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Trade Policy Monitoring

Domestic Agricultural Support to Increase 2004

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Report Highlights:

In 2004, Bulgaria will increase its domestic agricultural support and for the first time ever will introduce export subsidies for non-EU markets. Export subsidies will cover chicken meat and eggs; lamb/sheep meat; dairy products; and fresh and processed fruits and vegetables. The EU enjoys an increasing trade preferences which puts the U.S. exporters in disadvantaged position, especially for meat and poultry products.

Includes PSD Changes: No
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Executive Summary

Bulgaria is typically a net exporter of agricultural products. In 2003, exports totaled US\$782 million while imports totaled US\$596 million or a positive ag trade balance of US\$186 million. However, this positive balance is shrinking over the past years from above US\$240 million to below \$200 million. Leading imports at that time were sugar, cereals, meat and poultry, and high value consumer products. Leading exports were oriental tobacco and cigarettes, processed vegetables, dairy, essential oils, herbs and wine.

There are several sectors subject to protection through tariff or non-tariff barriers: chicken/pork, grains, fresh vegetables/fruit, oriental tobacco/cigarettes, and dairy products. A new element in local agricultural and trade policy in 2004 are the first ever introduction of export subsidies for four category of products destined for non-EU markets: dairy (cheese) products; poultry (chicken meat and eggs); lamb and sheep meat; processed fruits and vegetables.

Bulgaria has insufficient production of beef, rice, soybeans, sugar beets, cotton, hides and skins, lard, and turkey, therefore, these products have relatively low duties or preferential tariff rate quotas.

In 2003, the U.S. exports to Bulgaria were \$17.3 million (U.S. Customs), however, if transshipments are taken into consideration, these exports are estimated at about \$30 million. The best export opportunities for U.S. suppliers in Bulgaria are: poultry, seafood, pork/beef, tree nuts, rice, cotton, genetic material, corn (if shortage), soybean meal, planting seeds, and pet food. In 2003, the highest growth was registered with seafood (mackerel and salmon), 170 percent. Other top products were milling wheat (as an exception due to local shortage), tree nuts, poultry meat (mainly turkey followed by chicken), red meat (high quality beef and pork for processing) and "other intermediate" products. In 2004-2005, growth is likely to occur in commodities such as seafood, genetic materials (bull semen and embryos), dairy products, and snacks. Longer term opportunities include wood products over the next 3-5 years. As incomes grow, higher demand for price-competitive U.S. high value products should continue to develop.

The basic constraints for U.S. exports of meat products are high duties, and trade preferences granted to EU/CEFTA countries. Bulgaria continues to have a zero tolerance for "Ambrosia", therefore, U.S. exports of corn and soybeans for crushing are unlikely until this issue is resolved. It is expected also that Bulgaria may introduce EU biotechnology threshold limits, labeling and traceability regulations, and although the country does not have infrastructural and institutional capacity to implement these regulations, it may become a barrier for food imports.

Bulgaria competes with the United States in several markets: in Russia and the Middle East, tobacco/cigarettes; in Western Europe, wine; and in the Near and Middle East, feed wheat, corn and barley.

As of 2004, Bulgaria is an associate member of the EU, full member of CEFTA and has a free trade agreements (FTA) with Turkey, Macedonia, Croatia, Israel, Latvia, Lithuania, Estonia and Albania. Negotiations are being held with Serbia-Montenegro for more liberalized trade. EU accession is scheduled for 2007.

Agreement Compliance

World Trade Organization

Market Access

Tariffs

In December 2003, the Council of Ministers approved Decree No.289 (of December 5, 2003) which is the revised Tariff Code for CY2004. This decree was introduced and incorporated into Bulgarian Customs Tariff which aims to further harmonize the Bulgarian Tariff Code with the EU Combined Nomenclature.

Like in 2003, the 2004 Tariff Code updates the Combined Nomenclature and has separate rates for "conventional duties" and "autonomous duties". The conventional duties are related to the WTO bound rates and are calculated for the respective year depending on Bulgaria's WTO commitments. "Autonomous duties", including suspended duties, are the applied duties when they are lower than the "conventional duties". Special attention continues to be given to those tariff positions where duties (autonomous) are lower than the WTO rates and lower than the EU duties for third countries. Thus, when Bulgaria becomes a full member of the EU (by 2007 or later), these duties will be increased.

In 2003, applied MFN tariff rates on processed food, beverages and tobacco ranged from zero to 74 percent (frozen chicken cuts), with an average applied MFN rate of 24.5 percent. There is evidence of tariff escalation in this subsector, as the first stage processing attracts an average MFN tariff of 11.8 percent, while the average for the semi-processed and fully-processed stages are 22.7 percent and 27.4 percent, respectively. MFN bound rates ranged from zero to 200 percent, with an average of 53.3 percent. Ad valorem rates make up 83.9 percent of the tariff lines on agricultural products, mixed duties account for 7.7 percent while compound and specific duties account for 6.8 percent and 1.6 percent respectively. One quarter of the tariff lines in HS chapter 1 to 24 bear applied rates of 40 percent or over (597 lines). In general, the most commonly applied higher rate is 40 percent although it is quite frequently treated as a minimum in mixed tariff rates.

Bulgaria applied seasonal duties to cut flowers, and some vegetables and fruits. Products attracting the highest applied tariff rates included bakery products (48.5 percent), cocoa and chocolate confectionary (43.9 percent); tobacco products (35.7 percent); distillation of spirits and alcohol production (34.9 percent); and sugar products (26.9 percent). Rates of 74 percent, 75 percent and 80 percent apply to chicken, cheese, some vegetables and fruits on seasonal basis, again sometimes as a minimum, and to chocolate. Some specific products which had the highest protection were frozen chicken cuts (74 percent or 500 Euro/MT) and pork (above 600 Euro/MT).

