



Bulgarian Agriculture Realities and Opportunities

Brussels, October 2012

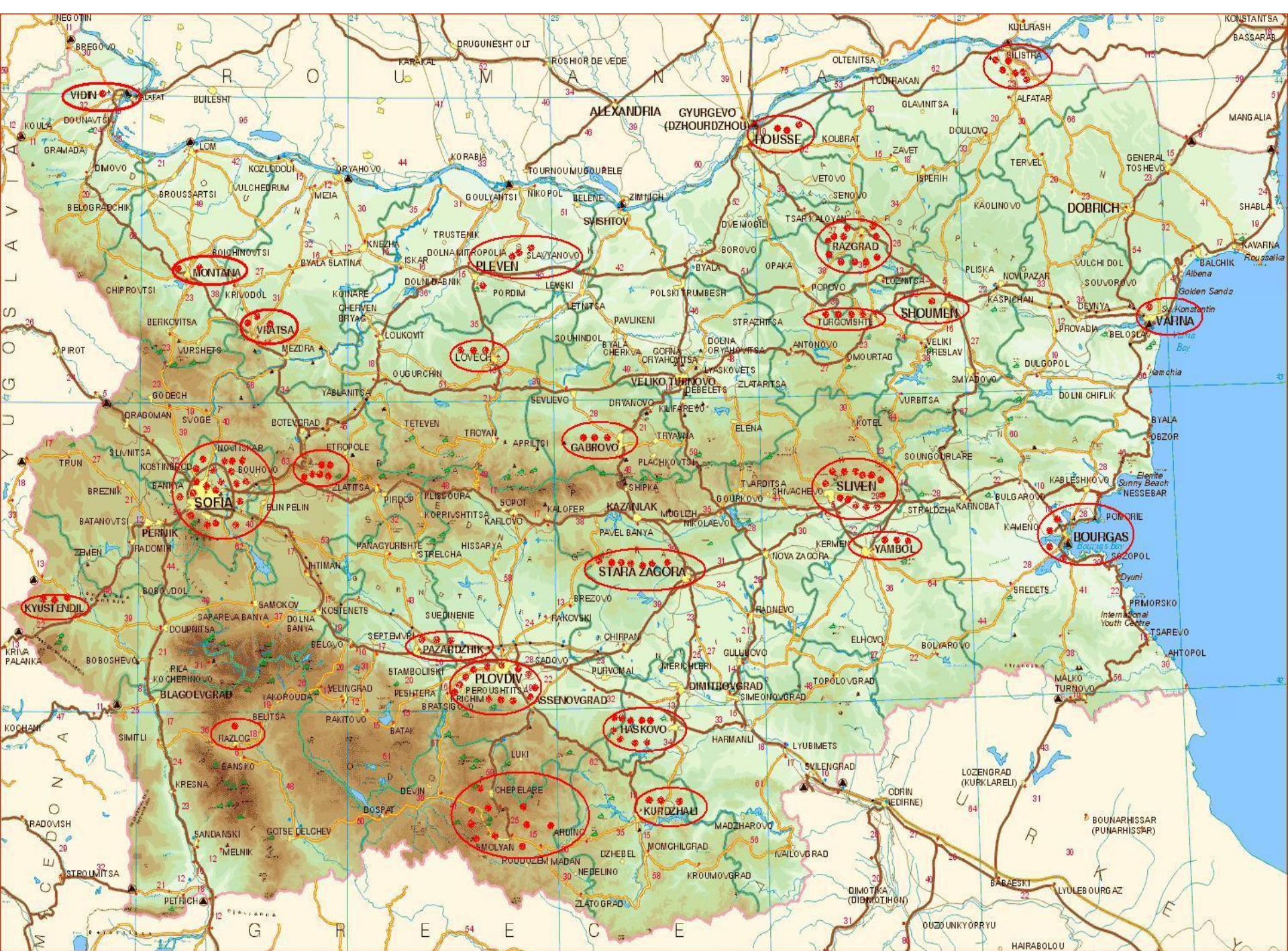




Famous BG Agriculture



- Bulgaria is renowned for sheep's milk cheese, oriental tobacco, wine, rose attar (used in perfumery), vegetables, fruit, medicinal herbs, and, particularly, natural yogurt. The temperate climate, abundant arable land, and soil conditions support the farming of both livestock and crops (grains, oil seeds, sugar beets, vegetables, grapes, fruit).
- Tobacco is among the most important of Bulgaria's crops, contributing nearly 20 percent to the value of agricultural goods.
- The principal timber areas are in the Rila, Rhodope, and Balkan Mountains.
- The fishing industry, which in the 1980s operated a large ocean fleet, is currently depressed



