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Report Name: Retail Foods Bulgaria

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Post: Sofia

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Report Highlights:

Consistent growth in Bulgaria's food and beverage retail market is driven by increased consumer confidence, declining unemployment, and growing incomes. The total number of retail outlets in Bulgaria in 2019 was 41,306. Modern retail food and beverage sales in 2019 grew by nearly five percent over 2018, and accounted for 55 percent of total food retail in value terms. U.S. exports with strong sales potential in Bulgaria's food and beverage retail sector are distilled spirits, tree nuts, dried fruits, wine, snacks and cereals, beef meat, fish and seafood, sauces, spices, and pulses.

Market Fact Sheet: Bulgaria

Executive Summary

Since 2016, annual Bulgarian GDP growth has been over three percent. 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.

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, a 9.3 percent increase over 2017. Eighty-three percent were sourced from within the EU.

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. Food and beverage retail grew in 2019 on improved consumer confidence and a better labor market.

The largest retailer, Kaufland, accounted for 29 percent of sales among the top 10 largest food retailers. Food and beverage e-commerce is still Developing, but many consumers still are skeptical.

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

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, Bulgarian National Bank, Bulgarian National Statistical Institute, Local sources.

Contact: AgSofia@usda.gov

I. Market Summary

Bulgaria's total number of retail outlets in 2019 was 41,306, of which 3,301 are modern grocery outlets (see Table 1). According to Euromonitor, 2019 modern retail sales reached BGN 6.55 billion ($3.77 billion) and accounted for 55 percent of total food retail market share. The remaining 45 percent, almost BGN 5.34 billion ($3.08 billion), was held by 38,005 traditional grocery outlets throughout the country. Modern retail growth in 2019 was mostly driven by increased consumer confidence, aggressive marketing campaigns, low unemployment, and growing incomes (e.g. the national minimum wage increased by 9.8 percent in early 2019).

Post expects modern retail growth to continue at a more moderate pace over the next few years. However, Bulgaria's declining population, emigration, and the decline in the working-age population could hamper future growth.

Table 1. Grocery Retailers Outlets by Channel: Units 2017-2019

Outlet	2017	2018	2019
Modern Grocery Retailers	3,332	3,215	3,301
Traditional Grocery Retailers	38,233	38,096	38,005
Total Grocery Retailers	**41,565**	**41,311**	**41,306**

Table 2. Sales in Grocery Retailers by Channel: Value 2017-2019

BGN million	2017	2018	2019
Modern Grocery Retailers	5,786.0	6,180.6	6,549.5
Traditional Grocery Retailers	4,992.0	5,145.4	5,339.5
Total Grocery Retailers	**10,778.0**	**11,326.2**	**11,889.0**

Table 3. Grocery Retailers Forecasts: Value Sales and Outlets 2020-2022

	2020	2021	2022
Value sales BGN million	12,386.8	12,863.6	13,365.1
Outlets	41,286	41,313	41,326

Source: Euromonitor International

Table 4. Top Five Grocery Retailers, Outlets, and Revenues

Retailer	Owner	Nationality	Opened	Outlets (2019)	Revenue BGN '000 (2018)
Kaufland Bulgaria	Schwarz Group	Germany	2003	60	1,547,393
Lidl Bulgaria	Schwarz Group	Germany	2010	99	934,834
Metro Cash & Carry Bulgaria	Metro	Germany	1999	11	833,885
Billa Bulgaria	REWE Group	Germany	1999	130	760,267
Fantastico	Family owned	Bulgaria	1991	42	533,057

Source: Retailers' websites and public financial reports

Table 5. Advantages and Challenges

Advantages	**Challenges**
Increasing demand for high-value/high-quality products creates opportunities for more imports.	U.S. products are subjected to tariffs, versus products from within the EU and countries with EU free trade agreements (FTA).
Growing food processing industry is looking for new imported food ingredients. Migration of people from rural to urban areas continues at a rapid pace.	Still moderate consumer awareness of U.S. products. Bulgarian domestic producers are receiving EU funding to upgrade production efficiency and product quality. They increase agricultural production, reducing demand for imports in the country.
Bulgarian market is accessible by sea and has efficient domestic distribution network. Marketing and advertising costs are relatively low.	Exchange rate fluctuations and the strong dollar disadvantage U.S. shippers. (Bulgarian lev has a fixed exchange rate against the Euro (€1 = BGN 1.95583)
Consumption habits are changing towards high-quality food and drinks. Consumers become more receptive to new and imported products.	Bulgaria is still price sensitive. Competition among specialty products from the EU is strong. U.S. products are viewed by many Bulgarian consumers as too expensive.

II. Road Map for Market Entry

Entry Strategy:
Bulgarian convenience stores, supermarkets, and hypermarkets generally purchase from local importers, wholesalers, and producers. Most of international retailers source products through their corporate supply channels in other European countries. There has been a recent shift toward direct imports to avoid higher cost associated with purchasing from other importers or middleman. The best method to reach Bulgarian retail buyers and prospective importers is to contact them directly via e-mail or to reach out to the FAS Sofia for additional assistance and guidance. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Metro, Lidl, Billa, Fantastico, and CBA.

Post recommends visiting Bulgaria to establish meaningful relationships with local buyers. While visiting, it is advisable to bring product samples to show potential buyers, as many importers and retailers rely heavily on subjective factors when deciding on representing new products. Post further recommends contacting FAS Sofia for guidance when arranging a trade visit to Bulgaria.

Sales and Marketing:
Although sales and marketing techniques in Bulgaria are still evolving, it remains a price-sensitive market and discounts are commonly used and expected. U.S. food and beverage suppliers, particularly those in the higher-value categories, may seek to mitigate discount demands by focusing on market education, sales training, and brand development.

