United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural
Information Network

Voluntary Report – Voluntary - Public Distribution

Date: March 13,2020

Report Number: BU2020-0010

Report Name: Wine Market Annual Report

Country: Bulgaria

Post: Sofia

Report Category: Wine

Prepared By: Mila Boshnakova-Petrova

Approved By: Jonn Slette

Report Highlights:

Post forecasts Bulgaria's 2019 grape crop will remain unchanged at 195,000 metric tons (MT), most of which will produce about 120 million liters of wine. The Bulgarian wine sector continues to evolve, driven by investments, increasing consumer incomes, and Bulgaria's developing food-service industry. Wine sales (by value) increased by five percent in 2018 and consumer trends reveal a growing preference for higher-quality wines. Although January-October 2019 official data indicate wine imports decreased by two percent by volume, total 2019 imports are expected to be stable or slightly higher following an uptick in imports during the last quarter of the year. Poland, Sweden, and the United Kingdom were the top export markets for Bulgarian wine (by value) in 2018 and in 2019 (October).

Production

2019 FAS Sofia Estimates:

FAS Sofia estimates that Bulgaria's 2019 grape harvest will reach 195,000 MT, of which about 182,000 MT will be processed into 120 million liters of wine (Table 5). Weather conditions were generally favorable throughout the year. The winter was mild with no reported winterkill. Spring 2019 conditions were favorable with frequent rains from May to July. Higher summer 2019 temperatures and drought in July and August negatively affected the yields. Fall harvest conditions (September and October) were ideal.

Post estimates 2019 wine production at about 120 million liters, a one to two-percent decline from 2018 due to the reduced grape crop (Table 5). Post expects commercial production will grow by four percent over 2018's record low levels, when several large wineries closed and/or experienced temporary production setbacks. Homemade wine production is expected to decline from 2018.

Vineyard Area

The vineyard area in 2018 declined by one percent to 50,727 HA, of which only 62 percent was harvested (down from 66 percent in 2017). Bulgaria's southwest region achieved the highest percentage of area harvested at 80 percent, followed by the southeast at 70 percent. The most abundant grape production areas continued to be the southeastern and southcentral regions, at 44 and 31 percent, respectively.

Immature, non-yielding vineyards accounted for five percent of total area. According to official data, 1,421 HA of new vineyard area were planted in 2018. Wineries continued to expand and replace old rootstock. Rootstock age remained a challenge. In February 2018, MinAg approved a new National Viticulture Program 2019-2023 which budgeted €134 million of EU funds for "restructuring and converting" vineyards including replacement of rootstock. See Post report Wine Annual Report.

Investments in white grape varieties have increased over the last three years. In 2018, white varieties accounted for 36 percent of area harvested, up from 35 percent in 2017, and 32 percent in 2016 (Table 1). Although red varieties continue to dominate with 58 percent of area harvested in 2018, their share has decreased from 59 percent in 2017 and 63 percent in 2016.

Table 1: Industry Development 2016 - 2018

Vine Industry Development 2016- 2018			
	2018	**2017**	**2016**
Total Vineyard Area on Farms, HA	*50,727*	*51,272*	*50,892*
Protected Designation Origin (PDO), HA	16,676	15,952	15,900

Protected Geographic Indication (PGI), HA	21,636	21,159	21,115
Other (without PGI/PDO), HA	22,935	23,472	23,403
Total Area Harvested Vineyards, HA, including:	31,320	34,111	36,551
Table Grape Vineyards, HA	1,938	2,126	2,009
Wine Grape Vineyards, HA	29,382	31,985	34,542
White Varieties, HA	11,327	11,826	11,631
Red Varieties, HA	18,055	20,159	22,911
Grape Production, Total, MT	*195,470*	*201,529*	*211,083*
Wine grapes, MT	182,569	187,290	199,547
Purchased for commercial wine making	151,938	165,818	173,503
Used for home winemaking	27,029	24,327	26,765
PDO grapes, MT	1,150	1,170	1,510
PGI grapes, MT	78,210	56,770	54,470
Other (without PGI/PDO), MT	103,210	129,350	143,570
Table Grapes, MT	11,828 (12,900 per Eurostat)	14,297 (15,150 per Eurostat)	10,066 (11,540 per Eurostat)
From Standing Vines, MT	1,073	1,101	1,470

