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Bulgaria

Exporter Guide

Exporter Guide Update - Bulgaria

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Report Highlights:

Bulgaria, a newly developing market economy, is easily affected by world market fluctuations. From 2010 to 2012, the economic growth rate slowed due to the global recession but U.S. exports to Bulgaria has steadily increased since then. Recent political changes in Bulgaria have led to more stable relations with EU member partners. Trade is expected to move upwards as a result. Bulgaria is broadly recognized as an excellent gateway into the wider EU market for agricultural products. The Bulgarian market is not yet well explored by U.S. agricultural suppliers. U.S. agricultural exports to Bulgaria in

2013 totaled \$74 million, according to the Intrastat statistical data provided by the Bulgarian National Statistical Institute. Over the last five years such U.S. exports have ranged from \$18 to \$62 million. U.S. Exports to Bulgaria for the period January-October 2014 have increased by 21 percent compared to the same period in 2013, according to U.S. Customs data.

Post:
Sofia

Executive Summary:

Disclaimer: Information in this report is collected from publicly available sources such as specialized and daily printed and electronic Bulgarian media, published surveys of consulting companies, interviews with trade and industry, FAS Sofia interviews with trade and trade associations, and official statistics.

Author Defined:

I. Market Overview

General Economy

Bulgaria is a new and developing market economy, with gradually decreasing government involvement in foreign investment and trade. For comparison, at the beginning of the transition to a market economy in 1989, the share of private sector employees was essentially zero percent, and at the end of 2013 nearly 75 percent of the workforce is in the private sector. The Bulgarian economy enjoyed growth above 6 percent in the period 2000-2008. The economy slowed down in 2011, with GDP growth of 1.8 percent, and only 0.8 percent for 2012. Foreign investments during the last few years were mainly in industry, the service sector, in real estate, and the information and communication sector. Foreign direct investments have stood at around 3 percent of GDP for the last four years, reaching 1.2 billion Euro in 2013. About one third of foreign direct investments are channeled to manufacturing, another third to the energy sector, and the rest is shared between the commerce, transport, construction and agricultural sectors. Exports generate more than two thirds of the GDP and are the engine for the country's economic development. The biggest shares of exports are in industrial supplies, consumer goods, fuels, and lubricants. However, this dependence on exports and foreign investments also makes the domestic economy vulnerable to global demand fluctuations. For example, in 2009, the economy suffered almost 5 percent decline in economic growth due to the global economic recession.

That decline has its origins mainly in reduced foreign investments in the real estate sector. Before the global recession, Bulgarian GDP was growing at a rate of about 5-6 percent each year. According to the Bulgarian Ministry of Finance, the economy grew by 0.8 – 0.9 percent in 2012 -2013. According to seasonally adjusted data, GDP growth rate for the third quarter of 2014 is 1.5 percent.

The trend of the annual unemployment rate in Bulgaria over the period 2005-2008 was steadily downward, decreasing from 10.1 percent in 2005 to 5.6 percent in 2008. However, due to negative impacts of the economic crisis, unemployment rates in the country increased to 10.3 percent, 11.3 percent, and 12.3 percent in 2010, 2011 and 2012, respectively. As compared to 2012, the

unemployment rate rose by 5.7 percentage points to reach 13 percent in 2013.

The Bulgarian economy is going through a fundamental restructuring during the transition to a full market-oriented economy. In 1989 Bulgaria's leading trade partner was the Soviet Union. About 65 percent of Bulgarian exports were directed to the USSR and 53 percent of Bulgarian imports from the USSR. Today the major trade partner of Bulgaria is the EU. With the size of the exports flows for trade in goods, there was also a wide variation between Member States in the balance of these two flows. In 2013 sixteen Member States have negative trade in goods balances - i.e. they import more goods by value from EU partners than they export. Bulgaria also has a negative intra-EU trade in goods balance of about 2.1 billion Euro. The Bulgarian export share to the EU is 45 percent and its import share from the EU – 55 percent.

The Bulgarian service sector has decreased slightly from 70.8 percent of GDP in 2011, to 63 percent of GDP in 2013. At the same time, agriculture increased from 3.5 percent in 2011 and now contributes 4.9 percent of GDP. Industry also increased slightly from 25.7 percent in 2011 to 30.3 percent in 2013.

The table below illustrates Bulgaria's economic situation in the past three years

National Economy	2011	2012	2013
GDP (billion USD)	51.943	54.084	56.537
GDP per capita (USD)	6,787	7,222	7,572
USD à BGN Exchange Rate	\$1=BGN 1.51	\$1=BGN 1.48	\$1=BGN 1.42

Source: Bulgarian National Statistical Institute

The leading Bulgarian agricultural trade partners today are EU Member States, neighboring countries, and Russia. Over 74 percent of Bulgaria's total ag trade is with other EU countries. Top EU ag trade partners are Greece (13.4 percent of total ag trade), Romania (11.3 percent), Germany (6.97 percent), and France (5.57 percent). The top ag trade partners outside of the EU are Turkey (6.95 percent of total ag trade); Libya (1.66 percent), the United States (1.45 percent), Macedonia (1.24 percent) and Serbia (1.09 percent).

The total agriculture, fish, and forestry products two-way trade between the U.S. and Bulgaria in 2013 amounts to \$167 million, of which \$74 million was U.S. exports and \$92.8 U.S. imports (*source: Intrastat report from the Bulgarian National Statistical Institute for the U.S. exports and U.S. Customs – BICO for the imports*). Such data indicates that trade relations between Bulgaria and USA are growing over the last year and that there are good opportunities for further development in the future. Additionally, U.S. Exports to Bulgaria for the period January-September 2014 have increased by 21 percent as compared to the same period in 2013 (*Source: BICO*).

The slight increase in the Bulgaria GDP is influencing positively the imports of goods from the USA. As a whole, imports of agricultural goods from the U.S. in Bulgaria are increasing each of the past three years at \$44 million, \$43 million, and \$74 million respectively in 2011, 2012, and 2013 (*the data for 2012 and 2013 include Intrastat statistics from the Bulgarian National Statistical Institute*).

The physical volume of consumption of food and edible fishery products increases by 3 percent to 4 percent annually. Prices of food and edible fishery products have increased in the recent years, which combined with the increase of physical volume of consumption, leads to an increase of 7 to 8 percent per annum in the value of food and edible fishery products sales.

