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Post: Sofia

Food Processing Ingredients Bulgaria

Report Categories:
Food Processing Ingredients

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Report Highlights:
The following report contains information about Bulgaria's food processing industry and food ingredients market. The food industry in Bulgaria accounts for about 20 percent of the country's industrial output. Related U.S. products and/or associated ingredients with good sales potential in Bulgarian include: distilled spirits, tree nuts, peanuts, dried fruits, snack, breakfast cereal, pulses, beef, prepared food, wine, juices, and seafood products.

Market Fact Sheet: Bulgaria

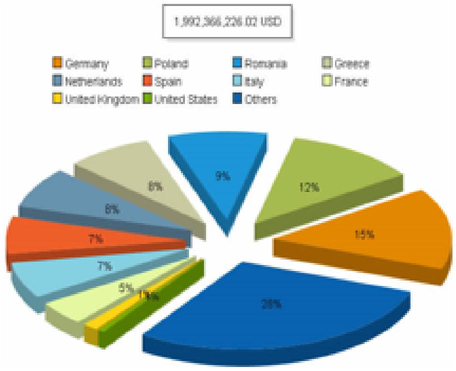
Executive Summary

Bulgaria continues its transition into a market economy and Government of Bulgaria intervention in foreign investment and trade is decreasing. In the last three years the GDP is growing by more than three percent on an annual basis. Exports generate almost 50 percent of Bulgaria's GDP and are a pillar of the country's economy. The Bulgarian economy continues to transition from command-and-control to full market-orientation. Today, EU Member States are Bulgaria's primary trading partners, although there are significant balance of trade variations between the different Member States. In 2017, Bulgaria had a trade deficit in goods of about €3.5 billion ($4.06 billion). Agriculture made up 4.3 percent of Bulgaria's GDP in 2017.

SWOT Analysis	
Strengths	***Weaknesses***
Bulgarian market is accessible by sea and has efficient domestic distribution network. Growing food processing industry is looking for new imported ingredients. Low marketing cost.	U.S. products are disadvantaged because of duties versus products from EU Member States and countries with EU free trade agreements (FTA).
Opportunities	***Threats***
Growing incomes, increasing demand for high-value products, fast developing food retail network, consumption habits changing towards high-quality food and drinks.	Bulgarian domestic producers are receiving European funding to upgrade production efficiency and product quality which decreases the demand for imports.

Imports of Consumer-Oriented Products

Goods imported into the EU must meet the EU sanitary and phytosanitary requirements. For more information, please refer to FAS Sofia's latest Food and Agricultural Import Regulations and Standards (FAIRS) report (see link below). In 2017, Bulgaria imported consumer-oriented agricultural products for 1.99 billion (an increase of almost 12 percent over 2016). Over 85 percent of these originated from other EU member states.



Food Processing Industry

Bulgaria's Food Processing Industry is developing rapidly and accounts for about 20 percent of total industrial production. About 6,000 companies are operating on the market, employing nearly 100,000 people. Leading food industry sectors - bakery and confectionery, dairy production and processing, meat products, poultry & eggs, sweets & chocolate products, fruits & vegetables processing, and wine production.

Food Retail Industry

Bulgarian food retail sales reached $6.6 billion in 2017. The sales in modern trade channel accounted for $3.5 billion (53 percent) and $3.1 billion in traditional channel. Total outlets: 41,872. Grocery retailing grew in 2017 due to improved consumer confidence and labor market. The 10 percent increase of the minimum wage introduced in early 2017 was another growth driving factor. The number one retailer Kaufland accounted for 18 percent of sales of top 100 retailers. Internet grocery retailing is developing slowly but is still not very popular. The increasing demand for high-quality healthy food is emerging as a result of increasing health consciousness of the urban consumers.

