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Report Highlights:

Bulgaria is a small but growing market for U.S. food and agricultural products. In 2019, total Bulgarian food and agricultural imports were valued at $3.7 billion, of which nearly 1.8 percent, or $64.3 million, were sourced from the United States. During the first eight months of 2020, total food and agricultural imports increased by 7.5 percent over the same period in 2019. Despite COVID-19 and the resulting economic slowdown, U.S. food and agricultural imports grew by 3.4 percent during the same period. U.S. products are increasingly popular in Bulgarian hotels, restaurants, retail outlets, and among food processors. Consumer-oriented products with strong market potential include distilled spirits, tree nuts, groundnuts, dried fruit, wine, beef, fish and seafood products, craft beer, food preparations, and innovative food processing ingredients.

Market Fact Sheet: Bulgaria

Executive Summary

Since 2016, Bulgaria, GDP growth has been over three percent annually. Exports generate almost 49 percent of Bulgaria's GDP and are a pillar of the economy. EU Member States are Bulgaria's primary trading partners, although there is wide variation in the balances of trade. In 2019, Bulgaria had a trade deficit in goods of about €1.72 billion ($1.93 billion). Agriculture makes up four percent of Bulgaria's GDP.

SWOT Analysis

Strengths	***Weaknesses***
Bulgarian is accessible by sea and has an efficient distribution network. Growing food processing industry is looking for new imported ingredients. Low marketing costs.	Many U.S. exports are disadvantaged because of EU non-tariff barriers and import duties.
Opportunities	***Threats***
Growing incomes, increasing demand for high-value products, fast developing food retail network, consumption habits changing towards high-quality products.	Domestic producers receive EU funds to upgrade production efficiency and product quality which can lower demand for imports.

Imports of Consumer-Oriented Products

Goods imported into the EU must meet the EU sanitary and phytosanitary requirements. For more specific information, see Post's Food and Agricultural Import Regulations and Standards report. In 2019, consumer-oriented agricultural imports were $2.3 billion, 5.8 percent increase over 2018. Eighty-two percent of these were sourced from within the EU.

Food Processing Industry

Bulgarian food processing is developing rapidly and generated about $7.4 billion in 2019. Over 6,300 companies operate in Bulgaria and employ more than 100,000 people. Leading food processing sectors include dairy, bakery, sugar, chocolate and confectionery, sunflower oil, red and poultry meat, eggs, soft drinks, horticultural processing, and wine production.

Food Retail Industry

Bulgarian food retail sales reached $6.85 billion in 2019. Modern retail sales accounted for $3.77 billion (55 percent) and $3.08 billion in traditional channel. Total retail outlets were 41,306. Grocery retail grew in 2019 on improved consumer confidence and labor market. The largest retailer, Kaufland, accounted for 29 percent of sales among the top 10 largest food retailers. Grocery e-commerce is developing but is still not very popular. Urban consumers are increasingly demanding for higher quality and products perceived as healthful.

Quick Facts

CY 2019 Imports of Consumer-Oriented Products
($ billion) 2.3

CY 2019 List of Top 10 Growth Products in Host Country

1) Sunflower Seeds
2) Meat of Swine
3) Food Preparations
4) Cocoa Preparations
5) Bread, Pastry, Cakes
6) Coffee, Not Roasted
7) Cane or Beat Sugar
8) Whiskies
9) Nonalcoholic Beverages
10) Tomatoes, Fresh or Chilled

CY 2019 Food Industry by Channels ($ billion)

Food Industry	7.4
Food Exports – Agricultural and Related Products Total (2019)	5.68
Food Imports – Agricultural and Related Products Total (2019)	4.51
Retail	6.85
Food Service	3.53

CY 2019 Top 10 Host Country Retailers

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

CY 2019 GDP/Population

Population *(millions)*: 6.95
GDP *($ billion)*: 68.83
GDP per capita *($)*: 9,868

Data and Information Sources: Euromonitor, Trade Data Monitor based on Eurostat, Bulgarian National Bank, Bulgarian National Statistical Institute, Local sources

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Market Overview
The Bulgarian National Bank's 2019 average exchange rate of $1.00 =BGN 1.74 was used in this report.

