United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Voluntary Report – Voluntary - Public Distribution **Date:** January 21, 2022

Report Number: BU2022-0001

Report Name: Organic Market Annual

Country: Bulgaria

Post: Sofia

Report Category: Special Certification - Organic/Kosher/Halal

Prepared By: Mila Boshnakova-Petrova

Approved By: Alicia Hernandez

Report Highlights:

The Bulgarian organic market continued to grow in 2021 with an estimated annual growth of 2.5 percent to $39 million. The main driver behind the growth was the stronger consumer focus on a healthier lifestyle and increased popularity for organic products perceived as healthful, which led to higher retail sales. The better summer tourist season, open farmers' markets, and a more liberal regime for food service industry operations also supported the increase in sales. Demand growth is expected to continue in 2022 due to favorable consumer trends and improved prospects for the hotel and restaurant sectors. However, the accelerating food inflation is forecast to have a negative impact, shifting consumers' choice to conventional foods/beverages. The domestic organic sector shrunk in 2021 with a decline in land under organic production and the number of operators. Certification, compliance, the labor deficit, increasing production costs, and domestic support for organic farmers remained policy prioroties.

Disclaimer: Official data about Bulgaria's organic sector is scarce, delayed with more than a year, and not publicly available. Information in this report is based on a wide range of sources, including Eurostat, the Bulgarian Ministry of Agriculture (MinAg) 2021 Annual Agrarian Report (containing data for 2020), Post industry and trade sources, industry/research publications, Euromonitor, and specialized agricultural media. While every effort was made to use reliable sources, given the absence of official statistics, some data included in this report are based on trade estimates.

Organic Operators and Organic Land

Organic Operators: The number of organic operators (agricultural producers, processors, and traders) at the end of 2020 declined by 8.8 percent from the same period in 2019 (Table 1), marking a fifth consecutive year of continuous decline since 2016. The number of organic farms in 2020 was also down by 8.9 percent from 2019, and the share of organic farms among total Bulgarian farms declined slightly to 7.2 percent.

The number of processors of organic foods also decreased in 2020 by 12 percent compared to 2019. Conversely, the number of traders continued to grow for another year by 12 percent versus 2019 showing higher dynamics on the consumer market compared to local production/ processing (Table 1). This development was encouraged by favorable consumer demand for processed products. As a result, the number of traders in 2020 more than doubled compared to 2016 (Table 1).

Organic farmers face regulatory and certification challenges, increasing labor shortages, insufficient processing capacities, and burdensome domestic support administrative procedures- despite the consistent official policies to prioritize the organic industry. These factors have reduced the number of Bulgarian organic farmers since 2016 and make organic agriculture less appealing for new farmers. The MinAg admits that the local organic industry lags behind the larger organic market development (2021 Annual Agrarian Report).

Agricultural Land under Organic Production: Bulgaria's 2020 organic area dropped to 116,253 hectares (HA), 1.3-percent decline from 2019. Organic land in 2020 accounted for 2.30 percent of Bulgaria's total agricultural land, compared to 2.34 percent in 2019 and 2.56 percent in 2018 (Table 2). This downward trend began in 2016, in parallel with the lower number of organic farms. As of today, the size and the percentage of organic area to total agricultural land is lower than it was in 2015.

Since 2016, the amount of fully-converted organic land began to grow and in 2020 it reached a record 96,476 HA, about one percent more than in 2019. The share of fully-converted organic land in 2020 accounted for 83 percent of total organic farmland, up from 81 percent in 2019. During the same time period, the land under organic conversion declined and in 2020 it was only 19,776 HA, an 11-percent drop from 2019. As of 2020, the share of land under conversion accounted for 17 percent of total organic farmland, compared to 19 percent in 2019. This trend is likely to continue and the fully-converted organic area is expected to expand.

Bulgaria's arable organic area continued to decrease, but still accounted for over a half of total organic land (53 percent in 2020). The size of fallow land grew by 27 percent in 2020 over 2019 and its relative share increased from 2.1 percent in 2019 to 2.7 percent in 2020. Similarly, permanent grassland grew by 10 percent and its share was upward from 23.2 percent in 2019 to 25.9 percent in 2020.

Organic Crop Production

Domestic organic farming is considered still young and not well established, with a few market leaders and a number of small farmers with varying production practices. This often results in big fluctuations in yields, production and sometimes area on year-to-year basis. Climate conditions have the major role in determining production results. Organic production of field crops is better performing, in parallel with its conventional analogue, for a number of reasons including better agricultural equipment capacity and market outlets. Conversely, organic horticultural production faces additional challenges such as labor deficit, lack of irrigation, cold chain deficiencies, lower processing capacities and marketing difficulties (no marketing coops for small farmers).

