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Report Highlights:

The following report provides an economic and market overview, demographic trends and practical tips to U.S. exporters on how to conduct business in Bulgaria. The report also describes three market sectors (food retail, hotel, restaurant, institutional, and food processing), the best market entry strategy, and the best high-value product prospects. The exporter guide focuses exclusively on consumer-oriented products.

Market Fact Sheet: Bulgaria

Executive Summary

Since 2016, Bulgaria, gross domestic product (GDP) growth has been over three percent annually. Exports generate almost 50 percent of Bulgaria's GDP and are a pillar of the economy. EU Member States are Bulgaria's primary trading partners, although there is wide variation in the balances of trade. In 2018, Bulgaria had a trade deficit in goods of about €3.5 billion ($3.96 billion). Agriculture makes up 3.9 percent of GDP.

SWOT Analysis	
Strengths	***Weaknesses***
Bulgarian is accessible by sea and has an efficient distribution network. Growing food processing industry is looking for new imported ingredients. Low marketing costs.	Many U.S. exports are disadvantaged because of EU non-tariff barriers and import duties.
Opportunities	***Threats***
Growing incomes, increasing demand for high-value products, fast developing food retail network, consumption habits changing towards high-quality products.	Domestic producers receive EU funds to upgrade production efficiency and product quality which can lower demand for imports.

Imports of Consumer-Oriented Products

Goods imported into the EU must meet the EU sanitary and phytosanitary requirements. For more specific information, see Post's Food and Agricultural Import Regulations and Standards report. 2018, consumer-oriented agricultural imports were $2.18 billion, 9.3 percent increase over 2017. Eighty-three percent of these were sourced from within the EU.

Food Processing Industry

Bulgarian food processing is developing rapidly and generated $7.06 billion in 2018. Over 6,300 companies operate in Bulgaria and employ nearly 100,000 people. Leading food processing sectors include dairy, sugar, chocolate and confectionery, bakery, sunflower oil, red and poultry meat, eggs, soft drinks, horticultural processing, and wine production.

Food Retail Industry

Bulgarian food retail sales reached $6.5 billion in 2018. Modern retail sales accounted for $3.5 billion (54 percent) and $2.97 billion in traditional channel. Total retail outlets were 41,320. Grocery retail grew in 2018 on improved consumer confidence and labor market. The largest retailer, Kaufland, accounted for 29 percent of sales among the top 10 largest food retailers. Grocery e-commerce is developing but is still not very popular. Urban consumers are increasingly demanding for higher quality and products perceived as healthful.

Quick Facts

CY 2018 Imports of Consumer-Oriented Products

($ billion) 2.18

CY 2018 List of Top 10 Growth Products in Host Country

1) Meat of Swine	2) Food Preparations
3) Cocoa Preparations	4) Bread, Pastry, Cakes
5) Coffee, Roasted	6) Tomatoes, Fresh or Chilled
7) Cheese	8) Chocolate and Cocoa Products
9) Nonalcoholic Beverages	10) Chicken Cuts

CY 2018 Food Industry by Channels ($ billion)

Food Industry	7.06
Food Exports – Agricultural and Related Products Total (2018)	5.2
Food Imports – Agricultural and Related Products Total (2018)	4.07
Retail	6.5
Food Service	3.44

CY 2018 Top 10 Host Country Retailers

1) Kaufland	7) Tabak Market (Lafka)
2) Lidl	8) CBA
3) Metro Cash & Carry	9) Lagardere Retail
4) Billa	10) Avanti 777
5) Fantastico	
6) Maxima (T-Market)	

CY 2018 GDP/Population

Population *(millions)*: 7.04

GDP *($ billion)*: 64.15

GDP per capita *($)*: 9,132

Data and Information Sources: Euromonitor, Trade Data Monitor, Local sources

Contact: AgSofia@usda.gov

Market Overview
The Bulgarian National Bank's 2018 average exchange rate of $1.00 =BGN 1.71 was used in this report.

General Economy
Bulgaria continues its transition into a market economy and Government of Bulgaria (GOB) intervention in international trade and foreign investment has decreased considerably. Exports generate 49.5 percent of GDP and are a pillar of the country's economy. Bulgaria's biggest exports are industrial supplies, consumer goods, fuels, and lubricants.