Some Data



- Prior to World War II, the majority of **Bulgarian** agricultural producers farmed very small, fragmented farms, predominantly producing for their own consumption.
- During 1946–91, most farmland was in cooperatives or government-owned national farms, but some was set aside for private use.
- At the end of the socialist period, almost all agricultural land was organized into very large, highly mechanized units, which produced for global markets. Many observers expected further radical changes **after 1989**, when the vast majority of **Bulgarian** families received agricultural land that had been collectivized in the 1940s and 1950s and the right to expand production for sale
- In 1946, subsistence farming characterized **Bulgarian agriculture**. In 1926, 57% of **Bulgarian** farms were smaller than 5 ha. Farms over 30 ha were rare. Very large units, like those found in Poland or Romania, did not exist in Bulgaria. During the period 1926-1946, fragmentation increased, despite some attempts at land reform. By 1946, 69% of all farms were under 5 ha
- **After** the socialist government resigned in **1989**, all collective farms were officially disbanded (in 1991) and property rights in land returned to the families which held them prior to collectivization
- Over the period **1989-2003** the share of agricultural land used by individual households increased, leaving a smaller share in large-scale, collective forms of production. Despite the heralding of a major restructuring of **Bulgarian agriculture** in the early 1990s, however, little has changed in the way families use this land. The vast majority of them have kept their habits as they did under socialism : they farm about half a hectare, producing for self-consumption, thus supplementing income from salaried work. They rent the rest of their land to a cooperative, share-holding company or other farmer.

Facts and Figures Nowadays



- *Utilized agricultural area (UAA) is 3 620 900 hectares and it is divided among about 358 000 holdings.*
- *Over 13 000 agricultural holdings have no UAA.*
- *About 80% of UAA is rented or leased and the remaining land is owned by the agricultural holdings.*
- *Over 751 000 people worked on agricultural holdings in 2010, their number decreased by 21% compared to 2007. Of these, 697 000 belong to the category of family labor.*
- *Labor input is 394 000 annual work units (AWU), which is a decrease of 16% compared to 2007.*

BG Agriculture - Realities



- The agricultural sector was estimated to account for 21 percent of the GDP in 1999 and to employ 26 percent of the workforce. Although estimations for the labor force were not available, the percentage of the GDP the sector contributed dropped slightly by 2000 to 15 percent.
- Although historically a surplus food producer, **Bulgarian agriculture** was facing a downturn at the turn of the century. Cropland, livestock population, and yields were declining (limited use of fertilizers, however, has led to cleaner rivers and sea water). Animal feed is imported and its shortage has led to distress slaughtering, the killing of livestock in the face of a shortage of feed. The price of agricultural goods is not rising in line with inflation. Imported subsidized vegetables, fruit, dairy products, and meat from the EU adversely affect local producers. Restitution of collective farmland to private owners has been complicated and considerable collective farm assets were lost in the process. New private holdings are too small and can only be serviced with technical equipment or irrigated if their owners band together, but such efforts are proving slow to develop.

BG Agriculture - Realities

- Agriculture makes up close to 5% of Bulgaria's GDP. Land in Bulgaria is most commonly measured by the unit decare (daa), as 10 daa = 1 hectare.
- Total agricultural land in Bulgaria: 56 million daa (5 600 000 hectares)
- By the latest figures of the Bulgarian Association of the Owners of Agri Land:
 - Some 170 000 transactions of agricultural land have happened in Bulgaria in 2011.
 - Over 150 000 hectares have changed hands in 2011.
 - The prices of agricultural land rose between 17%-20% for 2011, but that rise is expected to level out to 10% thereafter in the next few years.
 - Rent yields are expected at 10% - 12%.
 - Some 350 000 hectares of arable land are still not cultivated, as they belong to the State or to individual owners not interested in agriculture.
 - For 2011, wheat harvest for Bulgaria is some 4 million tonnes, sold at average prices of 164 EUR/tonne. Wheat yields rise to 460 kg/daa and the total area allocated for wheat production is some 1 050 000 hectares.
- **Farming models**
 - **Business oriented farming - commercially oriented farms**
 - **Farming for survival - subsistence farms**