There are no special fees/taxes impeding U.S. exports. All products sold in Bulgaria are levied 20 percent VAT.

Bulgarian Tariff Code and the EU's CET

Bulgaria seeks to align its tariff with the EU's Common External Tariff (CET) by 2007. Bulgaria adopted the EU's Combined Nomenclature in 1999 with the passing of the new Customs Act. Currently, 98 percent of Bulgaria's tariffs are harmonized with those of the EU. The 2003 Bulgaria Tariff contained 10,606 tariff lines at the nine-digit level, 206 more than CET. These extra "national tariff lines" existed mainly in the "agricultural and food chapters".

The unweighted average of Bulgaria's tariff, at 11.6 percent, is five percentage points higher than that of the EU, which is 6.4 percent.

For the agricultural chapters 1-24, the unweighted average rate is higher: 21.7 percent compared to 15.9 percent for the EU. Bulgaria's tariffs from HS 01-24 range from 0 to 80 percent while that of for the EU/CET range from 0 to 209.9 percent, thus reflecting the higher level of EU protection in certain areas.

Tariff-Rate Quotas

Duty free or reduced duty TRQ are allocated for several commodities. EU countries receive a substantial portion of the quota due to Bulgaria's status as an associate member. The "autonomous" quotas are administered by the Ministry of Trade and Customs' on a "first come, first served" basis. See detailed description of all TRQs in Table #1.

Sanitary and Phytosanitary Measures

In general, sanitary and phytosanitary measures are being adjusted to EU requirements and FAO (CODEX standards).

The GOB has continued to take a more liberal approach in areas such as bioengineered products. A new Genetically Modified Organisms Law and an updated Food Law are expected to be passed by the Parliament in mid-2004 which is likely to require labeling and traceability of products containing GMO. However, Bulgaria does not have yet the regulatory and infra structural capacity to implement such a regulation. Bulgaria fully supports biotech research and development work and it is likely that the new GMO Law will allow approval of several corn and potato varieties/hybrids including commercialization.

The MinAg/Veterinary Agency follows a more liberal approach to permit imports. U.S. livestock products are exported to Bulgaria accompanied by four FSIS 9060-5 bilingual export certificates (red and poultry meats and meat processed products) which were developed between the Bulgarian Vet Service and USDA/FSIS in 2001. They were changed in February 2003 to allow for the principle of equivalence of maximum residue level content with the EU regulations to be included. A change in the beef and beef products export certificate is expected in mid-2004 due to changes related to the new U.S. BSE surveillance program and new Bulgarian BSE-related import requirements. Bulgaria is the only country in Europe which allows U.S. beef exports, although the formal GOB policy is to follow the EU ban on hormone use.

The U.S. exports of corn and soybeans are limited due to the zero tolerance for ambrosia.

Other Terms and Conditions

In 2003, Bulgarian Customs officials continued to apply, although in rare cases, minimum import prices when levying import duties and VAT, mainly for imported poultry and meat. No complaints or claims have been submitted to the FAS office in 2003 or early 2004.

The high tariff on chicken products continued to encourage illegal trade and smuggling. However, it favored inefficient domestic chicken and pork meat industries, which were not otherwise subsidized.

State Intervention

The GOB did not have any intervention policies until 2002 except for the tobacco sector due to its political sensitivity. In the fall of 2002 and in early 2003, however, the GOB was forced by grain producers to intervene for the first time ever due to low ex-farm prices. This intervention was done too late, unprofessionally, and allegedly, was accompanied by corrupt practices.

In MY2003/2004, the short wheat crop caused the opposite effect – the wheat deficit led to skyrocketing prices of wheat/wheat flour and bread. Due to political sensitivity of bread prices, the major staple product for average Bulgarian, the GOB intervened by releasing 200,000 MT of grain (wheat) stocks from the State Reserve. Similar to the previous intervention, this intervention was subject of heavy criticism due to its unpredictability, market distortion, corrupt practices and adverse effect on commercial trade. Along with this decision, the GOB banned wheat exports in August 2003, and allowed duty free imports of wheat flour in January 2004. These decisions had further negative effect on the milling industry and commercial grain trade.

As of today, Bulgaria still does not have a grain intervention agency. State interventions in 2002/2003 were executed via the State Reserve which holds both market and military stocks. This is a closed, “socialist” type, non-market oriented entity. This allows for the GOB and various political parties to use non-transparent and corrupt mechanisms for interventions.

According Bulgaria's commitments under the Agriculture Chapter with EU, the country's top priority (also explicitly written in the national agricultural strategy) is to establish a market intervention agency by 2006. Currently, this agency is being built with PHARE assistance (EU technical assistance/regulations program) in technical cooperation with the United Kingdom and the Netherlands. Current so-called State Fund “Agriculture” (SFA) which is the main government entity for agriculture support, will be transformed into an intervention agency by 2006. In 2004, the methodology of payments, control of payments, internal audit systems and other organizational procedures should be completed.

Copyright legislation

Another general obstacle which discriminates U.S. branded products imports is the poor enforcement of copyright legislation (ref: www.usatrade.gov/bulgaria). Parallel imports of less expensive counterfeit products make difficult legitimate sales of foreign branded products due to weak customs control, and slow and inefficient judicial practice, especially in the enforcement procedures.

In 2003 and 2004, the FAS office has received such complaints from a major importer of U.S. popcorn branded product. As a result of joint FAS and FCS intervention, Bulgarian Customs has caught counterfeit popcorn.

At the same time, Bulgaria is highly concerned about international treatment of nationally protected trade marks. The GOB was under pressure by the local food industry to intervene on the international and especially on the European level to protect the trade marks and geographic origins of about 20 food products. In 2004, a special department for registration and control of geographic denotations of Bulgarian origin foods will be built in the MinAg with PHARE assistance.

