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Report Name: Food Processing Ingredients

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Report Highlights:

The food processing industry in Bulgaria accounts for about 20 percent of the country's industrial output. Bulgaria produces dairy products, confectionery products, meat and meat products, bakery products, horticultural products, and fishery products. Over 6,300 food processors operate in Bulgaria, with nearly half located in the southcentral and southwestern regions. U.S. products and/or associated ingredients with good sales potential in Bulgaria include tree nuts, peanuts, dried fruit, pulses, beef, food preparations, and seafood products.

Market Fact Sheet: Bulgaria

Executive Summary

Since 2016, Bulgaria, GDP growth has been over three percent annually. Exports generate almost 49 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 2019, Bulgaria had a trade deficit in goods of about €1.72 billion (\$1.93 billion). Agriculture makes up four percent of Bulgaria's GDP.

<i>SWOT Analysis</i>	
<i>Strengths</i>	<i>Weaknesses</i>
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.
<i>Opportunities</i>	<i>Threats</i>
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](#). In 2019, consumer-oriented agricultural imports were \$2.3 billion, 5.8 percent increase over 2018. Eighty-two percent of these were sourced from within the EU.

Food Processing Industry

Bulgarian food processing is developing rapidly and generated about \$7.4 billion in 2019. Over 6,300 companies operate in Bulgaria and employ more than 100,000 people. Leading food processing sectors include dairy, bakery, sugar, chocolate and confectionery, sunflower oil, red

and poultry meat, eggs, soft drinks, horticultural processing, and wine production.

Food Retail Industry

Bulgarian food retail sales reached \$6.85 billion in 2019. Modern retail sales accounted for \$3.77 billion (55 percent) and \$3.08 billion in traditional channel. Total retail outlets were 41,306. Grocery retail grew in 2019 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 2019 Imports of Consumer-Oriented Products
(\$ billion) 2.3

CY 2019 List of Top 10 Growth Products in Host Country

- | | |
|---------------------------|--------------------------------|
| 1) Sunflower Seeds | 2) Meat of Swine |
| 3) Food Preparations | 4) Cocoa Preparations |
| 5) Bread, Pastry, Cakes | 6) Coffee, Not Roasted |
| 7) Cane or Beet Sugar | 8) Whiskies |
| 9) Nonalcoholic Beverages | 10) Tomatoes, Fresh or Chilled |

CY 2019 Food Industry by Channels (\$ billion)

Food Industry	7.4
Food Exports – Agricultural and Related Products Total (2019)	5.68
Food Imports – Agricultural and Related Products Total (2019)	4.51
Retail	6.85
Food Service	3.53

CY 2019 Top 10 Host Country Retailers

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

CY 2019 GDP/Population

Population (*millions*): 6.95
GDP (*\$ billion*): 68.83
GDP per capita (*\$*): 9,868

Data and Information Sources: Euromonitor, Trade Data Monitor based on Eurostat, Bulgarian National Bank, Bulgarian National Statistical Institute, Local sources

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COVID-19

The following report provides full-year 2019 data. Because data during the ongoing pandemic are still incomplete, Post seeks to provide updated information and developing trends.

On March 13, 2020, the Government of Bulgaria (GOB) declared a state of emergency, which significantly slowed the economy. Even during the state of emergency, most Bulgarian food processors continued to operate, albeit with less capacity due to workforce reductions and social distancing requirements. The rapid COVID-related decline in the food service market and correlating demand spike for retail products led many food processing companies to reorganize production and distribution away from restaurants and toward retail outlets. Consumer trends shifted in favor of staple foods and online purchases, leading to notable declines in high-end and impulse consumption. On May 14, 2020, the state of emergency was replaced by an official emergency epidemic situation. Nonetheless, the number of incoming foreign visitors during the summer tourism season dropped dramatically. After widespread hotel, restaurant, and institutional (HRI) closures from mid-March to mid-May, followed by a significant drop in tourism and incoming business travelers, HRI sales for products like beer, meat, spirits, wine, fish and seafood, coffee, beverages, and confectionery declined. At the same time, retail sales for products perceived by consumers as ‘healthful’ increased.

