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Agricultural Trade Update - Best Prospects

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Report Highlights:

This report provides an overview of the current U.S. agricultural and related products exports to Bulgaria with the latest data for the first quarter of CY2014. The report lists the best prospects for categories of agricultural products which are at higher demand on the domestic market. In the first quarter 2014, U.S. agricultural exports to Bulgaria grew an impressive 69 percent and the prospects to sustain this growth are very good.

General Information:

Summary

EU membership has had a significant impact on trade in food and agricultural products in Bulgaria. Certain opportunities for U.S. exporters have all but disappeared (beef, poultry) while others have expanded (below). There are also several new market opportunities for new food products. In general, Bulgarian agricultural and food imports from the U.S. will increasingly resemble the profile of U.S. exports to other EU member states that is heavily weighted toward consumer-oriented and high-value products.

In Calendar Year 2013, consumer oriented products and agricultural related products categories accounted for 34 percent and 22 percent, respectively, or for 56 percent of total agricultural exports to Bulgaria. The category of intermediate products registered the highest growth in exports of 45 percent, followed by bulk products, 14 percent. The demand for these products will grow due to the expanding share of disposable income that is taken by retail and food service sectors.

Prior to CY2013 there was a visible shift in trade and consumption trends within certain product groups toward more expensive, higher-quality products, including distilled spirits, snack foods, tree nuts, seafood, and soft drinks. The trend has slowed since then as a casualty of Europe's economic and financial turmoil.

Despite economic challenges, however, and due to persistent AgSofia policy advocacy and marketing efforts, 2013 U.S. agricultural exports increased by 16 percent year-over-year and 20 percent compared to 2011. In the first quarter 2014, U.S. agricultural exports to Bulgaria grew an impressive 69 percent.

Although improvement in the country's general economic situation is projected for 2014, lower-than-average consumer income will continue to be a factor limiting imports of U.S. product. In 2014, the business environment for the trade should reflect more efficiencies as it converges further with EU norms.

Trade practices are showing a shift from direct to indirect imports through wholesalers/importers within the EU which have longstanding links with U.S. suppliers. This practical shift reflects efficiencies sought by importers who can source small lot/partial containers quantities at more affordable price.

Due to growing investment and rising demand in the agricultural sector, U.S. export prospects are expected to continue to improve for agricultural inputs, including animal feed and feed additives, bovine and other animal genetic material, live animals, seeds, planting materials, and raw materials such as cotton, wool, powdered milk, and egg powder.

U.S. food products major competition remains products from other EU member states and from increasing output of local products resulting from rising foreign direct investment in this sector.

Best Prospects

The following agricultural/food products hold the best market prospects:

Distilled spirits

With Bulgaria's accession to the EU, export opportunities in this sector have expanded. In 2013, Bulgaria's imports of distilled spirits (whiskey) reached \$62.3 million, an impressive 17 percent growth over 2012. January 2014 sales show a 44 percent increase over January 2013. In volume terms, 2013 distilled spirits imports grew by 23 percent revealing a clear demand trend towards more expensive, quality products (source: World Trade Atlas).

In 2013, U.S. distilled spirits exports reached a new record of \$6.942 million, or 13 percent greater than in 2012. First quarter 2014, imports show a modest three percent increase over same period 2013 (source: USDA GATS report). The market is stable with assortment of brands on the market high, and prospects for increasing levels of imports strong.

With EU accession, import duties declined to zero for most products. Competition is strong as EU producers benefit from the same lower tariff levels and more stringent regulatory requirements that assist U.S. products.

Nuts/Tree Nuts

The Bulgarian market for U.S. origin tree nuts has grown from \$1.3 million in 2006 to \$8.7 million in 2013. From 2012 to 2013, U.S. exports grew 21 percent. In highest demand are U.S. almonds followed by U.S. pistachios. In 2013, U.S. peanuts were introduced to the market, growing from none to \$1.99 million. Add in processed peanuts, U.S. peanut trade totaled \$2.7 million. In the first quarter 2014, U.S. tree nut imports expanded 11 percent.

Expanding availability via more food service outlets, rising tourism and a growing middle-income class translates to expanding demand. In 2014 prospects for U.S. supplies remain strong on the U.S.' recognized quality, a favorable tariff and regulatory regime, a lack of local competition and growing demand.

Wine

Since 2012 the wine market has enjoyed steady growth along with increased diversity and quality. The high-end imported wine segment showed the most dynamic and strong market presence. In 2013 Bulgaria wine imports reached over \$17.7 million, close to 10 percent in growth over 2012. In January 2014 this growth continued reflecting a four percent increase as compared to same period 2013. In volume terms, imports declined 7.5 percent in 2013, which confirmed the trend towards the trade higher quality wines on the market.

Imported wines have a stable presence on the Bulgarian market due to modern trade development, slowly but steadily improving consumer income, new lifestyle and active promotions. In the food service sector, sales are led by imported wines as strong demand enables that product to compete with

select local products. In the retail sector, U.S. wines have limited presence. Although the wine market is not very large, it is highly competitive. Competition comes mainly from Italy, Chile, Spain, France, and South Africa.