Export Subsidies

Direct Export Subsidies

Currently, Bulgaria does not apply export subsidies except for manipulated fermented Oriental tobacco called "target financial support". These funds are provided to traders and actually reduce export cost/price of Bulgarian tobacco to make it more competitive on the international markets. According to trade sources, if such assistance is not provided, Bulgarian Oriental tobacco, the major export item, will be unsalable. Details can be provided per request by FAS Sofia.

By May 2004, Bulgaria will start for the first time introducing export subsidies for poultry (chicken) meat/eggs; lamb/sheep meat; dairy products; and fresh and processed fruits and vegetables. The total amount is considered small by industry groups, 3.0 million Bleva (about \$2.0 million). These subsidies will be provided only for non-EU export markets to stimulate poultry exports to CIS countries; lamb/sheep exports to the Near and Middle East; and dairy exports to any non-EU markets. These export destinations were verbally proclaimed as priority export markets but the legislation will allow application of an export subsidy to any non-EU market which means the United States as well.

The export licenses/subsidies will be provided by open public tenders organized by the Ministry of Agriculture. The legislation (Decree #143 of July 2, 2003, published in Official Gazette #62 of July 11, 2003) calls for a strict ranking of applicants-exporters by quality, volume and feasibility of export deals. The subsidy will be transferred after a written confirmation from the Customs authorities of the import country is received. The effective implementation of this subsidy program is by May 1, 2004.

According to many experts, these subsidies will not play an expected role for stimulate exports mainly due to the lack of clear export strategy. Such strategy has not been developed either by the MinAg or by the industry groups.

However, many independent analysts and some industry leaders point out that food safety, consistency in quality and quantity etc. are more important difficulties to exports which can not be address by providing export subsidies. According to the high level EU officials, food safety is the major challenge for the Bulgarian accession in the EU and for competitiveness of exports of local food products. Currently, Bulgaria is not able to even fully use EU export quotas due to sanitary and veterinary limitations (see the details about Bulgaria's rate of use of the EU export quotas at www.mzgar.government.bg)

As of March 1, 2004, Bulgaria has the following approved for exports to the EU facilities: 4 slaughterhouses for fresh meat (lamb and sheep); 3 red meat processing plants (with imported meat); 4 (and 2 in process) fish processing plants; 2 plants for game meat; 24 milk processing plants; 7 slaughterhouses for fresh poultry meat (geese and ducks) and 8 plants for heat processed poultry products. It is estimated that only 120 plants in the dairy and meat industries (out of total over 800 in both industries) will be able to meet the EU hygiene and food safety standards until 2005 as agreed with the EU.

Poultry meat: Poultry (chicken) meat is not a major export product due to sanitary bans in the EU and low competitiveness of Bulgarian chicken meat. On the other hand, inefficient local poultry industry is forced to compete with inexpensive imports which along with the feed shortage in MY03/04 led to a number of bankruptcies in this sector. According to Bulgaria's commitments in WTO (www.mi.government.bg), the total amount allocated for this purpose for poultry meat is 20.0 million Euro (base outlay level) for 8,000 MT (base quantity); and for

eggs it is 0.3 million Euro (base outlay level) for 0.7 thousand MT. The MinAg allocation for 2004 is 500,000 Euro for poultry meat and 100,000 Euro for eggs. The Association of Poultry Producers in Bulgaria is requesting an export subsidy of \$0.20/kilo of poultry meat for 5,000 MT and \$0.01/egg for 50 million eggs.

• **Dairy:** There are two major export dairy products - white and yellow cheeses. These products are among the leading export items but have difficulties in competing on the European market with traditional EU cheese suppliers. In 2003, though, cheese exports were record high, 9,000 MT or 25 percent growth over 2002.

The respective outlay levels for white cheese and yellow cheese are 7.0 million Euro and 1.0 million Euro, for 5,700 MT and 800 MT, respectively, according to the WTO commitments. The Association of Dairy Processors is requesting an export subsidy of 0.25 leva/kilo (0.12 Euro) per a kilo for cow's and sheep's cheese; and 0.35 leva/kilo (0.18 Euro) for yellow cheese. Total allocation for dairy export subsidies in 2004 is 1.2 million leva (600,000 Euro). According to the Association, the amount of export subsidy will be sufficient for 4,000 MT – 4,500 MT of cheese exports in 2004 (from May to the end-2004). The subsidy will be given to milk processors (cheese producers) and not traders. This subsidy is viewed as a kind of compensation due to low U.S. dollar rate which is currently depressing cheese exports.

However, the most important obstacle to dairy exports remain the quality of fresh milk and food safety. As of March 2004, there are 321 working dairies of which 24 have an export license/approval for the EU market. At the same time, in 2000-2003, total 433 dairies (300 on a temporary basis and 133 were closed forever) were shut down due to lack of ability to meet EU sanitary/hygiene standards. In early 2004, 30 dairies were closed down.

- **Sheep and lamb meat:** These products are traditional export item to Bulgaria. Exports to the EU are regulated by export quotas. Over the past years, these quotas were fully used (7,000 MT). From 2004, the TRQ for lamb meat exports to the EU will be eliminated. On the other hand, exporters follow a policy to diversify export markets and to try to regain lost Arab countries market where currently Bulgarian export prices can not compete. The WTO commitments for this type of export subsidies call for 13.3 million Euro (base outlay level) for 9,000 MT. The MinAg allocation for 2004 is 100,000 Euro.
- **Fresh and processed fruits and vegetables:** These products are used to be the most exported products in the past and the best export earner for the Bulgarian agriculture. However, due to transition to the market oriented economy and land fragmentation, this industry is facing difficult times in restructuring and exports. Over the past years, exports were small and did not meet government and industry expectations. The major obstacles to these exports are: consistency in quality and quantity, difficulties in supply of commercial size lots, recognized food safety systems, weak marketing and promotion on the export markets. Instead of addressing these issues, however, the MinAg took a decision under industry's pressure, to extend export subsidies. The MinAg allocation for 2004 is 200,000 Euro.

