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## Bulgaria

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### Tree Nuts Annual

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Tree Nuts

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**Report Highlights:**

Bulgaria is a growing market for tree nuts, especially for almonds and walnuts. The country is a net importer of almonds which is the leading premium nut on the market and enjoys stable and increasing demand. The United States is the main supplier for the market through direct and indirect shipments. Following a temporary decline in MY2014/15, Bulgarian almond imports rebounded in MY2015/16. The latest trade data for January-April 2016 shows Bulgarian shelled almond imports growth of 39% to U.S. \$1.6 million and U.S. exports of shelled almonds increase of 25%. Bulgaria is a net producer and exporter of walnuts with increasing local demand for quality product. In January-May 2016, the U.S. exported its first shipment of in-shell walnuts to the Bulgarian market.

Areas and local production under tree nuts are growing quickly, supported by EU investment funds and subsidies with most new plantings put under organic certification. In 2015 the average yields of almonds and walnuts were higher due to more favorable weather, but the almond crop stagnated while walnut production considerably increased by 117%. Prospects for MY2015/2016 and the forecast for MY2016/17 are good with projected growth in production, imports and consumption. The latest

changes in domestic support policies to cease coupled support for walnuts in 2017 may slow the growth of newly planted orchards.

## **General Information:**

### **Almonds**

#### **Production**

Bulgaria is a small almond producer with production varying from 300 MT to 1,000 MT (See Table 3). Production volumes are strongly correlated with the weather. The weather in 2015 was not very favorable due to early frosts and summer heat and dryness but still better than in 2014. The harvested area declined by 8% to 574 HA which was only 29% (34% in 2014) of all planted almonds. The average yields increased, however, by 6% and as a result the production was 3% below the previous season to 424 MT.

In recent years, investment in almond orchards grew due to generous subsidies on investments in newly planted tree nut orchards provided by the EU Rural Development Program. These orchards are usually organic or a combination of conventional and organic (additional subsidies are provided for conversion into organic and for growing organic products). In 2015 planted areas were at 1,986 HA or 13% more than in 2014.

MinAg data about newly planted tree nut orchards shows that in 2015 young plantations were 39% of all almond areas due to new investments. Despite this interest, almonds are less attractive compared to other tree nuts (walnuts and hazelnuts), mainly due to strong market competition and established imports. For example, walnuts and hazelnuts accounted for 47.2% (7,210 HA) and 14.6% (2,237 HA), respectively, of newly planted orchards in 2015, compared to 5% (770 HA) for almonds.

Organic orchards under walnuts, almonds, hazelnuts and chestnuts in 2015 reached 10,257 HA or 15% more than in 2014 (8,947 HA) (MinAg Annual Report 2015). Organic almond orchards were reported at 1,175 HA in 2014 (last available data) or 60% of all orchards. Despite growth in recent years, total organic nut production remains limited to 505 MT (2014) from 3,677 HA organic nut orchards (1,474 HA fully converted and 2,204 HA under conversion, source: Eurostat).

#### **Domestic Support Policy**

Planting of new orchards and especially new organic orchards is heavily supported by subsidies under the EU Rural Development Program. Tree nuts and organic production received preferential treatment in ranking for investment and higher percentage for subsidies compared to other crops. Already existing almond orchards benefit from direct subsidies per hectare; from 50% higher rate of direct subsidies for small farmers with area up to 30 HA; and often when they are in process of conversion to organic production, they receive generous additional subsidies. Almonds (and hazelnuts) are not eligible for coupled support vs. walnuts which are eligible for such additional support.

On the other hand, new investment in almond orchard face challenges such as the lack of good planting genetics, insufficient farm knowledge and experience, lack of most appropriate farm equipment, etc.

Often, investors are motivated more by the subsidies than by achieving good production and economic results. Therefore, average yields are likely to grow slowly with improvement in farm technology and management.

