

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Distilled Spirits Market Brief

Report Categories:

Product Brief

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Report Highlights:

Bulgarian's thirst for refined distilled spirits continues to grow with U.S. bourbon whiskies holding good market positions. In 2014 U.S. distilled spirits exports to Bulgaria set another record at almost U.S. \$7.5 million, which represented an 8% increase over the 2013 record and almost an 80% increase compared to 2010. Official data through November 2015 indicate good demand for U.S. products despite the economic challenges prevalent in this region.

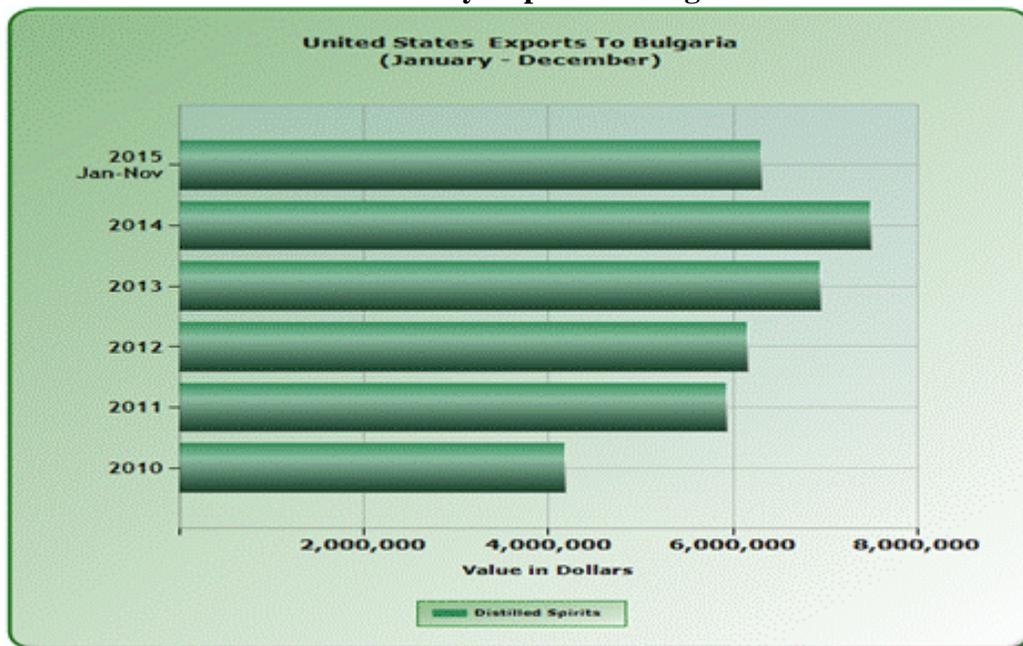
General Information:

SECTION I. MARKET OVERVIEW

According to a World Health Organization’s (WHO) 2014 global status report on alcohol, during the period 2006-2010, total annual consumption of alcoholic drinks in Bulgaria averaged 11.4 liters per capita. Bulgaria’s population is 7.2 million of which 86.1% is above 15 years of age.

In 2014 Bulgaria’s imports of U.S. distilled spirits set a record of more than U.S. \$7.5 million, up 8% from the previous year and almost 80% higher than 2010. In terms of volume, imports are up 5.5% compared to previous year. (Source: *Global Agricultural Trade Atlas – GATS, aka BICO*).

U.S. Whiskey Exports to Bulgaria



Data Source: Global Agricultural Trade Atlas

In March 2004, in order to curb the high levels of spirits consumption in the country, the Bulgarian Parliament amended the Public Health Act to limit advertisement of high alcohol content drinks via electronic media. Spirits were placed apart from other types of alcoholic drinks with more stringent control on public promotion. As of January 2005 direct advertising became strictly forbidden, while indirect advertisements could only be broadcast on radio or TV after 10 p.m. The law differentiates between beverages with high alcohol content and those below 15% ABV.

The ban on advertising necessitated a thorough revision of marketing strategy for almost every manufacturer and importer. Both importers and local producers have a good understanding of the benefits of marketing. Imported spirits are supported through direct on-site promotional activities in retail outlets, bars and night clubs, merchandising and outdoor advertising. Maxxium, Pernod Ricard, Brown-Forman (Coca Cola HBC), and Diageo (Avendi) are very active in promoting their brands, and the power of marketing is evidenced by the increase of imports in the past few years.