Advantages
Increase of consumption of food and edible fishery products is creating demand for more imports
Migration of people from rural to urban areas continues at a rapid pace
Bulgarian market is accessible by sea
Growing food processing industry at a rate of 7-8 percent annually is looking for new imported food ingredients.
Bulgarian domestic distribution network is efficient
Marketing costs to increase consumer awareness are low
Challenges
Bulgarian membership in the European Union puts U.S. exporters in a less favorable position than EU member states because of duties
Bulgarian domestic producers are receiving European funding to upgrade production efficiency and product quality
Bulgarian farmers increase agricultural production, reducing demand for imports in the country
The fluctuations in the exchange rate of the U.S. dollar puts U.S. exporters at a disadvantage compared with exporters of the Euro zone. Bulgarian Lev (BGN) has a fixed exchange rate against the Euro (EURO 1 = BGN 1.95583)

The chart below demonstrates Bulgaria's agricultural export and import statistics in recent years in billion USD

International Transactions	2010	2011	2012	2013
Exports (FOB)	3.46	4.57	4.25	5.37
Imports (CIF)	2.52	3.14	3.03	3.26
Balance	0.94	1.43	1.22	2.11
Commodity Circulation	5.98	7.71	7.28	8.63

Source: Ministry of Agriculture and Food – Agrarian Report 2014

Geography and Demographics

Bulgaria is strategically located in Southeast Europe, on the commercial route between Europe and Asia. As of December 2013 Bulgaria, has a population of 7.2 million people, representing 1.5 percent of total EU population, and a total area of about 111,002 square kilometers. It is densely populated with roughly 63.5 persons per square kilometer. 63,765 square kilometers of Bulgarian territory is

agricultural land; 37,158 sq.km. are forestry; 4,603 sq. km. are settlements and other urbanized areas; 2,390 sq. km are water flow and water areas; 2,711 sq/km. are territory for mining and quarrying raw materials.

The total length of the country's road network is 39,595 km, which includes 541 km of designated motorways, 2,970 km of category I roads, 4,030 km of category II roads, 12,054 km of category III roads and approximately 20,000 km of category IV roads (category I represents roads of national importance, including highways and regional connections; category II – roads of regional importance; category III – streets; category IV – agricultural, forest roads, etc.). Road transportation across most of the country relies primarily on two-lane roads. The railways cover 4,152 km. Bulgaria has a well-developed and constantly improving infrastructure: 6 highways, 230 railway stations, 4 international airports, 2 seaports on the Black Sea, and numerous ports on the Danube river. According to data from the Ministry of Regional Development and Public Works, priority road infrastructure projects in Bulgaria until 2020 include construction of 695 km of motorways (Trakia, Maritsa, Struma, Sofia-Kalotina, Hemus and Black Sea motorways) and construction/rehabilitation of 914 km of speedways, two new bridges over the Danube river and the construction of the Shipka Tunnel. Five Pan-European corridors cross the country, linking Northern Europe with the Middle East and North Africa.

Both sea and river routes – the Black Sea and the Danube River – offer reliable shipping transportation to and from the country. The largest Bulgarian seaports are Burgas and Varna on the Black Sea coast. Varna mainly handles containers, grain and bulk goods, while Burgas mainly deals with crude oil and some bulk commodities. A ferry connection from Varna to Odessa (Ukraine), Kavkaz (Russia) and Poti (Georgia) facilitate the transport of goods between the countries.

The Danube River is navigable during most of the year and supports inland water transport. With the Rhine-Main-Danube canal in use since 1992, Bulgaria has access to large European ports on the North Sea. The main Bulgarian ports on the Danube River are Ruse, Lom and Vidin.

Sofia is Bulgaria's capital with a population of over 1.3 million people. Sofia is situated in the Southwestern Bulgaria. The second and third largest cities in Bulgaria are Plovdiv in Central South Bulgaria, with a population of about 507,000 people, and Varna in the west coast of the Black Sea, with population of approximately 397,000 people (2013 year).

As of December 31, 2013, 5.3 million (73 percent) of total population resided in urban areas and 1.95 million (27 percent) - in rural ones. The Bulgarian population has been decreasing recently. At the end of 2013 senior citizens above working age (65 years and over) make up over 19 percent of the Bulgarian population, a figure which will continue to grow as birth rates are low and life expectancies increase. Health care and medicine are currently in high demand with the senior population in Bulgaria. Expenses for senior health care will increase in the future. The number of population at working age as of December 31, 2013 was 4.5 million persons (61.7 percent) of the total population. The traditional model of nuclear family (married with two children) is gradually being replaced by a model of cohabitation with one child. Birth rate in 2013 has dropped to 0.92 percent, from 0.95 percent and 0.96 percent in 2012 and 2011.

In Bulgaria there is a significant difference in the consumer behavior of young working people and elderly retirees. Young workers earn higher incomes and have greater consumption. Young people are buying better quality products, visiting restaurants, going on holidays and engaging on other activities. In contrast, older pensioners receive lower pensions and limit themselves to the most pressing needs of the day. The average annual salary in Bulgaria is about \$ 6,500 (BGN 808/month – *source NSI*), while the average annual pension is about \$2,200. This shows that young people have three times the purchasing power of pensioners. It has been noted that the number of population over working age in the country is 1.42 million people, close to 20 percent, which equals to almost one fourth of the population. There are significant differences between big cities and small towns and villages. In major cities, employment is high, incomes too, and young people are aiming for them. In contrast, in small towns and villages unemployment is high, incomes are low, and consumption has shrunk, with many of the food and beverages being produced by people themselves.

In Bulgaria, only 4 percent of the people define their income as high, and 38 percent as average. The remaining 58 percent defined it as low.

The chart below illustrates the average demographics in recent years

Bulgarian Demographics	2011	2012	2013
Birth Rate (percent)	0.96	0.95	0.92
Death Rate (percent)	1.47	1.5	1.44
Age Structure 0 – 14 yrs (percent)	14.3	14.4	13.7
Age Structure 15–64 yrs (percent)	61.7	61.8	61.7
Age Structure 65+ yrs (percent)	24.0	23.8	19.6

Source: Bulgarian National Statistical Institute

II. Exporter Business Tips

Import Agents

Except for major importers with their own offices in Bulgaria, the appointment of an effective import agent is an important decision. Invaluable background information can be provided by representatives from the **Foreign Agricultural Service (FAS)** of the U.S. Department of Agriculture (USDA) office in Sofia: <http://bulgaria.usembassy.gov/fas.html>, the U.S. Embassy, or representatives of commodity or trade associations such as the American Chamber of Commerce in Bulgaria. See their website at <http://www.amcham.bg> for a full list of U.S. Producer Association offices located in Bulgaria.