Export-oriented companies also saw lower sales, especially during the second quarter of 2020. According to Bulgarian National Statistical Institute (NSI) data, Bulgarian goods exports during the first and second quarters of 2020 dropped by 7.3 percent, while imports declined by 12.9 percent from the same period in 2019. This will also negatively affect the food processing industry. Post expects these trends remained throughout the second half of 2020 following the virus’ second wave after August, which hit Bulgaria even more severely than the first wave in the spring.

The European Commission (EC) forecast Bulgaria’s gross domestic product (GDP) to decline by 5.1 percent in 2020. The World Trade Organization (WTO) forecast a 9.2 percent decline in the total volume of global trade for 2020, followed by a 7.2 percent rise in 2021. The EC forecasts Bulgaria’s economy to rebound in 2021, with a GDP growth up to 2.6 percent. FAS Sofia expects that growth in Bulgaria’s food processing industry will contract between five and 10 percent and will need six to 12 months to recover, under updated labor, production, and distribution safety protocols.

SECTION I. MARKET SUMMARY

Bulgaria is growing economically and is a stable European Union (EU) member state. It is an important gateway into the wider EU market because of its geographical location and Black Sea port access, as well as its developing agriculture sector and infrastructure. EU membership significantly altered Bulgarian regulations and trade flows with other member states vis-à-vis food and agricultural products. Although pre-EU opportunities for U.S. exporters have all but disappeared (*e.g.* poultry), others have expanded. In general, Bulgarian imports of agricultural products and food from the United States will increasingly resemble U.S. exports to other EU markets and become progressively more consumer-oriented and high-value.

Although moderate economic growth is projected for 2021, relatively low consumer incomes continue to limit prospects for many high-value U.S. imports. U.S. food ingredient products compete with similar

imports from other EU members and increasingly from local production, which is growing due to foreign direct investment in the food-processing sector.

The GOB used the COVID-19 pandemic to push through a populist initiative requiring retailers to procure and market Bulgarian meat, dairy, eggs, honey, fish, and local horticulture under a local product marketing scheme. This new legislation also obligated retailers to sell dairy products made entirely from Bulgarian milk. Moreover, retailers must allocate at least 90 percent of dairy shelf space to Bulgarian dairy products within retail outlets. The local retail industry reacted strongly against the regulation by stating that the new regulation will distort established supply chains by eliminating certain brands and suppliers in favor of others. At the same time, retailers successfully implemented voluntary ‘buy local’ programs for local foods and produce. Given the EU’s trade barriers on U.S. dairy products, this regulation is not expected to harm the U.S. agricultural exports to Bulgaria in a long run.

The Food Processing Industry in Bulgaria

The food and beverage processing accounts for about 20 percent of total Bulgarian industrial production. More than 6,300 companies operate on the market, with nearly half of them located in the southcentral and southwestern regions. Major companies include Coca-Cola Hellenic Bottling Company, Amylum Bulgaria (owned by the U.S. Archer Daniels Midland), Oliva, Mondelez Bulgaria, Ficosota, Bella Bulgaria, Pilko, Chipita Bulgaria, Zagorka, and others.

Bulgaria’s leading agricultural trading partners are other EU markets, chiefly Germany, Poland, Romania, Greece, and the Netherlands. Bulgaria also exports significantly to non-EU neighbors Turkey and Serbia, as well as Ukraine and China. Over 85 percent of agricultural imports are sourced from other EU countries.

Key Market Drivers and Consumption Trends

Important sectors within Bulgaria’s food processing industry are dairy production and processing, chocolate and confectionary, bakery, meat and related products, edible oils, poultry and eggs, non-alcoholic beverages, flour, horticultural products, beer, distilled spirits, and wine.

Bulgaria’s organic market is valued at about one percent of the total food and beverage market (by value). This includes sales of organic packaged food, beverages, and sales of organic products via farmers markets (mainly fresh produce). Prospects for 2021 remain positive, despite the ongoing challenges around COVID-19. More competition among suppliers may make organic products less expensive and more accessible. For information about the Bulgarian organic products market, please refer to FAS Sofia’s [Organic Market Update](#).

Table 1: Advantages and Challenges for U.S. Food Processing Ingredients

Advantages	Challenges
Increase in consumption of food and edible fishery products is creating demand for more imports.	Strong competition from EU exporters that are able to provide commodities in smaller volumes, thus reducing pressure of high stocks on the buyers’ cash flow.
The Bulgarian retail market is expanding, offering more consumers access to modern retail options.	Lower purchasing power of the average Bulgarian and the size of the local market limit U.S. exports of higher-value products.

