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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. Recent political changes have led to more stable relations with EU member partners and trade is expected to increase as a result. Bulgaria is broadly recognized as an excellent gateway into the wider EU market for agricultural products. The Bulgarian market, rapidly expanding in 2013, is not well explored by U.S. agricultural suppliers. US agricultural exports to Bulgaria in 2012 totaled \$43 million. Over the last five years U.S. exports have ranged from \$18 to \$62 million. U.S. exports to Bulgaria in the January-October 2013 period have increased by 17 percent compared to the same period in 2012.

Post:

Sofia

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.

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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 in the beginning of the transition to market economy in 1989, the share of private sector employees was practically 0 percent, and at the end of 2012 it employs nearly $\frac{3}{4}$ (75 percent) of the workforce. The Bulgarian economy had a constant growth of above 6 percent in the period 2000-2008. The economy slowed down in 2011 with GDP growth of 1.8 percent for 2011, and 0.8 percent in 2012. Incoming foreign investments during the last few years mainly in the industry, service sector, real estate, and information and communication sector strongly support the economy. The foreign direct investments in the non-financial sector as of December 31, 2012 amounted to 21,623 million Euro but dropped by 0.1 percent compared to 2011. Exports generate 52 percent of the GDP and are the engine of the country's economic development. The biggest share of the exports is for industrial supplies, consumer goods, fuels, and lubricants. However, this dependence on exports and foreign investments also makes the local economy vulnerable to global demand fluctuations. In 2009, the economy suffered a 5 percent decline in economic growth due to the global economic recession.

The 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 percent in 2012 and is expected to maintain an upward trend in coming years (According to the seasonally adjusted data, the GDP growth rate in the third quarter of 2013 is 0.7 percent compared with the same quarter of 2012).

The overall trend of the annual unemployment rate over the period 2005-2008 was steadily downward, decreasing from 10 percent in 2005 to about 6 percent in 2008. However, due to the negative impact of the economic crisis, unemployment rates in the country increased to 7 percent, 10 percent, and 11 percent in 2009, 2010 and 2011, respectively. As compared to 2011, the unemployment rate rose by 8.9 percentage point to 12.3 percent in 2012.

Bulgarian economy is going through fundamental restructuring during the transition to market 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 were coming from the Soviet. Today Bulgaria is a major trade partner of the EU. In 2012 the share of Bulgarian exports to and imports from the EU was about 59 percent.

As a portion of GDP 2011 versus 2012 the Bulgarian services' sector declined slightly from 71 percent to 69 percent. At the same time, the agriculture sector increased from 3.5 percent to 4.3 percent while the industrial sector also increased slightly, from 25.7 percent to 26.3 percent.

EU Unemployment Rate 2001 – 2012 (percent)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU-27	8.6	8.9	9.1	9.3	9.0	8.3	7.2	7.1	9.0	9.7	9.7	10.5
Euro area	8.1	8.5	9.0	9.3	9.2	8.5	7.6	7.6	9.6	10.1	10.2	11.4
Belgium (1)	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3	7.2	7.6
Bulgaria	19.5	18.2	13.7	12.1	10.1	9.0	6.9	5.6	6.8	10.3	11.3	12.3
Czech Republic	8.1	7.3	7.8	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0
Denmark	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.4	6.0	7.5	7.6	7.5
Germany	7.9	8.7	9.8	10.5	11.3	10.3	8.7	7.5	7.8	7.1	5.9	5.5
Estonia	12.6	10.3	10.1	9.7	7.9	5.9	4.6	5.5	13.8	16.9	12.5	10.2
Ireland	3.9	4.5	4.6	4.5	4.4	4.5	4.7	6.4	12.0	13.9	14.7	14.7
Greece	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.5	12.6	17.7	24.3
Spain	10.5	11.4	11.4	10.9	9.2	8.5	8.3	11.3	18.0	20.1	21.7	25.0
France	8.2	8.3	8.9	9.3	9.3	9.2	8.4	7.8	9.5	9.7	9.6	10.2
Italy	9.0	8.5	8.4	8.0	7.7	6.8	6.1	6.7	7.8	8.4	8.4	10.7
Cyprus	3.9	3.5	4.1	4.6	5.3	4.6	3.9	3.7	5.4	6.3	7.9	11.9
Latvia	12.9	12.8	11.3	11.2	9.6	7.3	6.5	8.0	18.2	19.8	16.2	14.9
Lithuania	17.4	13.8	12.4	11.3	8.0	5.2	3.8	5.3	13.6	18.0	15.3	13.3
Luxembourg	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.6	4.8	5.1
Hungary	5.6	5.6	5.8	6.1	7.2	7.5	7.4	7.8	10.0	11.2	10.9	10.9
Malta	7.6	7.4	7.7	7.2	7.3	6.9	6.5	6.0	6.9	6.9	6.5	6.4
Netherlands	2.5	3.1	4.2	5.1	5.3	4.4	3.6	3.1	3.7	4.5	4.4	5.3
Austria	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8	4.4	4.2	4.3
Poland	18.3	20.0	19.8	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1
Portugal	4.6	5.7	7.1	7.5	8.6	8.6	8.9	8.5	10.6	12.0	12.9	15.9
Romania	6.6	7.5	6.8	8.0	7.2	7.3	6.4	5.8	6.9	7.3	7.4	7.0
Slovenia	6.2	6.3	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9
Slovakia	19.5	18.8	17.7	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.6	14.0
Finland	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.2	8.4	7.8	7.7
Sweden	5.8	6.0	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.6	7.8	8.0
United Kingdom	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.0	7.9