National Economy	2016	2017	2018
GDP (billion BGN)	95.092	102.308	109.695
GDP (billion USD)	51.124	62.77	64.15
GDP per capita (BGN)	13,341	14,459	15,615
GDP per capita (USD)	7,173	8,871	9,132
Exchange Rate	**$1=BGN 1.86**	**$1=BGN 1.63**	**$1=BGN 1.71**

Source: Bulgarian National Bank

According to Intrastat data from the Bulgarian National Statistical Institute (NSI), total 2018 U.S. agricultural imports into Bulgaria reached $68.7 million. According to Trade Data Monitor (TDM), in 2018 the United States imported $161.6 million of food and agriculture from Bulgaria. Data indicate that bilateral trade between Bulgaria and the United States is growing, despite the strong dollar and increased EU tariffs imposed on certain U.S. agricultural products.

Geography and Demographics
Bulgaria is located in southeastern Europe and is an important commercial hub between Europe and Asia. As of January 2019, Bulgaria's population totaled 7.04 million people, representing 1.4 percent of the EU's population, and a total area of about 111,002 square kilometers. About 64,000 square kilometers of Bulgarian territory is agricultural land.

Bulgaria has relatively well-developed and improving infrastructure, including seven highways, 230 railway stations, four international airports, two seaports on the Black Sea, and numerous ports on the Danube River. Five Pan-European corridors cross the country and link Northern Europe with the Middle East and North Africa. There are four commercial airports, in Sofia, Varna, Burgas, and Plovdiv. The largest airport is in Sofia, which accommodated nearly 7 million passengers in 2018 (about 6.5 million in 2017).

Both sea and river freight routes offer reliable international shipping transportation. The largest Bulgarian seaports are Varna and Burgas on the Black Sea coast. The Danube River is navigable during most of the year and supports inland water transport. With the Rhine-Main-Danube canal in use since 1992, Bulgaria has access to large European ports on the North Sea. The main Bulgarian ports on the Danube River are Ruse, Lom, and Vidin.

Bulgaria's capital, Sofia, has 1.27 million residents and is situated in the country's southwestern region. The second and third largest cities are Plovdiv in southcentral Bulgaria, with a population of 505,663 people, and Varna on the west coast of the Black Sea, with a population of just under 400,000 people.

Younger Bulgarian consumers behave differently from older consumers and/or retirees. Younger workers tend to have higher incomes, greater purchasing power, purchase higher-quality products, visit restaurants, and travel. Older consumers and retirees often receive less pay (or pensions) and limit themselves to the staple products and basic needs. The average annual salary in Bulgaria is BGN 13,620 (about $8,000), while the average annual pension is BGN 4,356 (about $2,500). The data demonstrate that young people have three times the purchasing power of pensioners. There are also significant consumption differences between urban and rural consumers. Bigger cities tend to have lower levels of unemployment and higher incomes (therefore more young people).

Advantages
Higher consumption of food and edible fishery products is creating demand for more imports.
Migration of people from rural to urban areas continues at a rapid pace.
Bulgarian market is accessible by sea.
Growing food processing industry is looking for new imported food ingredients.
Efficient domestic distribution network.
Marketing and advertising costs are relatively low.
Challenges
U.S. products are disadvantaged because of duties versus products from EU Member States and countries with EU free trade agreements (FTA).
Bulgarian domestic producers are receiving European funding to upgrade production efficiency and product quality.
Bulgarian farmers increase agricultural production, reducing demand for imports in the country.
Exchange rate fluctuations and the strong dollar disadvantage U.S. shippers. (Bulgarian Lev (BGN) has a fixed exchange rate against the Euro (€1.00 = BGN 1.95)