Reality in CAP Implementation



- The implementation of the CAP in Bulgaria is impeded to the highest degree by the land problems. The land reform in Bulgaria has already finished but as a result of it, some major problems in agriculture were revealed: non-rational personification of land ownership; fragmentation and dispersion of land estates, often in different areas or settlements; unfinished process of identification of land ownership;
- Land use in Bulgaria is characterized by strong polarization in the size of land farms. There will be two extremes for the short and mid-term perspective in Bulgarian agriculture – small family farms, aimed at self- sufficiency, and large – in the form of cooperatives, leased farms, partnerships, etc.
- Some of the other problems are: the lack of experience in subsidizing agriculture, the lack of adequate administrative capacity for implementation of the CAP and the post-implementation control, the low competitiveness of Bulgarian agricultural commodities etc.

Subsidies 2012

- The subsidies for 2012 are as follows: 22.40 BGN from the EU and 3 BGN from the Bulgarian budget, for a total of 25.40 BGN/per daa (130 EUR/hectare). At the beginning of 2014, the subsidy system will likely change to involve a floating payment schedule, which is set to favor agricultural holdings whose size is between 50 – 300 hectares. Most of the subsidies are taken up by the agricultural cereal producers, since subsidies are distributed per hectare of planted land. Cereal production takes up to 56.25% of cultivated land.





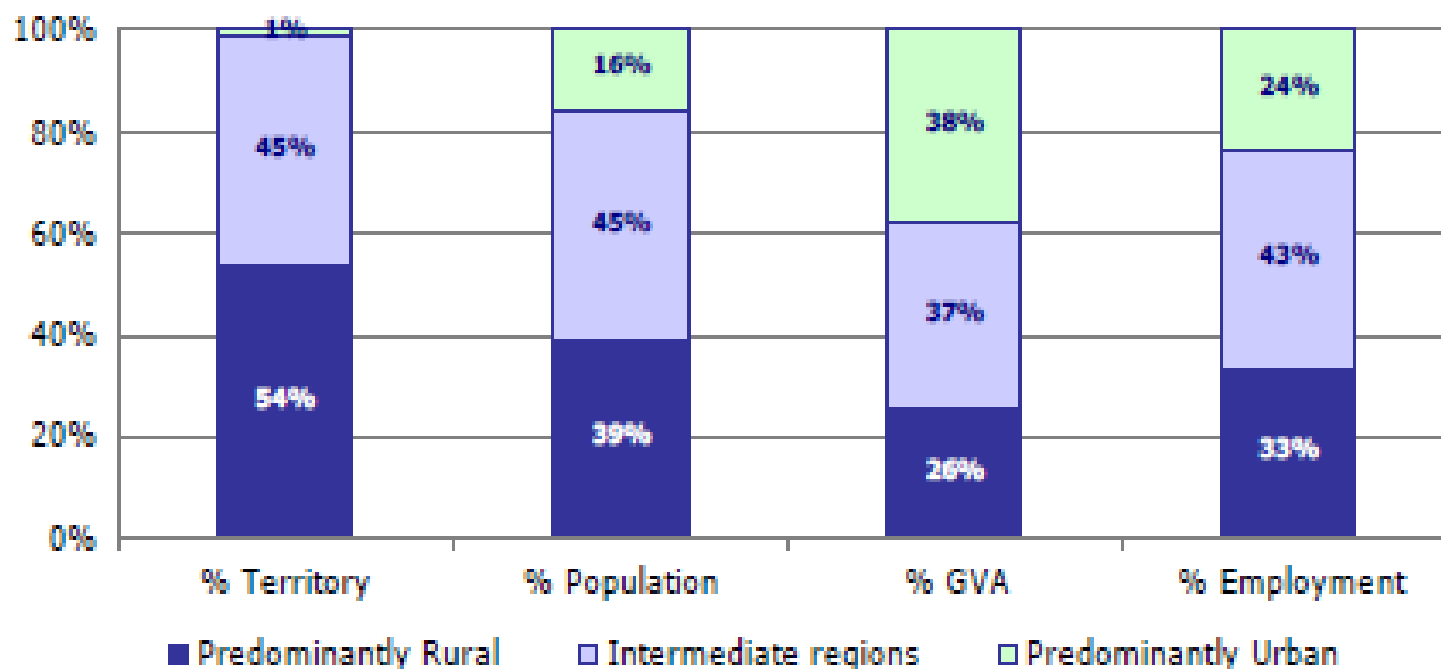