Source: Eurostat

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

National Economy	2010	2011	2012
GDP (million BGN)	70,511	75,308	77,583
GDP per capita (BGN)	9,362	10,115	10,632
Economic Growth Rate (percent)	+0.4	+1.8	+0.8
USD à BGN Exchange Rate	\$1=BGN 1.4842	\$1=BGN 1.3990	\$1=BGN 1.5136

Source: Bulgarian National Statistical Institute, Bulgarian National Bank

In 2012, the leading Bulgarian agricultural trade partners were EU Member States, neighbor countries, and Russia. Over 74 percent of Bulgaria's total agricultural trade went to EU members led by Greece (14.4 percent), Romania (13.4 percent), and Germany (7 percent). Outside the EU Bulgaria's top agricultural trade partners are Turkey (6.5 percent), Macedonia (1.5 percent), Serbia (1.4 percent), United States (1.3 percent), and Russia (1.2 percent).

In 2012, the total agriculture, fish, and forestry products trade between the U.S. and Bulgaria amounted to \$126 million, of which U.S. exports totaled \$43 million while U.S. imports totaled \$83 million. During the January-October 2013 period U.S. exports to Bulgaria increased 17 percent year-over-year (Source: BICO).

In general, as Bulgaria's economy stabilizes, imports of U.S. food and agricultural products have

increased. From 2010 to 2012 U.S. exports increased from \$18 million to \$43 million with 2013 ahead of the 2012 pace. Such data indicates that the trade relations between Bulgaria and USA are still evolving with growth opportunities rapidly emerging.

Despite the global economic crisis in 2008 and a declining population base, Bulgaria's consumption of food and edible fishery products has been increasing steadily both in terms of volume, by 2-3 percent annually, and of value, by 6-7 percent annually.

Advantages

- Increase of consumption of food and edible fishery products may create prerequisites for an increase of their import.
- 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 6-7 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 has placed U.S. products in a less competitive position than those offered by EU member states due to 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.
- Exchange rate fluctuations places U.S. exporters at a disadvantage compared with Euro zone members. The Bulgarian Lev (BGN) is fixed against the Euro (EURO 1 = BGN 1.95583).

The table below demonstrates Bulgaria's **agricultural** export and import statistics in recent years

International Transactions	2008	2009	2010	2011
Exports (FOB) (Thousand USD)	2,858,152	2,791,486	3,461,868	4,566,889
Imports (CIF) (Thousand USD)	2,639,064	2,405,965	2,524,460	3,140,454
Balance	219,088	385,521	937,408	1,426,435
Commodity Turnover	5,497,216	5,197,451	5,986,328	7,707,343

Source: Ministry of Agriculture and Food – Agrarian Report

Geography and Demographics

Bulgaria is strategically located in South-East Europe, on the commercial route between Europe and Asia. As of 31 December 2012 Bulgaria population was 7.282 million people occupying a total area of about 111,002 square kilometers (km²). The population density is roughly 63.5 persons per km². Bulgaria's land area allocation is: agriculture - 63,765 km², forestry - 37,158 km², settlements and other urbanized areas - 4,603 km², water areas - 2,390 km², and mining and quarrying raw materials - 2,711 km². Railways cover 4,152 km while roadways account for another 19,512 km (500 km of which are expressways). Bulgaria infrastructure is well developed and constantly improving consisting of: six highways, 230 railway stations, four international airports, two seaports on the Black Sea, and numerous ports on the Danube river. Five Pan-European corridors cross the country, linking Northern Europe with the Middle East and North Africa.