## **Consumption**

There is no official or industry data for almond consumption. The only publicly available data for consumption is published by the National Statistical Institute and includes per capita annual consumption

of all types of nuts. It shows faster growth in consumption in 2008-2014 and a slow/stagnant consumption in 2014-2015. It is estimated that since this data does not include the food service and institutional sectors, the actual consumption is considerably higher.

0.8 kg/person in 2010 and 2011;

0.9 kg/person in 2012 and 2013;

1.1 kg/person in 2014; 1.1 kg/person in 2015;

Average household purchases over the last three years also increased in volume and in unit price. In 2015 households purchased 5% less nuts for home consumption at 7% higher average price compared to 2014, which demonstrates still high price sensitivity of the local consumers.

1.8 kg nuts at 9.67 leva/kg in 2013;

2.1 kg nuts at 9.80 leva/kg in 2014;

2.0 kg nuts at 10.50 leva/kg in 2015;

Note: average 1.75 leva=1.0 U.S.\$ (the rate varies daily)

Based on the above data and industry interviews, we estimate total nut consumption in the country at about 4,000 MT+ (almonds, walnuts, hazelnuts and pistachios). The share of almonds is estimated at 1,400 MT – 1,900 MT in the last three years with variations due to price fluctuations (Table 1).

In MY2014/15 higher import prices prevented imports and consumption declined by 28% and 26%, respectively. In MY2015/16 there has been a rebound in trade and we estimate imports to grow by 18% but still it may not reach the level from the previous season. Consumption is also seen as growing and is estimated to recover by 13%. These trends are forecast to develop and sustain in MY2016/17 with further growth in imports and consumption. Current growth in consumption in MY2015/16 and the prospects for MY2016/17 are due to economic stabilization, improved consumer spending and higher demand for almonds for further processing.

Trade sources indicate that actual consumption may be higher, up to 2,000 MT or more, however, there are no hard trade statistics data to support such an estimate, and the assumption is that this estimate includes some grey sector sales. In terms of value sales, the almonds are leading with 25%-30% of nuts sales.

Confectionary industry, especially production of chocolate, waffles, healthy snacks and desserts are increasingly using more almonds. New products based entirely on almonds entered the market as some traders extended their business to include own specialty retail outlets selling tree nuts in a wide variety as value-added products, from raw nuts through seasoned/spiced nuts to nuts in chocolate cover etc. Another trend is the increasing application of almonds in daily restaurant menus where almonds can be

seen now not only in sweets/desserts but also in salads and main dishes. Since almonds have superior healthy and quality image, they are increasingly used for creating the same image for select dishes, menus and/or entire food service outlets. A new trend is also the use small packages of almond as gifts. These trends lead to faster market growth in value rather than in volume with more diversity and more added-value products.

### **Trade**

Bulgaria is a net importer of almonds and annual imports are in the range of 1,300 MT-1,800 MT. Usually about 600 MT are imported from other EU countries such as Greece although trade sources report that most of these imports are of U.S. origin transshipments. The same is valid for imports from Canada, Romania, Germany, and The Netherlands. The bulk of imports are shelled almonds (HS#080212). A special survey carried out by FAS/Sofia revealed that transshipments of U.S. almonds through other EU countries are considerable. Data indicates that in CY2015, U.S. in-shell almonds have arrived through Greece and The Netherlands (HS#080211) and U.S. shelled almonds arrived via Canada, Germany, Greece, The Netherlands, Austria and Spain. Transshipments accounted for all U.S. in-shell almonds (no direct exports from the U.S. to Bulgaria); while transshipments accounted for 57% of shelled almonds, with 43% exported directly from the U.S. to the local market. These substantial transshipments are often unknown or overlooked by U.S. exporters, however, they prove the larger size of the market.

Total almond imports in MY2014/15 declined by 28% compared to MY2013/14. The major reason was the reduction in U.S. exports which was affected by higher almond prices and the stronger U.S. dollar. U.S. exports were at 380 MT shelled almonds which was 30% of total imports of shelled almonds for the marketing year (direct exports only). However, for the first half of MY2015/16, Bulgarian imports of almonds rebounded. In January-April 2016 the value imports of in-shell almonds increased by 41% compared to the corresponding period in 2015 (source: WTA). Imports of shelled almonds were 39% higher. In volume terms imports for this period were still lower than 2015.