A comprehensive smoking indoor ban was introduced on June 1, 2012, after heated public debates. The ban was introduced for public places including work places, all HRI outlets, public transportation, cinemas, theaters, and other public places. The full ban was preceded by an introduction of smoking and non-smoking parts per an outlet. The ban was challenged by the HRI sector several times through massive campaigns as negatively affecting the sales and the number of clients since many Bulgarians are regular smokers. The on-trade suffered the most from this ban, however, the industry gradually adjusted by expanding outdoor seating and installing heating devices for cold weather. After the initial sharp drop of visits of smokers to foodservice outlets, the visits have been restored to a large degree in 2014 as the smokers adapted.

The legal drinking age for the consumption and purchase of alcoholic drinks in Bulgaria is 18 years, however, the actual drinking age is lower and young people often start drinking earlier.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Opportunities & Challenges of the Distilled Spirits Market in Bulgaria

Opportunities	Challenges
Consumers consider U.S. products to be of very good quality, especially in premium segments.	Bulgarian spirits market is very price sensitive and consumers are oriented mainly towards products on promotion.
Many young Bulgarians maintain a close tie with the United States through travel, education and business exchange. Many of them identify themselves with new product trends emerging in the United States.	On-trade representatives report decline in sales due to the smoking ban in public places introduced in 2012.
Shift in consumption trends and demographics of drinking population generate demand for new innovations in products and wider choices (introduction of flavor whiskey lines and mixed drinks).	Production of homemade brandies and rakia accounts for about 50% of the consumption. Consumers become more interested in wine and beer.
The Bulgarian retail market is expanding offering more consumers access to modern retail options.	Retailers often charge high listing fees for products.
Consumers are receptive to modern and innovative products, although less so than elsewhere in Europe.	High unemployment and economic recession has kept consumers price sensitive.

Market Entry Strategy

The largest portion (about 80%) of U.S. whiskey is introduced on the market from importers through the so called off-trade channel – supermarkets, hypermarkets, convenience stores, forecourt retailers, food/drinks/tobacco specialists. The remaining portion finds its way to consumers through the HRI (on-trade) channel. Within off-trade, the traditional type of retailing dominated and despite recording a volume share decline, independent small grocers still accounted for more than 50% of volume share in 2014, while the modern retail channel was responsible for about 22% of volume share. Purchase of alcoholic drinks for home consumption is still dominant in Bulgaria as prices are much more reasonable off-trade compared to what is charged through restaurants or bars. In 2014 imported spirits account for about 15% of the spirits consumption. In 2013 local spirits accounted for about 87% of total spirits consumption, which shows that consumers are slowly switching their interest from locally produced to imported products, especially the younger generation. Sofia, Plovdiv, Varna, Burgas, and Ruse generate

nearly 70% of the sales of imported spirits.

Currently, the largest distributor in terms of volume in Bulgaria is Avendi, followed by Pernod Ricard, Maxxium, Transimport, and a few smaller importers/distributors. The market share ratio in terms of value is similar. In 2014 Brown-Forman's portfolio moved from Transimport to Coca-Cola HBC, which didn't create any major distributors repositioning on the market.

The distribution channels are very important in terms of new product development, especially for promoting new imported products. Promotions are increasingly held on-site in grocery stores and hypermarkets, as most producers are already looking at in-store advertising, due to the ban on spirits advertising in the electronic media. This is also crucial for communicating innovative types of alcoholic drinks consumption, such as long cocktail drinks with vodka, bourbons, liqueurs and special rum-based cocktails. In this way, the distribution channel will help to rejuvenate ranges within spirits that are otherwise neglected by consumers.

Below are the contacts of organizations which may offer support and recommend marketing tools for new-to-market suppliers when planning entry/expansion plan in the Bulgarian market:

Local Organizations:

- **Bulgarian Association of Producers, Importers and Traders of Spirit Drinks ([APITSD](#))** - non-profit organization with main mission to regulate the professional relations among the member-companies as well as to ensure the support of the Bulgarian government to the local spirits producers, importers and traders.

Address: Sofia 1618, Bulgaria,
Intransmash Buildings,
40 Bratya Bakston Str, floor 5
Telephone: +359-2-956-60-90
Fax: +359-2-956-60-92
e-mail: office.apitsd@gmail.com

- **Ministry of Agriculture and Food Marketing and Control Department**
55 Hristo Botev Blvd
1040 Sofia
Telephone: +359-2-985-11-199
Fax: +359-2-980-58-31
Website: www.mzh.government.bg/
- **Customs Agency**
47 G. S. Rakovski Str.
1202 Sofia
Telephone: +359-2-985-94-210 / 985-94-213
Fax: +359-2-985-94-061
E-mail: pr@customs.bg
Website: <http://www.customs.bg/en/>

American Trade Promotion Organizations:

Various regional and industry organizations in the United States offer marketing support to their member targeting foreign markets. General tools offered by the organizations include trade delegations to key foreign markets and exhibition booths in key trade shows.