Sofia, the capital, has a population of over 1.2 million people. Sofia is situated in South-Western Bulgaria. The country's second and third largest cities are, Plovdiv in Central South Bulgaria with population of about 340 thousand people, and Varna on the west coast of the Black Sea with a population of approximately 335 thousand people (2012 year), respectively.

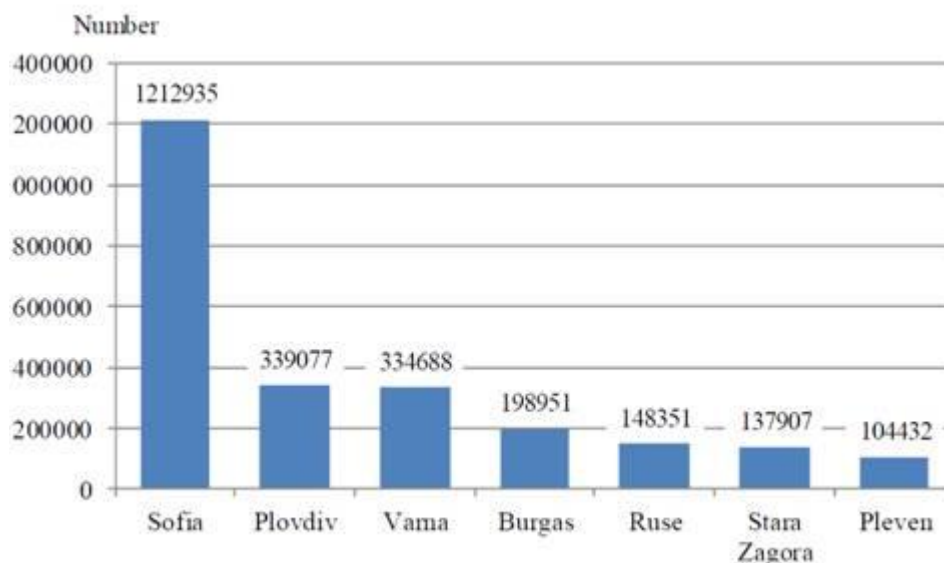
Bulgarian population has been decreasing in recent years. Senior citizens above working age (60-64 years) currently make up over 23 percent of the population, a figure which continues to grow as and life expectancies increase. Birth rates remain low. Health care and medicine are currently in high demand with the senior population. Expenses for seniors' health care will increase in the future. Meanwhile, the traditional model of nuclear family (married with two children) is gradually replaced by the model of cohabitation and one child. The birth rate in 2012 was 9.5‰, compared to 9.6‰ and 10.0‰ in 2011 and 2010, respectively.

In Bulgaria there is a significant difference in consumer behavior of young working people and elderly retirees. Young workers have higher incomes which translated to a higher consumption rate. They buy better quality products, visit restaurants, go on holiday, and engage in other extracurricular activities.

In contrast, older pensioners receive a lower income thus tend to limit their expenses to the most pressing requirements. The average annual salary in Bulgaria is about \$6,400 while the average annual pension is about \$2,150. There are significant differences between big cities and small towns and villages. In major cities, employment is high, income too and young people are relocating to take advantage of both. In contrast, in small towns and villages unemployment is high, income is low, and consumption is shrinking, with many of the food and beverages being produced by the people themselves.

In Bulgaria, only three percent of the people define their income as high, 36 percent as average, and the remaining (61 percent) as low.

Towns with more than 100 000 inhabitants as of December 31, 2012



Source: Bulgarian National Statistical Institute

The table below illustrates the average demographics in recent years

Bulgarian Demographics	2010	2011	2012
Birth Rate (‰)	10.0	9.6	9.5
Death Rate (‰)	14.6	14.7	15.0
Age Structure 0 – 14 yrs (percent)	14.6	14.3	14.4
Age Structure 15 – 64 yrs (percent)	62.7	61.7	61.8
Age Structure 65+ yrs (percent)	22.7	24.0	23.8

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. Additional 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 is he 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 in 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, recent tendency is to increase the volume of direct imports to avoid higher cost of products purchased from importers and local producers or to eliminate the middleman. 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. Bigger retail players in Bulgaria are Metro, Billa, Kaufland, Carrefour, Penny, Lidl, Picadilly, CBA, and Fantastico. U.S. suppliers can obtain useful information about each company via their website:

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

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

<http://www.kaufland.bg>

<http://www.carrefour.bg>

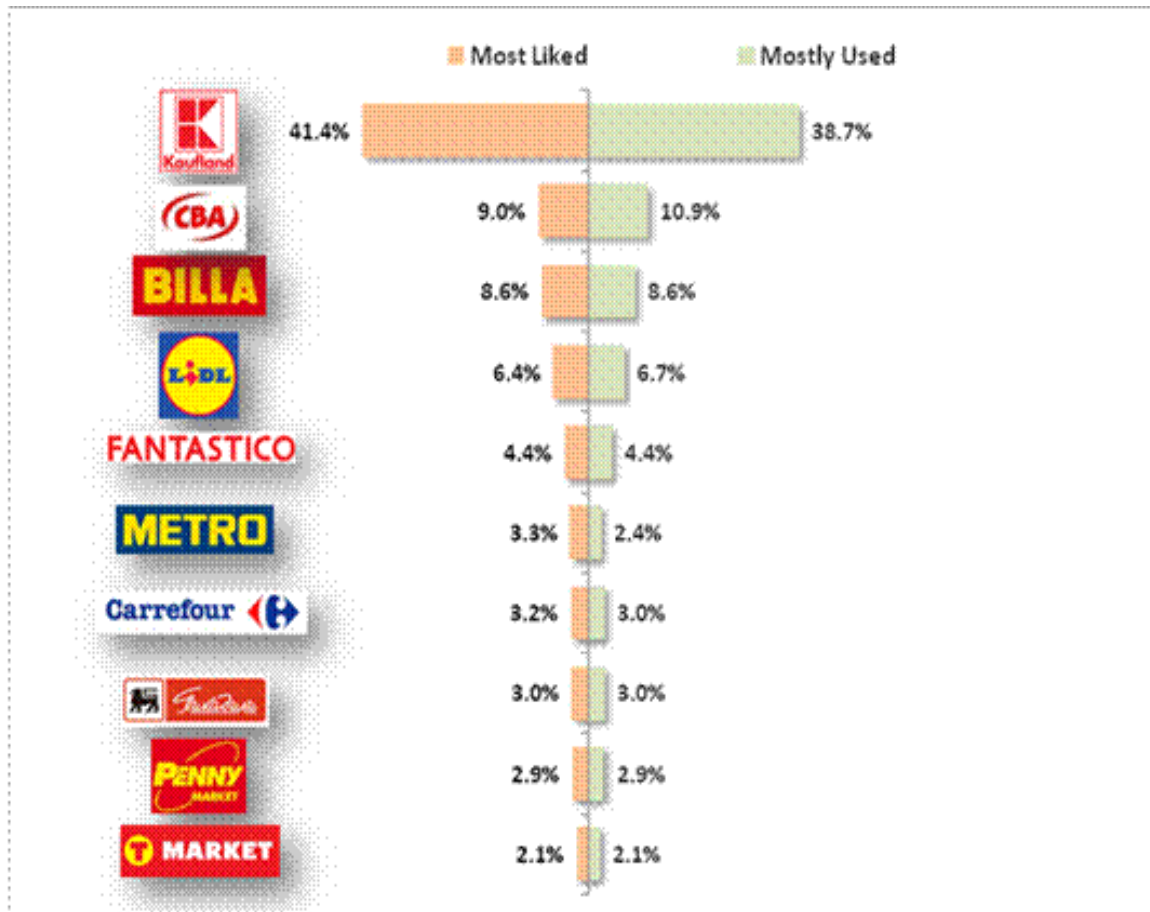
<http://www.penny.bg>

<http://www.lidl.bg>

<http://www.piccadilly.bg>

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

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



Currently in Bulgaria there are over 1900 representatives of the so called modern trade (hypermarkets, supermarkets, drug stores, etc.). The market share of retail chains, according to various estimates, is between 35 percent and 40 percent, and is growing annually by 6-7 percent. According to a recent study in just a few short years the ratio between the modern and the traditional trade outlets 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.

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.

The chart below illustrates the modern trade profile in Bulgaria



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 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 higher value added categories, may benefit by focusing on market education and sales training to develop brand recognition (demand-pull) 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 approaches, 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 U.S. 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, 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, but the local Bulgarian cuisine is generally preserved. Local businessmen are always very gracious and will invite trade contacts to dinner toasts can usually be expected, although the high alcohol "rakia" (grape brandy) is reserved for special occasions. However, red wine is becoming more common with meals and a light amount of toasting 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 to doing 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., would be more helpful, thus effective, 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. The foreign investors often prefer the AUBG graduates for business contacts.