Although factors will vary from case to case, key issues to be considered include:

- What is the extent of the agent's network of distributors, owned or leased storage capacity, and

owned or leased transportation arrangements? In particular, does the agent have strong contacts with the responsible purchasing officers in the target sales channels?

- Does the agent have a high proportion of direct-to-market channels or are they heavily dependent on multiple distribution levels?
- Is the agent developing -value-added communications and promotions or are they dependent on price discounts as major sales tool?
- Does the agent have complementary product lines? Although cases vary, exclusivity can provide better incentives to the agent and can help the exporter to maintain improved supervision over price and product integrity.
- Does the agent have connections to and networks on the other Balkan markets for future sales expansion opportunities?

Entry Strategy

Bulgarian convenience store, supermarket, and hypermarket chains generally purchase from local importers, wholesalers, and producers. However, the recent tendency is to increase the volume of direct imports to avoid the higher cost of products purchased from importers or to eliminate the middleman. The best method to reach Bulgarian retail buyers and prospective importers initially is to contact them directly via e-mail or fax. Product catalogues and price lists are essential, and samples are very helpful. The bigger retail players in Bulgaria are Metro, Billa, Kaufland, Carrefour, Penny, Lidl, Picadilly, CBA, and Fantastico. U.S. suppliers can obtain useful information about them on their websites:

<http://www.metro.bg/>

<http://www.billa.bg/>

<http://www.kaufland.bg>

<http://www.carrefour.bg>

<http://www.penny.bg>

<http://www.lidl.bg>

<http://www.piccadilly.bg>

<http://www.cba.bg/>

<http://www.ff-bg.bg>

Top 30 Food Retail Chains in Bulgaria										
		Revenue (Thousand USD)			Profit/Loss (Thousand USD)			Personnel		
		2011	2012	2013	2011	2012	2013	2011	2012	2013
1	KAUFLAND BULGARIA	544,006	664,865	739,437	n/a	n/a	n/a	5,350	5,906	6,469
2	METRO CASH & CARRY	553,636	556,716	506,048	35,238	26,562	23,087	2,784	2,806	2,479
4	BILLA BULGARIA	321,926	331,324	350,192	-14,166	-12,784	-8,125	3,783	3,669	3,698
5	LIDL BULGARIA	238,585	260,177	301,631	-68,613	-56,015	-23,319	1,880	1,584	1,543
7	FANTASTICO	191,720	206,757	240,328	14,693	n/a	14,962	n/a	n/a	n/a
9	CARREFOUR	139,603	165,711	181,320	-4,364	-4,221	-21,604	1,273	1,497	1,754
10	PENNY MARKET	97,901	130,951	137,324	-23,775	-23,359	-17,034	804	830	876
11	PICCADILLY	127,085	133,032	135,187	-41,850	-32,751	-29,429	2,370	2,017	1,887
17	CBA	72,534	61,832	57,456	n/a	-3,602	875	n/a	n/a	898
22	EUROPE MARKET	-	9,518	32,204	-	-32	-2,649	-	128	505
25	CBA FRANCHISE	3,940	7,174	26,168	50	73	470	7	57	440
26	HIT HYPERMARKET	26,626	27,288	25,591	-1,316	-764	-333	252	242	214
28	345 MARKET	23,319	21,486	20,706	-39	90	9	440	389	363

Source: ICAP (through www.capital.bg)

Currently in Bulgaria there are over 1,900 representatives of the so called modern trade (hypermarkets, supermarkets, drug stores, etc.). The market share of retail chains, according to various estimates, is close to 40 percent, with annual sales volumes of about \$6.5 billion and is growing slowly. According to a recent study in just a few years the ratio between the modern and traditional trade will become 50/50. A prerequisite for this is the concentration of population in large cities. Retail chains in Bulgaria are constantly expanding their networks, and are among the largest investors in the country.

The chart below illustrates the modern trade profile in Bulgaria



A visit to Bulgaria is imperative in establishing meaningful relationships with Bulgarian buyers. Personal relationships and face-to-face meetings are important. While visiting Bulgaria, it is advisable to bring along product samples to meetings with potential buyers, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent.

The typical Bulgarian businessman usually has several interests rather than a single product line. As the incomes of Bulgarian consumers increase, so does their taste in variety of new products. In order to meet the increasing demand and need for differentiation, importers constantly keep searching for new products, including new-to-market products and new brands of certain products.

On the other hand, many importers follow the customary Bulgarian pattern of collecting basic information (samples, catalogues, prices, supply schedules, etc.) initially for consideration. A trial order to test the market response might then be placed after further contact. Importers generally specialize in a certain product category, and often join with other importers to consolidate shipments for lower overall risks and costs.

Sales and Marketing

Although sales and marketing techniques in Bulgaria are in a process of evolution and development, there remains a high reliance on price discounts in promotional strategies. To minimize reliance on discounting strategies, U.S. food and beverage suppliers, particularly those in the higher value added

categories, may benefit by focusing on market education and sales training to develop brand recognition and consumer preference.

Consumer concerns for personal and family health means that foods and beverages believed to provide specific health or nutritional benefits can and often do earn a retail premium above what the market normally bears. Bulgarian consumers tend to be less concerned about cost when shopping for products believed to provide health benefits and may alter purchasing habits in order to include these foods and beverages in their diets. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are just a few examples of product categories for which marketing strategies based on nutritional and health messages have proven to be highly successful. Consumers in Bulgaria are often bombarded by sensational news about food safety which is causing increased concern and skepticism. This may provide opportunities for U.S. companies to promote brand value through an emphasis on natural products and food safety benefits.

Bulgarian Business Customs

Bulgarian businessmen are often refreshingly direct and informal in their business approach and do not have strict business rituals found in other countries. However, there are some local customs that are well worth observing. Greetings and gifts to mark major feasts such as Christmas, New Year's Day, and Orthodox Easter are common. These holidays are key sales periods, similar to Thanksgiving and Christmas in the United States. American companies should consider advanced timing of introducing new products to coincide with these busy holiday gift giving seasons. For example, baking companies will purchase ingredients as early as February or March for Easter cake sales during the Easter holiday period, which falls around April or May, depending on the Orthodox calendar.