<u>Cereals and Oilseeds</u>: Land under organic cereal grains has fluctuated at around 17,000 HA since 2017 but in 2020 it decreased by 13 percent from 2019. Main grain crops saw area reductions, wheat by 18 percent and corn by 38 percent, while barley area increased by 14 percent (Table 3). In parallel with the abovementioned organic area development and due to summer drought, the total organic grain production declined by 14 percent to 41,000 metric tons (MT) in 2020 compared to 2019 (Table 4). Organic wheat production was 17 percent lower but still accounted for the largest share in organic grains at 65 percent. Most organic grains are exported due to better profitability, although domestic demand, particularly by organic livestock producers, is growing.

The 2020 organic sunflower area was seven percent lower than in 2019, however, production grew by six percent over 2019 due to better yields, marking five straight years of year-on-year production growth. Organic sunflower is used mainly for food purposes as snacks or as of ingredient for the bakery/confectionary industries.

<u>Aromatic, medicinal and culinary plants</u>: Bulgaria is a leading European Union (EU) producer of aromatic and medicinal plants, as well as herbs and spices (conventional and organic). Organic area and production tend toward consistent increases due to favorable export and domestic demand, both for processing and for direct use in the food, cosmetics, and pharma industries.

The 2020 organic area for these crops increased by 1.7 percent over 2019. Higher yields resulted in 19.9 percent growth in production over 2019 (to over 18,000 MT). Lavender and essential oil roses are traditional crops, which account for the largest share in production. Processed products such as lavender and rose oils are destined mainly for exports. Both crops see a stable trend of conversion from conventional into organically certified production due to more promising sales opportunities and higher margins. Recent processing capacity growth for essential oils also contributed to this trend (Tables 3 and 4).

According to the MinAg latest data as of August 2021, lavender production increased sharply to 85,200 MT, or 39 percent more than in 2020 (61,157 MT). The growth is due to an increase in both area harvested and average yields. On the contrary, production of essential roses dropped by almost 40 percent to 8,875 MT compared to 2020 (14,587 MT) due to unfavorable climate conditions (rainy weather during harvest) and lower area harvested. Currently, there is no data about the share of organically certified part of this production.

In 2021, production of lavender and essential roses faced a number of challenges related to lower yields, weak ex-farm prices, increasing production costs, and labor deficit. Lower market prices, however, stimulated higher exports in volume which melted the old stocks.

The essential roses' production suffered the most with estimated 40 percent decline in the rose oil output. Farmers abandoned about five percent of their rose area due to weather losses but there were more abandoned rose plantings due to economic difficulties. Farmers report that their profitability in 2021 was negative (Inteliagro), and they had to rely on subsidies. The expectations are that 2022 will be a challenging year for rose farmers due to their weak financial situation, reduced care for the rose plantings, higher prices of fertilizers and energy, and labor deficit.

Although the lavender production increased in 2021, dry fall and wet spring resulted in deteriorated quality of the crop with lower oil content. Poor yields, low ex-farm prices, and growing production cost are discouraging lavender farmers. Despite the higher crop, deteriorated quality is likely to lead to reduced lavender oil output. Farmers abandoned about three percent of the lavender area due to weather losses. Export demand, however, has been excellent and absorbed almost all old stocks of lavender oil.

As of October 2021, essential oils distillers in the country were 79 with an estimated capacity of 3000 m^3. About half of all distilleries are registered under the EU regulation/standard REACH.

Horticulture Crops: Bulgaria's organic horticultural area declined in 2020 from 2019. The fresh vegetable area declined by 20 percent and the organic orchard crop area declined by seven percent (Table 3). Vegetable production was hit hard by the drought and declined sharply by 34 percent. Orchard crop production was more resilient and increased by 23 percent due to improved yields (Table 4). The growth was due to more production of pome fruits and berries while stone fruits and nuts output dropped.

Organic Animal Production

In 2020, organic livestock production expanded, although this industry continued to lag behind organic crops (Table 5, 2020 is Bulgarian MinAg data). The number of 2020 organic cattle, goats, and beehives grew by 10 percent, four percent, and one percent, respectively, over 2019. Currently, there is no public data about 2020 production of animal products. Reportedly, production of milk, cream, and honey has increased. This development is largely driven by stronger domestic demand for organic dairy products. Post expects that this trend will continue.