Gross value added			
Agriculture, hunting and fishing (% of total GVA)	2010	5.3%	1.7% in EU-27
Financial aspects			
Agricultural expenditure			
Total expenditure (million EUR), of which:	2010	706.6	1.2% of EU-27
Direct payments (%)	2010	38.6%	68.0% in EU-27
Market measures (%)	2010	3.0%	7.4% in EU-27
Rural development (%)	2010	58.4%	24.6% in EU-27
Economic accounts of agriculture			
Agricultural output			
Agricultural goods output (million EUR), of which:	2011e	3 638.2	1.0% of EU-27
Crop output (%), of which:	2011e	69.8%	1.2% of EU-27
Cereals (%)	2011e	32.3%	2.3% of EU-27
Industrial crops (%)	2011e	23.7%	4.7% of EU-27
Vegetables and horticultural products (%)	2011e	2.9%	0.2% of EU-27
Animal output (%), of which:	2011e	30.2%	0.7% of EU-27
Animals (%)	2011e	15.0%	0.6% of EU-27
Milk (%)	2011e	11.2%	0.8% of EU-27
Gross value added at basic prices (million EUR)	2011e	1 428.6	1.0% of EU-27
Agricultural input			
Total intermediate consumption (million EUR)	2011e	2 803.2	1.2% of EU-27
Agricultural income			
Indicator A (% change on previous year)	2011e	23.2%	6.9% in EU-27
Farm structure			
Holdings			
Total (No), of which:	2007	493 130	3.6% of EU-27
UAA < 2 ha (%)	2007	86.9%	48.4% in EU-27
ESU < 1 (%)	2007	76.1%	46.7% in EU-27
Holder < 35 years (%)	2007	3.1%	6.3% in EU-27
Holder > 64 years (%)	2007	45.0%	32.7% in EU-27
UAA per holding (has)	2007	6.2	12.6 in EU-27
Labour force (in holdings of more than 1 ESU)			
Persons (No), of which:	2007	305 750	1.9% of EU-27
Women (%)	2007	40.5%	39.3% in EU-27
Holders (%)	2007	37.5%	43.2% in EU-27
Agriculture in % of total employment	2010	14.7%	4.7% in EU-27