Although agents and purchasing managers are always searching for new products, they are also very thorough in their evaluations of products. They prefer to see product samples whenever possible and will often place small trial shipments to test the market response.

One of the most popular leisure time activities in Bulgaria involves eating and drinking. Even first meetings may often be over lunch or dinner. In Bulgaria, with food and drink entertainment is not only a basic tool to influence business relationships, but also considered essential to building friendships that can enhance mutual understanding. Eating and drinking are important parts of Bulgarian culture and every type of local cuisine is available on the market. More and more different ethnic foods are becoming popular every day, but Bulgarian cuisine is generally preferred. Local businessmen are always very gracious and will invite trade contacts to dinner and drinking toasts can usually be expected, although the high alcohol "rakia" (grape brandy) is reserved for special occasions. However, it is more and more common to drink red wine with meals and a light amount of toasting each other is important in developing trust and long-term relationships. The most popular toast in Bulgaria is "Nazdrave!" and corresponds to the English "Cheers!" When congratulated with "Nazdrave!" one is supposed just to taste one's drink, and not to empty his glass on single gulp.

Language Barrier

Speaking Bulgarian is not essential in order to do business in the country. Many people speak English, and translators are not hard to find. However, written materials such as company presentations, product brochures etc. will be far more helpful if translated into Bulgarian.

Many Bulgarians strive to send their children to the finest universities in the United States and Western Europe. Therefore, a large percentage of Bulgarian residents speak good English, mostly the youth, who attend English lessons and obtain different language certificates. The American University (AUBG) in Bulgaria provides very good scientific knowledge and practical skills to its students, who often progress successfully through their careers. Many foreign investors prefer AUBG graduates for business contacts.

Food Standards and Regulations

Bulgarian food standards and regulations are harmonized with those of the EU. Phytosanitary and vet control is applied to imported and exported goods with plant and animal origin. Legislation is harmonized with the EU concerning the food safety and marketing standards. 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 introduced the HACCP system as well in a number of facilities.

U.S. companies are advised to observe strict product labeling requirements, which require that any health or nutritional claim be first assessed and approved by the Bulgarian Food Safety Agency and Ministry of Agriculture and food and then added to the prescriptions on product package. The label must also be translated into Bulgarian. It should contain the type of product, its name, the names of the manufacturer and importer, the full content of the product, shelf life and others. The country introduced some specific requirements for labeling of certain products. For example, if a dairy product contains vegetable oil its label may not contain the word "dairy product" and must be labeled indicating "Imitation Product Containing Milk". Additionally, cheese containing vegetable oils cannot be offered as cheese, but should be indicated as product containing vegetable oil. In shops, mandatory coloring of the labels was introduced – labels of dairy products containing vegetable oils must be white.

For more information on labeling requirements and food standards, especially for recently imposed requirements for organic food products, please refer to the [Foreign Agricultural Service \(FAS\) of the U.S. Department of Agriculture \(USDA\) U.S. Embassy Sofia](#).

Additional information can be found on the web pages of the [European Food Safety Agency](#) (EFSA) or the [Bulgarian Food Safety Agency](#) (BFSA).

III. Market Sector Structure and Trends

Food Imports

Agriculture makes up 4.9 percent of Bulgaria's GDP. Land in Bulgaria is most commonly measured by the unit Decare (daa), as 10 daa = 1 Hectare. Domestically, Bulgaria produces wheat, barley, corn, sunflower, tobacco, rapeseed, fresh vegetables, fruits, and grapes. Bulgaria exports cereals, tobacco and oil seeds and imports meat, vegetables, fruits, sugar, fish and coffee. Bulgaria is a relatively small market for U.S. agricultural exports. The agricultural trade balance with the world in 2013 is \$2.15 billion, as compared to \$1.24 billion in 2012, which represents growth of 74 percent.

In 2013 U.S. agricultural exports to Bulgaria accounted for 3.44 percent of Bulgaria's total agricultural trade. In 2014, U.S. agricultural exports for the period January- September are rebounding at 21 percent growth compared with the same period in 2013. (*sources: USDA/BICO report/U.S. Customs; Bulgarian National Statistical Institute*).

Imports from the United States: According to the *BICO U.S. Census Bureau Trade Data* the U.S. food products exports to Bulgaria amounted for almost \$38 million in 2013. The share of U.S. consumer-oriented agricultural foods exports are estimated at \$12.9 million (up 14.9 percent), exports of bulk commodities are at about \$10.95 million (up 12.2 percent), and exports of ag related and intermediate products are at \$13.8 million (up 20 percent). Despite the challenging economic environment, the exports for the period January-September 2014 compared to the same period in 2013 have increased by: 13 percent for consumer-oriented products, down 10 percent for bulk commodities, up 6 percent for ag related and up **135** percent for intermediate products. (*Source: BICO U.S. Census Bureau Trade Data; Intrastat data **not** included*). This data indicates that stable trade relations between the two countries are continuously developing and market demand for U.S. agricultural exports is increasing. According to the *Intrastat report from the Bulgarian National Statistical Institute* the U.S. exports volumes to Bulgaria are at least twice as high as the reported in the BICO database, topping at nearly \$74 million in 2013, which represents 48 percent growth as compared to the same statistics for 2012.

Bulgaria's admission to the EU reflected negatively on fruit product imports from the U.S.A. Import duties are levied on the U.S. products, unlike the duty-free EU products, meaning that the U.S. exporters are at a cost disadvantage in comparison with the EU companies. However, imports of some products are duty-free for EU non-member states which allows the U.S. to export them successfully to Bulgaria. Since 1997 U.S. poultry meat effectively has been prohibited from entering the European Union (and Bulgaria) due to the U.S. use of pathogen reduction treatments (PRTs), which are approved by the U.S. federal government and are routinely applied in U.S. poultry plants for added hygienic insurance.