Food Standards and Regulations

Bulgarian food standards and regulations are harmonized with those of the EU. Phyto-sanitary and

veterinary control is applied to imported and exported goods with plant and animal origin. Legislation is harmonized with 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.

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 "Imitating Product Containing Milk." Analogically, 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

In 2012, agriculture accounted for 4.3 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. In 2011, the share of imports of food and agricultural products to total imports was 10 percent and the share of exports was 17 percent. In 2012, the country's agricultural trade balance with the world was \$1.24 billion with U.S. agricultural products accounting for 1.23 percent of Bulgaria's total agricultural trade. In 2013, for the period January-October, U.S. agricultural exports increased 17 percent year-over-year (source: USDA/BICO report/U.S. Customs).

Imports from the United States: The U.S. food product exports to Bulgaria are rather limited and vary around \$35 million annually. In 2012 U.S. consumer-oriented foods totaled \$11.3 million, bulk commodities totaled \$9.8 million, and ag related intermediate products totaled \$11.5 million. Despite the challenging economic environment, the exports for the period January-October 2013 compared to the same period in 2012 have increased by: 10 percent for consumer-oriented products, 12 percent for

bulk commodities, 8 percent for ag related, and **82** 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 developing.

Bulgaria's admission to the EU has negatively affected import patterns for U.S. origin fruit products. Import duties are levied on U.S. origin products, but not on EU products. Some products do enter duty-free which enables the U.S. to compete in those markets. Since 1997 U.S. poultry has been prohibited from entering the European Union due to the U.S. use of pathogen reduction treatments (PRTs) approved by the U.S. federal government and routinely applied in U.S. poultry plants for added hygienic insurance.

Food Processing Sector

The processing industry structure shows: food processing at 20 percent, beverage production at 5 percent, and tobacco at 6 percent. From 2009 to 2012, the food processing sector expanded 4 percent while the beverage sector declined by 10 percent. Local food processors benefited from the country's admission to the EU with the elimination of duties for EU-origin commodities. Admission to the EU combined with an insufficient livestock sector led to intensifying trade relations with EU member-states leading to EU meat exports to Bulgaria multiplying significantly.

The food processing is diversified and provides almost the full spectrum of food products necessary to meet demand on the local market, with production sufficient to satisfy export requirements. The food processing sector is financed primarily with Bulgarian capital, but foreign investment is also present. Food processors are organized into branch organizations which makes their access easier for U.S. suppliers.

Food Retail Sector

Bulgaria has a well developed retail sector and the slower economy has not affected growth in the food market. Private label brands are becoming more common among retailers such as major hypermarket/supermarket chains - Kaufland, Billa, Carrefour, Metro, and Piccadilly. Following this trend are convenience store chains such as "Fantastico" and "CBA" who have also introduced private label brands for their bakery products.

Despite the economic slowdown of recent years, convenience store chains, major hypermarkets and supermarket chains have steadily expanded operations. Competition offered from convenience stores on one side and large box stores on the other have pressured many small stores out of business in the large urban centers. Such stores are maintaining their presence in more rural settings though. There are still no big stores established for high-income consumers who demand premium products and brands.

Big foreign retailers are aggressively entering local markets by continuously expanding their networks of stores. Typically these operations rely on major advertising campaigns to stake out a foothold in the

market employing both mass distribution of flyers and targeted price reductions on products to attract customers.

At the same time, large retailers pressure manufacturers and importers to lower prices offered products and to adhere to strict payment terms. Retailers offer manufacturers and importers opportunities to conduct promotions and tastings in stores for a fee. The fee currently being paid to retailers now is around 70 dollars per day.

During the holidays demand for food is normally higher with the preferred meat traditionally being pork. Tradition has it that for New Years Eve many Bulgarians buy turkey, for Easter and St. George lamb is demanded, for St. Nicholas Day and Palm Sunday fish is on the plate. Recently Christmas cakes have grown in popularity. For Easter, the custom has been for people to buy or prepare special cakes and paint eggs.

Use of the internet as a marketing tool is considered still to be in the nascent stage of development. This applies especially for food products.

Increasingly more restaurants offer delivery of food and drinks on site on request by internet or phone. Typically, payment is done on the spot and electronic payments are rarely used.