Sources: European Commission, Directorate General for Agriculture and Rural Development and Eurostat. Updated: May 2012.

Importance of rural areas

Year 2008	Territory (km ²)	Population (1 000 inhabitants)	GVA (Million EUR)	Employment (1 000 persons)
Predominantly Rural regions (PR)	59 536.8	2 953.0	7 513.0	1 275.1
Intermediate Regions (IR)	50 116.3	3 423.0	10 928.7	1 642.2
Predominantly Urban regions (PU)	1 348.9	1 244.0	11 077.1	908.0
Total	111 002.0	7 620.0	29 518.8	3 825.3

Source: European Commission, Directorate General for Agriculture and Rural Development, 2011 Rural Development Report.



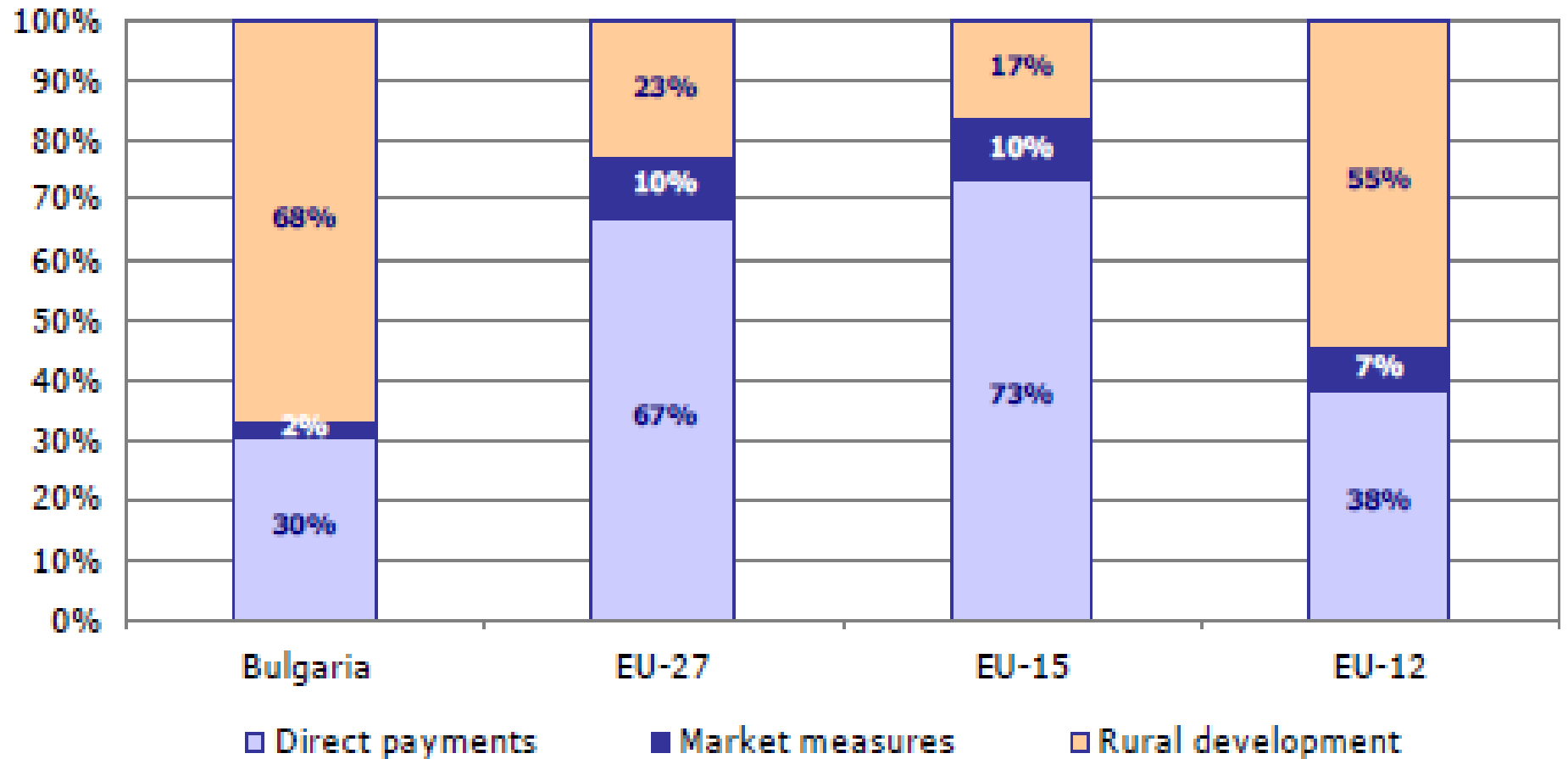
CAP expenditure

Measures	2010	Total 2007-2010	
	1 000 EUR	%	
Decoupled direct aids	272 078.8	30.1%	99.6%
Other direct aids	480.4	0.1%	0.4%
Additional amounts of aid	0.0	0.0%	0.0%
Direct payments	272 559.2	30.2%	100.0%
Cereals	-4 618.0	-0.2%	-8.7%
Rice	0.0	0.0%	0.0%
Refunds on non-Annex I products	0.0	0.0%	1.2%
Food programmes	8 366.3	0.7%	31.1%
Sugar	-557.3	0.0%	0.2%
Olive oil	0.0	0.0%	0.0%
Textile plants	0.0	0.0%	0.0%
Fruit and vegetables	0.0	0.0%	0.4%
Wine sector	14 328.1	1.5%	62.5%
Promotion	433.9	0.0%	0.9%
Other plant products/measures	0.0	0.0%	0.0%
Milk and milk products	1 842.7	0.1%	3.6%
Beef and veal	0.0	0.0%	0.0%
Sheepmeat and goatmeat	0.0	0.0%	0.0%
Pigmeat, eggs, poultry and other	602.1	0.1%	2.8%
Sugar Restructuring Fund	848.3	0.1%	5.9%
Market measures	21 246.1	2.4%	100.0%
Rural development	412 748.7	67.5%	100.0%
TOTAL	706 554.0	100.0%	-

Note: Payments for direct payments and market measures; commitment payments for rural development.

Sources: European Commission, Directorate General for Agriculture and Rural Development (2007-2010 EAGF Financial Reports) and Commission Decision 2010/236/EU. Updated: November 2011.

