

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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

Voluntary - Public

Date: 6/29/2018

GAIN Report Number: BU1823

Bulgaria

Post: Sofia

Retail Foods Bulgaria

Report Categories:

Retail Foods

Approved By:

Jonn Slette, Agricultural Attaché

Prepared By:

Alexander Todorov, Marketing Specialist

Report Highlights:

This report contains information about Bulgaria's retail food and beverage market.

Market Fact Sheet: Bulgaria

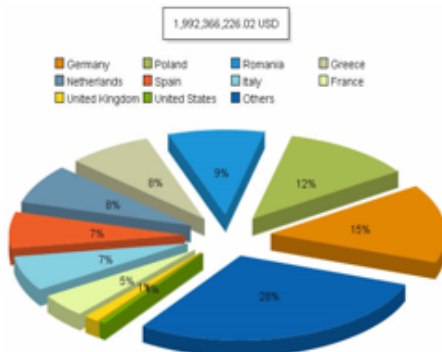
Executive Summary

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.

<i>SWOT Analysis</i>	
<i>Strengths</i>	<i>Weaknesses</i>
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).
<i>Opportunities</i>	<i>Threats</i>
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

eral Information:

I. Market Summary

Total number of retail outlets in Bulgaria stands at 41,872, of which 3,683 are modern grocery outlets (see Table 1). According to Euromonitor, in 2017 modern-retail sales exceeded BGN 5.75 billion (\$3.52 billion) and accounted for of 54 percent of market share. The remaining 46 percent, almost BGN 4.96 billion (\$3.04 billion), was held by 38,189 traditional grocery outlets throughout the country.

Bulgaria's grocery retail market improved in 2017, with key factors being increased consumer confidence, which according to Nielsen research is reaching EU-average levels, declining unemployment and growing incomes (minimum wage increased by 11 percent in early 2018) leading to increase in food consumption, as well as a rising number of foreign tourists.

In 2015-2016 the retail market went through significant changes and challenges after the exit of Penny Market and the insolvency of Carrefour and Piccadilly. The competition to fill the market void (83 outlets freed) was mainly among Kaufland, Lidl, Billa, and T-Market.

Note: Average 2017 Exchange rate \$1.0 = 1.63 Bulgarian leva (BGN). Source: Bulgarian National Bank

Table 1. Grocery Retailers Outlets by Channel: Units 2015-2017

Outlet	2015	2016	2017
Modern Grocery Retailers	3,870.0	3,725.0	3,683.0
Traditional Grocery Retailers	38,189.0	38,219.0	38,189.0
Total Grocery Retailers	42,059.0	41,944.0	41,872.0

Table 2. Sales in Grocery Retailers by Channel: Value 2015-2017

BGN million	2015	2016	2017
Modern Grocery Retailers	5,492.6	5,596.9	5,751.5
Traditional Grocery Retailers	4,710.8	4,810.0	4,957.4
Total Grocery Retailers	10,203.4	10,406.9	10,708.9

Table 3. Grocery Retailers Forecasts: Value Sales and Outlets 2018-2021

	2018	2019	2020	2021
Value sales BGN million	10,930.8	11,094.8	11,242.8	11,344.9
Outlets	41,862.0	41,837.0	41,822.0	41,832.0

Source: Euromonitor International

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

Retailer	Owner	Nationality	Opened	Outlets (2017)	Revenue BGN '000 (2016)
Kaufland Bulgaria	Schwarz Group	Germany	2003	58	1,663,170
Metro Cash & Carry	Metro	Germany	1999	13	815,120
Lidl Bulgaria	Schwarz Group	Germany	2010	86	747,436
Billa Bulgaria	REWE Group	Germany	1999	120	662,624
Fantastico	Valeri Nikolov	Bulgaria	1991	41	431,782

Modern retail is expected to maintain its moderate growth trajectory over the next several years. Following some market upheaval in 2016, the sector looks to be more vigorous. However, factors such as declining population, immigration, shrinking of working-age population could hamper future growth. Conversely, increasing wages, continuing economic growth, decreasing unemployment, increasing number of tourists, and rising demand for high-quality and healthier food are expected to support sustained growth over the next few years.