Source: MinAg Statistical Bulletin #359/April 2019, and Eurostat

Grape Yields, Production and Use

Average grape yields increased by 5.8 percent in 2018 to 6.24 MT/HA over 2017 due to more favorable weather and better input application. The 2018 area harvested declined by 8.2 percent from 2017, and grape production decreased by 3.1 percent as a result (Table 1).

Table 2: Grape Production and Utilization, 2016 – 2018

	2016		2017		2018	
	MT	Percent	MT	Percent	MT	Percent
Total grapes	211,083	100	201,529	100	195,470	100
Grapes for wine manufacturing	203,242	96.3	191,657	95.1	183,209	93.7
Grapes for direct consumption	7,841	3.7	9,872	4.9	12,261	6.3
Grapes processed at commercial wineries*	173,503	85.4	165,818	86.5	151,938	82.9
Grapes processed for homemade wine*	26,765	13.2	24,327	12.7	27,029	14.8
Other products*	2,974	1.4	1,512	0.8	4.242	2.3
*as a share of grapes for wine manufacturing						

Source: MinAg Statistical Bulletins, #359/April 2019

In 2018, about 93 percent of total grapes were used for wine, however, most commercial wineries reduced grape purchases by 8.4-percent by volume (Table 2). This resulted in a 3.6-percent decline in commercial wine production in 2018 (104 million liters) from 2017 (Table 3). Conversely, homemade wine production grew. Grapes stocks for homemade wine accounted for 13.8 percent of total grapes in 2018 versus 12.7 in 2017 (Table 2). Homemade wine output increased by 14.4 percent to about 13 million liters (Table 3). Thus, total wine output (commercial and homemade) declined by 4.5 percent versus 2017.

PGI focused wineries increased production by 12.5 percent due to better export opportunities. Production of PDO wines and non-labeling scheme wines declined by 23 percent and 11 percent, respectively (Table 3). Still, the largest share of wine production was for non-labeling scheme wines, which accounted for 60 percent of production in 2018. As of early 2020, Bulgaria's wine industry consists of 282 wine makers (268 in 2018).

Table 3: Bulgarian Wine Production, 2015-2018, thousand liters

	2015 (000)	2016 (000)	2017 (000)	2018 (000)	Percent Change 2018/2017
PDO Production	1,686	951	741	574	-23%
PGI Production	50,372	36,098	37,522	41,211	+12.5%
Other Non-labeling Scheme Wines	78,957	83,729	69,726	62,280	-10.7%
Commercial Total	**131,015**	**120,778**	**107,989**	**104,065**	-3.6%
Grapes Must	5,666	3,721	7,707	4,339	-45.7%
Homemade	20,075	12,619	11,319	12,954	+14.4%
Total	**151,090**	**133,397**	**127,015**	**121,358**	-4.5%

Source: MinAg Statistical Bulletins, #359/April 2019

Consumption and Market Trends

Higher incomes, urbanization, tourism, growing consumer demand, and preferences for beverages with lower levels of alcohol, especially among younger consumers and women, supported growth in wine consumption and sales in 2018/2019. For three consecutive years, wine sales growth by value has surpassed wine sales growth by volume.

Wine sales are performing more successfully than the other alcoholic beverages in Bulgaria. 2018 wine sales (volume) grew for a sixth consecutive year and accounted for 17.6 percent of the total alcoholic beverage sales, up from 17.4 percent in 2017, and 17.2 percent in 2016. In value terms, wine performed even stronger and accounted for 31.2 percent of total alcohol sales, up from 30.8 percent in 2017, and 30.5 percent in 2016. According to the Bulgarian wine industry, wine sale growth during the five-year 2013-2018 was 14.2 percent (by volume) and 19.9 percent (by value), significantly higher than spirits and beer.