- **Distilled Spirits Council of the United States (DISCUS)**

1250 Eye Street, NW, Suite 400

Washington, D.C. 20005

Telephone: +1-202-628-3544

Website: www.distilledspirits.org

- **Food Export Association of the Midwest USA**

309 W. Washington St., Suite 600

Chicago, Illinois 60606

Telephone: +1-312-334-9200

Fax: +1-312-334-9230

E-mail: thamilton@foodexport.org

Website: www.foodexport.org

- **Western United States Agricultural Trade Association (WUSATA)**

2500 Main Street, Suite 110

Vancouver, WA 98660-2697

Telephone: +1-360-693-3373

Fax: +1-360-693-3464

E-mail: janet@wusata.org

Website: www.wusata.org

- **Food Export USA - Northeast Region of the United States**

150 S. Independence Mall West

1036 Public Ledger Building

Philadelphia, PA 19106

Telephone: +1-215-829-9111

Fax: +1-215-829-9777

E-mail: jcanono@foodexportusa.org

Website: www.foodexportusa.org

- **Southern United States Agricultural Trade Association (SUSTA)**

2 Canal Street, Suite 2515

New Orleans, LA 70130

Telephone: +1-504-568-5986

Fax: +1-504-568-6010

E-mail: jim@susta.org

Website: www.susta.org

U.S. exporters may obtain up-to-date listing of Bulgarian importers and distributors of distilled spirits

by contacting the Office of Agricultural Affairs at the U.S. Embassy in Sofia (see Section IV).

Market Size, Structure, Trends

Currently the number of modern grocery outlets in Bulgaria stands at nearly 3,900, which represents about 11% of total grocery retail outlets. The leading top 50 retailers currently hold a combined market share of 46% which is likely to reach 55% in 2016. The remaining 54% is held by almost 31,000 traditional grocery stores throughout the country. 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. For more comprehensive information about the Bulgarian retail market, please refer to FAS Sofia's latest [Retail Market Update](#) report.

Specialty outlet stores dedicated only to sale of alcoholic drinks (spirits, wine and beer) are emerging in large cities and expanding to the rest of the country. They offer a wealth of choice of premium imported brands and rare, hard-to-find varieties, such as certain liqueurs. Significantly, they also offer a guarantee of quality, a key factor in Bulgaria.

For many years a distinguishing characteristic of national consumption habits has been the preference for spirits. Consumers favor a very popular locally-produced grape brandy called rakia, which has been on the tables of virtually every Bulgarian household for years.

Total consumption of spirits in 2014 is estimated at 8.3 million 9-liter cases. Wine consumption is estimated at about 12.3 million 9-liter cases, and beer at about 5.2 million Hectoliters (HL). Consumption of other alcoholic beverages such as fermented beverages made from sorghum, rice, cider, etc. is not significant, although sider category is on a rise in the past four years.

Wines and Spirits Consumption: Thousand 9 Liter Cases

	2011	2012	2013	2014	2015 (not final)
Wine	12,019	12,166	12,798	12,311	12,684
Spirits	9,230	8,845	8,575	8,335	8,200

Remark: Wine category includes still light, sparkling, fortified, other wines, and aperitifs. Spirits category includes whisky, gin, vodka, tequila, rum, brandy (including locally produced rakia), flavored spirits, mixed drinks, and other spirits. Data for 2015 not final at the date this report is been produced.

Beer and Sider Consumption: Thousand Hectoliters (HL)

	2011	2012	2013	2014	2015 (not final)
Beer	5,105	5,400	5,370	5,210	4,920
Cider	3.7	8.6	11.7	11.6	12.1

Source: Industry

The internal changes taking place within the spirits industry in the past few years have been dynamic. Rakia and vodka are the most important product types in volume terms and their overall industry

performance to a big extent determines the performance of other types of spirits.