Other Assistance to Exporters

There is a Bulgarian Trade Promotion Agency (Agency for Export Promotion) which is trying to develop export insurance schemes with some EU insurance companies and banks. This agency, however, does not provide any funds for participation in trade shows, providing

marketing information regarding export markets, or for promotional campaigns. Their service is rather administrative and logistical in order to set up contacts for Bulgarian exporters and to facilitate these contacts during trade shows.

According to the trade legislation, if a Bulgarian exporter imports products, processes them, and then re-exports, he/she does not pay an import duty and VAT. Exporters are free of VAT only.

Domestic Support

In 2002, the Parliament passed an update of the major Bulgarian "Farm Bill" entitled the Law for Support of Agricultural Producers and included new subjects of financial support such as processors, warehouses and traders in ag products and foods (Official Gazette #96 of October 11, 2002). In 2003, the major implementation regulations regarding export subsidies were passed (Decree #143 of July 2, 2003 in Official Gazette #62, 2003)

There are two general programs supporting agricultural production - the State Fund "Agriculture" (SFA - for soft loans or direct subsidies) and the State Fund "Tobacco" (export subsidies, minimum purchase prices, bonuses for tobacco growers and traders only). Details on the programs can be found at www.mzgar.government.bg.

The budget for domestic agricultural support in SFA for 2004 is 150 million Bleva (\$95 million) allocated from the state budget. This resource will be spent as follows: 100 million Bleva for investment credits; 4.0 million Bleva for investment subsidies and 46 million Bleva for current/operational subsidies. The programs include target short term soft credit with subsidies; target subsidies; investment programs; and capital subsidies to investment programs.

According to the current MinAg policy in agreement with the World Bank, the SFA will cut its short term soft loans (from 2005) and will expend its investment portfolio. On the other hand, due to approaching EU accession, the SFA will increase the subsidy element and decrease other soft terms loans, both short-term and long term.

SFA: The total SFA allocation for 2003 was \$105 million or four-fold increase compared to 2002. Out of this total amount, \$85 million were allocated to investment projects/loans and \$20 million for subsidies. Total 15 ag branches/products and 16,400 farmers were supported. Please, see details about 2003 SFA programs in Table #7.

- In 2004, the SFA only targets short term soft credit lines with subsidies for purchase of certified corn seeds for 6.0 million leva of which 4.0 million leva credit and 2.0 million leva subsidy. The maximum size/limit of a planted plot per farmer is 500 HA total planting covered by this line is 100,000 HA. This is about one quarter of the usual corn area in the country.
- In 2004, operational subsidies include:
 - production of prime quality milk (8.0 million Bleva) as follows: cow's milk- 0.05 leva/liter; sheep's milk- 0.07 leva/liter; buffalo's milk-0.07 leva/liter. This subsidy is increased by 0.01 leva/liter for the two especially support regions: North West Bulgaria and Rodopi mountains.
 - Production of tomatoes, 600,000 leva, per 0.02 leva/kilo but for not more than 30,000 kilos/HA;

- Production of red pepper, 900,000 leva; per 0.04 leva/kilo but for not more than 15,000 kilos/HA;
- Animal feed for breeding stocks (4.1 million leva), imports of breeding animals (0.5 million leva) and support of reproduction/selection process, support for breeding associations (0.2 million leva) total 5.0 million leva;
- Purchase of certified sunflower planting seeds, 6.0 million leva for planting of total 150,000 HA or 40 leva/HA;
- Production of potato seeding stocks for production of potato for seeds and for consumption (1.0 million Bleva. From 1,500 leva/HA to 2,500 leva/HA);
- Cultivation of idle land (3.0 million leva, 100 leva/HA);
- For animal feed (4.5 million leva);
- For harvest campaign (4.0 million leva) and
- For fall planting in 2004 for CY2004/2005 (12 million leva).
- Investment credits funds will be spent for:
 - Livestock sector (25 million Bleva under several programs);
 - Crop sector (35 million Bleva, also under several programs). The emphasis is on vineyards - to have 160,000 HA-170,000 HA of vineyards by 2007 which is the quota allocated to Bulgaria in the EU; and another 30,000 HA in the three years grace period after the country becomes a full member of the EU.
 - Purchase of farming equipment, (20 million leva).
- The capital subsidies to investment programs include:
 - subsidies under the investment programs Livestock Sector and Crop sector, for establishment of orchards, vineyards, rose gardens, greenhouses and beehives (2.0 million leva);
 - subsidies to cover investment credits for beehives made by young farmers;
 - subsidies which are released to the regional programs, in North West Bulgaria and in the Rodophi mountain.

For the **tobacco** sector, the GOB continues to maintain a minimum farm-gate price for all types of tobacco by providing an export subsidies and bonuses for high quality to farmers (ref:BU#2008 and [www.mzgar.government.bg/annual report 2003/domestic support](http://www.mzgar.government.bg/annual%20report%202003/domestic%20support)). It should be noted that the domestic cigarette/tobacco state monopoly is undergoing a long, complicated and painful privatization procedure and it is still unknown what will be the future strategy for the tobacco/cigarette sector and who will be the real manager/owner of the former state monopoly. For political reasons, FAS expects that the tobacco sector (growers) will continue to be highly supported/subsidized in the future.

The funds for support of tobacco farmers in 2004 are planned on 68,320 MT total tobacco production which is the state quota. The resources for bonuses are 106 million leva, for "Tobacco Fund" and for target financial support, 30 million leva, or total 136 million leva (\$86 million).