According to USDA BICO reports, U.S. exports of almonds to Bulgaria in CY2015 declined to U.S. \$7.9 million below the record from the previous year (U.S. \$9.6 million). On the other hand, almost half of these exports, U.S. \$3.85 million, were under HS#20081940 or an added-value product. About U.S. \$3.9 million was the value of exports of shelled almonds and about U.S. \$0.7 million exports of in-shell almonds. In January-May 2016, U.S. exports of shelled almond grew by 25% (U.S. \$2.4 million) while that of added-value product declined by 13% (U.S. \$0.2 million).

No U.S. exports to Bulgaria are indicated by WTA under HS# HS#20081940. FAS/Sofia

transshipment data, however, has indicated such imports are done via Germany, Greece and Turkey. In 2015 total Bulgarian imports under HS#200819 (Nuts and other seeds, including mixtures, prepared or preserved) were at U.S. \$19.3 million, 19% annual growth, another justification for the higher demand for more added-value product. In 2016 to date (January-April) these imports were at U.S. \$6.3 million, 12% over the same period in 2015. Turkey and Germany are the main suppliers under this category (Table 4).

In tonnage U.S. almond exports in CY2015 were at 816 MT compared to 1,104 MT in CY2014. In 2016 (January-May), U.S. shelled exports grew by 54% to 292 MT.

Stocks: There is no data for stocks and no estimates are done assuming the figures are below 100 MT.

**Table 1. Production, Supply and Demand, Almonds, MY2013-2016, MT**

<b>Bulgaria</b>	<b>MY 2013 Sep 2013- August 2014</b>	<b>MY2014 Sep 2014- August 2015</b>	<b>MY2015- Sep 2015- August 2016</b>	<b>MY2016- Sep 2016- August 2017</b>
	Final	Final	Estimate for the current year	Forecast
<b>Beginning Stocks</b>	0	0	0	0
<b>Production</b>	303	133	128	135
<b>Imports from EU</b>	620	436	550	580
<b>Imports from non- EU</b>	1,148	838	950	1,000
<b>Total Imports</b>	1,768	1,274	1,500	1,580
<b>Total Supply</b>	2,071	1,407	1,628	1,715
<b>Exports EU</b>	223	39	80	80
<b>Exports to non-EU</b>	0	0	0	0
<b>Total exports</b>	223	39	80	80
<b>Human Consumption</b>	1,848	1,368	1,548	1,635
<b>Ending Stocks</b>	0	0	0	0
<b>Total Distribution</b>	2,071	1,407	1,628	1,715

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 (divided by 3.3 conversion index per USDA methodical guidance). Due to discrepancy between official Bulgarian MinAg data and Eurostat data in select years, local official data is used as it is believed that it is more accurate. *Trade data* is given in shelled weight: HS#080212 (shelled) data is summarized with the converted (divided by 3.3) data for HS#080211 (in-shell), for imports and for exports. Data for MY2015/16 is currently available as of March 2016 and it is estimated on this basis, while MY2016/17 is forecast.

## **Walnuts**

### **Production**

Walnut production is traditional for the country. Production consists of walnut orchards and single standing trees.

Following the very low 2014 walnut crop, for MY2015/16 production rebounded. Total planted area continued to expand and reached 13,122 HA or 30% higher than in the previous season, stimulated by affluent subsidies. Harvested area increased from the record low level in 2014 to 5,055 HA or by 82% in 2015 although non-harvested areas were also 10% more. Average yields in 2015 were 20% higher due

to more favorable weather and improving management. As a result, total production in 2015 more than doubled (117%) compared to the previous marketing year. However, it was still 29% below the record production in 2013.

South East and North Central regions led with the highest walnut acreage, 34% and 29% respectively, and South East region also led with the highest production (34%).