Snacks/Cereals

In the snack food sector, U.S. companies face stiff competition from EU producers. Snack foods generally are sourced from other EU member states, or are produced locally as the result of foreign direct investment (including U.S.). Bulgaria does not have a tradition of producing or consuming high-quality and/or price-competitive snack foods. Consumption, however, has been growing, thanks to changing consumer tastes resulting from broader travel, marketing by snack foods companies, rising incomes, and expanding tourism.

In 2013, U.S. snack foods exports reached \$0.5 million, or 36 percent more than in 2012. In the first quarter of 2014, U.S. exports grew 9 percent over same period 2013. Popcorn comprises the bulk of U.S. snack food imports. Prospects for 2014 remain very good. Local production of confectionery products continues to grow as a result of investment by EU-based companies. Currently, only a few local Bulgarian snack food producers exist but their market share is rising. Local consumers perceive U.S. products as being of high quality and as being of competitive prices. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are the most popular.

Prepared food

For 2012 and 2013, U.S. prepared food exports experienced good, stable growth topping over \$1.0 million in both years. For the first quarter of 2014, imports were also excellent with 96 percent increase compared to the respective period in 2013. This category includes products such as soups, mixes for dough, pastry, gelatin and other. The growth is due to development of the local food industry and especially of convenient food segment. Prospects are very good and further growth is expected to continue into the near future.

Seafood

Over the past 10 years, Bulgaria has been a net importer of fish and seafood. In 2013, the import market topped \$67 million, or 16 percent more than in 2012. In volume terms, imports reached 27,000 MT, or 3 percent over 2012. Still, more than 80 percent of total imports are frozen fish. Over the past three years U.S. seafood exports have remained stable. In 2013, U.S. seafood exports topped \$0.6 million, or 214 percent more than a year earlier. First quarter 2014 data reflect import growth up 253 percent, year-over-year. Most imports consist of frozen fish – mackerel, herring, hake, but also lobsters and other higher-end seafood products. In 2009, mackerel import value reached \$2.8 million then dropped in response to a more preferential tariff regime offered to South American suppliers. Actual imports from the U.S. are higher due to transshipments through other EU countries, mainly via Greek and Romanian ports. Prospects for seafood imports remain very good due to steady market development. Demand for seafood is supported by the rapid expansion of retail and food service outlets which sell consumer-ready and ready-to-eat products.

Pulses

Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Dry beans and lentils are traditional foods that have seen local production recede in the wake of less expensive imports. U.S. exports of pulses grew from none in 2012 to \$0.5 million in 2013. The first quarter 2014 showed growth close to \$1.0 million. In 2013, total pulse imports reached \$25.5 million, or 20 percent more than in 2012, on 30,000 MT in volume terms. 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.

Soft drinks/waters/juices

Soft drinks market is one of the country's most dynamic. In 2013, soft drinks imports grew to \$62 million, or 12 percent more than in 2012. U.S. exports totaled \$0.33 million however; this reflects a 42 percent growth over 2012. Major market competitors are companies in Austria, Romania, and Serbia whose market share collectively exceeds 70 percent. Proximity (lower freight costs, traditional ties) keys their competitiveness. Waters, juice and energy drink consumption continues to increase in parallel with the rapid development of the hotel/restaurant sector. The Association of Soft Drinks Producers projects local consumption to increase over the next several years. U.S. producers successfully compete with juice concentrates (almost all concentrates are currently imported) as well as with some juices for direct consumption that are of higher quality and can be differentiated from local products. For example, cranberry juice and other frozen juices would be very popular with Bulgarian consumers if they were price competitive.

Cattle genetics

Over the last three years, Bulgarian dairy farm industry has significantly increased its demand for high quality genetic materials, both for live animals, imported mainly from the EU, and for semen and embryos, imported from the U.S. U.S. genetics share is estimated at over 70 percent (in 2013) of total genetics market. Although the size of the market currently is not big, the potential for growth is substantial. High-tech dairy and beef cattle genetics from genomically tested bulls are showing increased demand. In 2013 U.S. exports grew 107 percent and currently account for 33 percent of total imports. Trade regime (no import duties) and veterinary requirements are favorable, along with fast growing local demand.

Plant genetics/Planting Seeds

U.S. plant genetics is caught in a thriving agricultural sector. Although imports from the U.S. are limited due to the EU regulatory barriers, certain types of U.S. planting seeds, such as confectionary and some types of oil-bearing sunflower planting seeds, are showing increased demand. In the first quarter of 2014, imports grew sharply higher to \$7.0 million compared to only \$0.3 million annual imports in 2013. Similar trends exist for popcorn genetics as well. In 2013 Bulgaria's total import of corn planting seeds exceeded \$39 million (10,000 MT) with 9 percent annual growth over 2012 and by 81 percent more than in 2011. In 2013 sunflower genetics imports totaled \$61 million with an annual growth of 25 percent compared to 2012 and a three-fold increase than in 2011.

If you would like more information, please contact the Office of Agricultural Affairs at the U.S.

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