2018 wine sales by volume increased by 2.33 percent over 2017, reaching 131.9 million liters (source: Euromonitor). Similar levels of growth will likely persist through 2023 when wine sales are forecast to reach 149 million liters (Table 4). 2018 wine sales by value grew by 5.2 percent over 2017, indicating an increasing preference for higher quality wines. The forecast for wine sales is to reach €660 million by 2023 preserving the annual growth of over two percent for 2020 and 2021.

Retail wine sales accounted for 82 percent of total sales in 2018, the same as in 2016 and 2017 (by volume) versus 18 percent in food service outlets. However, value sales registered an increased share to 60.2 percent, from 59.5 percent in 2016 to 60.0 percent in 2017. For the first time, retail sales growth by volume was 2.2 percent lower from on-trade sales, which was of three percent. Correspondingly, 2018 retail sales growth by value was 5.3 percent versus 4.8 percent in on-trade, exceeding the increase in volume sales.

Table 4: Market Development

Wine Market Development 2013-2018						
Wine Sales	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Wine Sales in Liters	115,500	111,100	122,100	125,400	128,900	131,900
Wine Sales € Million	487	473	515	530	555	583

Source: Euromonitor

Current Market Trends:

- Economic stability and higher disposable income drive the demand for quality wines. Increased preferences for value-for-money table wines sustained volume growth in 2018.
- Wine fairs, cultural/art events, spa and wine tourism, etc. are exposing new consumers to wine. The Vinaria and DiVino trade fairs are attracting international participants.
- In 2018/19 more wines were promoted and sold online. E-commerce is an increasingly important distribution channel, particularly for smaller and boutique wineries. Online sales are also more and more important for select imported wines.
- Retailers allocate more prime shelve space for wine, mainly mass-market brands and private label wines. Metro Cash & Carry is an industry leader in terms of its wine inventory, as well as marketing and promotional campaigns.
- Food service focuses more on featuring value-for-money, affordable wines. Economy table wines were in strong demand in 2018. Smaller-sized 375 ml bottles were the best performing, mainly because many women prefer single-serve bottles.
- In 2018, white wine sales recorded the fastest growth by volume of five percent to reach 52 million liters. Market share of white wine increased from 33 percent in 2017 to 39 percent in 2018. Mild winters and warm summers in 2018 and 2019 also spurred higher white wines consumption. Sauvignon Blanc had the best performance.
- The Bulgarian wine industry is increasingly oriented toward the local market instead of exporting. Bulgarians are expanding their palates by participating in tastings and workshops, as well as becoming more interested in local varietals. In 2018, local boutique wineries like New Bloom Winery, Zlaten Rozhen, Starosel, Villa Yustina successfully established their brands in the food service industry and partly in retail. Dynamic growth among smaller and up-market wineries will likely make the wine market more fragmented and competitive.

Imported wines comprised 10 percent of market share in 2018 (Table 5). Imported wines are often at mid to higher price points and appeal to higher-income and younger, urban consumers. The average price of imported wines in 2018 was $2.73/liter, 12.3- percent higher than in 2017. American wines are perceived as high-quality, although they are also perceived as unaffordable by many consumers. The average price of one liter of U.S. wines in Bulgaria in 2018 was $11.8, compared to $4.1 per liter of Italian wine, and $1.34 per liter of Spanish wine. The average price of one liter of imported European (EU) wine in 2018 was $3.00. Nonetheless, evolving consumer preferences also presents market opportunities for U.S. wines.