### **Domestic Support Policy**

Investment in walnut orchards in recent years has skyrocketed due to the subsidies for newly planted tree nut orchards and for organic orchards from the EU Rural Development Program. Young walnut orchards accounted for the lion's share of 47.2% of all new young plantations in 2015 thus leading all newly planted orchards (hazelnuts were second with 14.6% of all young orchards). Young walnut plantations share of all walnut areas increased from 47% to 53%. Out of total organic 10,257 HA tree nut orchards, the largest were those under walnuts at 5,889 HA (MinAg Annual Report 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 horticulture crops. These subsidies for 2015 were at 1,938 leva/HA (990.88 Euro or U.S.\$1,107/HA). The first payments (for MY2015/16) were done in March 2016. The total budget for coupled support for horticulture products was at 39 million leva (U.S. \$22.2 million). The rate for 2016 is set at 1,089 leva/HA (U.S. \$622/HA), payable in March 2017.

This generous support led to speculative and inflated growth in walnut orchards (especially organic), often not based on future business plans but rather on current support schemes. In July 2016 the MinAg analyzed the situation and announced that walnuts, as well as pumpkins, green beans and peas, are the crops which have enjoyed excessive domestic support. Per MinAg data, in 2015 3,065 HA of walnut orchards were supported under the coupled support program; in 2016 the applications were submitted for 8,258 HA. This drastic increase in area of 169% was the highest compared to all other eligible crops. Finally, this growth is estimated to exceed the eligibility limits established by the EC regulations for coupled support by 57% - a record high compared to any other crop.

In terms of farm economy, the MinAg data showed that coupled payments accounted for 70% of the

production cost per hectare and thus allowed for significant extra income (along with raspberries, strawberries, apples and pears). As a result of this analysis, the MinAg is likely to propose to the EC to exclude walnuts from the coupled support program. This means that walnut producers will still be able to receive their payment for MY2016/17 (due by March 2017) but they will not be eligible for more coupled support subsidies.

### **Supply and Demand Balance**

Based on the trade and consumption data, total distribution in the country is not balanced with total supply. It is assumed that walnut production from single standing trees is not reported and/or is heavily underreported. For the purposes of the supply and demand balance, FAS/Sofia has attempted to estimate underreported production and trade for MY2013-2016. These estimates are shown in the line of beginning stocks (Table 2).

### **Consumption**

There is no official or industry data about walnut consumption (please see the almond section). Consumption is estimated based on interviews with trade sources and statistical data for consumption patterns. Trade sources indicate that consumption is around 1,250 MT-1,350 MT. Industry indicates growth in consumption in recent years due to economic revitalization and improved consumer spending. Still, there is additional walnut consumption, especially in the rural areas, which remains outside commercial channels. In MY2015/16 and MY2016/17, consumption is likely to increase.

### **Trade**

Bulgaria is a net exporter of walnuts, shelled, and in-shell which dominate exports. Major export markets are Turkey, Greece, Albania, and Iraq as well as EU countries such as Romania, Hungary, and Italy.

For the first half of MY2015/16 exports of in-shell walnuts were 3,894 MT or 82% more than the annual exports in MY2014/15; and that of shelled walnuts were at 623 MT or only 7% less than the annual exports in the previous season. Thus we estimate MY2015/16 exports to increase (Table 2 and 5).

Imports are around 450 MT - 650 MT annually with the major supplier Ukraine, followed by Poland and Moldova. In MY2014/15 in-shell imports prevailed. For the first half of MY2015/16, shelled imports were 3 times higher than in the same period last marketing year while in-shell imports declined (Table 2 and 5). In January-May 2016, the U.S. exported its first shipment (U.S. \$52,000) of in-shell walnuts to the Bulgarian market.