Table 5. Advantages and Challenges

Advantages	Challenges
Increasing demand for high-value/high-quality products creates opportunities for more imports.	U.S. products are subjected to tariffs, versus products from within the EU and countries with EU free trade agreements (FTA).
Growing food processing industry is looking for new imported food ingredients. Migration of people from rural to urban areas continues at a rapid pace.	Still moderate consumer awareness of U.S. products. Bulgarian domestic producers are receiving EU funding to upgrade production efficiency and product quality. They increase agricultural production, reducing demand for imports in the country.
Bulgarian market is accessible by sea and has efficient domestic distribution network. Marketing and advertising costs are relatively low.	Exchange rate fluctuations and the strong dollar disadvantage U.S. shippers. (Bulgarian lev has a fixed exchange rate against the Euro (€1 = BGN 1.95583))
Consumption habits are changing towards high-quality food and drinks. Consumers become more receptive to new and imported products.	Bulgaria is still price sensitive. Competition among specialty products from the EU is strong. U.S. products are viewed by many Bulgarian consumers as too expensive.

II. Road Map for Market Entry

Entry Strategy:

Bulgarian convenience stores, supermarkets, and hypermarkets generally purchase from local importers, wholesalers, and producers. Most of the international retail chains source products through their corporate supply channels in other European countries. There has been a recent shift toward direct imports to avoid higher cost associated with purchasing from importers or middleman. The best method to reach Bulgarian retail buyers and prospective importers is to contact them directly via e-mail or fax or to reach out to the [FAS Sofia](#) office for additional assistance and guidance. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include [Kaufland](#), [Metro](#), [Lidl](#), [Billa](#), [Fantastico](#), and [CBA](#). For more up-to-date information, please refer to [FAS Sofia's GAIN reports](#).

A visit to Bulgaria is strongly recommended to establish meaningful relationships with Bulgarian buyers. While visiting Bulgaria, it is advisable to bring product samples to show potential buyers, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent. Post recommends that the companies contact [FAS Sofia](#) for guidance when arranging a trade visit to Bulgaria.

Sales and Marketing:

Although sales and marketing techniques in Bulgaria are still evolving, it remains a price-sensitive market and discounts are commonly used and expected. U.S. food and beverage suppliers, particularly those in the higher-value categories, may seek to mitigate discount demands by focusing on market education, sales training, and brand development.

More Bulgarian consumers are willing to pay price premiums for products perceived as 'healthful' or 'nutritious'. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are some examples of product categories for which marketing strategies based on nutritional and health messages have proven to be highly successful.

Language Barrier:

Speaking Bulgarian is not essential in order to do business in the country, but U.S. companies are advised to verify the level of English fluency of their potential business partners. Many Bulgarian residents speak fluent English, especially those under 40. Translation services are easy to find and written materials such as company information, product brochures, etc. will resonate much more if translated into Bulgarian.

Food Standards and Regulations:

Bulgarian food standards and regulations are harmonized with those of the EU. Phytosanitary and veterinary controls may be applied on traded plant and animal-origin products. Bulgarian food processors observe HACCP.

U.S. companies should observe product-labeling requirements vis-à-vis health or nutritional claims, which require approved by the Bulgarian Food Safety Agency and Ministry of Agriculture and Food. Supplementary labels (i.e. stickers) must also be translated into Bulgarian and should include the type of product, product name, name(s) of the manufacturer and importer, full list of ingredients, and shelf life. Bulgaria also introduced country-specific labeling requirements for certain products. For more information on labeling requirements, food regulations, and standards, including new requirements for

organic food products, please see FAS Sofia's [Food and Agricultural Import Regulations and Standards Report](#) or refer to [FAS Sofia](#). Additional information can also be found on the [European Food Safety Agency](#) and [Bulgarian Food Safety Agency](#) websites. Also, please check the [U.S. Mission to the European Union](#) webpage which will guide you on exporting into the EU.