Policy, Certification and Control

Policy: In 2019, MinAg published its National Action Plan for Development of Organic Production for 2020-2027 (Attaché Report). The plan contains a SWOT analysis of domestic organic production, sets up three strategic goals for the organic development by 2027, and lists subsidies and promotional programs to assist local producers to export. MinAg emphasizes that the organics industry is a national priority. Despite these efforts, it will be challenging for Bulgaria to achieve 25 percent share of organic land out of total agricultural land by 2030--from the current two percent--as is prescribed under the EU's

Farm to Fork and Biodiversity Strategies. Local organics industry associations are calling for a 15-percent share of organic land in Bulgaria by 2030, which they view as a more realistic target.

The MinAg amended Bulgaria's primary legislation on organic production, labeling, and regulation several times in recent years: in September 2018, in April 2019, and in April 2020 (Decree#5, Official Gazette #33, April 7, 2020). These changes have increased regulatory controls, oversight of certifying bodies, more transparency, and sanctions for non-compliance.

In January 2020, Bulgaria approved the Rose Act which introduced registries for essential oil rose producers and processors, as well which rose varieties can be used to produce permitted essential oil. The Act aimed to provide more transparency and accurate data about the rose oil industry. The latest available data as of March 2021 shows 2,894 rose farms cultivating 4,500 HA with Rosa Damascena and Rosa Alba; 51 rose processors with 48 processing units. In 2021, the country processed 95 percent of its 2020 rose crop.

According to the MinAg 2021 Annual Agrarian Report, the Paying Agency continued to provide domestic support to organic farmers, with $147 million in subsidies for organic farmers in 2020. About 75 percent of these funds came from the EU and 25 percent were provided by the national budget.

Certification and Control: In 2021, 12 EC-recognized certification bodies (as of October 27, 2021) conducted organic certification in Bulgaria. In February 2021, the MinAg published an ordinance setting up the oversight procedures for control over certifying bodies (here).
The list of official laboratories for organic verification per Regulation (EU) 2017/625 can be found on MinAg's website. As of January 2021, this list includes 12 laboratories.

The MinAg maintains an up-to-date registry of all organic operators and their sub-contractors based on Article 28, §5 of Regulation (EU) 834/2007. The latest version is dated June 2021, and can be found here. The database contains information about organic producers, processors, traders, and handlers, as well as approved certifiers. As of January 2022, the database contains 4,916 operators.

In September 2021, MinAg published a registry of organic seed and planting material producers and traders. As of January 2022, the registry lists only four organic planting seeds suppliers compared to 10 a year ago.

Organic Market Size and Trends

In 2021, consumer demand for organic products increased, as the COVID pandemic spurred more interest in products perceived as more healthy. Industry reported better customer loyalty, interest to new products, and growing value of purchases. Better summer tourist season and open farmer markets, as well as a more liberal working regime of the food service outlets contributed to growing sales compared to 2020. Public awareness about organic products has improved.

The accelerating food inflation, along with skyrocketing energy prices in the last quarter of 2021, however, are moderating the expectations for 2022, especially for more price-sensitive consumers. Although the consumer interest may stay elevated, it is expected that lower disposable income will likely shift food and beverage purchases from organically certified to “free from XYZ”, “functional”, “naturally healthy”, and/or conventional alternatives.

In 2021, the value of the Bulgarian organic market is estimated at about $39 million, 2.5 percent higher than in 2020. While sales of packaged organic foods and beverages are estimated higher in 2021 to $29 million, e-commerce, sales at farmer markets, and other non-store based sales are estimated at about $10 million due to COVID-related market closures. Organic foods and beverages accounted for about one percent of the total food and beverage market in both 2020 and 2021.

Despite growing demand, organic products are still more expensive than other non-organic categories with health-related claims (e.g. “free from XYZ”, “functional”, “naturally healthy”, etc.). Although no market studies about 2020/2021 are available yet, industry reports indicate that the growth of organic foods and beverages sales is lower than that of “naturally healthy” and functional foods.

In 2021, modern grocery retailing accounted for 70 percent of store-based retail sales of organic food and beverages. Within this channel, supermarkets had a leading share with 30 percent, followed by hypermarkets with 27.6 percent. Traditional grocery retailers’ share was 24 percent, with the largest role of independent grocers. Electronic trade has been growing over the last two years and its share in 2021 is estimated at about four percent of organic sales, however, industry data shows higher share of this channel in total sales.