COVID-19
The following report provides full-year data for calendar year 2019. Because data during the ongoing pandemic are still incomplete, Post seeks to provide updated information and developing trends.

On March 13, 2020, the Government of Bulgaria (GOB) declared a state of emergency, which significantly slowed the economy. On May 14, 2020, the state of emergency was replaced by an emergency epidemic situation. Even during the state of emergency, most Bulgarian food processors continued to operate, albeit with less capacity due to workforce reductions and social distancing requirements. The spike in consumer-retail led most companies to reorganize production and distribution away from food service and toward retail outlets. Consumer trends shifted in favor of staple foods and online purchases, leading to notable declines in high-end and impulse consumption. The rapid decline of incoming foreign visitors resulted in a slow summer tourist season. Following widespread hotel, restaurant, and institutional (HRI) closures between mid-March and mid-May, HRI sales, particularly for products like beer, meat, spirits, wine, fish and seafood, coffee, beverages, and confectionery dropped. At the same time, retail sales for products perceived by consumers as 'healthful' increased. Export-oriented companies also saw lower sales, especially during the second quarter of 2020, which will also negatively affect the food processing industry.

The European Commission (EC) forecast a gross domestic product (GDP) decline of 5.1 percent in 2020. The World Trade Organization (WTO) forecast a 9.2 percent decline in the volume of world trade for 2020, followed by a 7.2 percent rise in 2021. According to the EC's forecast, the Bulgarian economy is expected to start recovering in early 2021 with a GDP rebound of up to 2.6 percent.

General Economy
Bulgaria is a market economy and government intervention in international trade and among foreign investors has decreased considerably. Exports generate 47.6 percent of GDP and are a pillar of the country's economy. Bulgaria's biggest exports are industrial supplies, consumer goods, and petroleum.

National Economy	**2017**	**2018**	**2019**
GDP (billion BGN)	102.308	109.695	119.772
GDP (billion USD)	62.77	64.15	68.83
GDP per capita (BGN)	14,459	15,615	17,170
GDP per capita (USD)	8,871	9,132	9,868
Exchange Rate	**$1=BGN 1.63**	**$1=BGN 1.71**	**$1=BGN 1.74**

Source: Bulgarian National Bank

According to Bulgarian National Statistical Institute (NSI) data, COVID-19 lowered gross domestic product (GDP) by 8.6 percent in the second quarter of 2020 and 5.2 percent in the third quarter of 2020 compared to the same quarters in 2019.

According to Intrastat data from the NSI, total 2019 U.S. agricultural imports into Bulgaria reached $64.3 million. According to Trade Data Monitor (TDM), which reflects reported Eurostat data, in 2019 the United States imported $162.4 million of food and agriculture from Bulgaria. Data indicate that bilateral trade between Bulgaria and the United States is stable.

Geography and Demographics

Bulgaria is located in southeastern Europe and is an important commercial hub between Europe and Asia. As of January 2020, Bulgaria's population totaled 6.95 million people, accounting for 1.4 percent of the EU's population, and a total area of about 111,002 square kilometers. About 64,000 square kilometers of Bulgarian territory is agricultural land.

Bulgaria has relatively well-developed and improving infrastructure, including seven 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 and link Northern Europe with the Middle East and North Africa. The largest airport is in Sofia, which accommodated over 7.1 million passengers in 2019 (6.96 million in 2018).

Both sea and river freight routes offer reliable international shipping transportation. The largest Bulgarian seaports are Varna and Burgas on the Black Sea coast. The Danube River is navigable during most of the year for inland barge traffic. With the Rhine-Main-Danube canal in use since 1992, Bulgaria has access to large European ports on the North Sea. The main Bulgarian ports on the Danube River are Ruse, Lom, and Vidin.

Bulgaria's capital, Sofia, has 1.33 million residents and is situated in the country's southwestern region. The second and third largest cities are Plovdiv in southcentral Bulgaria, with a population of 347,851 people, and Varna on the west coast of the Black Sea, with a population of 345,151 people. Bulgaria's population is aging and nearly 22 percent of the total population is over the age of 65.