Table 5: Wine Supply and Demand, 2014-2019, thousand liters

Wine Sector Development, 2014-2019F						
	2014 (000 liters)	**2015 (000 liters)**	**2016 (000 liters)**	**2017 (000 liters)**	**2018 E (000 liters)**	**2019 F (000 liters)**
Wine production, total	79,503	151,090	133,397	127,015	121,358	120,000
- Commercial wine	74,695	131,015	120,778	107,989	104,065	108,000
- Home-made wine	4,808	20,075	12,619	11,319	12,954	12,000
Imports	*4,947*	*8,917*	*7,311*	*8,727*	*8,560*	*8,600*
-Intra EU	4,131	7,930	6,124	7,768	6,045	6,300
-Extra EU	816	987	1,187	959	2,515	2,300
Total supply	**84,450**	**160,007**	**140,708**	**135,742**	**129,918**	**128,600**
Exports	*43,305*	*38,264*	*31,411*	*31,395*	*26,532*	*24,900*
-Intra EU	29,351	32,752	25,690	25,531	23,357	21,900
-Extra EU	13,954	5,512	5,721	5,864	3,175	3,000
Local Market/Apparent Consumption and Stocks	41,145	121,743	109,297	104,347*	103,386*	103,700*
Notes: *According to official and industry sources, local wine consumption in 2016-2018 varied between 125,000 MT and 131,000 MT which indicates consumption of old stocks in addition to apparent consumption (Table 4). Data about stocks is not typically published. ** Export and import data is based on Trade Data Monitor (TDM)/Eurostat.						

Source: MinAg, TDM data, Euromonitor International; 2018 E and 2019 F – Estimates and Forecast by FAS/Sofia

Wine Trade

Table 6: Wine Trade, 2015 – 2018

HS#2204 Wine	2016	2017	2018	2018 (January-October)	2019 (January-October)	Difference in Percentage
	Wine Imports					
In 000 Liters	7,311	8,727	8,560	7,361	7,197	-2.8%
In USD Million	17.5	21.2	23.3	19.2	18.4	-4.2%
	Wine Exports					
In 000 Liters	31,411	31,395	26,532	21,964	20,120	-8.4%
In USD Million	36.6	40.1	37.0	30.5	30.5	No change

Source: TDM/Eurostat

Exports
Bulgaria is a net wine exporter, although exports have declined in absolute and relative terms. In 2018, exports declined by 15 percent by volume and by eight percent in value from 2017 due to an 8.6-percent increase in average export prices, from $1.28/liter in 2017 to $1.39/liter. 2018 prices to Poland, Sweden, and Russia exceeded 2017 by 18 percent, 19 percent, and one percent, respectively.

Although Poland remains Bulgaria's main wine export market, in 2018, wine exports (in volume) to Poland decreased by 14 percent from 2017. Still, Poland accounted for 36 percent of exports by value and 55 percent of exports by volume. 2018 exports to Sweden grew by 18 percent in volume and 20 percent in value. 2018 exports to the United Kingdom also achieved 36 percent growth in volume and 90 percent growth in value over 2017. The Czech Republic became Bulgaria's fourth largest market, surpassing Russia, in 2018 with 1.49 million liters and $2.2 million. 2018 exports to Russia have declined by 57 percent in volume and by 49 percent in value from 2017 (Table 7).

Table 7: Bulgarian Wine Exports to Russia Development 2013-2018

Bulgarian Wine Exports to Russia Development 2013-2018						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Relative share of Bulgarian wine exports to Russia by value	26.9%	31.1%	17.0%	11.1%	10.4%	5.8%
Relative share of Bulgarian wine exports to Russia by volume	26.7	30.0	14.6	10.7	10.3	5.2

Source: TDM

During January-October 2019, wine exports continued to trend downward by 8.4-percent by volume and were stagnant by value due to a 9.3 percent higher average export price (Table 6). Exports to Sweden, the Czech Republic, and Russia increased while exports to Poland and the United Kingdom decreased. Exports to China increased significantly during this period, by 34 percent in volume and by 84 percent in value (Tables 10 and 11).