SAPARD and other EU programs: As of early March 2004, the MinAg reported close to 1,000 projects approved under SAPARD funding for 1.0 billion leva. The MinAg reported a significant improvement in SAPARD administration as only in early 2004, 105 new projects were approved for 60 million Euro. As of March 2004, total 447 projects were completed and have already received the subsidy and another 100 are in process. The funds allocated under the scheme #2 for food processing facilities were completely used and no new projects are accepted. Bulgaria made an official request to Brussels for additional funds, however, it seems that not more than new 32 million Euro might be added to the current SAPARD budget.

Negotiations with the EU on Agriculture Chapter

Negotiations with the EU are entering in its critical stage in 2004 when Bulgaria is determined to complete negotiations on Chapter "Agriculture" opened in March 2002. Some of the hot issues in these negotiations are:

- Insufficient funds under SAPARD program which means that many industry players will not have access to modernize their facilities and will not be competitive with other players on the local market. It may weaken the local food industry competitiveness with the EU and other foreign competitors.
- Protection of local production quotas and export quotas. There is disagreement with Brussels on what basic statistical period should be taken into account when the initial base levels of these quotas are determined. Bulgaria wants to use pre-2000 period when ag production was much higher and not the period after 2000 as the EU wants. Some of the specific goals are a production quota of 2.2 million HA for grains (65,000 HA for durum wheat, 10,000 HA rice etc.); 2.0-2.1 million liters for milk; 170,000 HA vineyards and other 30,000 HA after 2007; 250,000 MT of sugar, 40,000 MT of cotton; 150,000 cattle for slaughter. The three major priorities are the grain sector; dairy sector; and vine and wine sector. Major issues are unreliable statistics regarding farms and local ag production, "gray" sector in the food and ag industries which means less legitimate registered producers.
- An important priority is total agricultural support. Current budget estimates (approved by the EU) are for 1.436 billion Euro for the agriculture in the period 2007-2010. The core is the base level for direct subsidies/payments. Similar to other new member-states, a 10-year aid phase-in for Bulgaria (and Romania), starting from 25 percent in 2007 reaching 100 percent by 2016, is proposed by the EU. However, Bulgaria insists on having the same support as other new member-states by 2007 or 40 percent of the EU's which will be their second year of membership, otherwise, the EU will become a "three-tier ag market". Currently, the approved financial package for Bulgaria for 2007-2009 is 431 million Euro for direct payments (starting from 25 percent); full access to intervention (market support) and export refunds, or 388 million Euro; and rural development funds for 617 million Euro.
- Protection of trade marks of traditional local food products. There are over 20 such products which include Bulgarian rose oil and two other types of essential oil, grape brandy, some meat cans and meat processed salami, yogurt, and some types of cheeses.

Other major difficulties for the future EU accession are the land fragmentation; the significant number of unreported and unregistered farms/small processors; poor statistics; lack of knowledge in a large part of industry players about future EU

regulations/opportunities; lack of non-government industry associations in all sectors which can be partners of the GOB, etc.

Other Trade Agreements

Preferential Trade Agreements with the United States

There are not such trade agreements except for the GSP granted to Bulgaria. The USDA/Trade Policy began bilateral negotiations on potential preferential treatment in the light of recent Distilled Spirits Council request for discriminatory treatment over the EU origin products (for example, vodka).

Bilateral Agreements with the United States

No such agreements are existent as of March 2004.

U.S. Non-Party Agreements

Currently bilateral trade agreements exist with Turkey, Macedonia, Croatia, Israel, Latvia, Lithuania, Estonia and Albania. Further liberalization is expected in the future with Serbia and Montenegro.

Agreements with the EU and EFTA countries

Bulgaria has duty free import quotas for EU-origin products under their "double zero" and "double profit" accession agreements. The EU countries enjoy reduced import duty quotas for beef, dairy products, processed fruits and vegetables, some grains, beverages, wine and tobacco. The size of these quotas ranges from 100 MT (butter, some fresh vegetables, barley, some meat processed products, etc.) to 55,000 MT (wheat and wheat gluten). See Table #4. Bulgaria is also granted export quotas at similar levels, the highest being wheat at 250,000 MT and corn at 80,000 MT. The list of Bulgarian quotas/duties for exports to the EU is available from FAS Sofia by request.

Under agreements with the EU and EFTA countries, Bulgaria has a zero or reduced duty on certain imports without quantitative limitations, unlike the quotas discussed above. It means that the ad valorem duties are suspended. However, the specific duties will remain valid for these products where they are applicable. The list of relevant products contains 100 tariff positions and includes butter, fresh flowers, onions, fresh and processed vegetables, citrus fruits, peanuts, some vegetable oils, processed meat products, cocoa products, bakery products, tea, coffee, oil meals and flours. See Attachments 1.1 and Attachment 1.2 in the Tariff Code at www.mzgar.government.bg.

In 2002 and 2003, Bulgaria had several rounds of negotiations with the EU on trade in processed ag products. The next round is expected in 2004. Thus, gradually the group of processed ag products imported at a preferential regime is expanding every year. The EU is granted quotas for vegetable oils, confectionary, cocoa, processed potatoes, mineral water as some of them have regular annual increases. The same regulations determine the respective export quotas for Bulgaria to the EU and the duties applied by the EU for Bulgarian exports.

A special EU agreement for imports of alcohol beverages was signed in 2001 and continues to apply in 2003. According to this agreement, lower duties are applied on EU spirit imports (see Table #5).

The list of preferential import duties for EFTA countries is limited to about 30 tariff positions

with duties ranging from 5 to 29 percent (see Table#6). All seafood products are imported duty free (HS#0301, 0302, 0303, 0304, 0305, 0306, 0307, 1604, 1605) as well as some oil meals (HS#2301,2309).