Younger Bulgarian consumers tend to have higher incomes, greater purchasing power, purchase higher-quality products, visit restaurants, and travel more than older generations. Many older consumers and retirees often receive less pay (or pensions) and limit themselves to the staple products and basic needs. The average annual salary in Bulgaria is BGN 15,089 (about $8,700), while the average annual pension is BGN 4,980 (about $2,860). The data demonstrate that young people have three times the purchasing power of pensioners. Bigger cities tend to have lower levels of unemployment and higher incomes (therefore more young people).

Advantages
Higher consumption of food and edible fishery products is creating demand for more imports.
Migration of people from rural to urban areas continues at a rapid pace.
Bulgarian market is accessible by sea.
Growing food processing industry is looking for new imported food ingredients.
Efficient domestic distribution network.
Marketing and advertising costs are relatively low.

Challenges
U.S. products are disadvantaged because of duties versus products from EU Member States and countries with EU free trade agreements (FTA).
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 and the strong dollar disadvantage U.S. shippers. (Bulgarian Lev (BGN) has a fixed exchange rate against the Euro (€1.00 = BGN 1.96)

I. Exporter Business Tips

Entry Strategy

Bulgarian convenience stores, supermarkets, and hypermarkets generally purchase from local importers, wholesalers, and producers. However, there has been a recent shift toward direct imports to avoid higher cost associated with purchasing from importers or intermediary. The best method to reach Bulgarian retail buyers and prospective importers is to contact them directly via e-mail or phone. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Lidl, Metro, Billa, Fantastico, T-Market, and CBA. For more information, please see FAS Sofia's Retail Market report.

Post recommends visiting Bulgaria to establish meaningful relationships with local buyers, as Bulgarian stakeholders still value personal relationships and face-to-face meetings. While visiting Bulgaria, U.S. suppliers should bring product samples, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent. Bulgarian businesses are usually interested in several products instead of single product lines. Trial orders to test the market may be considered. Many importers specialize in certain product categories and often join to consolidate shipments to lower associated risk and costs.

Sales and Marketing

Although sales and marketing strategies in Bulgaria are still evolving, it remains a price-sensitive market and discounts are common and often expected. U.S. food and beverage suppliers, particularly those in higher-value categories, may seek to mitigate demands for discounts by focusing on market education, sales training, and brand development. More Bulgarian consumers are willing to pay premium prices for foods and beverages perceived as 'healthful' or 'nutritious'. Bakery, confectionary, soups, oils and fats, and nutritional supplements are examples of product categories with successful marketing strategies based on health and nutrition.

Bulgarian Business Customs

Bulgarian business contacts tend to be direct and informal in their approach and do not observe the strict business protocols found in some markets. Although procurement and purchasing managers are always searching for new products, they tend to be thorough in product evaluations. They like to see product samples and will often place small trial orders to test the market's response. Some local customs are worth observing. Offering holiday greetings and giving small gifts during major holidays (Christmas, New Year, and Orthodox Easter) are common and appreciated. These holidays are also busy sales periods and U.S. companies may consider introducing new products to coincide with the holiday seasons. For example, many bakery product companies purchase baking ingredients as early as February or March for Easter cake sales, depending on the Orthodox calendar.

Language Barrier
Speaking Bulgarian is not essential to doing business in the country, but U.S. companies are advised to verify the level of English fluency of their potential business partners. Many Bulgarians speak proficient English, especially those under 40, who have often taken English lessons. Translation and interpretation services are also easy to find. Written materials, such as company information, product brochures, etc., will resonate better if translated into Bulgarian.

II. Import Food Standards, Regulations, and Import Procedures

U.S. companies should observe product-labeling requirements vis-à-vis health or nutritional claims, which require approval by the Bulgarian Food Safety Agency and Ministry of Agriculture, Food, and Forestry. Supplementary labels (*e.g.* stickers) must also be translated into Bulgarian and should include the product type, 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 example, dairy-based product containing vegetable oil, cannot state it is a "dairy product" and must be labeled as "Imitation Product Containing Milk". Additionally, cheese containing vegetable oils cannot be classified as cheese, but should be labeled as “containing vegetable oil”. 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 FAS Europe’s website, the European Food Safety Agency, and Bulgarian Food Safety Agency websites.