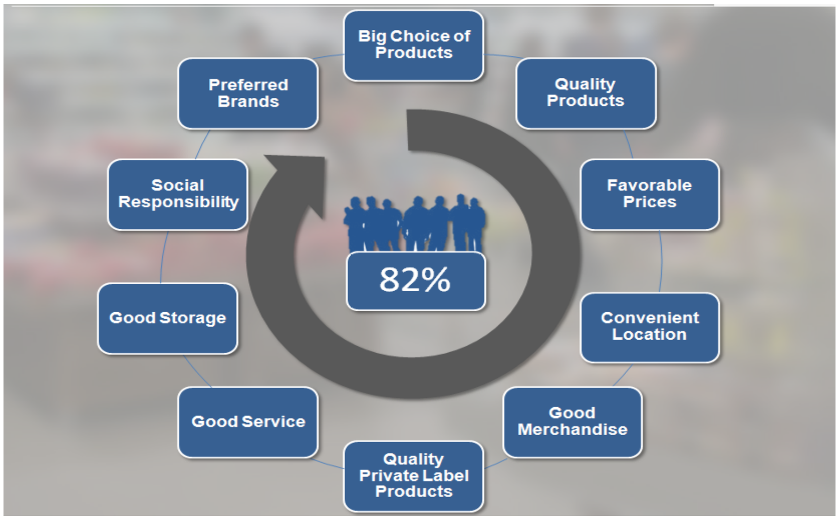
I. Exporter Business Tips

Entry Strategy

Bulgarian convenience stores, supermarkets, and hypermarkets generally purchase from local importers, wholesalers, and producers. However, there has been a recent shift toward direct imports to avoid higher cost associated with purchasing from importers or intermediary. The best method to reach Bulgarian retail buyers and prospective importers is to contact them directly via e-mail or fax. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in

Bulgaria include Kaufland, Metro, Lidl, Billa, Fantastico, T-Market, and CBA. For more information, please see FAS Sofia's Retail Market report.

The chart below illustrates the modern trade profile in Bulgaria



Post recommends visiting Bulgaria to establish meaningful relationships with local buyers, as Bulgarian stakeholders still value personal relationships and face-to-face meetings. While visiting Bulgaria, U.S. suppliers should bring product samples, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent. Post further recommends that the companies contact FAS Sofia for guidance when arranging a visit.

Bulgarian businesses are usually interested in several products instead of single product lines. As incomes grow, consumers tend to look for more variety and importers look for new products, including new-to-market products and new brands of certain products. Trial orders to test the market may be considered. Many importers specialize in certain product categories and often join together in consolidated shipments to lower associated risk and costs.

Sales and Marketing

Although sales and marketing strategies in Bulgaria are still evolving, it remains a price-sensitive market and discounts are common and often expected. U.S. food and beverage suppliers, particularly those in the higher-value categories, may seek to mitigate demands for discounts by focusing on market education, sales training, and brand development.

More Bulgarian consumers are willing to pay premium prices for foods and beverages perceived as 'healthful' or 'nutritious'. Bakery, confectionary, soups, oils and fats, and nutritional supplements are examples of product categories with successful marketing strategies based on health and nutrition.

Bulgarian Business Customs

Bulgarian business contacts tend to be direct and informal in their approach and do not observe the strict business protocols found in some markets. Although procurement and purchasing managers are

always searching for new products, they tend to be thorough in product evaluations. They like to see product samples and will often place small trial orders to test the market's response.
Some local customs are worth observing. Offering holiday greetings and giving small gifts during major holidays (Christmas, New Years, and Orthodox Easter) are common and appreciated. These holidays are also high sales periods and U.S. companies may consider introducing new products to coincide with these busy holiday seasons. One example is that many bakery product companies will purchase baking ingredients as early as February or March for Easter cake sales, depending on the Orthodox calendar.

Language Barrier

Speaking Bulgarian is not essential to doing business in the country, but U.S. companies are advised to verify the level of English fluency of their potential business partners. A high percentage of Bulgarians speak proficient English, especially those under 40, who have often taken English lessons. Translation and interpretation services are easy to find. Written materials, such as company information, product brochures, etc., will resonate better if translated into Bulgarian.

II. Import Food Standards, Regulations, and Import Procedures

Bulgarian food standards and regulations are harmonized with those of the EU. Phytosanitary and veterinary controls may be applied on traded plant and animal-origin products. Bulgarian food processors observe HACCP.

U.S. companies should observe product-labeling requirements vis-à-vis health or nutritional claims, which require approval by the Bulgarian Food Safety Agency and Ministry of Agriculture and Food. Supplementary labels (i.e. stickers) must also be translated into Bulgarian and should include the type of product, product name, name(s) of the manufacturer and importer, full list of ingredients, and shelf life. Bulgaria also introduced country-specific labeling requirements for certain products. For example, dairy-based product containing vegetable oil, not state it is a "dairy product" and must be labeled as "Imitation Product Containing Milk". Additionally, cheese containing vegetable oils cannot be classified as cheese, but should be labeled as "containing vegetable oil". For more information on labeling requirements, food regulations, and standards, including new requirements for organic food products, please see FAS Sofia's Food and Agricultural Import Regulations and Standards report or refer to FAS Sofia. Additional information can also be found on the FAS Europe's website, the European Food Safety Agency, and Bulgarian Food Safety Agency websites.