Food Processing Sector

In the structure of the processing industry in Bulgaria, the processing of food occupies 21.4 percent,

beverages- 5.9 percent. The food processing has increased by 5.2 percent in comparison to 2011. Local food processors benefited from the country's admission to the EU – duties for EU-imported commodities were repealed and so cheaper commodities are more easily placed on the market. The EU import duties repeal brings disadvantages to the non-EU importers. Admission to the EU, combined with increasing insufficiency of livestock and meat, caused intensification of trade with EU member-states and EU meat exports to Bulgaria multiplied significantly.

Bulgarian food processing is diversified and provides almost the full spectrum of food products necessary to meet the demand on the local market, and exports a significant part of food production. The food processing sector is dominantly financed with Bulgarian capital, but significant number of foreign investors is also present. Food processors are organized in branch organizations which make the options to contact them more accessible and open for the U.S. exporters.

Food Retail Sector

Bulgaria has a well developed retail sector and the economic recession has not affected food market growth. Retailers began introducing more private label brands – major hypermarket/supermarket chains such as Kaufland, Billa, Carrefour, Metro, and Piccadilly introduced their own low cost brands. Convenience stores have followed that trend, and convenience store chains such as “Fantastico” and “CBA” also have private label brands of some products.

Despite the global recession, convenience store chains are steadily expanding. During the last few years the major hypermarket and supermarket chains steadily expanded. The number of convenience stores reduced by almost 20 percent in the last 5 years due to competition from the larger retailers. The major chain stores steadily increased turnover at the expense of small shops and stores. In big cities the number of small retail shops decreased significantly, while in villages and small towns the number remains constant. There are still no big stores established for high-income consumers who demand premium products and brands.

A few big chains either fully withdrew from the local market in the last couple of years (Mercator - Roda Market), mainly due to issues in their main markets, or sold their business in Bulgaria (Delhaize - Piccadilly). A few smaller chains like the Greek ENA and the Turkish Ramstore also withdrew their business from Bulgaria.

Big foreign retailers enter the local market aggressively and expand their networks of stores. Usually upon entering, they carry out large advertising, produce and distribute flyers, trying to attract customers with lower prices on certain goods.

At the same time, large retailers pressure manufacturers and importers for lower prices and strict payment terms. Retailers provide manufacturers and importers with the opportunity to conduct promotions and tastings in stores for a fee. The fee paid for these services is around U.S. \$70 per day.

During the holidays normally demand for food is higher. Traditionally in Bulgaria the major preferred meat is pork. For New Year, some Bulgarians buy turkeys, for Easter and St. George most buy lamb, for St. Nicholas Day and Palm Sunday, it is fish. Recently, Christmas cakes, not traditional for Bulgaria, are being bought. For Easter, people buy or prepare special cakes and paint eggs. Internet food sales are not sufficiently developed in Bulgaria yet but this channel is becoming more popular mainly among the younger consumers. Increasingly more restaurants offer delivery of food and drinks on site on request by internet or via phone. Typically, payment is done on the spot and electronic payments are rarely used.

More information about the retail market in Bulgaria can be found in the **2013 Retail Market GAIN report** issued by FAS Sofia [here](#)

The composite indicator “business climate in retail trade” decreased by 2.9 percentage points in 2013 (Figure A). This is mainly due to worsening retailers’ expectations about the business situation of their enterprises over the next 6 months (Figure B), which is accompanied by more pessimistic prognoses about both the volume of sales and the orders placed with suppliers over the next 3 months. The main factors limiting activity continue to be the uncertain economic environment, insufficient demand and strong competition (Figure C).

Figure A. Business climate in retail trade



Figure B. Expected business situation in retail trade over the next 6 months

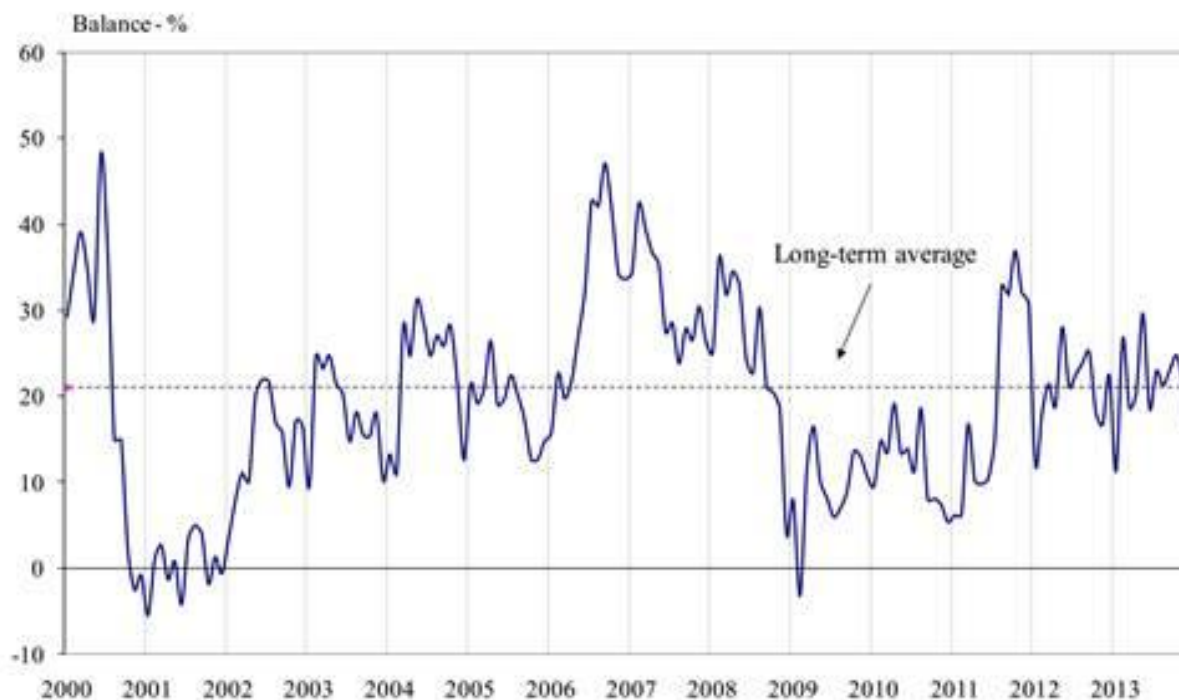
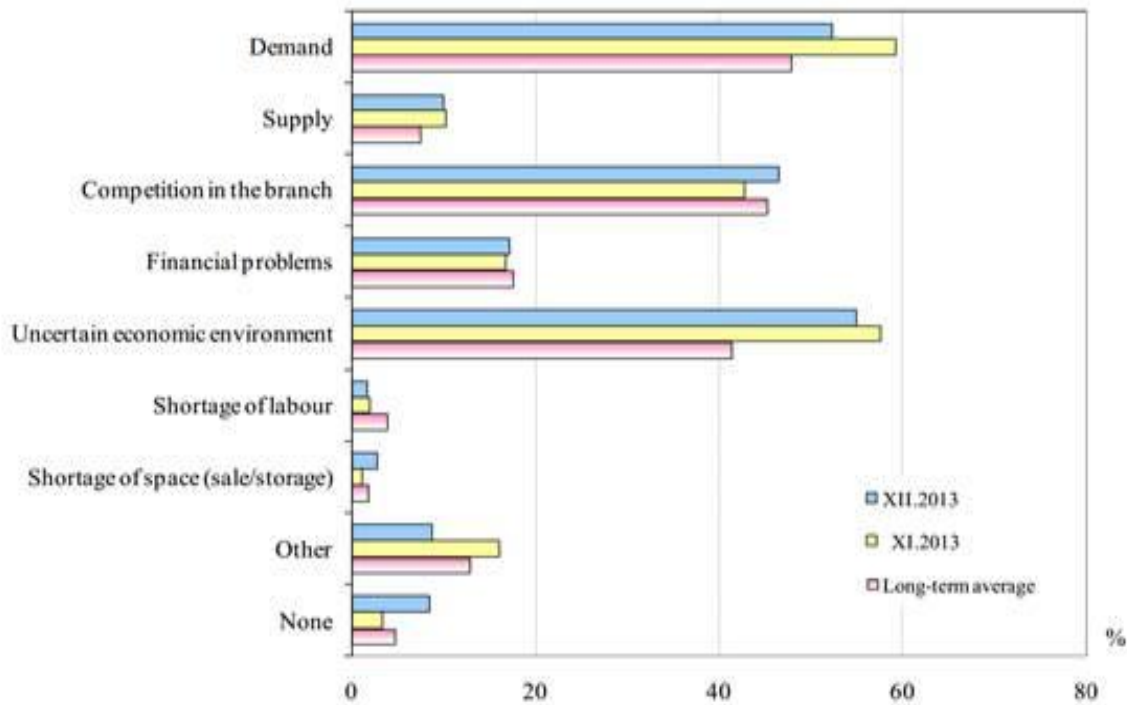