III. Market Sector Structure and Trends

Food Imports
In 1989, Bulgaria’s leading trading partner was the Soviet Union, which accounted for 65 percent of exports and 53 percent of Bulgarian imports. Today, other EU markets are Bulgaria’s primary trading partners States (over 80 percent).

Bulgaria’s top EU food and agricultural trading partners are Romania, Germany, Poland, Greece, Netherlands, and Italy. Agricultural trade with Romania and Greece account for one-third of Bulgaria’s total agricultural trade within the EU. Main non-EU food and agricultural trading partners are Turkey, Serbia, China, Ukraine, Russia, and the United States.

Bulgaria’s Agricultural Export and Import Statistics 2017-2019

International Transactions *Billion EURO*	2017	2018	2019
Exports (FOB)	4.17	4.31	4.79
Imports (CIF)	3.14	3.26	3.70
Commodity Circulation	7.31	7.57	8.49

Source: Ministry of Agriculture and Food – Agrarian Report 2020

COVID-19 Impact: According to NSI data, Bulgarian goods exports during the first and second quarters of 2020 dropped by 7.3 percent, while the imports declined by 12.9 percent compared to the same period of 2019. Post expects these trends will remain similar through the second half of 2020 following the virus' second wave after August, which hit Bulgaria even more severely than the first wave in the spring.

Imports from the United States: According to Intrastat data from the Bulgarian NSI, imports from the United States topped $64.3 in 2019, down almost seven percent over 2018. Bilateral trade relations are friendly and demand for U.S. agricultural exports is stable. Despite the economic slowdown after March 2020, according to TDM data, U.S. food and agricultural trade to Bulgaria from January to August 2020 was up by over three percent.

Bulgaria's EU accession in 2007 negatively affected U.S. fruit product imports, as EU horticultural products gained duty-free and facilitated access. EU FTAs also threaten U.S. exports, as some third-country products enter Bulgaria and other EU Member States with low tariffs or duty-free. EU trade barriers also effectively ban U.S. poultry meat (since 1997) due to U.S.-approved pathogen reduction treatments, despite the added hygiene and product safety.
EU retaliatory tariffs imposed in June 2018, negatively affected U.S. agricultural exports to the EU, including Bulgaria. The newly imposed 25 percent tariffs on specific agricultural products that took effect in November 2020 will further reduce U.S. agricultural export competitiveness in the Bulgarian market. With ongoing challenges surrounding economic downturn due to the Covid-19 pandemic and further the EU retaliatory tariffs on U.S. agricultural products, Post will continue to monitor the situation and report on related new developments vis-à-vis U.S. agricultural exports to Bulgaria.

Food Processing Sector
The Bulgarian food processing industry has developed rapidly in recent years. U.S. food ingredient products compete with similar imports from other EU Member States and from growing local production. Related U.S. products and/or associated ingredients with good sales potential in Bulgaria's food processing sector include tree nuts, peanuts, dried fruits, beef, and seafood products.

COVID-19 Impact: The Bulgarian government used the COVID-19 pandemic to push through a populist initiative requiring retailers to procure and market Bulgarian meat, dairy, eggs, honey, fish, and local horticulture by denoting them as locally produced. This new legislation also obligated retailers to sell dairy products made entirely from Bulgarian milk. Given the EU's trade barriers on U.S. dairy products, this regulation is not expected to harm the U.S. agricultural exports to Bulgaria in a long run. For more information about the Bulgarian food processing sector, please refer to FAS Sofia's latest Food Processing Ingredients report.

Food Retail Sector
Total 2019 number of grocery retail outlets in Bulgaria was 41,306, of which 3,294 are modern trade grocery outlets. According to Euromonitor, modern-retail sales in 2019 reached BGN 6.55 billion ($3.77 billion) and accounted for 55 percent of market share. The remaining 45 percent, almost BGN 5.34 billion ($3.08 billion), was held by 38,005 traditional grocery outlets.

Bulgaria's grocery retail market growth in 2019 was mostly driven by increased consumer confidence, which is reaching EU-average levels, aggressive marketing campaigns, declining unemployment and growing incomes (minimum wage increased by 9.8 percent in early 2019) leading to increase in food consumption, as well as more foreign tourists (9.31 million, up 0.4 percent over 2018). For more information about the retail market, please see Post's Retail Market report.