III. Market Sector Structure and Trends

Food Imports

In 1989, Bulgaria's leading trading partner was the Soviet Union, which accounted for 65 percent of exports and 53 percent of Bulgarian imports. Today, EU Member States are Bulgaria's primary trading partners States (over 75 percent), although there is significant balance of trade variations between Member States.

Bulgaria's top EU food and agricultural trading partners are Romania, Greece, Germany, Poland, Netherlands, and Italy. Agricultural trade with Romania and Greece account for one-third of Bulgaria's total agricultural trade within the EU. Main non-EU food and agricultural trading partners are Turkey, the Republic of North Macedonia, Serbia, and the United States.

Bulgaria's Agricultural Export and Import Statistics 2016-2018

International Transactions *Billion EURO*	2016	2017	2018
Exports (FOB)	4.13	4.17	4.31
Imports (CIF)	2.84	3.14	3.26
Commodity Circulation	6.97	7.31	7.57

Source: Ministry of Agriculture and Food – Agrarian Report 2019

Imports from the United States: According to Intrastat data from the Bulgarian NSI, U.S. food and agricultural imports topped $68.7 million in 2018, up almost six percent over 2017. Bilateral trade relations are friendly. Demand growth for U.S. food and agricultural products is stable.

Bulgaria's EU accession negatively affected U.S. fruit product imports, as EU horticultural products gained duty-free and facilitated access. EU FTAs with non-EU countries also threaten U.S. exports, as some products enter Bulgaria and other EU Member States with low tariffs or duty-free. EU trade barriers also effectively ban U.S. poultry meat (since 1997) due to U.S.-approved pathogen reduction treatments, despite the added hygiene and product safety.

Food Processing Sector

The food processing industry in Bulgaria has developed rapidly in recent years. U.S. food ingredient products compete with similar imports from other EU members and increasingly from growing local production. Related U.S. products and/or associated ingredients with good sales potential in Bulgaria's food processing sector include tree nuts, peanuts, dried fruits, beef, and seafood products. For more information about the Bulgarian food processing sector, please refer to FAS Sofia's latest Food Processing Ingredients report.

Food Retail Sector

Total 2018 number of grocery retail outlets in Bulgaria was 41,320, of which 3,294 are modern grocery outlets. According to Euromonitor, modern-retail sales in 2018 reached BGN 5.98 billion ($3.5 billion) and accounted for 54 percent of market share. The remaining 46 percent, almost BGN 5.08 billion ($2.97 billion), was captured by 38,026 traditional grocery outlets.

Bulgaria's grocery retail market grew by 2.6 percent in 2018, with key factors being increased consumer confidence, which is reaching EU-average levels, declining unemployment and growing incomes (minimum wage increased by 9.8 percent in early 2018) leading to increase in food consumption, as well as more foreign tourists (9.3 million, up 4.4 percent over 2017). For more information about the retail market, please see Post's Retail Market report.

Hotel, Restaurant, and Institutional Food Service (HRI) Sectors
HRI in Bulgaria is still maturing and does not have long professional traditions, especially in the high-value segment. These sectors have developed dynamically over the past several years with tourism and shopping malls being a main driver. In 2018, the foodservice industry continued the sales-growth rate due to improving consumer purchasing power and tourism. For more information about the Bulgarian HRI food sectors, please see Post's latest HRI report.

Organic Foods Sector
Organic agriculture in Bulgaria is developing rapidly due to EU subsidies, higher local purchasing power, and growing consumer demand. Due to Bulgaria's lower processing capacity, over 80 percent of organic agriculture is exported for value addition. Conversely, specialized retailers and supermarkets continue to depend on imported packaged organic foods and beverages.
Imported organic products account for over 60 percent of market share, most of which are sourced from Austria, Germany, Italy, Greece, and the Netherlands. Currently imported organic products have better marketing, availability, and variety for the local consumers. They are 'trusted' as genuinely organic. U.S. exporters of processed organic foods and food ingredients may benefit from the existing EU equivalency agreement. U.S. exporters can find detailed information about how to export organic foods to the EU here. More information about the organic food sector in Bulgaria can be found in FAS Sofia's Organic Market report.

