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Bulgaria

Grain and Feed

Bread and beer market update

2007

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Report Highlights:

Due to the drought in the Southern Balkans, Bulgarian bread prices are up substantially and are forecast to rise further. Beer production and consumption are rising, although prices will increase along with malting barley prices, also due to the drought and deficit.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
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Bread and bakery products

The first product to react to the grain shortage this year was bread, followed by beer.

Daily reports for 10%-15% higher bread prices are coming from all over the country. Most millers and bakers forecast 30%-50% higher bread prices which incur increased expenses for wheat flour, electricity, oil and labor. Thus, the price for a kilo of bread may reach 0.75 Euro or higher. The most popular loaves of 700 grams may cost about 0.50 Euro which is considered to be the psychological limit for the majority of Bulgarian consumers. According to Eurostat, in 2006, the average bread price in Bulgaria was 41% of the average for the EU.

Beer

Beer market had successfully developed over the last 7-8 years with an increasing market share and improved quality. Major breweries are own by leading European companies.

For the first six months of 2007, the industry reported 16% growth on the beer market and sales at 2.8 hectoliters or 69 liters/capita annually, compared to 158 liters in Czech Republic and 37 liters in Greece. Another 10%-15% growth is projected until the end of 2007. In 2006, beer output was 5.228 million hectoliters. The industry consists of 9 major brewing factories, 78% of the sector is hold by InBev, Heineken and Carlsberg Breweries.

A new trend is the increased sales of Bulgarian beer to Romania, about 100,000 hectoliters or about 2% of local output with the expectations to reach 3% until the end of 2007 (brands Lomski pivo, Boliarka, Ledenika, MM). There is some interest for exports to Macedonia and Greece as well.

There are two main market driving forces – 1/strong presence of PET bottles, 45%-50% of the market, which motives sales in bigger volume at a lower price; and 2/increased consumption of more expensive licensed brands. Currently, 8 such brands (Holsten, Amstel, Kaiser, Tuborg, Beck's, Staropramen, Stella Atrous, Kaltenberg) are produced in Bulgaria with about 20% market share, however, the industry is focused in these market leaders due to their fastest growth. These premium brands are consumed at the cold market which accounts for 33% share vs. home consumption of 65%.

Good potential of premium brands leads to higher requirements to the raw materials, a demand for better quality malting barley, malts and hops extracts. Good beer market growth and consumer preferences towards premium brands will likely sustain demand for imported malting barley in MY07/08. For this reason, the industry may need to use 10,000 MT - 15,000 MT or more imported, most likely French origin, malting barley. Traditional barley consumption of the industry is 120,000 MT to 140,000 MT of barley and 450 MT hops and hops products. In MY07/08, the brewers are willing and already paying double price for good quality barley due to the deficit: in July 2006, barley was traded at 170-200 leva/MT (85-100 Euro/MT) while in 2007, prices are 300-350 leva/MT (150-175 Euro/MT).

In July, beer prices were 7%-9% higher for various brands compared to May and another 3% to 15% increase is likely until the end of the calendar year due to climbing expenses for barley, electricity, fuel and labor. Currently, Bulgarian beer is about 30% less expensive than Romanian, and the cheapest in the EU. The average price per 0.5 liter of beer in Bulgaria is 0.59 leva (0.28 Euro), according to the Union of Brewers.

Table 1. Beer output in 2007

Brands	Sales in hectoliters in the first six months, 2007
Zagorka	822,589
Kamenitza	732,107
Karlsberg Bulgaria	689,952
Boliarka	277,928
Lomsko pivo	55,387
Total for the Union of Brewers members	2.58 million hectoliters
Total estimated for the market	2.8 million hectoliters
Source: Union of Brewers	

Table 2. Imports of malts, 2004-2006

Imports of malts, 2004-2006, MT					
2004		2005		2006	
Hungary	6,128	Austria	6,302	Austria	13,762
Greece	585	Hungary	2,841	Slovakia	2,051
Romania	114	Serbia	1,127	Croatia	1,170
Total	6,975	Total	11,058	Total	17,478
Source: Bulgarian Customs					

Table 3. Imports of beer, 2004-2006

Imports of beer, 2004-2006, MT					
2004		2005		2006	
Holland	1,419	Poland	709	Holland	1,268
Czech Rep.	302	Holland	673	Greece	728
Germany	271	Czech Rep.	357	Czech Rep.	628
Total	2,271 (\$2.2 mil)	Total	2,656 (\$1.9 mil)	Total	3,687 (\$2.4 mil)
Source: Bulgarian Customs					

