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Prepared By: Alexander Todorov

Approved By: Levin Flake

Report Highlights:

Bulgaria's grocery retail sector has remained stable and vital despite the COVID-19 pandemic, the galloping inflation, and the war in Ukraine. Grocery retail sales rose year-on-year by 2.8 percent in 2021 and 4.8 percent in 2022 as compared to the previous years. Nevertheless, in 2022 the number of retail outlets in Bulgaria slightly declined by 0.9 percent to 38,628. Modern retail sales, which make up 63 percent of the industry in value terms, remain dominant, and grocery e-commerce continues to grow progressively. U.S. exports of consumer-oriented products to Bulgaria grew by 33 percent. U.S. food exports with best sales potential include distilled spirits, tree nuts, dried fruits, wine, craft beer, snacks and cereals, beef meat, fish and seafood, sauces, spices, and pulses.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Market Fact Sheet: Bulgaria

Executive Summary

Bulgaria's GDP growth has been around 3% on average since 2018. In 2020 it dropped by 4% in the wake of COVID-19 and in 2021 it grew by 7.7% compared to 2020. In 2022 Bulgaria's GDP grew by 3.9% compared to 2021. Exports (FOB) account for 55% of Bulgaria's GDP and are a pillar of the economy. EU Member States are Bulgaria's primary trading partners, although occasionally there are disparities in the balances of trade. In 2022, due to the extraordinary circumstances, Ukraine was the largest agricultural exporter to Bulgaria. In 2022, Bulgaria ran a €7.67 ($8.06) billion trade deficit in goods (Exports FOB – Imports CIF). Agriculture makes up 4.4% of Bulgaria's GDP.

Imports of Consumer-Oriented Products

U.S. goods exported to Bulgaria must meet EU sanitary and phytosanitary requirements. For more specific information, see FAS Sofia's Food and Agricultural Import Regulations and Standards report. In 2022, consumer-oriented food imports were $3.6 billion, a 9.7% increase compared to 2021. U.S. exports of consumer-oriented products to Bulgaria grew by 33%.

Food Processing Industry

Bulgarian food processing enjoys steady development. 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 grocery retail sales reached BGN 13 billion ($7.09 billion) in 2022. Modern retail sales accounted for BGN 8.18 billion ($4.46 billion) or 63% and BGN 4.82 billion ($2.63 billion) in traditional channel. Total grocery outlets were 38,628. The largest retailer, Kaufland, accounted for 17% of grocery retail sales. Grocery e-commerce expanded significantly due to COVID-19 and the upward trend continued in 2022- but it has further development potential. Urban consumers are increasingly demanding higher quality products and those perceived as healthy.

SWOT Analysis

Strengths	***Weaknesses***
Bulgaria is accessible by sea and has an efficient distribution network. Growing food processing industry is looking for new imported ingredients. Marketing costs are low.	Some U.S. exports are disadvantaged because of EU non-tariff barriers and import duties.
Opportunities	***Threats***
U.S. high-value products could enjoy increasing demand due to growing incomes, a fast developing food retail network, and 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.

Quick Facts CY 2022

Imports of Consumer-Oriented Products

($3.6 billion)

List of Top 10 Growth Products Imported in Host Country

1) Sunflower Seeds	2) Oils
3) Food Preparations	4) Cane or Beet Sugar
5) Bread, Pastry, Cakes	6) Cocoa Preparations
7) Meat of Swine	8) Waters
9) Whiskeys	10) Coffee, not Roasted

Food Industry by Channels ($ billion) 2022

Food Exports – Agricultural and Related Products (2022)	10.4
Food Imports – Agricultural and Related Products (2022)	8.48
Retail	7.09
Food Service	3.12

GDP/Population

Population *(millions)*: 6.45
GDP *($ billion)*: 91.5
GDP per capita *($)*: 13,304

Bulgarian National Bank Exchange Rate: $1=BGN 1.834

Sources: Euromonitor, Eurostat, Bulgarian National Bank, Bulgarian National Statistical Institute, Local sources.

Contact: AgSofia@usda.gov

I. Market Summary

The Bulgarian National Bank's 2022 average exchange rate of $1.00 =BGN 1.834 was used in this report.

The Bulgarian retail industry has been resilient despite a number of factors including COVID-19, rapidly rising inflation, and the war in Ukraine. According to Euromonitor, grocery retail sales rose year-on-year by 2.8 percent in 2021 and 4.8 percent in 2022 as compared to the previous years. In 2022, the revenues of all the largest grocery retail chains in Bulgaria increased by as much as 27 percent compared to 2021 (see Table 4). The top five grocery retail chains generated nearly 55 percent of the total grocery retail channel sales. In 2022, inflation grew rapidly by an average of 15.3 percent over 2021. The most significant increase of up to 26 percent was in food and beverages, which contributed to the higher retail revenues.

FAS Sofia expects that in the next few years the food retail industry will continue to adapt to changes in demand and will slightly expand its presence in the market, particularly in the modern trade segment.