Figure C. Factors limiting the improvement of the business situation in retail trade



Source: Bulgarian National Statistical Institute

In 2013, the global recession caused the Bulgarian food service sector to significantly shrink after an 11.17 percent expansion in 2008. The global recession was felt later in the country than in the EU. The local food market is very dynamic, in part due to the constant insufficiency of livestock and meat products. Reduced production results in increased imports by processors. Meanwhile the spectrum of the foods on the market is growing. Increasing food imports and consumption create good opportunities for the US exporters.

About 9.2 million international visitors came to Bulgaria in 2013, 2.3 million of which were transit passengers. The remaining 6.9 million represent an increase of 5.5 percent compared to 2012. More than 40 percent of them are coming for tourism (up 6.3 percent) and the rest are visiting Bulgaria for business or on other personal trips (*source: Ministry of Economy and Tourism*). About 5.4 million tourists come from the EU and the rest are from non-EU countries. In 2013 more than 72 thousand visitors came from the United States.

The most active tourist season is the summer – July and August. Tourist visits also increase the demand for food products. On average, the number of tourists visiting the country each year increases by 5 percent. This generates demand for U.S. goods that are offered in their countries.

Young double-income families preferring to eat outside the home are growing in numbers, because they do not have time on weekdays to buy fresh products and cook home-made meals. The establishments providing cooked meals are also multiplying and diversifying – restaurants, pizzerias, Chinese, Italian, Greek restaurants etc. Usually on weekends, restaurants are full of customers. Many restaurants offer special lunch menus during the working days. The restaurants providing food delivery at home or at the office are also increasing in numbers. Various fast food restaurants also receive good reception – sandwich shops, grill, diner kebab, pizza slice etc. Fast food restaurants like McDonalds, KFC, Burger King, Happy Bar & Grill, and Domino's Pizza are very popular because of the persistent high quality of their food offerings and their market share will expand more as the number of their outlets continue to expand.

Organic Foods Sector

Since Bulgaria's accession to the EU in 2007, the interest in organic farming has grown considerably. The driver behind this interest is improved export demand, mainly to the EU market, as well as good production subsidies, and favorable governmental policy. However, as of today, the land under organic farming is 0.8 percent of all utilized agricultural land and organic food sales are below 1.0 percent of total food sales due to the low purchasing power of local consumers. Over 90 percent of local organic products are exported while over 80 percent of organic products on the market come from imports. Despite the numerous challenges, the prospects for organic farming are good, especially if the local market for organic foods develops and stimulates sustainable consumer demand.

More information about the organic food sector in Bulgaria can be found in the [Organic Food Market](#)

and [Organic Sector Update](#) GAIN report issued by FAS Sofia in 2014.

IV. Best Consumer Oriented Product Prospects

Product	2011>2012 Imports	Import Tariff Rate	Constraints over Market Development	Market Attractiveness for U.S.
	(Mill. USD)			
Grape Wines	12.2 > 16.2	9.90Euro/HL for still, and 32.00 Euro/HL for sparkling. Excise Tax= 0 percent VAT = 20 percent	Bulgarian wines still dominate the market. Imported wines account for 10 percent of total wine volume.	Bulgarian wine industry traditionally produces high quality wine. Due to the lack of wine imports during the socialist period consumer prefers mainly local brands. During the last few years, the Bulgarian market witnessed wine imports, mainly from Italy, France, Spain, Chile, and USA. Imported brands are not yet popular enough, due to the low purchasing power of the Bulgarian consumer and the strong local competition. Most consumers of mass- production wine live in the major cities, due to home- made wine production in smaller cities and villages. The import of U.S. wines is increasing for the last years and the Bulgarian

				consumers are becoming more aware about its high quality and diversified taste. For more information about the Bulgarian wine market, please see FAS Sofia's latest GAIN report here .
Tree Nuts	11.8 > 12.2	From 0 to 12.8 percent depending on the type of the nuts. More information pertaining to other dried fruits and nuts is available in the EU official Journal pages 94 through 100, 157, and 165.	African countries, China and Middle East countries are the main competitors to U.S. exporters in Bulgaria. The Chinese and African nuts are considered of lower quality due to lower quality standards.	American nuts are the dominant on the Bulgarian market. For more information, see FAS Sofia's Dried Fruits and Nuts Product Brief here and the Peanuts Market Brief here .
Distilled Spirits	64 > 81	See the unified tariff schedule, where the actual tariff rates for different products can be found. For more detailed information, the TARIC database is accessible from here . For more detailed information about the excise tax rates for alcoholic beverages applicable in the European Union as	Scotch and Irish whiskeys are still dominant on the Bulgarian market. U.S. whiskey's market share is estimated at almost 20 percent.	For more information see FAS Sofia's Distilled Spirits Product brief report here .