All retail chains have increased and diversified their inventories of packaged organic foods and beverages in their specific “bio” sections for organic products. The number of smaller, independent organic retailers (e.g. Balev Biomarket, Zoya BG, Zelen Bio) have also increased and are attracting more price-sensitive consumers. The number of small specialty retailers selling organic, “naturally healthy”, “free from” also expanded.

Organic packaged food: 2021 organic packaged food sales grew slightly over 2020 and were valued at $22 million. Industry estimates are that 2022 organic packaged food sales will increase by three percent over 2021 and by another two percent in 2023 over 2022. Longer-term projections call for 2025 sales to increase by 9.7 percent over 2021.

With small exceptions estimated at about one percent, organic packaged products are sold through store-based retailers. Modern retailing share in 2021 was 72 percent versus 27 percent for traditional retailers. Leading organic product categories included baby food, snacks, dairy products, and spreads. Price still remained a determining factor for purchases and encouraged discounts for many organic products.

The top-five Bulgarian organic processed food suppliers (local producers and importers) accounted for 45.0 percent of total sales. Smaller local companies accounted for about 55 percent of total market share. Main local stakeholders include Bio Bulgaria, Gimel, Smart Organic, Healthy Bars, Bulmed 2000 EOOD, Elit-Pro Ltd., Bioset, Ivtoni Shopov Eood, Smart Capital EOOD, Bioset OOD, Bio Organic, Vitanea, and Konservinvest. Bulgarian companies dominated among the organic dairy products, horticulture, nuts, and bakery product categories.

Organic beverages: 2021 organic beverages store-based retail sales grew faster than the packaged foods by 5.2 percent over 2020 and were valued at about $7.2 million. Sales are forecast to grow by 2.5 percent in 2022 over 2021. Store-based sales of organic beverages accounted for 90 percent of all such sales, the other 10 percent were sold via online sales. Organic hot drinks and soft drinks had a stronger market presence in 2021. Organic fresh coffee was a leader, followed by locally made organic juices and concentrates, which benefitted from the expansion of organic agriculture in the country. Leading companies in this segment were SofStock, Balkam Group, Bianchi Cafe, Fortuna Kom, Delifood, BioBulgaria, and Harmonica for the organic concentrates.

Trade in Organic Products

Bulgarian exports of organic roses, lavender, and essential oils are usually destined for other EU and U.S. markets. Total exports of essential oils (conventional and organic) (HS#3301/Oils; essential, concentrates, waxes, solutions) in 2020 reached 2,393 MT ($97 million). For the period January-October 2021, exports in volume increased by 18 percent and in value by six percent due to 10 percent lower export prices. The main destinations in 2020 (in volume) were France (28 percent share), China (20 percent), and the United States (17 percent share). In value, however, the United States was the main export market accounting for 53 percent of total exports, followed by France with 17 percent. Exports of essential oils only (HS#330129) in 2020 were reported at $86 million, with a growth of seven percent as of October 2021 compared to the corresponding period in 2020, to traditional markets the United States, France, and Germany.

Imported organic, high-value consumer products dominated with estimated over 60 percent market share. Imported organic products are trusted for being genuinely organic. Increasing number of multinational brands have launched organic versions of their products. U.S. exporters can find detailed information about how to export organic foods to Bulgaria here.

Appendix: Bulgarian Organic Industry Statistical Indicators

Table 1. Organic Farming and Food Processing Indicators

Organic Farming and Food Processing Indicators (in numbers), 2016-2020					
	2016	**2017**	**2018**	**2019**	**2020**
Total producer operators	7,262	6,822	6,660	6,405	5,844*
-Agricultural Producers	6,964	6,471	6,213	5,942	5,417*
-Processors	175	181	234	249	220*
-Other (traders)	98	130	171	185	207*
Food processors	253	202	222	241	NA
-Fruit and vegetable processors	54	74	85	76	NA
-Dairy processors	29	12	24	26	NA
-Grain/ milling processors	23	5	5	3	NA
-Bakery processors	20	10	9	8	NA
-Vegetable Oils and Fats	31	23	30	47	NA
-Other food processors	95	58	59	78	NA
Beverage processors	21	15	12	8	NA

Wine makers	17	11	12	8	NA
Source: Eurostat *Note: The data is based on Bulgarian MinAg statistics and 2021 Annual Agrarian Report. It shows data at the end of 2020.					