Quick Facts CY 2017

Imports of Consumer-Oriented Products *(USD billion)* 1.99

List of Top 10 Growth Products in Host Country

1) Coffee Substitutes	2) Peas (fresh or chilled)
3) Tea	4) Spices
5) Dried Vegetables	6) Citrus Fruits
7) Sheep Meat	8) Nuts
9) Coconuts	10) Dairy Spreads

Food Industry by Channels (USD billion) 2017

Food Industry Output - Turnover	4.9
Food Exports – Agricultural Total (2016)	4.7
Food Imports – Agricultural Total (2016)	3.3
Retail	6.6
Food Service	3.4

Food Industry Gross Sales (USD Billion) 2017

Food Industry Revenues

- Food (Domestic market) 4.9

Top 10 Host Country Retailers

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

GDP/Population

Population *(millions)*: 7.05
GDP *(billion USD)*: 60.5
GDP per capita *(USD)*: 8,520

Data and Information Sources: Euromonitor, GTA, Local sources

Contact: AgSofia@fas.usda.gov

General Information:

SECTION I. MARKET SUMMARY

Bulgaria is growing economically and is a stable European Union (EU) member. It is broadly recognized as an important gateway into the wider EU market for agricultural products due to its political and financial stability, as well as its developing agriculture sector and infrastructure. EU membership significant affected Bulgaria's trade in food and agricultural. Although earlier opportunities for U.S. exporters have all but disappeared (poultry), others have expanded (see report highlights). In general, Bulgarian imports of agricultural products and food from the United States will increasingly resemble U.S. exports to other EU markets and become more consumer-oriented and high-value.

Although the improved economic trends are projected to continue over the next years, lower-than-EU average consumer incomes continue to limit prospects for U.S. imports. U.S. food ingredient products compete with similar imports from other EU members and increasingly from local production, which is largely to rising foreign direct investment (FDI) in the food processing sector.

The Food Processing Industry in Bulgaria

The food and beverage processing accounts for about 20 percent of total industrial production in the country. In 2016 the Bulgarian food industry was valued at about BGN 8 billion ($4.9 billion). Bulgaria produces meat and meat products, dairy products, confectionery products, bakery products, fruits and vegetables, fish, etc. About 6,000 companies are operating on the market, nearly half of them located in the southcentral and southwestern regions. Major companies in include Nestle Bulgaria, Mondelez Bulgaria, Coca-Cola Hellenic Bottling Company, Bella Bulgaria, Chipita Bulgaria, Danone Bulgaria, and others.

The leading Bulgarian agricultural trade partners today are other EU markets, neighboring countries (Turkey, Serbia, and Macedonia), China, Ukraine, and others. Over 85 percent of Bulgaria's agricultural imports are from other EU countries.

Key Market Drivers and Consumption Trends

Important sectors of Bulgaria's food industry are dairy production and processing, chocolate and confectionary products, bakery, meat, edible oils, poultry and eggs, non-alcoholic beverages, flour, horticultural processing, beer, sprits, and wine production.

Organic products have become more important for Bulgarian consumers. With prospects of economic improvement in 2018 and 2019, and stabilization of consumer incomes, Post expects interest in organic and health food products will be sustained and developed. For more information about the Bulgarian organic products market please refer to FAS Sofia's latest Organic Market Update GAIN report.

Advantages and Challenges

Advantages	Challenges

Increase in consumption of food and edible fishery products is creating demand for more imports.	Strong competition from EU exporters which are able to provide commodities in smaller volumes, thus reducing pressure of high stocks on the buyers' cash-flow.
The Bulgarian retail market is expanding, offering more consumers access to modern retail options.	Lower purchasing power of the average Bulgarian and the size of the local market limit U.S. exports of higher-value products.
Growing food processing industry is looking for new imported food ingredients.	EU regulation and tariffs give preferential access to products from EU countries. U.S. exporters face competition from tariff-free products from other EU countries.
The range of U.S. food ingredients and products, effectively capable of satisfying demand across different consumer income levels. Brand recognition, particularly with consumer-ready products, is a particular strength in the Bulgarian market.	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting to Bulgaria complicated.
The U.S. reputation as a reliable supplier of food inputs in terms of availability, delivery and quality. Marketing costs to increase consumer awareness are low.	Preference of U.S. companies to work with EU distributors responsible for certain European regions and exclusion of local importers who would like to engage in direct import from United States.
Bulgarian consumer confidence in U.S. products due to the very well-established U.S. food safety regulatory system.	Differences between U.S. and EU production systems for beef, pork and poultry keep some products out of the EU market. Some products of modern biotechnology are prohibited.