		of July 1st 2013 please refer to the official web page of the General Taxation and Customs Union Directorate at the European Commission here .		
Food Preparations	72.4 > 81.5	Varies by type. Detailed information on food preparations tariffs can be found in the official EU Journal in pages 173-174.	Strong competition from other exporters (mainly from the EU).	U.S. food preparations can successfully increase their market share through marketing campaigns, due to the high quality of the products.
Beef	32 > 22.5	For more information see FAS Warsaw's General Guidance on Exporting High-Quality Beef to EU report here .	Strong competition from Latin American and European producers/exporters; The price level of U.S. beef is higher compared to other imported beef; Limited purchasing power of the average Bulgarian customer.	Awareness of high quality of the U.S. beef on the Bulgarian market remains moderate among commercial and private sector customers; Positive perception and good image for U.S. beef should be created by educating the main buyers (restaurants and hotels) about its high quality and diversified tastes. For more information see FAS Warsaw's General Guidance on Exporting High-Quality Beef to EU report here .
Seafood	52.7 > 58.3	Tariffs for seafood products exported to the EU range from zero to 22	The Bulgarian market is supplied with various types of fresh saltwater and freshwater fish, as	The increasing consumption of seafood in Bulgaria offers good

		percent depending on species, level of processing, and the time of year. Detailed information on seafood tariffs can be found in the official EU Journal in pages 47-69 and 134-139.	well as frozen sea and ocean fish. Frozen fish is well accepted by the consumers. Recently the consumption of other types of sea food is also increasing.	opportunities for U.S. exporters. U.S. suppliers can use this trend of increasing sea food consumption in the country. For achieving this goal, U.S. exporters must overcome the competition from other EU exporters (Greece, Spain, Netherlands, etc.), as well as, Argentina, Chile, China.
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Source: Global Trade Atlas; FAS Sofia researches; National Statistical Institute.

V. Key Contacts and Further Information

American Institutions in Bulgaria

Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA)

U.S. Embassy

16 Kozyak Str., Sofia 1408, Bulgaria

Tel: (359) 2-939-5774

Fax: (359) 2-939-5744

E-mail: agsofia@fas.usda.gov

Website: <http://bulgaria.usembassy.gov/fas.html>

United States Department of Agriculture, Foreign Agricultural Services

U.S. Department of Agriculture, Washington, D.C. 20250

E-mail: info@fas.usda.gov

Website: <http://www.fas.usda.gov>

Bulgarian Central Authority Agencies

Ministry of Agriculture and Food

Blvd. Hristo Botev 55 Sofia 1040 Bulgaria

Tel: (359) 2-985-11858;

Fax: (359) 2-981-7955

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

Ministry of Health

Sqr. Sveta Nedelya 5, Sofia 1000, Bulgaria

Tel: (359) 2-981-0111

E-mail: press@mh.government.bg

Website: <http://mh.government.bg>

Direction Public Health
Tel: (359) 2-9301-252
E-mail: saltankova@mh.government.bg

Bulgarian Food Safety Agency
Bul. Pencho Slaveikov 15A, Sofia 1606, Bulgaria
Tel: (359) 2-915-98-20 Fax: (359) 2-954-9593
E-mail: bfsa@bfsa.gov
Website: <http://www.babh.government.bg/en/>

Bulgaria Customs Agency, Ministry of Finance
Str. Rakovski 47, Sofia 1202, Bulgaria
Tel: (359) 2-9594-210 Fax: (359) 2-9859-4528
E-mail : pr@customs.bg Website : <http://customs.bg>

Ministry of Economy, Energy and tourism
Str. Slavyanska 8, Sofia 1000, Bulgaria
Tel: (359) 2-940-71 Fax: (359) 2-987-2190
E-mail : e-docs@mee.government.bg Website: <http://www.mi.government.bg>

Major Bulgarian Trade Associations

American Chamber of Commerce in Bulgaria
Business Park Sofia, bld. 2, fl. 6. Sofia 1766 Bulgaria
Tel: (359) 2-9742 Fax: (359) 2-9742-741
E-mail: amcham@amcham.bg Website: <http://www.amcham.bg>

Bulgarian Chamber of Commerce and Industry
Str. Iskar 9, Sofia 1058 Bulgaria
Tel: (359) 2-811-740 Fax: (359) 2-987-3209
E-mail: bcci@bcci.bg Website: <http://www.bcci.bg>

Bulgarian Industrial Association
Str. Alabin 16-20, Sofia 1000 Bulgaria
Tel: (359) 2-932-0911 Fax: (359) 2-987-2604
E-mail: office@bia-bg.com Website: <http://www.bia-bg.bg>

Association of Producers, Importers and Traders of Spirits
NDK Prono fl. 15 offices 8&9, Sofia 1414 Bulgaria
Tel: (359) 2-963-1254 Fax: (359) 2-963-1254
E-mail: apitsd@mail.bg Website: <http://www.apitsd.bg>