Table 2. Agricultural Land under Organic Production

Agricultural Land under Organic Production, Indicators, 2016-2020					
	2016	**2017**	**2018**	**2019**	**2020**
Total fully converted and under conversion to organic farming agricultural land, HA	160,620	136,618	128,839	117,779	116,253
-In percentage to total utilized agricultural land	3.20	2.72	2.56	2.34	2.30
Fully converted to organic farming, HA	36,137	48,453	84,150	95,555	96,476
Under conversion to organic farming, HA	124,484	88,164	44,689	22,225	19,776
-Total fully converted and under conversion to organic farming land arable land, HA	88,711	66,211	65,648	63,938	61,250
-Fallow land, HA	8,075	7,782	4,918	2,510	3,192
-Permanent grassland, HA	38,736	39,921	33,713	27,339	30,154
Source: Eurostat					

Table 3. Agricultural Land under Organic Crops

Agricultural Land under Organic Crops, 2016-2020, HA					
	2016	**2017**	**2018**	**2019**	**2020**
Cereals	30,933	16,602	17,675	17,845	15,550
-Wheat	16,677	11,945	12,218	12,518	10,250
-Barley	4,474	1,279	1,678	1,682	1,919
-Corn	2,289	1,402	1,362	1,818	1,124
Sunflower Seeds	9,106	4,528	7,518	9,496	8,798
Aromatic, medicinal, and culinary plants	18,089	16,859	14,729	16,560	16,841
Fresh vegetables (including melons and strawberries)	3,664	2,883	3,258	2,648	2,108
Permanent crops for human consumption	33,108	30,485	29,458	26,502	24,766
-Fruits, berries, and nuts	27,717	26,386	25,414	22,873	20,977
-Pome fruits	900	757	881	895	812
-Stone fruits	6,757	5,935	7,541	6,206	6,164
-Nuts	18,484	17,985	15,520	14,135	12,744
-Grapes	5,390	4,092	3,990	3,611	3,747
Source: Eurostat					

Table 4. Production of Organic Crops, MT

Production of Organic Crops, 2016-2020, MT					
	2016	**2017**	**2018**	**2019**	**2020**
Cereals	5,943	16,152	36,904	48,219	41,385
-Wheat	3,264	11,135	25,188	32,576	26,913
-Barley	457	877	1,840	3,986	4,693
-Corn	955	1,818	6,676	6,712	3,866
Sunflower Seeds	1,558	3,816	10,610	14,281	15,128
Aromatic, medicinal, and culinary plants	6,628	9,321	14,799	16,488	18,116
Fresh vegetables (including melons and strawberries)	13,800	6,986	20,189	21,773	14,331
Permanent crops for human consumption	21,738	17,373	32,054	34,506	42,383
-Fruits, berries, and nuts	14,048	12,127	19,819	21,941	24,724
-Pome fruits	2,621	3,067	6,028	3,254	6,082
-Stone fruits	7,745	4,658	8,730	14,028	13,912
-Nuts	1,430	1,140	1,798	2,198	1,972
-Grapes	7,690	5,245	12,209	12,565	17,657
Source: Eurostat					

Table 5. Organic Livestock and Products

Organic Livestock and Products, 2016-2020					
	2016	**2017**	**2018**	**2019**	**2020**
Organically raised animals					
Live bovine animals, head	9,718	10,400	9,314	9,402	10,343*
- Dairy cows, head	2,906	2,955	2,405	3,033	NA
Live sheep, head	26,809	25,959	21,072	22,780	19,090*
Live goats, head	8,242	9,023	8,039	7,956	8,296*
Live poultry, number	3,926	3,122	2,176	2,260	NA
Bee (hives), number	236,462	250,434	227,721	220,765	223,151*
Organic animal products					
Meat of livestock, MT	373	212	969	187	NA
Cow milk, MT	6,973	6,430	2,646	8,071	NA
Ewes' milk, MT	768	766	1,031	1,679	NA
Goats' milk, MT	898	1,336	1,603	1,321	NA
Cheese, MT	156	203	244	247	145*
Yogurt, MT	240	83	271	323	NA
Drinking milk, MT	253	845	547	87	NA
Honey, MT	1,941	3,760	3,204	3,128	2,294*
Source: Eurostat *Note: The data is based on Bulgarian MinAg statistics and 2021 Annual Agrarian Report. It shows data at the end of 2020.					

Attachments:

No Attachments.