Imports

Imports have grown steadily since 2009. In 2018, imports (by volume) had a slight drop of two percent while imports by value grew by 10 percent. The average import price continued to increase, reaching $2.73/liter, up from $2.43/liter in 2017. Demand for quality drove imports of more expensive wines.

Italian, Spanish, and French wines imports in 2018 led by volume. Italian exports to Bulgaria declined by 57 percent, followed by a 38-percent decline for the Spanish wines. Still, these two counties accounted for 32 percent of total imports. Conversely, French wines recorded growth of 32 percent.

In value terms, French and Italian wines accounted for 49 percent of imports. Imports of French wines held the largest share in total imports at 28 percent, followed by Italy at 21 percent, and Germany at 9.5 percent. New Zealand wines registered 40 percent growth, the highest compared to other origins. French wines also enjoyed 17 percent growth in 2018 over 2017. New Zealand and Spain are now Bulgaria's fourth and fifth-largest suppliers of wine, respectively.

Direct 2018 U.S. wine exports declined by over 50 percent in volume (3,566 liters) and in value ($42,000). FAS Sofia research shows that some U.S. wines directly enter Bulgaria, but are also transshipped through Belgium, Italy, and Germany. Total U.S. wines exports to Bulgaria in 2018, direct and indirect exports, are estimated at about 6,000 liters and $84,000. During January-October 2019, total U.S. wine exports wine declined by two percent in volume and over four percent in value from the same period in 2018 (Table 8 and 9). Average import price moderated by less than a percent to $2.56/liter. Spain, Italy, France, Germany and New Zealand continued to be the top suppliers.

Agricultural and Trade Policy

The National Viticulture Program 2014-2018 under the EU's 2014-2018 Common Agricultural Policy, budgeted at €154 million (€31 million/year), concluded successfully in 2018. The new National Viticulture program 2019-2023 was approved in February 2018 with a budget of €134 million or €26.8 million/year. In October 2018, MinAg approved the main implementing regulation under the viticulture program. See the 2019 Wine Annual Report.

The Wine and Distilled Spirits Law was enforced from January 1, 2019. It transposed current EU regulations for the wine industry in the national law. The new law is likely to benefit production of PDO and PGI wines by introducing clear standards of wine classification and quality.

In 2019, MinAg modified its implementing regulations for co-financing local wine export promotions in non-EU markets under the National Viticulture Program 2019-2023. The amount of subsidized support for export promotion was increased from 50 percent (with EU funds) through national co-financing to total 80 percent. The annual budget for promotions for 2020 was increased to 6.3 million leva (€3.2 million) from 4.7 million leva (€2.4 million) in 2019. In 2019, MinAg and the Ministry of Tourism developed 12 wine routes featuring 120 landmarks, 80 specialty local foods, and traditional wines.

Table 8. Bulgaria, Imports of Wine, 2017-2019, in liters

Partner	Unit	01/2017 - 12/2017	01/2018 - 12/2018	01/2018 - 10/2018	01/2019 - 10/2019
_World	L	8,727,021	8,560,627	7,361,206	7,197,452
EU 28	L	7,768,623	6,045,840	4,971,604	5,327,023
Italy	L	2,759,810	1,195,042	867,449	1,627,349
Spain	L	2,557,935	1,581,622	1,343,374	1,411,935
France	L	892,613	1,178,908	958,724	938,350
Germany	L	781,324	734,789	597,214	638,187
New Zealand	L	393,492	543,682	517,064	540,121
Chile	L	251,815	232,307	176,908	234,065
Romania	L	219,237	763,848	722729	349,690
Czech Republic	L	209,734	169,664	146,051	73,963
Hungary	L	117,873	10,472	10,472	2,455
North Macedonia	L	93,986	1,557,044	1,540,185	860,688
South Africa	L	88,967	13,400	13,400	32,448
United Kingdom	L	56,507	49,159	35,629	97,077
Greece	L	53,273	78,335	70,128	62,215
Argentina	L	51,386	55,181	43,026	56,450
Netherlands	L	40,987	25,000	19,497	17,516
Portugal	L	30,941	31,576	30,670	33,091