Section II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

U.S. companies seeking to export to Bulgaria are advised to research the market. USDA's Foreign Agricultural Service (FAS) offers U.S. suppliers a number of valuable services to support them with market entry. Please see the FAS Attaché Reports in the USDA Global Agricultural Information Network (GAIN) and contact the Office of Agricultural Affairs in Sofia for clarification on specific questions. Once U.S. companies have acquired this background information, they have several choices on how to enter the market. They may consider attending or visiting one of Europe's many USDA endorsed trade shows and other trade shows in Europe as well as some of the food trade shows in Bulgaria such as the largest Bulgarian food and beverage trade show Inter Food and Drink, which is held every November in the capital of Bulgaria Sofia. They serve as a springboard into the market, helping companies to establish new trade contacts and gauge product interests.

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), commodity Cooperator Groups and State Departments of Agriculture to obtain additional market entry support. For more information, contact the state regional trade group responsible for your state here.

Import Procedure and FAS Attaché Reports

FAS Attaché reports published by FAS Sofia for new-to-market exporters to Bulgaria are:

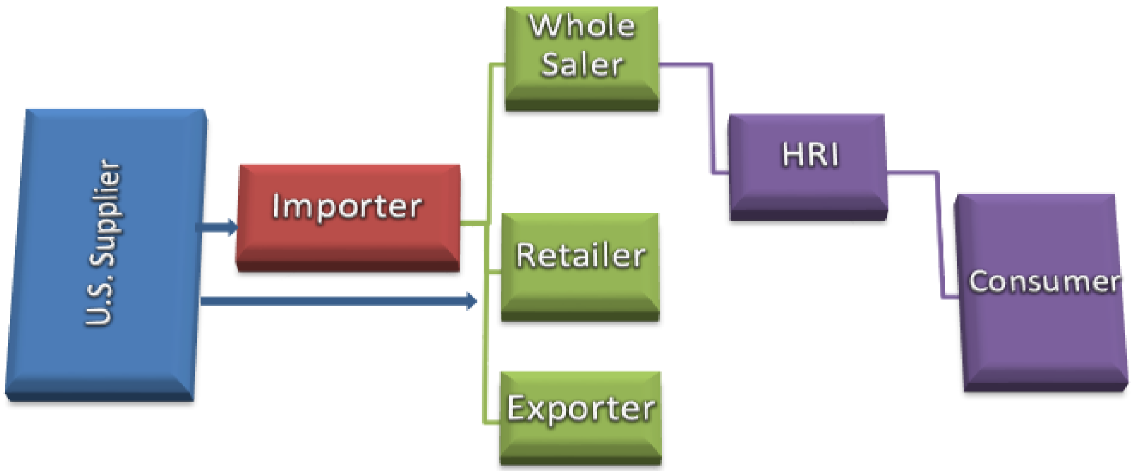
- The Exporter Guide which contains a general overview of the macro-economic situation, discusses demographic trends, food trends, offers exporter business tips and shares overviews of the food retail and HRI sectors;
- The Import Regulations and Standards (FAIRS) reports provide an overview of import regulation standards and required health and origin certificates (FAIRS Export Certificate Report);
- The Retail Market Report gives an overview of the Bulgarian food retail market;
- The Hospitality Restaurant Institutional Food Service (HRI) in Bulgaria report provides an overview of market opportunities and key channels of distribution for U.S. food and beverage products destined for the food service market in Bulgaria;
- The Organic Market Update gives an overview of the organic food market in Bulgaria;
- The Fish and Seafood Market Brief provides information about Bulgaria's fish and seafood market. It provides an overview of market opportunities and key information and statistics about production, imports, exports, and main EU regulations.
- Please use the GAIN search engine to also find various product briefs published by FAS/Sofia as well as a complete selection of online FAS reports.
- In order to obtain further information on the Bulgarian market, trade shows, and other marketing sales opportunities in Bulgaria, contact the USDA Foreign Agricultural Service Office in Sofia. Further contact information is provided at the end of this report.