Trade Barrier Catalog

Trade Barrier Catalog		
Barrier	Products	Estimated Impact/(Methodology)
High Tariff/Packaging	Chicken	US\$10 million (market share of total consumption)
Hormone Ban	Beef	US\$1.0 million (market share of total consumption)
Zero Tolerance Ambrosia	Corn/Soybeans	US\$3.5 million (soybean crushing capacity)
CEFTA Preferential Trade	Bovine Animals/ Swine/Poultry Offal, Lard/Grease, Tree Nuts, Fruit Juice, Pet Food	US\$20 million (AgOffice estimate)
EU Preferential Trade	Beef, Chicken, Pork, Rice, Pet Food and Tobacco	US\$40 million (AgOffice estimate)
Turkey Preferential Trade	Tree Nuts	US\$2.0 million (AgOffice estimate)

Table # 1. Temporary/Autonomous Import Quotas for CY2004 (Attachment #5 to art.15 p.1)

HS#	Product	Quantity, Duty and period of validity
HS# 0206 41 20 9	Frozen pork liver	10%
HS# 020900110	Pork back fat	0%
HS# 0206 49 20 9	Frozen pork offal	10% min 70 Euro/MT
HS# 0407 00 90 1	Ostrich eggs	0%
HS# 1001	Wheat	0%
HS# 1002	Rye	0% for the period January 1-June 30
HS# 1003	Barley	0% for the period January 1-June 30
HS# 1004	Oats	0% for the period

		January 1-June 30
HS# 1005	Corn	0% for the period January 1-September 30
HS# 1007	Sorghum	0% for the period January 1-September 30
HS# 0803 00 11 0	Fresh bananas (bread type)	5.0%
HS# 0803 00 19 0	Fresh bananas, other	5.0%
HS# 0803 00 90 0	Dried bananas	5.0%
HS# 0901 12 00 0	Raw coffee, decaffeinated	0%
HS# 1101	Wheat flour	0% for the period January 1-June 30
HS# 1108 12 00 0	Corn starch for pharmaceutical industry	5%
HS# 1803 10 00 0; HS# 1803 20 00 0;	Cocoa butter, various types	6.0%
HS# 1804 00 00 0;	Butter, oil and liquid oil from cocoa	6.0%
HS# 2308 00 90 0	Apple puree for pectin production	2,500 MT at 0%
HS# 2403 91 00 0	Tobacco folio	5%
HS# 2403 99 90 0	Other than tobacco for chewing	5%

Table# 2. Duty free or reduced duty import quotas for CY2004 based on Bulgaria-GATT agreement dated 1994 (Attachment to the Decree 289 of 2003)

HS#	Product	Quota in MT	Duty in percent
HS# 0202	High quality beef	19,800 of which	0% - 10%
incl. 0202 20 30 -50	Boneless frozen cuts, quarters	10,200 of which 8,149 for EU countries 2,051 for non-EU countries	8.5%
HS# 0207 12 10-90	Chicken, whole, frozen	200	55% min 650 USD/MT
HS# 0207 14 19-99	Chicken cuts, frozen	1,300	55% min 650 USD/MT

HS# 0210 11 -19	Pork	1,500	15%
HS# 0402 10	Milk and cream in powder	200	15%
HS# 0405 10-90	Butter	1,500	30%
HS# 0406 10-30	Cheese and curd	3,000 of which 2,000 for EU and 1,000 for non-EU countries	17.5%
HS# 0406 90	Cheese for processing	400	25%
HS# 0701 10	Potato for seeds	1,800	18%
HS# 0703 10	Onion	500	25%
HS# 0713 10 10-90	Peas	175	10%
HS# 0713 20	Chick peas	300	10%
HS# 0713 33-39	Dry beans	820	35%
HS# 1003 00 90 1	Malting barley	10,000	15%
HS# 1005 90 0 1	Feed corn	100,000	5%
HS# 1006 30	Rice	5,000 of which 2,880 for EU and 2,120 for non EU countries	12.8%
HS# 1601	Processed meat products	2,000	40%
HS# 1602	Ready meat products	1,100 of which 900 for EU and 200 for non EU countries	34%
HS# 1701 11	Crude sugar	250,000	5%
HS# 1704 10	Chewing gum	900	35%
HS# 1704 90	Extracts and candy	525	35%
HS# 1704 90 30 - 51-61-81-99	Confectionary without cocoa	1,600	35%
HS# 1806 20	Chocolate	3,500	35%
HS# 1806 31	Candy with cocoa	1,150	35%
HS# 1806 90 11-19-	Other	4,090	40%

31-39-50-60-70-90	confectionary		
HS# 1905 31-32 -90	Biscuits	1,300	40%
HS# 2004 10 10 1	Bulk frozen potatoes	800	10%
HS# 2103 20	ketchup	30	40%
HS# 2208 20	Spirits from wine/grapes	13,600 hectoliters	40%
HS# 2208 40	Rom	40 hectoliters	40% min 42 Euro/hl
HS# 2208 50	Gin	30 hectoliters	40% min 35 Euro/hl
HS# 2208 90 57 1	Tequila	1,020 hectoliters	40% min 20 Euro/hl
HS# 2208 90	Other spirits	5,100 hectoliters	40% min 20 Euro/hl

Table# 3. Bulgarian Import Duties in 2003 and 2004 per Selected Products and Commodity Groups (www.mzgar.government.bg/TariffCode)

Bulgarian Import Duties in 2003 and 2004 per Selected Products and Commodity Groups		
HS# Description of the commodity	Import Duty in 2004	Import Duty in 2003
HS# 0203 Pork	25% or minimum 664 Euro/MT	25% or minimum 664 Euro/MT
HS# 0202 Beef	5% plus 244 Euro/MT	5% plus 97 to 244 Euro/MT
HS# 0207 13 Fresh/chilled chicken cuts	68% min 290 - 456 Euro/MT	68% min 260-456 Euro/MT
HS# 0207 14 Frozen chicken cuts	74% min 210-500 Euro/MT	74% min 210-500 Euro/MT
HS# 0207 24-27 Turkey	25% min 100-130 Euro/MT	25% min 100-130 Euro/MT
HS# 0210 Meat, salted, dried, cured etc.	25%	25%
HS# 1601 Meat products (processed)	40% min 500-640 Euro/MT	40% min 500-640 Euro/MT
HS# 1602 32 Poultry products	75%	40% min 500-640 Euro/MT