Source: TDM

Table 9. Bulgaria, Imports of Wine, 2017-2019, in USD

Partner	Unit	01/2017 - 12/2017	01/2018 - 12/2018	01/2018 - 10/2018	01/2019 - 10/2019
World	**USD**	**21,199,932**	**23,334,690**	**19,245,363**	**18,406,811**
EU 28	USD	17,341,686	18,150,208	14,546,259	14,299,649
France	USD	5,626,142	6,595,217	5,369,711	5,403,159
Italy	USD	5,435,540	4,838,448	3,654,059	4,372,708
Germany	USD	2,317,392	2,229,106	1,841,374	1,584,144
New Zealand	USD	1,982,551	2,783,380	2,615,067	2,331,739
Spain	USD	2,218,089	2,113,117	1,652,553	1,548,302
Chile	USD	867,446	835,168	662,080	652,175
Netherlands	USD	316,241	217,042	173,339	162,607
United Kingdom	USD	186,195	179,332	130,402	214,942
Argentina	USD	178,985	157,373	123,307	175,928
South Africa	USD	142,619	67,668	67,668	74,502
Czech Republic	USD	416,949	426,099	355,920	195,982
Greece	USD	173,920	244,618	214,907	170,534

Source: TDM

Table 10. Bulgaria, Exports of Wine, 2017-2019, in liters

Partner	Unit	01/2017 - 12/2017	01/2018 - 12/2018	01/2018 - 10/2018	01/2019 - 10/2019
World	**L**	**31,395,244**	**26,532,470**	**21,964,374**	**20,120,485**
EU 28	L	25,531,006	23,357,936	19,338,641	16,058,884
Poland	L	16,881,482	14,511,531	12,243,230	7,536,980
Russia	L	3,237,917	1,394,089	1,159,529	1,316,166
Sweden	L	2,994,208	3,545,329	2,694,331	3,723,204

United Kingdom	L	1,259,575	1,716,574	1,406,923	1,374,797
Czech Republic	L	1,237,893	1,488,899	1,226,500	1,410,361
China	L	1,024,324	388,533	291,972	391,203
Romania	L	648,611	161,665	156,015	79,667
Belgium	L	516,587	495,940	421,133	477,260
Japan	L	488,901	428,568	379,402	691,882
United States	L	424,981	248,760	231,434	392,769

Source: TDM

Table 11. Bulgaria, Exports of Wine, 2017-2019, in USD

Partner	Unit	01/2017 - 12/2017	01/2018 - 12/2018	01/2018 - 10/2018	01/2019 - 10/2019
World	**USD**	**40,080,115**	**37,006,488**	**30,529,012**	**30,536,714**
EU 28	USD	25,824,614	29,023,314	23,666,930	20,961,484
Poland	USD	13,129,425	13,354,138	10,911,216	7,320,768
China	USD	5,228,395	1,584,453	1,243,915	2,293,853
Sweden	USD	4,750,897	5,708,666	4,458,547	5,616,610
Russia	USD	4,186,323	2,134,348	1,824,415	1,842,767
United Kingdom	USD	1,664,332	3,158,769	2,723,672	2,065,803
Czech Republic	USD	163,3247	2,195,466	1,812,345	1,827,940
Japan	USD	1,430,003	1,430,933	1,275,057	1,707,056
United States	USD	1,293,988	749,826	715,416	1,117,997
Belgium	USD	1,247,459	1,331,559	1,110,077	1,110,398
Germany	USD	801,690	803,255	586,196	826,312
Lithuania	USD	486,271	448,358	341,072	361,258

Source: TDM

Attachments:

No Attachments.