Growing food-processing industry is looking for new imported food ingredients.	EU regulation and tariffs give preferential access to products from EU countries. U.S. exporters face competition from tariff-free products from other EU countries.
Bulgarian consumers are generally confident in the U.S. food safety regulatory system and are not biased toward U.S. ingredient products.	EU non-tariff barriers can make exporting to Bulgaria complicated.
The U.S. reputation as a reliable supplier of food inputs in terms of availability, consistency, and quality. Marketing costs to increase consumer awareness are low.	Some Bulgarian food processors prefer to source ingredients from regional EU distributors over local importers, some of whom would like imported U.S. ingredients.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. companies seeking to export to Bulgaria are advised to research the market. USDA’s Foreign Agricultural Service (FAS) offers U.S. suppliers support with market entry. Please visit USDA’s Global Agricultural Information Network ([GAIN](#)) to view relevant FAS Attaché Reports. Also contact the [Office of Agricultural Affairs \(OAA\) in Sofia](#) with any specific questions. U.S. companies should also consider attending one of Europe’s many [USDA endorsed trade shows](#). Other regional trade shows, including [Inter Food and Drink](#), Bulgaria’s largest annual food and beverage trade show, are also options. Trade shows can serve as a springboard into the market and help companies to establish new trade contacts and gauge product interests.

U.S. exporters can also get market information from their respective U.S. State Regional Trade Groups (SRTG), commodity Cooperator Groups and State Departments of Agriculture. For more information, contact the SRTG responsible for your state [here](#).

Import Procedure and FAS Attaché Reports

FAS Attaché reports published by FAS Sofia for new-to-market exporters to Bulgaria are:

- The [Exporter Guide](#) which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors;
- The [Food and Agricultural Import Regulations and Standards \(FAIRS\)](#) reports provide an overview of import regulation standards and required health and origin certificates ([FAIRS Export Certificate Report](#));
- The [Retail Market Report](#) gives an overview of the Bulgarian food retail market;
- The [HRI](#) Report provides a market overview and key channels of distribution for U.S. food and beverage products destined for the hospitality and food service market;
- The [Organic Market Annual](#) report gives an overview of the organic food market in Bulgaria;
- The [Fish and Seafood Market Brief](#) provides information about Bulgaria’s fish and seafood market. It provides an overview of market opportunities and key information and statistics about production, imports, exports, and main EU regulations;

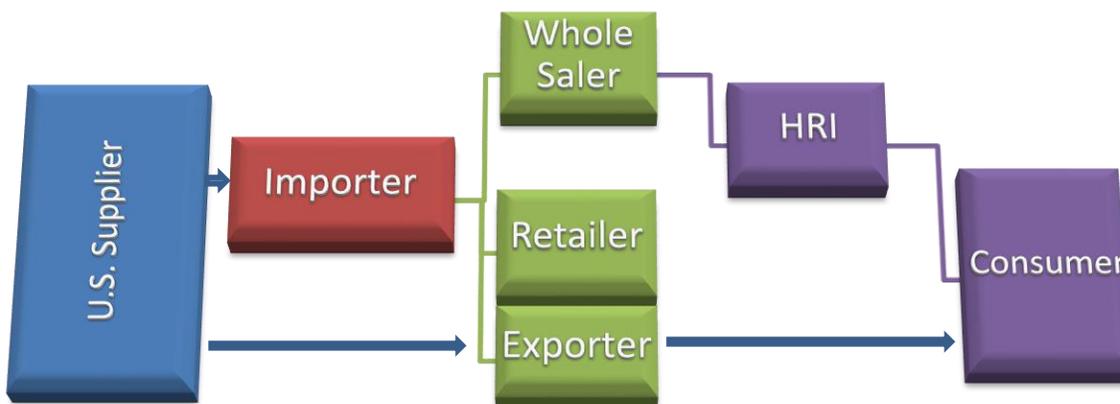
For information on the Bulgarian market, trade shows, and other marketing opportunities in Bulgaria, contact the [OAA in Sofia](#). See contact information at the end of this report.