Distribution of CAP expenditure (2007-2010)



Size-class of aid (all direct payments)	Financial year 2010			
	Beneficiaries		Payments in EUR	
	x 1 000	% of total	x 1 000	% of total
< 0 EUR	0.04	0.05%	-43	-0.02%
≥ 0 and < 500 EUR	49.40	63.03%	10 764	3.95%
≥ 500 and < 1 250 EUR	12.67	16.00%	9 914	3.64%
≥ 1 250 and < 2 000 EUR	4.12	5.20%	6 496	2.38%
≥ 2 000 and < 5 000 EUR	5.52	6.97%	17 338	6.36%
≥ 5 000 and < 10 000 EUR	2.58	3.26%	18 050	6.62%
≥ 10 000 and < 20 000 EUR	1.58	2.00%	22 201	8.15%
≥ 20 000 and < 50 000 EUR	1.45	1.83%	46 306	16.99%
≥ 50 000 and < 100 000 EUR	0.82	1.04%	56 915	20.88%
≥ 100 000 and < 200 000 EUR	0.39	0.49%	52 825	19.38%
≥ 200 000 and < 300 000 EUR	0.07	0.09%	16 473	6.04%
≥ 300 000 and < 500 000 EUR	0.02	0.03%	6 734	2.47%
≥ 500 000 EUR	0.01	0.01%	8 587	3.15%
Total	79.17	100.00%	272 560	100.00%

Source: European Commission, Directorate General for Agriculture and Rural Development, *Report on the distribution of direct aids to the producers (financial year 2010)*, February 2012.

Note: In order to protect the anonymity of the beneficiaries, numbers less than 10 have been made invisible in this table.

Structure of agricultural holdings (*)

Holdings		2003		2007	
		Total	%	Total	%
By UAA	< 2 ha	602 450	90.5	428 600	86.9
	2-5 ha	41 860	6.3	39 240	8.0
	5-10 ha	9 720	1.5	10 060	2.0
	10-20 ha	3 980	0.6	5 480	1.1
	20-30 ha	1 260	0.2	1 940	0.4
	30-50 ha	1 190	0.2	1 630	0.3
	50-100 ha	1 220	0.2	1 970	0.4
	> 100 ha	3 880	0.6	4 220	0.9
By ESU	< 1	508 220	76.4	375 340	76.1
	1-2	107 050	16.1	63 940	13.0
	2-4	32 390	4.9	31 940	6.5
	4-8	8 970	1.3	10 590	2.1
	8-16	3 390	0.5	4 810	1.0
	16-40	2 320	0.3	3 160	0.6
	40-100	1 640	0.2	1 700	0.3
	100-250	1 150	0.2	1 120	0.2
	> 250	420	0.1	530	0.1
By LSU	0	68 480	10.3	78 200	15.9
	0-5	556 220	83.6	386 000	78.3
	5-10	29 600	4.4	16 180	3.3
	10-15	5 180	0.8	4 920	1.0
	15-20	2 040	0.3	2 330	0.5
	20-50	2 880	0.4	3 740	0.8
	50-100	610	0.1	1 070	0.2
	100-500	420	0.1	560	0.1
	> 500	120	0.02	140	0.03
By age of holder	< 35 years	34 070	5.1	15 320	3.1
	35-44 years	70 060	10.5	46 220	9.4
	45-54 years	122 520	18.4	86 100	17.5
	55-64 years	169 730	25.5	123 660	25.1
	> 64 years	269 170	40.4	221 840	45.0
Total		665 550	100.0	493 130	100.0
UAA in 1 000 ha		2 904		3 051	
UAA per holding		4.4		6.2	

