approved a higher budget of €2.7 million for plant protection chemicals; about 3,000 farmers managing 1,650 HA benefitted from this aid. In 2019, MinAg approved a slightly higher budget of €2.8 million at a rate of €1,380/HA for purchase and use of plant protection chemicals.

*Marketing:* In order to support better marketing of fresh produce, in October 2018, MinAg approved a state aid (€50,000 for 2019) for GLOBAL GAP certification starting from 2019 and applied until December 2020. The program covers annual expenses up to €600 per a farmer and up to €2,500 per a



producer group. In 2018, the retail chain Kaufland spent €125,000 to certify over 20 local farmers (out of 100 total) who supply fresh produce to the company. In 2019, Kaufland plans to introduce a new program to control of pesticides residues similar to a program already introduced by another retail chain, Billa.

MinAg increased its budget for direct fresh horticultural sales by amending the respective regulation (Ordinance 26) in November 2018, thereby expanding direct sales outlets throughout the entire country. Another new €3.7 million program to subsidize investments in small-scale fresh fruit processing (e.g. juice, dried and frozen fruits, etc.) in 2019 and 2020 was approved in early 2019. MinAg will cover up to half of investment costs but not over €60,000/beneficiary.

*School Program:* Since 2017, the school program has included both dairy products and fresh produce. In 2018, the school lunch program had a budget of 19.5 million leva (€10 million) of which 13 million leva (€6.7 million) were funded by the national budget and the rest by EU funds. The sub-program for fruits was budgeted with 5.4 million leva (€2.8 million). In October 2018, the Paying Agency approved 183 vendors of fresh produce to 3,511 schools.

In March 2019, the EC allocated €2.59 million for fresh produce and €1.156 for dairy products (total €3.7 million) in school year 2019/20, which should also be supplemented by national funds. In September 2019, several industry groups publicly expressed concerns that frequent changes in the program's regulations pose a threat to the program in 2019.

## Appendix:

**Table 4: Production of Apples, Pears and Table Grapes 2013-2018**

<b>Apples</b>						
<b>Years</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Harvested Area, HA	4,799	3,951	4,765	4,111	3,973	3,981
Crop, MT	54,656	54,502	58,419	44,755	44,927	50,298
Average Yields, MT/HA	11.4	13.8	12.3	10.9	11.3	12.6
<b>Pears</b>						
Harvested Area, HA	451	336	528	410	449	571
Crop, MT	2,894	2,154	2,953	1,992	2,840	3,358
Average Yields, MT/HA	6.4	6.4	5.6	4.9	6.3	5.9
<b>Table Grapes</b>						
Harvested Area, HA	2,842	1,610	2,254	2,009	2,126	1,938
Crop, MT	16,770	7,079	16,320	10,066	14,297	12,901
Average Yields, MT/HA	5.9	4.4	7.2	5.0	6.7	6.7

Source: MinAg Statistical Bulletins

**Table 5: Apple Trade, 2016-2018, MT**

<b>Apples Imports and Exports, HS#080810 (MT) MY2016/17 - MY2018/19</b>			
	<b>MY2016/17</b>	<b>MY2017/18</b>	<b>MY2018/19</b>
Imports	42,543	31,816	64,559
Exports	307	1,020	2,211
	<b>CY2016</b>	<b>CY2017</b>	<b>CY2018</b>
Imports	42,822	37,784	42,929
Exports	2,313	951	1,856

Source: Trade Data Monitor

**Table 6: Pear Trade, 2016-2018, MT**

<b>Imports of Pears, HS#080830 (MT) MY2016/17 - MY2018/19</b>			
	<b>MY2016/17</b>	<b>MY2017/18</b>	<b>MY2018/19</b>
Total	3,999	5,148	3,582
	<b>CY2016</b>	<b>CY2017</b>	<b>CY2018</b>
Total	3,752	4,920	4,350

Source: Trade Data Monitor

**Table 7: Table Grape Trade, 2016 – 2018, MT**

<b>Table Grape Imports and Exports, HS#080610 (MT) MY2016/17 - MY2018/19</b>			
	<b>MY2016/17</b>	<b>MY2017/18</b>	<b>MY2018/19</b>
Imports	14,888	10,948	10,265
Exports	1,068	1,077	1,071
	<b>CY2016</b>	<b>CY2017</b>	<b>CY2018</b>
Imports	14,936	10,749	10,356
Exports	1,107	1,085	1,066

Source: Trade Data Monitor

**Attachments:**

No Attachments.