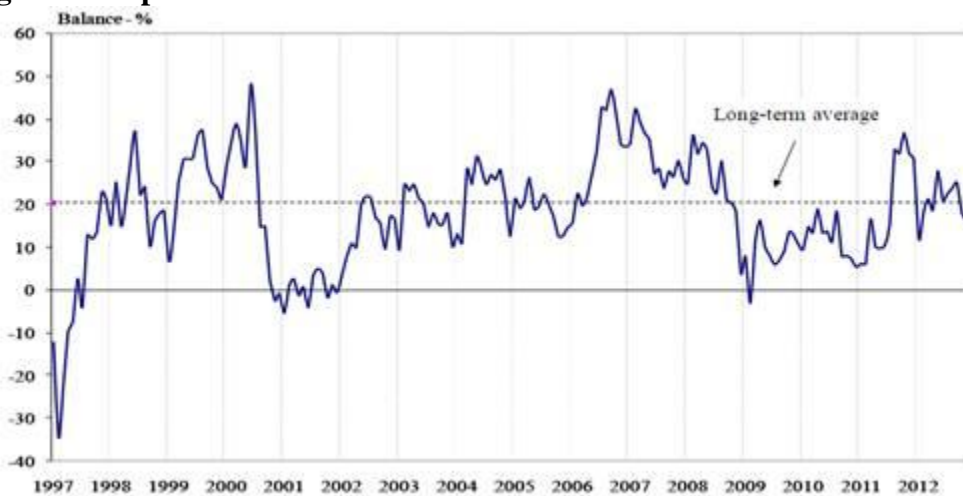
More information about the retail market in Bulgaria can be found in the 2013 Retail Market GAIN report issued by FAS Sofia [here](#)

The composite indicator “business climate in retail trade” increases by 6 percent in comparison with the previous month (Figure A) which is due to the improved managers’ assessments and expectations about the business situation of the enterprises (Figure B). However with regard to the sales and orders placed with suppliers over the next 3 months the retailers’ expectations are more reserved.

Figure A. Business climate in retail trade



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



Source: Bulgarian National Statistical Institute

HRI Food Service Sector

In 2012, the global recession caused Bulgarian food service sector to contract after registering nearly a 12 percent expansion in 2008. The country felt the recession later than many other EU member states. The local food market is very dynamic, as insufficient production of meat products force processors to compensate with increasing imports. This, in turn, has resulted in the breadth of foods offered on the market to grow as importers expand their offerings. Consumption habits and lifestyles are also changing. Food consumption rapidly increases over the Christmas and Easter holidays despite the fact that holiday discounting is still not a tradition in Bulgaria but could be emerging as leading chain stores compete nationwide for consumers.

In 2012, approximately nine million international visitors came to Bulgaria, which represented an

increase over 2011 by 3.4 percent. Tourism is the leading motive for the visit (75 percent) while business purposes followed by personal matters account for the balance. Summer is the most active season for tourism. Tourism has been growing on average by five percent per annum in recent years. This generates demand for the U.S. goods that are offered in their countries.

Young double-income families preferring to eat outside 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 a 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 food but their market share is to expand more by increasing the number of their outlets.

Organic Foods Sector

Currently, the trend for consuming healthy products and obtaining “healthy” lifestyle is strengthening. Organic foods are still not very popular in Bulgaria, but consumers crave more natural and environmentally friendly products. Organic sector of the local food market is growing slowly because of the limited purchasing power of consumers.

Sales of organic foods are not high, although their supply is growing. Their volume does not exceed five percent of sold groceries. The low volume of sales is due to their prices being several times higher than those of other foods and the low purchasing power of the general population. The number of specialized shops selling some organic products is slowly increasing however.

Promotion of organic foods via print media is sparse on account of weak sales. Awareness about organic foods is elevated primarily by verbal advertisements appearing via agricultural and culinary television shows.

IV. Best Consumer Oriented Product Prospects

Product	2010>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

				<p>consumer prefer 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 consumer and 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.</p>
Tree Nuts	11.8 > 12.2	<p>From 0 to 12.8 percent depending on the type of nuts. More information pertaining to other dried fruits and nuts is available in the EU official Journal pages 94 through 100, 157, and 165.</p>	<p>African countries, China and Middle East countries are the main competitors to the U.S. Chinese and African nuts are considered of lower quality due to standards applied in those areas.</p>	<p>U.S. origin nuts dominate the market. For more information, see FAS Sofia's Dried Fruits and Nuts Product Brief here and the Peanuts Market Brief here.</p>
Distilled Spirits	64 > 81	<p>See the Emu's unified tariff schedule, where the actual tariff rates for different products can be found. For more detailed information, the</p>	<p>The Scotch and Irish whiskeys are still dominant on the Bulgarian market. The U.S. whiskey's market share is estimated at almost 20 percent.</p>	<p>For more information see FAS Sofia's Distilled Spirits Product brief report here.</p>