Spirits Consumption by type: Thousand 9 Liter Cases

	2011	2012	2013	2014	2015 (not final)
Rakia	4,125	3,945	3,900	3,690	3,610
Vodka	2,130	1,990	1,790	1,735	1,640
Whiskey	960	1,020	1,038	1,075	1,100
Gin	81	80	83	75.5	80.5
Flavored Drinks	1,531	1,525	1,500	1,493	1,498
Rum	41	53.5	53	52	51

Source: Industry

Rakia: Although still the most popular drink in Bulgaria, accounting for more than 44% of total spirits consumption, rakia has gradually declined over the past few years mainly due to rising popularity of vodka and whiskey among young consumers. The tourism and hospitality industry has been unable to boost rakia sales, as the Bulgarian national drink has failed to make a strong impression on foreign visitors. Rakia consumption is linked to meal consumption and appeals to the older generation, while vodka and whiskey are more versatile and can be consumed on their own or in a variety of cocktails. This makes them appealing to consumers in different age groups and popular drinks in the growing number of commercial outlets. Economy and mid-priced brands dominate this category. Homemade rakia accounts for large portion of consumption. However, there is no official statistics about the actual production. According to unofficial data it could be between 45 - 50% of total consumption. The government attempted to introduce tax on homemade rakia but there is no regulation in place yet as there are too many obstacles for implementation.

Vodka is the second largest product area in spirits after rakia accounting for almost 21% of total distilled spirits consumption. Vodka's steady performance can be attributed to the consolidation of sales in the hands of a few large domestic producers and importers, as well as quality and brand recognition. Competition between domestic producers and importers has become very intense, with advertising viewed as a necessity to ensure the success of a brand. Locally produced brands still enjoy much better acceptance due to their price vs. quality ratio and accounted for about 86% of total vodka consumption in 2014. The best sellers in the imported vodka segment are brands positioned in the Standard category with Finlandia being the leader, followed by Russian Standard, Sobieski, and Absolut. Unlike whiskey, the vodka category does not enjoy high brand loyalty. Both flavored and non-flavored brands are promoted, which helps generate interest in vodka as a whole. The category declined in volumes in 2014 due to the reduced number of Russian tourists. There is a notable consumer shift from vodka to whiskey due to insignificant price differences, and due to consumers' being strongly influenced by brand image and the perception that whiskey carries higher status than vodka.

Vodka Consumption – Local vs. Imported

Thousand 9 Liter Cases	2011	2012	2013	2014	2015 (not final)
Local	1,840	1,700	1,555	1,500	1,410
Imported	290	290	235	235	230

Total	2,130	1,990	1,790	1,735	1,640
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Source: Industry

Whiskey sales are increasing in volume with standard and value brands having better consumer acceptance than the premium category. In 2014 Scotch whiskeys were the undisputable leaders on the whiskey market with 38% share, followed by Irish whiskey with 16%, and U.S. bourbon and Tennessee whiskey with nearly 10%. The remaining 36% are represented by Canadian, Japanese, Bulgarian, and other whiskeys. U.S. whiskeys introduced some flavor lines such as Jack Daniel’s Honey, Jim Beam Honey, and Jim Beam Red Stag which helped boost sales without decreasing sales in their “mother” brands and helped increase the interest in the category. Consumption of ‘ready-to-drink’ (RTD) type bottled and canned low alcohol content beverages as well as cocktail recipes incorporating whiskey and other hard liquors have reported strong sales in bars and dance clubs frequented by younger adults recently, especially during the high summer tourist season. The forecast for 2016 is that the whiskey category will grow as a result of promotional activities and price competition as well as better customers’ perception due to higher image value carried by most whiskey brands.

Whiskey Market Share (By Origin)

Thousand 9 Liter Cases	2011	2012	2013	2014	2015 (not final)
Total Scotch	316	365	400	408	420
Total Irish	149	151	157	175	180
Total U.S.	90	102.5	103	104	101
Total Other (Canadian, Japanese, Bulgarian, etc.)	405	401.5	378	388	399
Total Whiskey	960	1,020	1,038	1,075	1,100

Source: Industry

Production of local whiskey is still insignificant and is represented by Black Ram and Savoy brands. Their share on the whiskey market is about 12%.