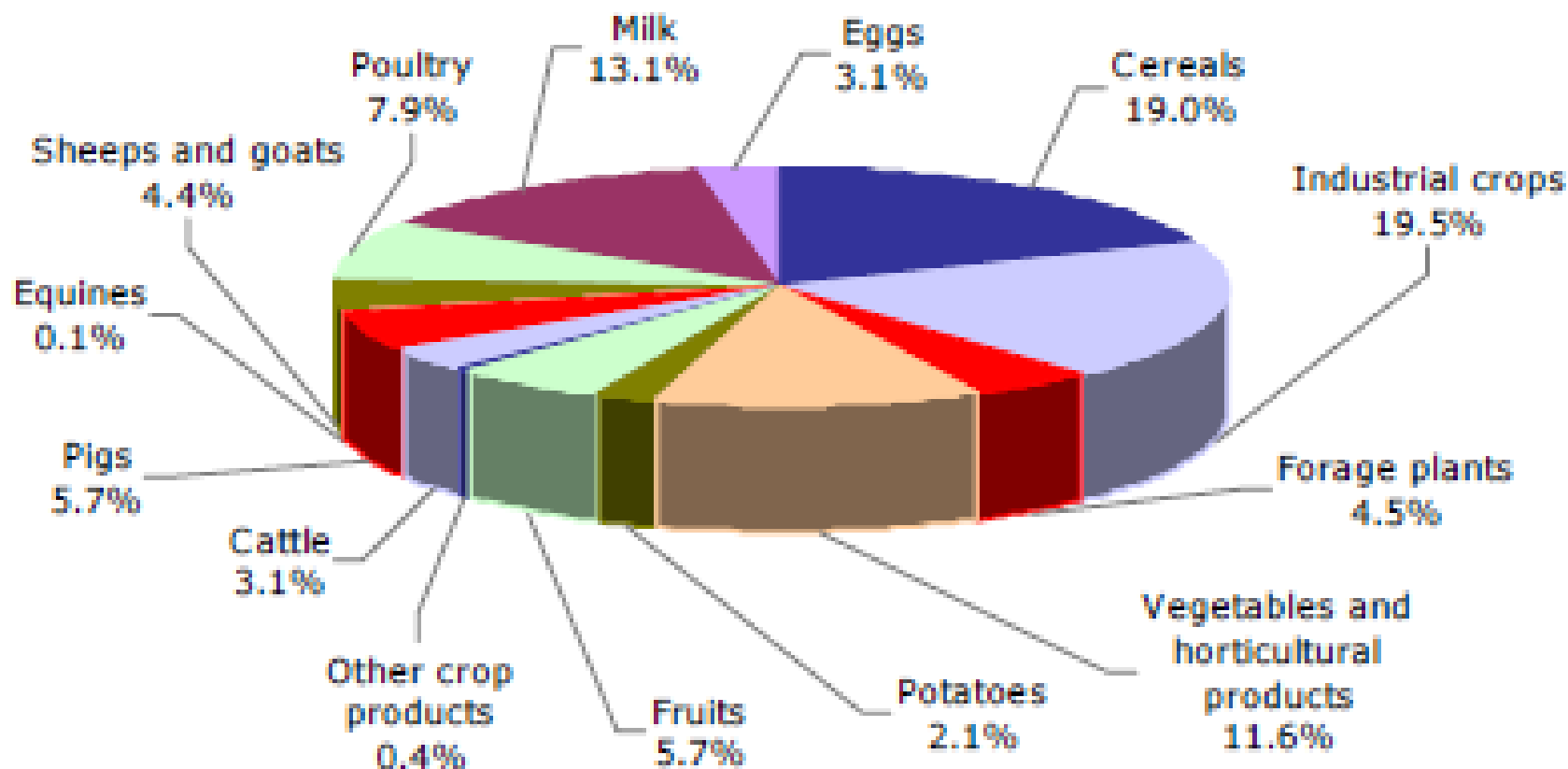
Source: Eurostat, Farm Structure Survey. Updated: June 2009.

(*) UAA = Utilized agricultural area.

ESU = European size unit. For each activity on a farm, a standard gross margin (SGM) is estimated, based on the area (or the number of heads) and a regional coefficient. The sum of all margins, for all activities of a given farm, is its economic size, expressed in ESU (1 ESU = 1 200 Euro of SGM).