(processed/marinated)		
HS# 0303 Frozen fish	5%-10%	5%-10%
HS# 0402 21, 0402 29 Powdered milk	68%	68%
HS# 0406 Cheese and curd	25% -30% (74% for feta cheese, from sheep's milk)*	25% - 30% (74% for feta cheese, from sheep's milk)*
HS# 1001 Wheat	15% - 25%	15% - 25%
HS# 1101 00 Wheat flour	25%	25%
HS# 1003 Barley	3% - 20%	3% - 20%
HS# 1006 Rice	7.7% - 15%	7.7% -15%
HS# 1005 Corn	5% - 15%	5% - 15%
HS# 1201 Soybeans	0%	0%
HS# 1206 00 10 0 Sunflower	0%-10%	0%-10%
HS# 2304 Soybean meal	0%	0%
HS# 2306 Other meals including sunflower meal	5% -10%	5% - 10%
HS# 2309 Pet food for retail sale	20%	20%
HS# 4104, 4104 Hides and skins	0%	0%
HS# 5201, 5203, 5203 Cotton	0%	0% - 5.5%
HS# 1806 90 Chocolate candy	45%	45%
HS# 1905 Biscuit, waffles and other confectionary	15% - 60%	15% - 60%
HS# 2105 Ice cream for retail consumption	22.5% plus 448 Euro/MT	22.5% plus 448 Euro/MT;
HS# 0713 Some types of dry beans	15%- 40%	15% - 40%
HS# 1701 12 Sugar from sugar beet for further processing	50%	50%
HS# 1701 91-00 White	160 Euro/MT	160/251 Euro/MT

crystal sugar		
HS# 2203 Beer	55%	55%
HS# 2402 Cigarettes	50% min 9.6 Euro/1000 PCE	50% min 9.6 Euro/1000 PCE

Table# 4. "Double zero", "double profit", other duty free and/or reduced duty TRQs for EU exports to Bulgaria in 2004 effective July 1, 2004 (unless otherwise noted) (Attachment #1.3 to the 2004 Tariff Code)

HS#	Quota in MT and the import duty
HS# 010511; 0105 99 10; 0105 99 20	400 MT at 0%
HS# 0202 20 30 0; 0202 20 50 0	8,149 MT at 8.5%
HS# 0203,0201011-12- 19, 1601,160241-41- 49	8,500 MT at 0%
HS# 0207 excluding 0207 27 910,020734, 020735910, 020736810, 0207850, 020736890	1,000 MT at 0%
HS# 0402 10, 0402 21	3,000 MT at 10%
HS# 0405 10; 0405 90	100 MT at 20%
HS# 0406	3,000 MT at 0%
HS# 0702	800 MT at 0%
HS# 0808 10	5,080 MT at 0%
HS# 1602 31,1602 39	1,500 at 0%
HS# 2002	2,600 at 0%
HS# 0407 00 30	300 MT at 0%
HS# 0706 10 00 0	255 MT at 0%
HS# 0707	1,130 MT at 0%
HS# 0709 90 70 0	100 MT at 0%
HS# 0710 10-90	300 MT at 0%
HS# 00710 21 00 0	150 MT at 0%
HS# 0806 10	1,800 MT at 0%
HS# 0809 10 00 0	500 MT at 0%
HS# 0808 20 50 9	500 MT at 0%

HS# 0809 20 – 0811 90	200 MT at 0%
HS# 0809 30	2,030 MT at 0%
HS# 0811 20	100 MT at 0%
HS# 1001;1109 00 00 0	55,000 MT at 0%
HS# 1102 00-10, 1103 19-20	1,000 MT at 0%
HS# 1103,1102 9010 0 1103 19 30 0, 1103 2020 0	15,000 MT at 0%
HS# 1104,1102 90 300,1103 1940, 11032030 0	1,200 MT at 0%
HS# 1005 10 900; 100590	28,000 MT at 0%
HS# 1006 30	2,880 MT at 12.8%
HS# 1103 19 50 0; 1103 2050 0	13,671 MT at 25%
HS# 1108 13, 110814,1108 19	263 MT at 0%
HS# 1512 11,1512 19	3,000 MT at 0%
HS# 1516 20 91 0	1,664 MT at 0%
HS# 1517 10	1,316 MT at 10.5%
HS# 1602 10,1602 20	100 MT at 0%
HS# 1602 50	100 MT at 0%
HS# 1603 00 10 0	100 MT at 0%
HS# 1701 99	21,888 MT at 34%
HS# 1702 50, 1702 90 10	40 MT at 0%
HS# 1703	20,000 MT at 0%
HS# 1704 90	320 MT at 20%
HS# 1806 10	260 MT at 0%
HS# 2004 10 10; 2004 10 99 0	535 MT at 0%
HS# 2004 10 91 0	300 MT at 20%
HS# 2005	400 MT at 0%
HS# 2005 20 10 0	150 MT at 20%
HS# 2007 10	155 MT at 0%
HS# 2008	100 MT at 0%
HS# 2009 11, 2009 19	520 MT at 0%
HS# 2009 29-39-49-90	462 MT at 0%
HS# 2009 61-69	385 MT at 34%
HS# 2202 10	4,480 MT at 0%
HS# 2204 10-21-29	73,100 hl at 0%
HS# 2208 60	3,00 hl at 0%
HS# 2303 10 11 0	443 MT at 0%
HS# 2309 10	1,500 MT at 0%
HS# 2309 90	12,752 MT at 8.5%
HS# 2402 10-20	6,000 MT at 0%