Bulgarian Association of Dairy Processors

Zh.K. Lagera bl. 44 vh. A Sofia 1612 Bulgaria

Tel: (359) 2-953-2723

Fax: (359) 2-952-3265

E-mail: bam@mb.bia-bg.com

Website: <http://www.milkgb.org>

Association of Meat Processors in Bulgaria

Shipchenski Prohod Blvd. 240 ent. A floor 3, Sofia Bulgaria

Address for correspondence Post Box 61 AMB Sofia 1111 Bulgaria

Tel: (359) 2-971-2671

Fax: (359) 2-973-3069

E-mail: office@amb-bg.com

Website: <http://www.amb.amb99.com>

Branch Chamber of Industrial Bread Producers and Confectioners in Bulgaria

Srebyrna Str. 22q Sofia 1407 Bulgaria

Tel: (359) 2-969-8059

Fax: (359) 2-969-8061

E-mail: bread_industrial@abv.bg

Website: <http://www.bread-industrial.org>

Association of Fish Products Producers BG Fish

Vitosha Blvd. 31-33, Sofia 1000, Bulgaria

Tel: (359) 2-981-7589

Fax: (359) 2-981-7589

E-mail: bgfish@bgfish.com

Website: <http://www.bgfish.com>

Union of Bulgarian Millers

Pavlina Unufrieva Str. 4, Sofia 1510 Bulgaria

Tel: (359) 2-936-7925

Fax: (359) 2-813-2600

E-mail: sbm@ins.bg

Website: <http://www.ubm-bg.org>

Appendix - Statistics

A. 2012-2013 Bulgaria Demographic Information

	2012	2013
Total Population (thousands)	7,282	7,246
Population Increase Rate (percent)	-0.6	-0.5
Population Density (persons/km ²)	63.5	63.3
Birth Rate (‰)	9.5	9.2
Death Rate (‰)	15.0	14.4
Labor Force (thousands)	3,344	4,472
Unemployment Rate (percent)	12.3	13

Source: National Statistical Institute Bulgaria

B. 2012-2013 Bulgaria Trade Information

	2012	2013
GDP (million BGN)	80,044	80,282
GDP per capita (BGN)	10,689	10,752
Economic Growth Rate (percent)	+2	+0.3
Ag Exports FOB (Thousand USD)	4,247,343	5,374,297
Ag Imports CIF (Thousand USD)	3,029,921	3,261,502
Foreign Exchange Rate (USD = BGN)	1 USD = 1.48 BGN	1 USD = 1.42 BGN

Source: National Statistical Institute Bulgaria; Ministry of Agriculture's Agrarian Report

C. 2011-2013 Top 15 Suppliers of Consumer Foods to Bulgaria

Bulgaria Import Statistics							
Commodity: Consumer Oriented Agric. Total, Group 32 (2012)							
Calendar Year: 2011 - 2013							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	1,702,000,053.00	1,703,008,285.00	1,831,347,718.00	100.00	100.00	100.00	7.54
Germany	221,463,106.00	239,666,336.00	274,465,167.00	13.01	14.07	14.99	14.52
Poland	158,464,525.00	193,790,017.00	265,072,077.00	9.31	11.38	14.47	36.78
Greece	181,084,411.00	185,801,983.00	209,458,671.00	10.64	10.91	11.44	12.73
Romania	195,368,519.00	196,938,448.00	158,948,622.00	11.48	11.56	8.68	- 19.29
Netherlands	111,639,631.00	94,051,800.00	117,218,452.00	6.56	5.52	6.40	24.63
Spain	86,194,919.00	89,787,301.00	101,829,054.00	5.06	5.27	5.56	13.41
France	91,742,491.00	95,110,559.00	96,529,036.00	5.39	5.58	5.27	1.49
Turkey	87,449,451.00	77,044,723.00	94,350,253.00	5.14	4.52	5.15	22.46
Italy	87,057,677.00	79,131,958.00	86,078,403.00	5.12	4.65	4.70	8.78
Hungary	100,297,607.00	82,060,109.00	83,918,611.00	5.89	4.82	4.58	2.26
Belgium	52,642,324.00	52,522,182.00	46,805,561.00	3.09	3.08	2.56	- 10.88
Czech Republic	34,575,976.00	37,620,550.00	45,922,998.00	2.03	2.21	2.51	22.07
Austria	46,864,123.00	39,347,001.00	41,092,004.00	2.75	2.31	2.24	4.43
United Kingdom	16,395,214.00	16,848,970.00	18,918,287.00	0.96	0.99	1.03	12.28

D. 2011-2013 Top 15 Suppliers of Fish & Seafood Products to Bulgaria

Bulgaria Import Statistics Commodity: Fish & Seafood Products, Group 9 (2012)							
Calendar Year: 2011 - 2013							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	69,126,874.00	69,046,989.00	82,024,682.00	100.00	100.00	100.00	18.80
Greece	8,868,257.00	9,759,682.00	11,364,522.00	12.83	14.13	13.86	16.44
Spain	9,204,986.00	8,661,473.00	8,534,516.00	13.32	12.54	10.40	- 1.47
Czech Republic	4,936,349.00	6,496,466.00	7,954,691.00	7.14	9.41	9.70	22.45
Netherlands	4,366,291.00	4,926,031.00	5,608,532.00	6.32	7.13	6.84	13.85
Lithuania	2,775,877.00	3,751,630.00	4,550,744.00	4.02	5.43	5.55	21.30
Germany	2,709,836.00	2,918,932.00	4,283,871.00	3.92	4.23	5.22	46.76
Poland	1,551,188.00	3,984,396.00	3,956,657.00	2.24	5.77	4.82	- 0.70
Vietnam	2,483,442.00	3,572,564.00	3,861,887.00	3.59	5.17	4.71	8.10
Denmark	2,102,621.00	1,122,453.00	3,083,825.00	3.04	1.63	3.76	174.74
Belgium	1,253,821.00	1,453,343.00	2,993,808.00	1.81	2.10	3.65	105.99
Romania	3,704,687.00	3,178,617.00	2,926,436.00	5.36	4.60	3.57	- 7.93
United Kingdom	1,066,824.00	890,116.00	2,429,323.00	1.54	1.29	2.96	172.92
China	3,042,739.00	2,540,648.00	2,386,013.00	4.40	3.68	2.91	- 6.09
Norway	225,478.00	2,081,185.00	2,107,711.00	0.33	3.01	2.57	1.27

Source: Global Trade Atlas

The public reports produced by FAS Sofia in 2014 can be found by following the links from the below table.

Grain and Feed Update
Organic Sector Update
Organic Foods Market Update
Grain and Feed Update
Agricultural Trade Update
Biotechnology Annual Report
U.S. Wine and Beef “Beyond Discovery” Promotion in Sofia
Legumes Sector Update
Grain Update October
Oilseeds Update
Grain and Feed Update
Oilseeds Update