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Sector: Agriculture

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Abstract:

Agriculture has been and still is one of the core sectors of the Bulgarian economy. In recent years, the agricultural market has seen very dynamic growth and has started to outline market diversification. All this provides sound basis and good opportunities for Danish companies, presenting advanced technologies and specific know-how, to enter the Bulgarian agricultural market and operate successfully. Danish companies will be able to take advantage of the good geographical location of Bulgaria and the relatively low labor costs when considering outsourcing and expansion. The market also provides good opportunities within the field of organic products.

Introduction

The gross value added by the Bulgarian agricultural sector in 2010 was 5.4% .The sector is currently facing a dynamic transformation process including improvement of quality standards in order to fulfill the EU requirements, hence being able to export to the common market in the EU. Furthermore, in the light of the EU membership Bulgaria has adopted the EU Common Agricultural Policy and Bulgarian farmers have started benefiting from the direct EU agricultural subsidies. This will also contribute to improving the quality and efficiency in the sector in general.

General information

The total territory of Bulgaria is 11.1 million ha where 5.48 million ha (49.4% of the total land area) is agricultural land. In 2011, 5.09 million ha (45.8% of the total land area) was utilized agricultural area (UAA). About 80% of UAA is rented or leased and the remaining land is owned by the agricultural holdings.

The area of arable land is 3.2 million ha and 70% of it is located in the North-east, North-central and South-central part of Bulgaria.

Type of plants	% of arable land occupied in 2011	Area (ha) in 2011
Wheat	35.7	1 152 999
Barley	5.4	174 010
Corn	13.4	430 914
Sunflower	24.6	795 319
Vineyards	1.5	78 468
Orchards	1.4	69 478
Other (fallow, temporary meadows, etc.)	18.0	576 000

Source: The Ministry of Agriculture

Small scattered land, a large share of small enterprises, ineffective utilization of subsidies, a low level of investments both external and internal are the major problems in the agricultural sector in Bulgaria.

Despite efforts for consolidation, the distribution of agricultural land remains irregular since approximately 75% of the proprietors own less than 1 ha and only less than 1% holds more than 50 ha of land. In general, the average size of agricultural parcels is still relatively small but there has been a clear tendency towards larger and more streamlined production. The upgrading of production facilities within the sector contributes positively to improved productivity.

The number of agricultural holdings in 2010 fell by 44% to 371 000 enterprises in comparison to 2003 according to Eurostat data (Bulgaria is on the second place after Estonia where the decrease is over 46%). At the same time Bulgaria has the biggest growth of 24.7% in utilized agricultural area in the EU. The average utilized area by an enterprise is 9.8 ha while the average for the EU is 14 ha.

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 labour (92.8%). 54 300 persons were employed in agriculture as paid workers. The total reduction of the persons employed in agriculture compared to those in 2007 was 20.8%. The annual work units (AWU) of all employed were 394 100, of these 343 100 were family labour force and 51 000 were paid labour force.

Crop Production

The average productivity in the crop production is steadily increasing. However, the productivity level lags behind the average in the EU Member States and the main reason for the relatively low crop productivity is mainly the small size of the farms. The increase of the productivity through a higher degree of mechanisation, adequate seeds and implementation of best land management practice, as well as the higher level of investments is of paramount importance in order to maintain a continued positive development.

Prior to the EU accession Bulgaria's agricultural sector received substantial support under the SAPARD program to improve the production facilities. However, the sector still needs considerable investments for machinery modernisation in order to attain the EU level. After Bulgaria's EU accession the funding for the agricultural sector was increased further and if Bulgaria manages successfully to absorb the EU funds, the agricultural sector has a fine chance to develop rapidly and increase labour productivity.

Additional ways for improving productivity in the sector could be by strengthening the farmer's knowledge about planting and replanting of permanent crops and on-farming irrigation. Further, there seems to be a considerable potential in organic farming. Increased focus on transition from conventional to organic agricultural production could be foreseen.

Livestock Production

Consolidation of farms and technical update is the on-going restructuring and modernisation processes in the livestock production. The tendency is towards implementing measures that allow tracking and control over resources, respectively products, from farms to merchandise systems.



The largest number of animals in the distribution of different types of livestock is sheep. The figure does not include poultry, which actually accounts for the largest number of animals in the agricultural sector. It is worth noting the great difference between poultry production and farm production of sheep, pigs and goats since the breeding of such mostly takes place at small farms while poultry has turned into an industrialized production.

Steps are being taken in order to achieve more adequate control in the field. Hence, a national system for collecting and reporting prices of the qualified and classified meat according to (S) EUROP scale on monthly basis was established.