The total number of grocery retail outlets in Bulgaria in 2022 decreased by less than one percent to 38,628, caused by some traditional[1]grocery outlets going out of business. Meanwhile, the number of modern retail chains slightly increased to 3,406 (see Table 1). According to Euromonitor, 2022 modern retail sales reached BGN 8.18 billion ($4.5 billion) and accounted for 63 percent of market share. The remaining 37 percent, or BGN 4.82 billion ($2.6 billion), was held by 35,222 traditional grocery outlets throughout the country (see Table 2).

Retail grocery e-commerce continued to grow in 2022. During the pandemic in 2020 and 2021, which was one of the main channel growth drivers, most of the big food retailers launched their own online platforms or used the services of independent online operators to respond to growing demand. In 2022, when all restrictions were lifted, many consumers preferred to continue shopping online due to the convenience provided by the well-developed network. FAS Sofia forecasts that the category will sustain the upward trend in the coming years with a steady growth of 15-20 percent annually.

Table 1. Grocery Retailers Outlets by Channel: Units 2020-2022

Outlet	2020	2021	2022
Modern Grocery Retailers	3,329	3,369	3,406
Traditional Grocery Retailers	37,684	35,607	35,222
Total Grocery Retailers	**41,013**	**38,976**	**38,628**

Table 2. Sales in Grocery Retailers by Channel: Value 2020-2022

BGN million	2020	2021	2022
Modern Grocery Retailers	7,001.4	7,625.0	8,181.9
Traditional Grocery Retailers	5,063.8	4,780.4	4,823.3

[1] Modern retailing is characterized by large stores, centralized buying, and sophisticated supply chain management. Traditional retail refers to the conventional method of retailing where small shops or stores are operated independently by individual owners.

BGN million	2020	2021	2022
Total Grocery Retailers	**12,065.2**	**12,405.4**	**13,005.2**

Table 3. Grocery Retailers Forecasts: Value Sales and Outlets 2023-2025

	2023	2024	2025
Value sales BGN million	13,895.9	14,507.7	15,065.6
Outlets	38,582	38,522	38,434

Source: Euromonitor International

Table 4. Top Five Grocery Retailers, Outlets, and Revenues in 2022

Retailer	Owner	Nationality	Opened	Outlets (2023)	Revenue BGN '000 (2021)	Revenue BGN '000 (2022)	Percent Change 2021/2022
Kaufland Bulgaria	Schwarz Group	Germany	2003	65	1,897,587	2,219,874	16.98
Lidl Bulgaria	Schwarz Group	Germany	2010	121	1,568,917	1,999,049	27.42
Metro Cash & Carry Bulgaria	Metro	Germany	1999	11	846,108	1,037,535	22.62
Billa Bulgaria	REWE Group	Germany	1999	155	838,637	1,012,745	20.76
Fantastico	Family owned	Bulgaria	1991	45	704,428	827,212	17.43

Source: Retailers' websites, public financial reports, and media publications

The revenues of the top five retailers increased significantly in 2022, with Kaufland remaining the leader with 17 percent growth to BGN 2.22 billion ($1.2 billion), followed by Lidl with 27 percent growth to nearly BGN 2 billion ($1.09 billion). Kaufland was the first retailer in Bulgaria with a revenue of more than BGN 2 billion. The main factors that contributed to the growth of Bulgaria's modern trade (and especially discount chains) were the decreasing disposable incomes of consumers because of rapidly growing inflation caused them to search for better deals, as well as the large assortment and convenience presented in their outlets. The post-pandemic tourist flow and foodservice industry rebound helped Metro Cash and Carry, the only wholesale chain in the country (which caters to the HRI sector), to increase its revenue by nearly 23 percent. In 2023, Billa kept expanding by opening 12 outlets and renovating 12 existing stores. Fantastico, the only local chain in the top five, with 41 out of 45 outlets located in the capital Sofia, reported a 17 percent revenue increase to BGN 827.2 million ($448.8 million).

Modern retail is expected to maintain its moderate growth trajectory over the next several years with a slight increase in the number of outlets. Traditional retail, on the other hand, is forecast to keep declining in sales and in number of stores. However, issues such as declining population, emigration, and a shrinking working-age population could hamper future long-term growth. Conversely, according to analysts' forecasts, increasing wages, expected slight economic growth, decreasing unemployment, full revival of the tourism sector, and rising demand for high-quality and healthier food are expected to support sustained growth of about four percent annually in the next few years.

Table 5. Advantages and Challenges

Advantages	Challenges
Increasing demand for high value/high-quality products creates opportunities for more imports.	U.S. products are subject to tariffs, versus products from within the EU and countries with EU free trade agreements (FTAs).
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 and healthier 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. Some 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 the international retail chains source products through their corporate supply channels in other European countries. There has been a recent shift toward direct imports to avoid higher costs associated with purchasing from importers or middlemen, but this remains limited. The best method to reach Bulgarian retail buyers and prospective importers is to reach out to FAS Sofia for assistance and guidance. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Lidl, Metro, Billa, and Fantastico (see Table 4).