		TARIC database is accessible from here . For more detailed information about the excise tax rates for alcoholic beverages applicable in the European Union as 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).	The 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 the U.S. beef is higher compared to other imported beef. Limited purchasing power of the average Bulgarian customer.	Awareness of high quality of U.S. beef on the market remains moderate among commercial and private sector customers; Positive perception and 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 percent depending on species,	The Bulgarian market is supplied with various types of fresh saltwater and freshwater fish, as	The increasing consumption of seafood in Bulgaria offers good opportunities for U.S. exporters. The U.S.

		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. The frozen fish is well accepted by the consumers. Recently consumption of other types of sea food is also increasing.	suppliers can use this trend of increasing sea food consumption in the country. For achieving this goal, the 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. 2011-2012 Bulgaria Demographic Information

	2011	2012
Total Population (thousands)	7,237	7,282
Population Increase Rate (percent)	(-1.6)	(-0.6)
Population Density (persons/km ²)	63.9	63.5
Birth Rate (‰)	9.6	9.5
Death Rate (‰)	14.7	15.0
Labor Force (thousands)	3,341	3,344
Unemployment Rate (percent)	11.3	12.3

Source: National Statistical Institute Bulgaria

B. 2011-2012 Bulgaria Trade Information

	2011	2012
GDP (million BGN)	75,308	77,583
GDP per capita (BGN)	10,115	10,632
Economic Growth Rate (percent)	+1.8	+0.8
Ag Exports FOB (Thousand USD)	3,461,868	4,566,889

Ag Imports CIF (Thousand USD)	2,524,460	3,140,454
Foreign Exchange Rate (USD = NTD)	1 USD = 1.3990 BGN	1 USD = 1.5136 BGN

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

C. 2010-2012 Top 15 Suppliers of Consumer Foods to Bulgaria

Bulgaria Import Statistics Commodity: Consumer Oriented Agric. Total, Group 32 (2012) Calendar Year: 2010 – 2012							
Partner Country	United States Dollars			Percent Share			Percent Change 2012/2011
	2010	2011	2012	2010	2011	2012	
World	1388143939	1701999915	1696895816	100	100	100	(- 0.30)
Germany	182588305	221463200	239615910	13.15	13.01	14.12	8.20
Poland	119584676	158464584	193793469	8.61	9.31	11.42	22.29
Romania	141972330	195368462	191469555	10.23	11.48	11.28	(- 2.00)
Greece	147351754	181084344	185802858	10.62	10.64	10.95	2.61
France	70047774	91742600	95110571	5.05	5.39	5.60	3.67
Netherlands	107772115	111639672	94048331	7.76	6.56	5.54	(- 15.76)
Spain	71448131	86194861	89656831	5.15	5.06	5.28	4.02
Hungary	69290386	100297646	81889756	4.99	5.89	4.83	(- 18.35)
Italy	68389602	87057634	78865663	4.93	5.12	4.65	(- 9.41)
Turkey	98570020	87449228	77043264	7.10	5.14	4.54	(- 11.90)
Cyprus	12059974	61111410	63541839	0.87	3.59	3.74	3.98
Belgium	46635956	52642341	52522933	3.36	3.09	3.10	(- 0.23)
Austria	51169735	46864329	39278321	3.69	2.75	2.31	(- 16.19)
Czech Republic	21187535	34575952	37608425	1.53	2.03	2.22	8.77

C1. 2011-2013 (January-September) Top 15 Suppliers of Consumer Foods to Bulgaria

Bulgaria Import Statistics Commodity: Consumer Oriented Agric. Total, Group 32 (2012) Year To Date: January – September							
Partner Country	United States Dollars			Percent Share			Percent Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	1232258151	1246412541	1339167214	100	100	100	7.44
Germany	152387546	171352759	198314128	12.37	13.75	14.81	15.73
Poland	111664755	132257460	196123021	9.06	10.61	14.65	48.29
Greece	138965001	136270517	157671712	11.28	10.93	11.77	15.70
Romania	147993582	152337560	117346220	12.01	12.22	8.76	(- 22.97)
Netherlands	86724115	70505974	88909050	7.04	5.66	6.64	26.10