Services and non-agricultural, non-separable, secondary activities

Contribution of services to the total agricultural gross output is increasing and thereby market opportunities within the agricultural services are widening. Non-agricultural, non-separable, secondary activities have shown fairly stable development in the share of the total agricultural output which, as well, indicates market potential.

Market trends

Bulgarian agriculture has progressed, however efficiency and competitiveness need to be improved in order to withstand the competitive pressure within the EU. Recent developments in the sector gave an impact on the sector-related food processing industry and the quality of the products.

An important tool for development and improvement of agriculture in Bulgaria is EU funding. The pre-accessional program SAPARD was active until the end of 2009 when the following result was accounted: BGN 876.7 million in financial aid was spent, or a bit more than 2/3 of the funds provided, amounting to BGN 1.3 billion; 2600 projects of 3500 were approved for EU funding. Currently Bulgarian agriculture is supported by the Rural Areas Development Program 2007-2013 under which EUR 2,609 million is being distributed; by April 2012 actual subsidy payments have amounted to EUR 1,062 million. The largest number of approved projects is under measure “Establishment of farms from young farmers”.

In help of agriculture Bulgarian institutions work intensively on easier access to finance, increased focus on small- and medium- size companies, transparency in administration, alteration and adaptation of legislation, consolidation, modernization, response to climate changes, reduction of informal economy in agriculture, improvement of the system for land registration in order to avoid duplication, achieving equality of Bulgarian farmers with old EU member states’ farmers, development of adequate system of professional organizations and involving them with the national agricultural policy, balance between import of traditional products for Bulgaria and local production, infrastructure improvement in the rural areas and improving access to the common EU market.

The new Renewable Energy Sources Act adopted in April 2011 and the decision for mandatory blending of mineral fuels with biodiesel and bio ethanol are expected to result in increased consumption of resources and higher production levels for refineries on Bulgarian territory.

The potential for changing conventional agricultural production into organic production gives the possibility of diversifying the agricultural market.

Before 2013, 8 % of all agricultural areas should be cultivated in an organic way and 3 % of all food sold should be organic. At present time organic farms constitute only 0.16 % of all cultivated land and the organic production is 0.075 % of the total trade in food products. So there is great potential for organic products in Bulgaria. Only for one year the certified area for bio agriculture has doubled- from 12 320 ha in 2009 to 25 648 ha in 2010. This is 0.5% of the utilized agricultural area in Bulgaria. Moreover, the number of the certified producers, processors and traders of bio products has risen to around 1000. Bulgaria is on the first place in the world in terms of production of bio rose oil and on the fourth place in the EU in terms of number of certified bee families. 15% of the produced bee honey in the country is bio. Over 90% of all Bulgarian bio products are exported to the USA, the EU, Canada and Japan.

In 2010 2.4 million Euro was paid for projects under Measure 214 “Agroecological payments” of Rural Areas Development Program. Bio producers also has the opportunity to be financed under Measure 121 “Modernization of agricultural holdings”, Measure 142 “ Establishment of producers’ organizations” and Measure 111 “ Professional qualification, information activities and distribution of scientific knowledge” of Rural Areas Development Program .

Recent development of the market for land has shown that the market is an underestimated asset. Under crisis pressure, the volume of land transactions has only shrunk by 10 % and the reason is not lack of interest but bureaucracy and administrative disorder. However, the agricultural land is the first segment of the real estates which has recovered from the crisis. The average prices of fields could be compared to the levels of 2008. The average price of the land for the first half of 2011 is 345 BGN. This is an increase of 7.8% compared to 2010 (320 BGN/decare), and of 15% compared to the lowest value of 300 BGN/decare in 2009. Traditionally, the most expensive land is in the area of Dobrich. Areas below 150 decares in Dobrudzha are sold for 450-600 BGN/decare while the biggest areas- for 1000-1200 BGN/decare.

The most active market players continue to be the investment companies, owning 200 000 ha or less than 1 % of the arable land in Bulgaria. Tenants are becoming increasingly active as it became clear that a greater share of land makes farming more effective.

Conclusions and recommendations

In general terms, the quality level and competitiveness of the sector remains below the average for EU. At the same time recent development indicates that steady progress has been achieved and changes in agriculture seem to be on the right track. Increased investments and human resources training and education contribute positively. The agricultural market develops dynamically and has started to outline market diversification. All this provides sound basis and good opportunities for Danish companies, presenting advanced technologies and specific know-how, to enter the Bulgarian agricultural market and operate successfully. Danish companies will be able to take advantage of the good geographical location of Bulgaria and the relatively low labor costs when considering outsourcing and expansion.

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