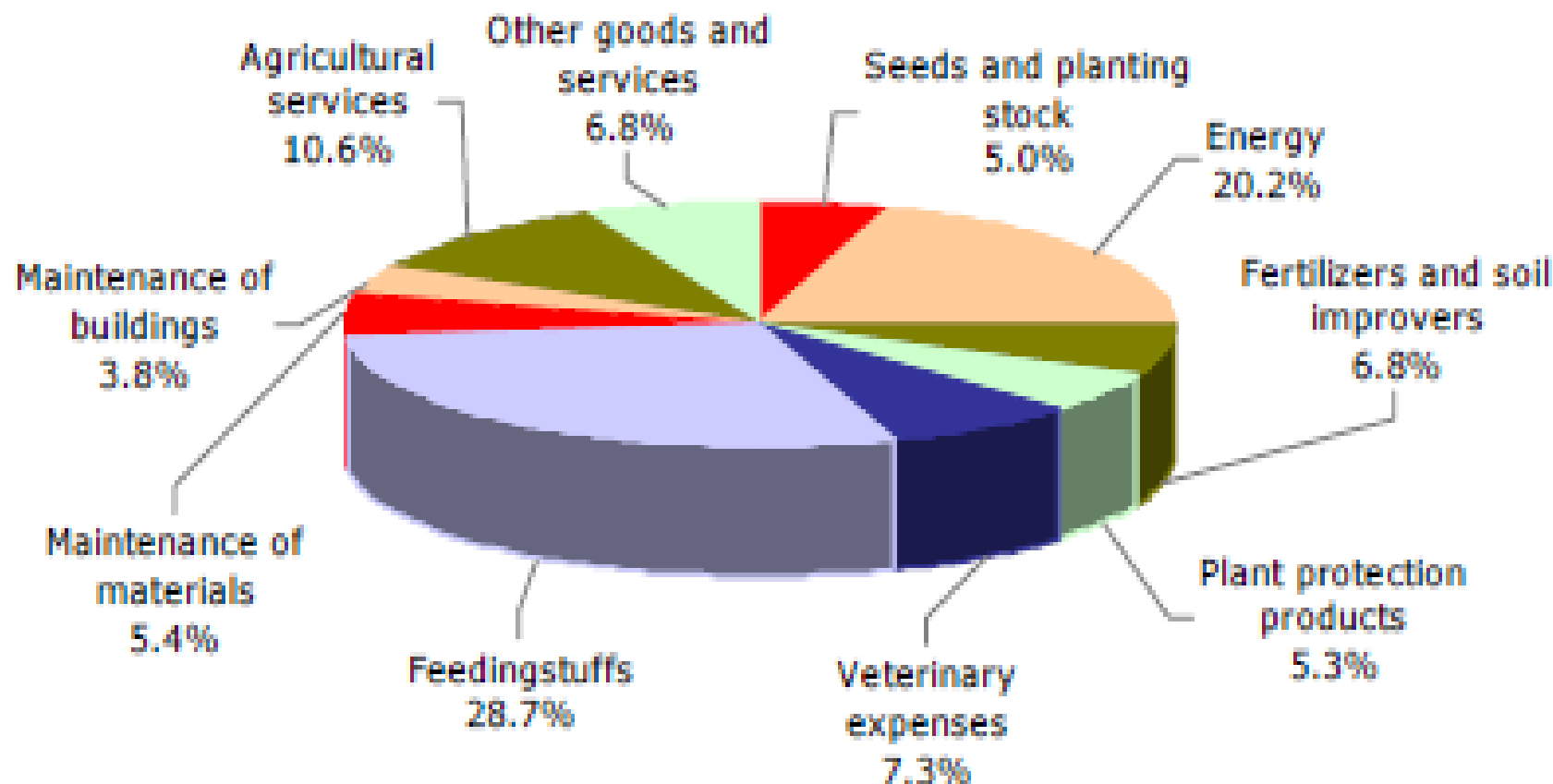
LSU = Livestock units. A LSU is equivalent to a dairy cow. The number of animals (heads) is converted into LSU using a set of coefficients reflecting the feed requirements of the different animal categories.

Output components (2007e-2011e average)



Source: Eurostat, Economic Accounts for Agriculture (values at constant producer prices). Updated: March 2012.

Intermediate consumption (2007e-2011e average)



Source: Eurostat, Economic Accounts for Agriculture (values at constant basic prices). Updated: March 2012.

RECOMMENDATIONS



- Land enlargement can be fulfilled through enlargement of land ownership by creating conditions for better effectiveness of agriculture and a new regulation for inheritance, donations, buying and selling and other types of land transactions. The Government has other instruments for land enlargement – state fees in cases of property transfer, the appropriate tax policy, financial relieves in case of selling land to the neighboring land leasers or land substitution from the State Land Fund and the Municipal Land Fund. It is advisable to stimulate the voluntary enlargement of land per users, regulated by the Bulgarian legislation

BG Agriculture - Opportunities

- Agriculture has the potential to make Bulgaria again basically self-sufficient in grains, and prospects are excellent for further increases in hard currency earnings from wine and dairy products, particularly cheese.
- Availability of niche for regional products (An example regularly cited is that of Bulgarian green cheese, a unique product for which there is considerable interest abroad but for which there is no legal regulation for production in the country, meaning that producers cannot increase output.)

For the foreseeable next, the major players on the Bulgarian agricultural and food markets will still be large firms, including the a lot of internationals that have invested in the country and helped raise the level of technology and capital, boosting output considerably. But Bulgaria's a lot of smallholders have an increasing role to play. With world food prices on the rise again, and opportunities for tapping into niche markets growing, Bulgaria's farmers large and small can stand to reap the benefits.



THANK YOU!

**DILYANA SLAVOVA
EESC MEMBER**



**Oh,
honey honey!**