A visit to Bulgaria is strongly recommended to establish meaningful relationships with Bulgarian buyers. While visiting Bulgaria, it is advisable to bring product samples to show to potential buyers, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent. FAS Sofia recommends that companies contact FAS Sofia in advance 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. U.S. suppliers are strongly advised to consider providing marketing support to importers for new-to-market products.

More Bulgarian consumers are willing to pay price premiums for products perceived as "healthy" or "nutritious". Nuts and dry fruits, fish and seafood, bakery products, confectionary products, 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 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 Bulgarian residents speak English well, especially those under 40 in urban areas. Translation services are relatively easy to find and written materials such as company information, sale sheets, 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 the 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 Bulgarian Food Safety Agency websites. Also, please check the U.S. Mission to the European Union 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 (IFD), which is held every November in the capital of Bulgaria, Sofia. FAS Sofia exhibited at the last six editions of IFD by highlighting and promoting existing and new-to-market U.S. products. FAS Sofia strongly encourages U.S. suppliers to consider participation in 2024 exhibitions, either in person or by providing samples.

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 2022, about 82 percent of the imports of consumer-oriented products to Bulgaria originated from other EU member states, which are the main competitors for U.S. agricultural exports. Bulgaria's EU accession in 2007 negatively affected imports of U.S. fruit products, 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 duty-free or with lower tariffs. The EU also effectively bans U.S. poultry meat (since 1997) due to its prohibition of U.S.-approved pathogen reduction treatments, which provide added hygiene and product safety.

Unlike other foreign markets, prices between convenience stores and hypermarkets do not differ substantially because the market is highly fragmented. However, some convenience stores are not able to withstand the pressure from modern chains, as their assortment is limited to more staple products. Instead of going out of business, these players prefer to rebrand by becoming part of a more well-known franchise. Smaller outlets, especially in small towns where the bigger retail chains are not present, 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, usually selling produce of small and mid-size local producers. These stores try to focus on convenience and organic, fresh, and local food. They are mainly located in the central parts of the bigger cities where bigger chains are not available and there is a concentration of more health-conscious consumers with higher purchasing power. The Bulgarian retail industry benefits from this tendency, as these stores indicate a well-developed market, and more choices to consumers through new business models.

Hypermarkets and discount chains are expected to keep growing over the next few years. The major companies are expected to increase their market shares by opening new outlets and becoming increasingly cost competitive. The market share of private labels is also expected to develop moderately. The expansion of retailers into smaller towns and convenience format outlets will continue to 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.

IV. Best Product Prospects

Products in the market with best sales potential

- Distilled Spirits – stable, saturated, and growing market with a large assortment of brands.
- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, peanuts, pecan, walnuts, and cranberries.
- Wine – highly saturated market enjoying steady growth along with increased diversity and quality. Mid-range and high-end imported wine segments, where U.S. wines are positioned, keep developing

in a very competitive environment.

- Snacks/Cereals/Confectionery – Big multinational companies dominate the market. U.S. companies face stiff competition from EU producers. Popcorn and some confectionery products (mainly ones containing peanut butter) comprise the bulk of U.S. snack food imports and are the most popular. Local consumers perceive U.S. snack products as being of high-quality and competitive prices.
- Beef - U.S. prime beef is becoming more popular at high-end restaurants and is expected to moderately expand its market presence.
- Fish and Seafood - Bulgaria is a net importer of fish and seafood, chiefly frozen fish (mackerel, salmon, hake, herring, cod, trout, squid, pollock, tuna), shrimps, lobsters, and other higher-end shellfish. Existing FTAs with other non-EU countries are a strong obstacle for U.S. fish and seafood products.
- Pulses (Dried Beans, Peas, and Lentils)/Rice - 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 consumer taste towards higher-value and healthier protein sources such as pulses and rice.
- Sauces, soft drinks (including flavored spring waters, carbonated, and energy drinks), and specialty (craft) beers – developing culinary culture, growing meat consumption, and inflowing modern trends create stable demand for these products.

Products in the market that have good sales potential - fruit juices; fresh fruits, including grapefruits and exotic fruits; ready-to-eat meals; ethnic/regional sides or meals; salad dressings; spices; 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 (whey, milk powder).

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

V. Key Contacts and Further Information

American Institutions in Bulgaria
Foreign Agricultural Service (FAS Sofia)
16 Kozyak Str., Sofia 1408, Bulgaria
Tel: (359) 2-939-5774; (359) 2-939-5720
E-mail: agsofia@usda.gov

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: presscenter@mh.government.bg
Website: https://www.mh.government.bg/en/

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: https://bfsa.egov.bg/

If you have questions or comments regarding this report, need assistance exporting to Bulgaria, a list of Bulgarian wholesalers and distributors, or you are 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.