Market Structure

The Bulgarian food processing ingredients market has various supply channels, depending on the product. Most small and medium-sized processors use local products, while bigger ones procure from both local producers and foreign suppliers. Retailers usually purchase directly from the processor or the buying organization. Many also work directly with foreign suppliers. The HRI sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.

U.S. food ingredient exporters usually enter the Bulgarian market through local specialized ingredients importers. These importers typically also promote the products to the end users. Many established U.S. products on the Bulgarian market have established reputations as high quality, but since some are positioned more for the higher-end segment, local and EU competition, particular for products costs, is very strong.

Chart 1: Supply Chain Chart



Consumer foodservice sales increased by almost five percent in 2019 and number of foodservice outlets grew to 40,281 (Source: Euromonitor). Food processors adapt to new trends and offer foodservice operators new products that meet consumer preferences. Most operators will adapt to the health and wellness trend and fast-changing consumer tastes by searching for innovations. Competition in foodservice is intensifying, with local and imported products competing for market share. Competition is likely to focus on the quality of products and services (regular daily supplies, variety in pack sizes, price promotions, and the renewal of portfolios). Foreign companies tend to concentrate on higher value-added products, such as dairy-based and ice cream desserts, soup, ready-made meals, and sauces, while domestic companies tend to compete effectively in dairy, bakery, processed meat, and oils and fats. For more information about other food-processing sectors in Bulgaria please contact the [OAA](#) in Sofia, Bulgaria.

Bulgaria's HRI sectors were severely hit by the COVID-19 pandemic. Nearly 44 percent of restaurants, bars, and entertainment outlets suspended operations and were forced to lay off staff following the state of emergency declaration from March 13 to May 13. After the state of emergency measures eased in latter half of May and June, over 70 percent of those businesses resumed operations with reduced

capacity. On November 27, the GOB introduced a second partial lockdown, which forced all restaurants, bars, and entertainment establishments to close, with the exception of food delivery. The HRI sectors reacted strongly against this measure and argued that a large percentage of them would likely be forced to close permanently.

Company Profiles (2019 data)

Note: Average 2019 Exchange rate \$1.00 = 1.74 Bulgarian leva (BGN). Source: Bulgarian National Bank

Milk Processing – in 2019, the top 25 companies in the sector registered value sales at about BGN 627 million (\$360 million), up nine percent over 2018. The top 25 companies maintain two-thirds of market share.

Table 2. Top Five Milk Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million \$
OMK AD	88.6	50.9
Tirbul EAD	80.8	46.4
Dimitar Madzharov-2 EOOD	51.1	29.4
Schreiber Foods (Danone)	40.8	23.4
BCC Handel (Elena)	33.9	19.5

Source: Regal Magazine based on official annual reports

Bread and Bakery – in 2019, the top 25 companies in the sector registered value sales at about BGN 746 million (\$429 million), up eight percent over 2018. Although domestic market sales dominate, this industry generated strong exports, accounting for about 45 percent of total sales. The general trend for the sector was upward with 21 out of the top 25 companies achieving turnover growth.

Table 3. Top Five Bread and Bakery Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million \$
Chipita Bulgaria	150.7	86.6
Nestle Bulgaria AD	109.4	62.9
Prestige 96 AD	67.7	38.9
Fikosota Food	56.6	32.5
Simid Sofia	53.8	30.9

Source: Regal Magazine based on official annual reports

Meat Processing – Bulgaria’s top 25 companies production in 2019 is valued at about BGN 961 million (\$553 million), down seven percent from 2018. The decline is a result of the [African swine fever](#) outbreak and lower poultry meat prices. Over 70 percent of production was salami products, followed by salted, dried, and smoked meat, and prepared food from meat. Exports accounted about 15 percent of the industry’s turnover, and mainly targeted ethnic consumers in foreign markets. The five largest companies hold nearly 40 percent of the market.

Table 4. Top Five Meat Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million \$
Mesokombinat Lovech (Boni Holding)	167.3	96.1
Pilko	109.7	63.0
Bella Bulgaria AD	104.8	60.2
Mesokombinat Ruse	67.9	39.0
KEN	59.2	34.0

Source: Regal Magazine based on official annual reports

Food Standards and Regulations

Bulgarian food safety and marketing standards and regulations are harmonized with the EU. Phytosanitary and sanitary control is applied to imported and exported goods with plant and animal origin. For each stage of the food chain from the plant and animal products to the final customer there are EU harmonized requirements for working conditions and hygiene. The local food industry has also introduced the HACCP system.