Whiskey Consumption – Local vs. Imported

Thousand 9 Liter Cases	2011	2012	2013	2014	2015 (not final)
Local	401	400	375	386	395
Imported	559	620	663	689	705
Total	960	1,020	1,038	1,075	1,100

Source: Industry

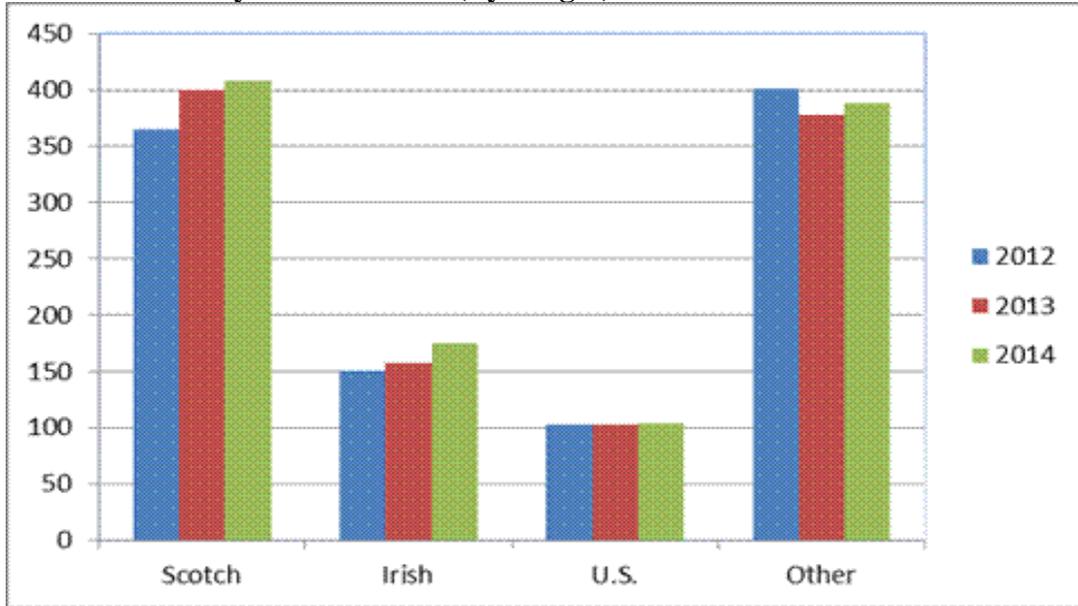
American whiskey sales are mainly driven by Jim Beam and Jack Daniel’s and are showing increase in volume and small increase in value. The newly introduced Jim Beam Signature Craft and Jack Daniel’s Honey helped maintain consumer interest in the leading brands. New brand additions to the U.S. whiskey portfolio such as Knob Creek, Old Grand Dad, Hudson, and Bulleit are expected to increase further the consumer interest in this category.

FAS Sofia, in cooperation with the Bulgarian importers of U.S. whiskey, organized “Spirits of America” whiskey promotion which provided Bulgarian businessmen, journalists and show business celebrities a unique opportunity to taste some of the world’s famous American whiskey brands. FAS Sofia’s report for this promotional activity can be found [here](#).

The Irish whiskey category also shows small but steady growth in volume and value. This category is

mainly preferred by the younger consumers with Jameson, Tullamore Dew, and the recently released Paddy being the most preferred brands.

Whiskey Market Share (By Origin): Thousand 9 Liter Cases



In other spirits categories such as **gin, rum, tequila, and cognac**, gin is showing the most notable decline in 2014 mainly due to stronger promotional efforts being made for vodka and whiskey. The category is forecast to grow if companies invest more in marketing and promotional activities. The Rum category slightly decreased in the past couple of years, but lately there is a notable interest in flavored rums. All three categories (gin, tequila, and rum) enjoy bigger popularity in the summer and sell mainly through on-trade channel, especially at Black Sea resorts.

According to local specialized media the whiskey category has been promoted twice as much as the vodka category from January to October 2015. Combined with price promotions in both off-trade and on-trade channels this creates a prerequisite for increase in popularity and demand for whiskey this year.

SECTION III. MARKET ACCESS

Tariff Schedule

For import tariffs, the EU has a unified tariff schedule, where the actual tariff rates for different products can be found. For more detailed information, the TARIC database is accessible from [here](#).

HTS Codes and Descriptions

HTS Code	Code Description
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher; ethyl alcohol and other spirits, denatured, of any strength
2207 10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher
2207 20	Ethyl alcohol and other spirits, denatured, of any strength

2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % volume; spirits, liqueurs and other spirituous beverages
2208 20	Spirits obtained by distilling grape wine or grape marc
2208 30	Whiskies
2208 40	Rum and other spirits obtained by distilling fermented sugar-cane products
2208 50	Gin and Geneva
2208 60	Vodka
2208 70	Liqueurs and cordials
2208 90	Other

It should be noted that each of this groups has a sub-group. For example Bourbon Whiskey has TARIC code **2208 30 11**, under its dominant group Whiskeys.