Spain	59107159	65697469	73781434	4.80	5.27	5.51	12.30
Turkey	66453535	54626415	68377816	5.39	4.38	5.11	25.17
France	66182233	68309917	66171763	5.37	5.48	4.94	(- 3.13)
Hungary	68396377	61021048	64098812	5.55	4.90	4.79	5.04
Italy	63056120	56030850	62656688	5.12	4.50	4.68	11.83
Czech Republic	25856075	26256667	36013120	2.10	2.11	2.69	37.16
Belgium	39457290	39051403	33663434	3.20	3.13	2.51	(- 13.80)
Austria	34495831	30077792	31879569	2.80	2.41	2.38	5.99
United Kingdom	11277390	12684191	13798091	0.92	1.02	1.03	8.78

D. 2010-2012 Top 15 Suppliers of Fish & Seafood Products to Bulgaria

Bulgaria Import Statistics Commodity: Fish & Seafood Products, Group 9 (2012)							
Calendar Year: 2010 – 2012							
Partner Country	United States Dollars			Percent Share			Percent Change 2012/2011
	2010	2011	2012	2010	2011	2012	
World	60025247	69127026	69047415	100	100	100	(- 0.12)
Greece	6848884	8868352	9759656	11.41	12.83	14.13	10.05
Spain	6126329	9205001	8661460	10.21	13.32	12.54	(- 5.90)
Czech Republic	1400747	4936249	6496453	2.33	7.14	9.41	31.61
Netherlands	3860685	4366291	4925954	6.43	6.32	7.13	12.82
Poland	1329994	1551174	3984384	2.22	2.24	5.77	156.86
Lithuania	2655031	2775891	3751643	4.42	4.02	5.43	35.15
Vietnam	5259024	2483415	3572277	8.76	3.59	5.17	43.85
Romania	2329674	3704645	3178604	3.88	5.36	4.60	(- 14.20)
Germany	1803863	2709821	2918984	3.01	3.92	4.23	7.72
China	2056020	3042739	2540660	3.43	4.40	3.68	(- 16.50)
Norway	2711081	225478	2081198	4.52	0.33	3.01	823.02
Italy	2631965	2419373	1581718	4.38	3.50	2.29	(- 34.62)
Belgium	1168477	1253880	1453330	1.95	1.81	2.10	15.91
France	963170	1170518	1353712	1.60	1.69	1.96	15.65

D1. 2011-2013 (Jan-Sep) Top 15 Suppliers of Fish & Seafood Products to Bulgaria

Bulgaria Import Statistics Commodity: Fish & Seafood Products, Group 9 (2012)							
Year To Date: January – September							
Partner Country	United States Dollars			Percent Share			Percent Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	49317592	51733251	58630082	100	100	100	13.33
Greece	6264743	7646477	8592538	12.70	14.78	14.66	12.37
Spain	7317992	7202174	6960152	14.84	13.92	11.87	(- 3.36)
Czech Republic	3597082	4719245	5763737	7.29	9.12	9.83	22.13
Netherlands	1926196	3765650	4128878	3.91	7.28	7.04	9.65
Lithuania	2073879	2524754	3105021	4.21	4.88	5.30	22.98
Vietnam	1587398	3145807	3040646	3.22	6.08	5.19	(- 3.34)

Germany	1477268	2061442	2978125	3.00	3.98	5.08	44.47
Poland	782526	2313130	2850502	1.59	4.47	4.86	23.23
Belgium	912092	1169341	2278785	1.85	2.26	3.89	94.88
China	2260045	2263742	2116670	4.58	4.38	3.61	(- 6.50)
Denmark	1698259	887340	2083840	3.44	1.72	3.55	134.84
Romania	2643276	2736055	1557801	5.36	5.29	2.66	(- 43.06)
United Kingdom	618000	750568	1179831	1.25	1.45	2.01	57.19
Thailand	316274	319672	1166388	0.64	0.62	1.99	264.87

Source: Global Trade Atlas

E. 2013 public reports produced by FAS Sofia

Report Name
Dairy Sector Faces new Challenges
Grains and Oilseeds Update
Wine Market Update
Poultry Market Update
Product Brief - Dried Fruits and Nuts
Discover U.S. Promotion
Culinary Demonstration
Grains and Oilseeds Update
Dairy Sector Update
Grains and Oilseeds Update
Distilled Spirits Market Brief
U.S. Wine and Beef “Beyond Discovery “Promotion in Sofia - Public
Grains and Oilseeds Update
Biotech Outreach Public
Dairy Sector Update