Trade Shows:

U.S. companies, interested in entering the Bulgarian market, may consider attending or visiting one of Europe's [USDA endorsed trade shows](#) or the largest Bulgarian food and beverage trade show [Inter Food and Drink](#), which is held every November in the capital of Bulgaria Sofia.

State Regional Trade Groups (SRTG):

SRTGs are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state [here](#).

III. Competition

In 2017 over 85 percent of the imports of consumer-oriented products to Bulgaria originated from other EU member states, which are the main competitors for U.S. agricultural exports. Bulgaria's EU accession in 2007 negatively affected U.S. fruit product imports, as EU-origin horticultural products gained duty-free and facilitated access. The EU's FTAs with non-EU countries also threaten U.S. exports, as some products enter Bulgaria with lower tariffs or duty-free. The EU also effectively bans U.S. poultry meat (since 1997) due to its probation of U.S.-approved pathogen reduction treatments, which provide added hygiene and product safety.

The Bulgarian retail sector is led by Kaufland, with 18 percent of the total sales in top 100 retailers for 2016 (including non-grocery retailers). Six years ago the German discounter surpassed its main competitor, Metro, and took the lead position. In 2013, for the first time, the chain passed the revenue limit of 1 billion leva and kept this trend (BGN 1.66 billion in 2016). See Table 4 above for more information about top five grocery retailers, number of their outlets, and revenues. The only local player among the lead retailers is Fantastiko, which currently operates 41 outlets with only two outlets situated outside of the capital city Sofia.

Having already saturated retailing opportunities in the capital and major cities, most retail chains began to open smaller convenient-type outlets, closer to consumers, downtown or in highly populated residential areas. Until a few years ago, these locations belonged to independent groceries while modern retailers grew in the outskirts. However, Bulgarian consumer shopping habits tend to change slowly and many people still prefer to shop in smaller volume. These stores have longer work hours adjusted to the usual work hours of customers. The assortment is limited to more staple products. Unlike in other foreign markets, prices between convenience stores and hypermarkets do not differ substantially because the market is highly fragmented. Convenience stores also bring benefits to traditional retailers. Most are not able to withstand the double pressure from the modern chains and from the economic crisis. Instead of going out of business, these players prefer to rebrand by becoming part of a more well-known franchise. Smaller outlets, especially in small towns, enjoy the advantage of having loyal customers and try to cater their individual needs.

There is an emerging wave of small, specialized fruit and vegetable stores, as well as similar outlets for dairy and meat products. These stores try to focus on convenience and organic, fresh, and local food. Bulgarian retail industry probably benefit from this tendency, as these stores indicate a well-developed market, and more consumer choices through new business models.

Hypermarkets and discounters are expected to keep growing over the next few years. Kaufland is expected to assert itself as a market leader, while Lidl and Billa are expected to increase market shares by opening new outlets and by becoming increasingly cost competitive. The market share of private labels is expected to increase moderately as well. Convenience stores are expected to be another growing channel for grocery retailers. The expansion of retailers to smaller towns and convenience format outlets will take more market share from the independent groceries and thus will further strengthen retailers' negotiation power. Traditional retail is expected to underperform compared to modern trade as large retailers plan to move towards densely populated town centers by opening convenient stores and smaller supermarkets. The only exception will be small specialized stores for fruits, vegetables, and dairy and meat products, which stake on convenience and fresh produce.

IV. Best Product Prospects

Products in the market with best sales potential

- Distilled Spirits – stable market with a large assortment of brands.
- Ground Nuts, Tree Nuts, and Dried Fruits – strong demand for almonds, pistachios, and peanuts. Demand for cashews, pecans, 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/Cereals - 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 Meat - 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 & eggs; biotech derived products.

V. Key Contacts and Further Information

American Institutions in Bulgaria

Office of Agricultural Affairs

U.S. Embassy; 16 Kozyak Str., Sofia 1408, Bulgaria

Tel: (359) 2-939-5774

E-mail: agsofia@fas.usda.gov

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

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>

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.bg Website: <http://www.babh.government.bg/en/>

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>

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: office@spirits.bg

Website: <http://www.spirits.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.milkbg.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: <https://www.amb-bg.com/>