Excise and Value Added Tax (VAT)

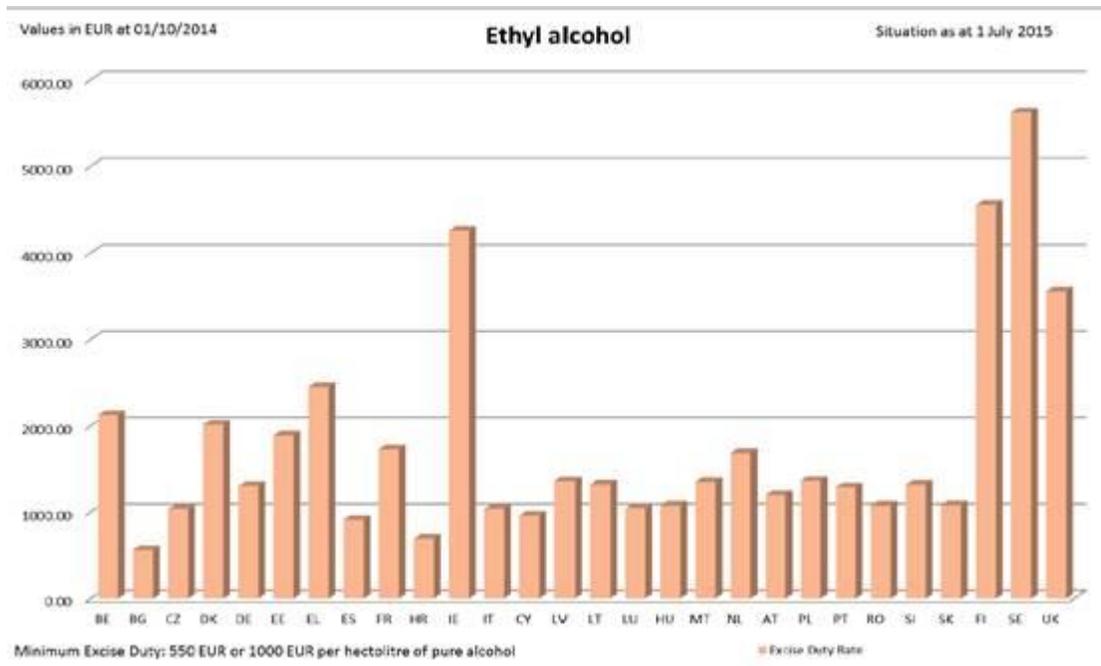
The Excise Tax in Bulgaria currently has the lowest rate of all member states. For more detailed information about the excise tax rates for alcoholic beverages applicable in the European Union please refer to the official web page of the General Taxation and Customs Union Directorate at the European Commission, page 22, [here](#).

The VAT rate in Bulgaria is 20%.

Excise Tax per Hectoliter of Pure Alcohol in Bulgaria

THS Code	Description	Excise Duty Per Hectoliter of Pure Alcohol
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher; ethyl alcohol and other spirits, denatured, of any strength	BGN 1,100 / EUR 562.43
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % volume; spirits, liqueurs and other spirituous beverages except for the fruit growers' production	BGN 1,100 / EUR 562.43
other		BGN 1,100 / EUR 562.43

Excise Tax Rates in the European Union (EU)



Source: [EU-Taxation and Customs Union](#)

Labeling Requirements

Labeling information must be written in Bulgarian and has to include these requirements:

- Name under which the product is sold.
- Net quantity of pre-packed beverage in metric units.
- Expiry date.
- Any special conditions for storing or use.
- Name or business name and address of the manufacturer, packager or importer established in the EU.
- Instructions for use.
- Indication of the acquired alcoholic strength for beverages containing more than 1.2 % by volume.
- Lot marking on pre-packaged beverages.

More detailed information related to the EU requirements for labeling, licensing, required documents and import procedures, taxes/tariffs and contacts can be found on the website of the Alcohol and Tobacco Tax and Trade Bureau [here](#). Additional information can be obtained from EU Regulation 1169/2011 on the provision of food information to consumers ([here](#)).

SECTION IV. POST CONTACTS AND FURTHER INFORMATION

For further information about the Bulgarian agricultural market and for a current importer list, please contact:

Embassy of the United States of America

Office of Agricultural Affairs

16 Kozyak Street

1408 Sofia, Bulgaria

Telephone: +359-2-939-5774

Fax: +359-2-939-5744

E-mail: agsofia@fas.usda.gov

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

End of Report