**Table 2. Production, Supply and Demand, Walnuts, MY2013-2016, MT**

<b>Bulgaria</b>	<b>MY2013</b>	<b>MY2014</b>	<b>MY2015</b>	<b>MY2016</b>
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	(Oct.2013-Sep. 2014)	(Oct.2014-Sep 2015)	(Oct.2015-Sep 2016)	(Oct.2016-Sep 2017)
	Final	Final	Estimate for the current year	Forecast
<b>Beginning Stocks</b>	5,424*	3,501*	3,543*	3,020*
<b>Production</b>	5,099	1,670	3,627	4,000
<b>Imports from EU</b>	244	236	268	230
<b>Imports from non-EU</b>	233	253	382	400
<b>Total Imports</b>	477	489	650	630
<b>Total Supply</b>	11,000	5,660	7,820	
<b>Exports EU</b>	4,767	1,819	2,100	2,000
<b>Exports to non-EU</b>	4,950	2,541	4,400	4,300
<b>Total exports</b>	9,717	4,360	6,500	6,300
<b>Human Consumption</b>	1,283	1,300	1,320	1,350
<b>Ending Stocks</b>	0	0	0	0
<b>Total Distribution</b>	11,000	5,660	7,820	7,650

Notes: *Production* data is converted in in-shell basis for the purpose of the Supply and Demand Table (multiplied by 3.3 conversion index per USDA methodical guidance). Due to discrepancy between official Bulgarian MinAg data and Eurostat data in select years, local official data is used as it is believed that it is more accurate.

*Trade data* is given in in-shell weight: HS#080231 (in-shell) data is summarized with converted (multiplied by 3.3) data for HS#080232 (shelled), for imports and for exports. Data for MY2015/16 is currently available as of March 2016 and it is estimated on this basis, while MY2016/17 is forecast.

**Table 3. Walnut and Almond Production, 2013-2015**

<b>Walnut and Almond Production, 2007-2015</b>			
<b>Years</b>	<b>Harvested Area, HA</b>	<b>Average Yield, kg/HA</b>	<b>Production, MT</b>
<b>Walnuts</b>			
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 (10,103 HA planted; 5,193 young plantings; 7,326 HA non harvested )	601	1,670
2013	3,689 HA harvested (7,873 HA planted 3,700 young plantings; 577 HA non harvested)	1,382	5,099

<b>Almonds</b>			
2015	574 HA harvested (1,986 HA planted, 770 HA young plantings; 1,412 HA non harvested)	739	424
2014	627 HA harvested (1,750 HA planted; 603 HA young plantings; 1,123 HA non harvested)	699	438
2013	553 HA harvested (1,654 HA planted 1,034 young plantings; 1,101 HA non harvested)	1,807	999

Source: Ministry of Agriculture and Food, Bulgaria, Statistical Office

**Table 4. Added-Value Tree Nuts Trade, 2013-2016 (January – April)**

<b>Tree Nuts Group 20 (HS#200819) Nuts, Other than Peanuts, and Other Seeds, Including Mixtures, Prepared or Preserved</b>						
<b>Imports</b>						
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>January-April 2015</b>	<b>January-April 2016</b>	<b>% Change</b>
Total, MT	3,369	3,341	3,325	1,000	1,159	+15.9%
Total, U.S.\$ million	14.8 million	16.2 million	19.3 million	5.6 million	6.3 million	+12.3
<b>Exports</b>						
Total, MT	3,363	4,057	4,024	1,172	1,194	+1.9%
Total, U.S.\$ million	8.7 million	11.3 million	8.7 million	2.5 million	2.8 million	+13.0%

Source: WTA

<b>Table 5. Walnut Trade 2013-2016 (January-April)</b>						
<b>Walnut Group (HS#080231, HS#080232)</b>						
<b>Imports</b>						
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>January-April 2015</b>	<b>January-April 2016</b>	<b>% Change</b>
Total, MT	299	252	327	217	84	-61.1%
Total, U.S.\$ million	1.1 million	0.7 million	0.7 million	0.4 million	0.3 million	-27.7%
<b>Exports</b>						

Total, MT	5,573	3,357	5,331	185	474	+156.4%	
Total, U.S.\$	17.6 million	12.4 million	12.0 million	0.9 million	1.5 million	+64.6%	

*Source: WTA (Note: The data is not converted based on USDA methodology in shield/in-shell basis as in the Supply and Demand Balance)*

**End of Report**