For more information on labeling requirements, food regulations, and standards, including new requirements for organic products, please see [OAA Sofia's FAIRS Report](#) or refer to the [OAA](#) in Sofia. Additional information can also be found on the [European Food Safety Agency](#) and [Bulgarian Food Safety Agency](#) websites. Also, check the [U.S. Mission to the EU](#) webpage.

SECTION III. COMPETITION

The main competitors for U.S. suppliers are EU producers like Germany, Poland, Romania, Greece, the Netherlands, Spain, and Italy. Top non-EU competitors are Turkey, Serbia, Ecuador, Argentina, North Macedonia, Ukraine, China, and New Zealand (see Table 5).

EU retaliatory tariffs imposed in June 2018, negatively affected U.S. agricultural exports to the EU, including Bulgaria. The newly imposed 25 percent tariffs on specific agricultural products that took effect in November 2020 will further reduce U.S. agricultural export competitiveness in Bulgaria. With ongoing challenges surrounding economic downturn due to the pandemic and further the EU retaliatory tariffs on U.S. agricultural products, Post will continue to monitor the situation and report on related new developments vis-à-vis U.S. agricultural exports to Bulgaria.

Table 5. Overall Competitive Situation for U.S. Products

Product	Major Suppliers	Market Summary
Dried fruits and nuts (including peanuts)	United States, Argentina, Nicaragua, Greece, Turkey, Vietnam, Brazil, China.	Lower prices from competitive countries. However, U.S. products dominate in almonds and pistachios due to quality.
Dry legumes (peas, lentils and beans)	Kyrgyzstan, Egypt, Ethiopia, Argentina, Turkey, Russia, Ukraine, Poland.	Bulgaria imports almost all dry legumes (beans, lentils, peas, and chickpeas). Competitors offer lower prices. U.S. advantages are better quality and variety.

Beef	Uruguay, Argentina, Poland, Italy, Netherlands, Spain, Romania, Germany.	U.S. beef is transshipped to Bulgaria via the Netherlands and other EU member states. U.S. beefsteaks are of higher quality but are less price competitive.
Fish and seafood	Greece, Denmark, Spain, Canada, Netherlands, Norway, Sweden, Germany.	EU suppliers (and Canada, after CETA) are price competitive and able to supply fresh fish and seafood varieties demanded by local consumers.
Sauces, salad dressings and seasonings	EU and United States	U.S. suppliers provide a variety of regional sauces. A major disadvantage are EU tariffs from November 2020 on some products.
Canned fruits and vegetables	Greece, Germany, Turkey, Spain, Italy, Hungary, Poland.	Price competitive. In November 2020 the EU imposed tariffs on some products.
Rice	China, Greece, Myanmar, Italy, Pakistan, India.	Myanmar, China, India, and Pakistan offer quality and low price products. Biotech testing is a constraint.
Fresh fruits (including grapefruits & exotic fruits)	Greece, Turkey, Ecuador, Netherlands, Germany, North Macedonia.	Preference is given to EU suppliers and neighboring countries due to special tariff rates.

Source: OAA Sofia and Trade Data Monitor (TDM) based on Eurostat

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Food Processing Ingredient Products with Strong Sales Potential in Bulgaria

- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, and peanuts. Demand for walnuts, pecan, and cashew is growing too.
- Beef Meat - U.S. prime beef is increasingly popular at high-end restaurants and is expanding its market presence.
- Fish and Seafood - Bulgaria is a net importer of fish and seafood, chiefly frozen (salmon, mackerel, pollock, catfish, squid, hake, and scallops) and also lobsters and other higher-end shellfish.
- Pulses (Dried Beans and Lentils) - Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Prospects are very good due to increasing product diversification on the market and developing of consumer taste towards higher-value pulses and new products.
- Food Preparations (HS 2106)

Food Ingredient Products Not Currently Present with Strong Sales Potential

- Ingredients for the natural and health foods industry;
- Dairy products (whey powder, milk powder);
- Cereal germ and grains;
- Starches; and
- Pectic substances.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, require listings of local importers and institutions or need assistance exporting to Bulgaria, please contact the U.S. Office of Agricultural Affairs in Sofia.

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Attachments:

No Attachments.