More Bulgarian consumers are willing to pay price premiums for products perceived as 'healthful' or 'nutritious'. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are some examples of product categories for which marketing strategies based on nutritional and health messages have proven to be highly successful.

Language Barrier:
Speaking Bulgarian is not essential in order to do business in the country, but U.S. companies are advised to verify the level of English fluency of their potential business partners. Many Bulgarians are comfortable speaking good English, especially those under 40. Translation services are also easy to find and written materials such as company information, product brochures, etc. will resonate much more if translated into Bulgarian.

Food Standards and Regulations:
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 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 European Food Safety Agency and the Bulgarian Food Safety Agency websites. Also, please check the U.S. Mission to the EU's webpage which will guide you on exporting into the EU.

Trade Shows:
U.S. companies, interested in entering the Bulgarian market, may consider attending or visiting one of Europe's USDA endorsed trade shows or the largest Bulgarian food and beverage trade show Inter Food and Drink, which is held every November in the capital of Bulgaria Sofia.

State Regional Trade Groups (SRTG):
SRTGs are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state here.

III. Competition

In 2019, over 80 percent of consumer-oriented product imports originated from other EU member states, which are the main competitors for U.S. agricultural exports. Bulgaria's EU accession in 2007 negatively affected U.S. fruit imports, as EU-origin horticultural products gained duty-free and facilitated access. The EU's FTAs with non-EU countries also threaten U.S. exports, as some products enter Bulgaria with lower tariffs or duty-free. The EU also effectively bans U.S. poultry meat (since 1997) due to its probation of U.S.-approved pathogen reduction treatments, which provide added hygiene and product safety.

The Bulgaria's retail sector is led by Kaufland, with 29 percent of the total sales among the top 10 largest food retailers. Eight years ago, the German discounter surpassed its main competitor then, Metro Cash and Carry, and took the lead position. In 2013, for the first time, the chain passed the revenue limit of 1 billion leva and kept this trend (BGN 1.55 billion in 2018). See Table 4 above for more information about top five grocery retailers, number of their outlets, and revenues. The only local player among the lead retailers is Fantastiko, which currently operates 42 outlets with only two outlets situated outside of the capital city Sofia.

Having saturated Sofia and other urban markets, most retail chains began to open smaller convenient-type outlets downtown or in highly populated residential areas. Until a few years ago, these locations belonged to independent groceries while modern retailers grew in the outskirts. However, many Bulgarian consumers still prefer to shop in smaller volume. These stores are generally open longer and are limited to more staple products. Unlike in other foreign markets, prices between convenience stores and hypermarkets are not substantially different because the market is highly fragmented. Some small independent stores struggle to compete with chains, which has led some small-business owners to rebrand and becoming franchisees. Smaller outlets, especially in small towns, enjoy the advantage of having loyal customers and try to cater their individual needs.

There is an emerging wave of small, specialized fruit and vegetable stores, as well as similar outlets for dairy and meat products. These stores try to focus on convenience, organic, fresh, and local food. Bulgaria's retail industry benefits from this tendency, as these stores contribute toward building a more well-developed market and more consumer interest in product diversity.

Hypermarkets and discounters are expected to keep growing over the next few years. Kaufland is expected to assert itself as a market leader, while Lidl and Billa are expected to increase market shares by opening new outlets and by becoming increasingly cost competitive. The market share of private labels is expected to increase moderately as well. Convenience stores are expected to be another growing channel for grocery retailers. The expansion of retailers to smaller towns and convenience format outlets will take more market share from the independent groceries and thus will further strengthen retailers' negotiation power. Traditional retail is expected to underperform compared to modern trade as large retailers tend to move towards densely populated town centers by opening convenient stores and smaller supermarkets. The only exception will be small specialized stores for fruits, vegetables, and dairy and meat products, which stake on convenience and fresh produce.

IV. Best Product Prospects

Products in the market with best sales potential

- Distilled Spirits: stable market with a large assortment of brands.
- Nuts/Tree Nuts and Dried Fruits: strong demand for almonds, pistachio, and peanuts. Demand for cashew, pecan, and walnuts is growing too.
- Wine: the market enjoys steady growth along with increased diversity and quality. The high-end imported wine segment showed the most dynamic and strong market presence.
- Snacks/Cereals: U.S. companies face stiff competition from EU producers. Popcorn comprises the bulk of U.S. snack food imports. Local consumers perceive U.S. products as being of high quality and competitive prices. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are the most popular.
- Beef Meat: U.S. prime beef is increasingly popular at high-end restaurants and is expanding its market presence due to the growth of the food-service sector.
- Fish and Seafood: Bulgaria is a net importer of fish and seafood, chiefly frozen fish (hake, mackerel, salmon, squid, pollock) and also lobsters and other higher-end shellfish.
- Pulses: 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.

Products in the market that have good sales potential - fruit juices and soft drinks (including flavored spring waters; fresh fruits including grapefruits and exotic fruits; ethnic products; soups; ready-to-eat meals; ethnic/regional sides or meals; salad dressings; tomato sauces; spices; specialty beer; chocolate; frozen desserts (such as cakes and ice creams).

Products not present in significant quantities, which have good sales potential - ingredients for the natural and healthy foods industry; dairy products (ice cream, whey, milk powder).

Products not present because they face significant boundaries - food additives not approved by the European Commission; red meat & meat products with hormones; most poultry & eggs; biotech derived products.

V. Key Contacts and Further Information

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Website: http://www.mzh.government.bg

Ministry of Health
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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 Foreign Agricultural Service in Sofia, Bulgaria.

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Attachments:

No Attachments.