**Table #5. Import preferences for EU origin alcohol beverages in 2004
(Attachment #1.6 to the 2004 Tariff Code)**

Import preferences for EU origin alcohol beverages	
HS#	Duty
HS# 2208 20 12 0	20% min 0.17 Euro/%vol/hl +1.05 Euro/hl
HS# 2208 20 14 0	20% min 0.17 Euro/%vol/hl +1.05 Euro/hl
HS# 2208 20 26 0	20% min 0.17 Euro/%vol/hl +1.05 Euro/hl
HS# 2208 20 27 0	20% min 0.17 Euro/%vol/hl +1.05 Euro/hl
HS# 2208 20 29 0	20% min 0.17 Euro/%vol/hl +1.05 Euro/hl
HS# 2208 30 11 0	15% min 1.26 Euro/%vol/hl +3.45 Euro/hl
HS# 2208 30 32 0	15% min 1.26 Euro/%vol/hl +3.45 Euro/hl
HS# 2208 30 52 0	15% min 1.26 Euro/%vol/hl +3.45 Euro/hl
HS# 2208 30 72 0	15% min 1.26 Euro/%vol/hl +3.45 Euro/hl
HS# 2208 30 82 0	15% min 1.26 Euro/%vol/hl +3.45 Euro/hl
HS# 2208 40 11 0	20% min 0.45 Euro/%vol/hl +1.6 Euro/hl
HS# 2208 40 31 0	20% min 0.45 Euro/%vol/hl +1.6 Euro/hl
HS# 2208 40 39 0	20% min 0.45 Euro/%vol/hl +1.6 Euro/hl
HS# 2208 50 11 0	20% min 0.45 Euro/%vol/hl +1.6 Euro/hl
HS# 2208 50 91 0	20% min 0.50 Euro/%vol/hl +3.2 Euro/hl
HS# 2208 60 11 0	15% min 0.60 Euro/%vol/hl +2.4 Euro/hl
HS# 2208 60 91 0	15% min 0.60 Euro/%vol/hl +2.4 Euro/hl

Table # 6. Preferential duties for EFTA -origin products imported to Bulgaria in 2004 (Attachment #2 to the 2004 Tariff Code)

Preferential duties for EFTA -origin products imported to Bulgaria in 2004	
HS#	Duty, %
HS# 1505 00 90 0	5
HS# 1518 00 39 0;1518 00 91 0;1518 00 95 0;1518 00 99 0	5-10
HS# 1704 10	10
HS# 1805	10
HS# 1806 20; 1806 31;1806 32;1806 90	25
HS# 1901 90 91 0; 1901 90 99 0	10
HS# 1902 19	25
HS# 1904 10	25
HS# 1905 31; 1905 32;1905 90	25
HS# 2101 11;2101 12	3
HS# 2101 10 31 0;2102 10 39 0; 2102 20; 2102 30;	20 10 8
HS# 2103 20; 2103 90	25 8
HS# 2105	29
HS# 2106 10; 2106 90 excl. 2106 90 20 0	10 3
HS# 2201 90	5
HS# 2202 90	15
HS# 2203	29 min 8.14 Euro/hl
HS# 2205 10	25

Other important attachments to the 2004 Tariff Code:

Attachment #1.1 – Chapter 1-24 List of ag and food products originating from EU imported duty free;

Attachment #1.2 – Chapter 1-24 List of ag and food products originating from EU imported at reduced import duty;

Attachment #1.5 – Chapter 3 list of fish products originating from the EU which are levied preferential duties in two time periods of the year;

Attachment #3.1 – List of products in Chapter 1-24 originating from CEFTA which are imported duty free;

Attachment #3.2 – List of products in Chapter 1-25 originating from CEFTA which are imported at reduced import duty;

Attachments #3.3 – Preferential trade with Czech Republic, Slovakia, Hungary, Poland, Romania, Slovenia, and Croatia;

Attachment #4 - Preferential trade with Turkey

Attachment #5 – Preferential trade with Macedonia

Attachment #6 – Preferential trade with Israel

Attachment #7 - Preferential trade with Estonia

Attachment #8 – Preferential trade with Lithuania

Attachment #9 – Preferential trade with Latvia

Attachment #10 – Preferential trade with Albania

Table #7. State Fund Agriculture Domestic Support Programs in 2003

State Fund Agriculture Domestic Support Programs in 2003		
Subject	Allocation in million USD	Effective Date
Dairy, for fluid fresh milk	2.5	20 February 2003
Dairy, for pedigree studs, genetics	2.0	
Vegetables	1.0	
-incl. pepper	0.6	1 August 2003
-incl. tomatoes	0.4	15 July 2003
Spring crops	1.65	
-incl. corn	0.3	1 March 2003
-incl. sunflower	0.6	1 March 2003
-incl. fertilizers	0.750	
Potato production	0.3	1 March 2003
-incl. planting seed production	0.1	
-incl. commercial production	0.2	
Sugar beet	0.15	1 October 2003
Genetic materials in crops	0.25	1 March 2003
Peanuts	0.5	15 March 2003
Idle land subsidy	3.0	
Livestock Program	5.5	
Crop production	22.5	
For farm equipment	7.5	
Wheat	4.75	
-incl. before harvest, \$5/HA	1.25	
- for storage	0.5	
-for planting seeds	0.5	

reproduction		
-for fertilizers	1.0	
-for seeds	1.5	
Rice	0.1	15 March 2003
Winter rapeseed	0.065	
Soybeans	0.07	1 April 2003
Rodopi Programs	1.0	
Northeastern Bulgaria Program	0.5	
Vineyards	0.5	
Roses	0.115	
Orchards	0.4	
Nurseries	0.325	
Greenhouses	0.250	
Honey bees	0.050	