Market Structure

The Bulgarian food ingredients market has a variety of supply channels, depending on the type of products. Most of the small and medium-sized processors use local products, while the bigger ones buy from both local producers and from foreign suppliers. Retailers usually purchase directly from the processor or the buying organization. Many of them also work directly with foreign suppliers. The hotel restaurant and institution (HRI) sector may purchase directly from a wholesaler whereas smaller HRI outlets generally purchase products from cash and carry operations.

U.S. exporters of food ingredients usually enter the Bulgarian market through local specialized ingredients importers. These importers typically also promote the products to the end users. U.S. products that already entered the Bulgarian market have established reputations as high quality, but since some of them are positioned in the high-end segment, the competition from local and products from other EU countries on the price driven Bulgarian market is very strong.

Supply Chain Chart



Consumer foodservice sales increased by six percent in 2017 and number of foodservice outlets grew to 35,160. Food producers are expected to adapt to new trends and offer foodservice operators a variety of new products that meet consumers demand for fresh and less processed food. It is anticipated that most operators will adapt to the health and wellness trend and fast-changing consumer tastes by searching for innovations.

Competition in foodservice is intensifying. Both local and imported products will compete for sales and shares. Competition is likely to focus on the quality of products and services (regular daily supplies, variety in pack sizes, frequent price promotions and the renewal of portfolios). It is anticipated that foreign companies will concentrate on higher added-value product types, such as dairy-based and ice cream desserts, soup, ready meals and sauces, while domestic companies will compete effectively in dairy, bakery, processed meat, and oils and fats.

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Company Profiles (2016 data)

Note: Average 2016 Exchange rate $1.00 =1.86 Bulgarian leva (BGN). Source: Bulgarian National Bank

Milk Processing – Milk processing industry holds a leading position in value sales. The annual turnover is estimated at BGN 692 million ($372 million). The top 25 companies hold 67 percent of market share.

Top Five Milk Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
OMK AD	73.9	39.7
Tirbul EAD	56.4	30.3
Dimitar Madzharov-2 EOOD	42.1	22.6
Schreiber Foods (Danone)	35.4	19.03
Megle Bulgaria EOOD	31.7	17.04

Source: Regal Magazine based on official annual reports

Sugar, Chocolate Products, and Confectionery – 222 companies with top five companies holding 75 percent of the market. The annual turnover in the sector is BGN 750.9 million ($403.7 million). The industry is dominated by foreign companies - Mondelez Bulgaria (former Kraft Foods) and Nestle Bulgaria, holding about 48 percent of the market. In chocolate confectionery the penetration of private label lines in retail, most notably of Lidl, Kaufland, and Billa, will bring additional price pressures and consumers are expected to make more purchases at lower price points. The expected volume performance in sugar confectionery is seen to be a result of interest in new products and continuing new product development.

Top Five Confectionery Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
Mondelez Bulgaria Production EOOD	243.4	130.9
Nestle Bulgaria AD	119.6	64.3
Prestige 96 AD	68.4	36.8
Zaharni Izdelia Varna EOOD	58.8	31.6
Den I Nosht Ltd	27.7	14.9

Source: Regal Magazine based on official annual reports

Meat Processing – Annual production of processed meat in Bulgaria has been estimated at BGN 680 million ($365.6 million). The major share of 71 percent is taken by salami products, followed by salted, dried, and smoked meat, and prepared food from meat. Exports generate only about 4 percent of industry's turnover. There are 199 companies in this sector, of which 15 with annual turnover of more than BGN 10 million, which makes the competition quite fierce. Top five companies hold about 35 percent of the market.

Top Five Meat Processing Companies in Bulgaria

Company	Annual Turnover Million BGN	Annual Turnover Million U.S. $
Bella Bulgaria AD	60.4	35.6
Mesokombinat Lovech (Boni Holding)	52.9	28.4
Ken AD	47.8	25.7
Fermata AD (owned by Bella Bulgaria)	42.2	22.7
Delikates 2 Ltd	31.0	16.7

Source: Regal Magazine based on official annual reports

For more information about other food processing sectors in Bulgaria please contact the Office of Agricultural Affairs in Sofia, Bulgaria.