IV. Agricultural and Food Imports

Best Consumer Oriented Product Prospects

Product	2018 Imports ($ millions)	Import Tariff Rate	Constraints over Market Development	Market Attractiveness for U.S.
Grape Wines	35.96	13.10 Euro/HL for still, and 32.00 Euro/HL for sparkling. Excise Tax = 0 VAT = 20 percent	Bulgarian wines still dominate the market. Imported wines account for about 10 percent of total wine volume.	While many Bulgarians prefer local wines, imports from Spain, Italy, France, North Macedonia, New Zealand, Germany, Chile, and the United States have increased. Local wine importers are more aware of U.S. wines. Information about the Bulgarian wine sector can be found here.
Tree Nuts (HS 0802) and Ground Nuts (HS	66.13	From 0 to 12.8 percent depending on type. Information	Greece, Ukraine, and Netherlands for tree nuts and China, Argentina, and Turkey	American tree nuts are dominant in the Bulgarian market. For more information, see FAS

2008 and HS 1202)		pertaining to nuts is available in the EU official Journal pages 94 through 100 and page 157.	for ground nuts are the main competitors to U.S. exporters in Bulgaria.	Sofia's Tree Nuts Annual report here. The Chinese and Indian nuts are considered to be lower quality.
Distilled Spirits (HS 2208)	101.85	See the TARIC database here. For details about excise tax rates for alcoholic beverages in the EU, see the website of the General Taxation and Customs Union Directorate here.	Scotch and Irish whiskies dominate Bulgarian market. U.S. whiskey market share is about 20 percent. Information on the EU tariff rates imposed on U.S. agricultural products (including distilled spirits) can be found here.	For more information see FAS Sofia's Distilled Spirits Market brief report here.
Food Preparations (HS 2106)	115.5	Varies by type. Detailed information on food preparations tariffs can be found in the official EU Journal in pages 173-174.	Strong competition from other exporters (mainly from the EU).	U.S. food preparations can successfully increase their market share through marketing campaigns, due to the high quality of the products.
Beef	65.14	For more information see USDA EU-28's Food and Agricultural Import Regulations and Standards Report (page 48).	Strong competition from Latin American and European producers/exporters; U.S. beef costs more than other imported beef; Limited purchasing power of the average Bulgarian consumer.	Awareness of U.S. beef in Bulgaria remains moderate. Positive perception about U.S. beef should be created by educating the main buyers (restaurants, hotels, and retailers) about its quality and diversified tastes.
Fish Products	118.06	EU seafood tariffs range from zero to 22 percent. More detailed information on seafood tariffs can be found in the official EU Journal in pages 47-69 and	Bulgarian is supplied with various types of fresh and frozen fish. Frozen fish is well accepted by the consumers. The consumption of other types of sea food is also increasing.	Growing demand for fish offers opportunities for U.S. exporters. U.S. products compete with fish and seafood from within the EU, Canada (FTA with EU), China, Norway, Indonesia, Argentina. See here for

		134-139.		more information.

Source: Trade Data Monitor; FAS Sofia researches

VI. Key Contacts and Further Information

American Institutions in Bulgaria
Office of Agricultural Affairs
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Bulgarian Central Authority Agencies
Ministry of Agriculture and Food
55 Hristo Botev Blvd., Sofia 1040, Bulgaria
Tel: (359) 2-985-11858; Fax: (359) 2-981-7955
Website: http://www.mzh.government.bg

Ministry of Health
5 Sveta Nedelya Sq., Sofia 1000, Bulgaria
Tel: (359) 2-981-0111
E-mail: press@mh.government.bg
Website: http://mh.government.bg

Bulgarian Food Safety Agency
15A Pencho Slaveikov Blvd., Sofia 1606, Bulgaria
Tel: (359) 2-915-98-20; Fax: (359) 2-954-9593
E-mail: bfsa@bfsa.bg
Website: http://www.babh.government.bg/en/

If you have questions or comments regarding this report, need assistance exporting to Bulgaria, a list of Bulgarian wholesalers and distributors, or are you looking for the Foreign Buyers Lists (FBL) of various consumer-oriented and seafood products, please contact the Office of Agricultural Affairs in Sofia, Bulgaria.

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Attachments:

No Attachments