Food Standards and Regulations

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

For more information on labeling requirements, food regulations, and standards, including new requirements for organic food products, please see FAS Sofia's Food and Agricultural Import Regulations and Standards Report or refer to FAS Sofia. Additional information can also be found on the European Food Safety Agency and Bulgarian Food Safety Agency websites. Also, please check the U.S. Mission to the European Union webpage which will guide you on exporting into the EU.

SECTION III. COMPETITION

The main competitors for U.S. suppliers include producers in other European countries such as the Poland, Romania, Netherlands, Germany, and Spain. Key country competitors listed by product category can be found in the following table. Top non-EU competitors are Turkey, Ukraine, China, Argentina, and Serbia.

Overall competitive situation for U.S. exports

Product	Major Suppliers	Market Summary
Dried fruits and nuts	USA, Argentina Turkey, Israel, Iran,	Lower prices from competitive countries. However, U.S. products dominate in almonds, pistachios, and peanuts due to quality.
Dry legumes (peas, lentils and beans)	Kyrgyzstan, Ethiopia, China, Canada, Turkey, Argentina, United States	Bulgaria imports almost all dry legumes (beans, lentils, and peas). Competitors offer lower prices but U.S. advantages are quality and

		variety.
Beef	Argentina, Uruguay, Ireland, Australia, United States	Uruguay, Argentina, and Ireland remain the major suppliers. U.S. beef steaks are of higher quality but are less price competitive.
Fish and seafood	Greece, Denmark, Spain, Netherlands, Norway, Canada, United States	EU suppliers are price competitive and able to supply fresh fish and seafood varieties demanded by local consumers.
Sauces, salad dressings and seasonings	EU and United States	Price competitive and no custom duties. The U.S. suppliers provide a variety of regional sauces.
Canned fruits and vegetables	West and Eastern Europe	Price competitive. No duties for EU imports.
Ready-to-eat meals	EU countries and China	Imports are at competitive prices.
Wine	Italy, Spain, France, Portugal and new world wines, United States	Price competitive since no duties inside the EU. Quality creates opportunities for US wines.
Rice	Greece, Spain, Cambodia, Myanmar, India	Cambodia, Myanmar, and India offer quality and low price products. Biotech testing is a constraint.
Fresh fruits (including grapefruits & exotic fruits	Greece, Turkey, Ecuador, EU, Macedonia, South Africa, Argentina.	Preference is given to EU suppliers and neighborhood countries due to special tariff rates.

Source: FAS Sofia and Global Trade Atlas

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Products in the market with best sales potential

- Distilled Spirits – stable market with a large assortment of brands.
- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, and peanuts. Demand for cashew, pecan, and walnuts is growing too.
- Wine – the market enjoys steady growth along with increased diversity and quality. The high-end imported wine segment showed the most dynamic and strong market presence.
- Snacks and Cereal - U.S. companies face stiff competition from EU producers. Popcorn comprises the bulk of U.S. snack food imports. Local consumers perceive U.S. products as being of high quality and competitive prices. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are the most popular.
- Beef - U.S. prime beef is increasing popular at high-end restaurants and is expanding its market presence due to the growth of the food-service sector.
- Fish and Seafood - Bulgaria is a net importer of fish and seafood, chiefly frozen fish (hake, mackerel, salmon, squid, pollock) and also lobsters and other higher-end shellfish.
- Pulses (Dried Beans and Lentils) - Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Prospects are very good due to increasing product diversification on the market and developing of consumer taste towards more higher-value pulses and new products.

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

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

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

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, or need assistance exporting to Bulgaria, please contact the U.S. Office of Agricultural Affairs in Sofia.

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Website: https://bg.usembassy.gov/embassy/sofia/sections-offices/fas/

United States Department of Agriculture, Foreign Agricultural Services
U.S. Department of Agriculture, Washington, D.C. 20250
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Bulgarian Central Authority Agencies

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E-mail: bfsa@bfsa.bg Website: http://www.babh.government.bg/en/

Major Bulgarian Food Processing Trade Associations

Bulgarian Association of Dairy Processors
Zh.K. Lagera bl. 44 vh. A Sofia 1612 Bulgaria

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