COVID-19 Impact: At the beginning of the pandemic in mid-March 2020, the retail industry's biggest threats were supply uncertainty, responding to a dynamically changed consumer demand landscape, and oversupply. The industry used all its resources to provide all essential goods and avoid shortages. Following the initial outbreak and the subsequent economic uncertainty, growing unemployment, and decreased wages, consumers shifted their purchasing habits away from high-end and impulse purchases toward staple foods. The pandemic also significantly accelerated the growth of online commerce. After the first week of the state of emergency in mid-March, orders for online groceries doubled and retailers looked to quickly increase their capacity. Most of the big food retailers launched own online platforms to respond to the growing demand. By mid-May there were over 60 online grocery stores, a clear indication that the online retail will continue to grow in the future. FAS Sofia expects that in 2021, the food retail industry will continue to adapt to the changing environment by responding to demand and expanding their presence on the market.

HRI Sectors

HRI in Bulgaria is still maturing and does not have long professional traditions, especially in the high-value segment. These sectors have developed dynamically over the past several years with tourism and shopping malls being a main driver. In 2019, the foodservice outlets continued to see strong growth due to improving consumer purchasing power and tourism. For more information about the Bulgarian HRI food sectors, please see Post's latest HRI report.

COVID-19 Impact: Bulgaria's HRI industry was the most severely hit by the pandemic. Nearly 44 percent of restaurants, bars, and entertainment outlets froze operations and were forced to lay off staff following the state of emergency declaration from March 13 to May 13. After the state of emergency measures eased in latter half of May and June, over 70 percent of those businesses resumed operations with reduced capacity. On November 27, the GOB introduced a second partial lockdown, which forced all restaurants, bars, and entertainment establishments to close, with the exception of food delivery. The HRI sectors reacted strongly against this measure and argued that a large percentage of them would likely be forced to close permanently.

According to the Bulgarian National Board of Tourism, summer 2020 was the tourism industry's most difficult ever, with nearly 80 percent losses. About 30 percent of tourism employees have lost their jobs. The status of upcoming winter tourism season is still unclear, but the GOB is working with industry groups on various measures to keep industry stakeholders afloat.

Organic Foods Sector

Organic agriculture in Bulgaria is developing rapidly due to EU subsidies, higher local purchasing power, and growing consumer demand. Due to Bulgaria's lower processing capacity, over 80 percent of organic agriculture is exported for value addition. Conversely, specialized retailers and supermarkets continue to depend on imported packaged organic foods and beverages. Despite growing demand, organic products remain more expensive and consumers perceive them as 'lifestyle' products.

Imported organic products account for over 60 percent of market share, most of which are sourced from Austria, Germany, Italy, Greece, and the Netherlands. Currently imported organic products have better marketing, availability, and variety for the local consumers. They are 'trusted' as genuinely organic. U.S. exporters of processed organic foods and food ingredients may benefit from the existing EU equivalency agreement. U.S. exporters can find detailed information about how to export organic foods to the EU here. More information about the organic food sector in Bulgaria can be found in FAS Sofia's Organic Market report.

IV. Agricultural and Food Imports

Following widespread HRI closures between mid-March and mid-May and in December, HRI sales for products like beer, meat, distilled spirits, wine, fish and seafood, coffee, beverages, and confectionery dropped. Some U.S. exporters will likely experience short- to medium-term drops in demand among importers of these and other high-end products. FAS Sofia remains optimistic that demand will eventually rebound and return to pre-COVID trends.

Best Consumer Oriented Product Prospects

Product	2019 Imports ($ millions)	Import Tariff Rate	Constraints over Market Development	Market Attractiveness for U.S.
Grape Wines	28.67	13.10 Euro/HL for still, and 32.00 Euro/HL for sparkling. Excise Tax = 0 VAT = 20 percent	Bulgarian wines still dominate the market. Imported wines account for about 10 percent of total wine volume.	While many Bulgarians prefer local wines, imports are growing. Local wine importers are increasingly aware of U.S. wines. Information about the Bulgarian wine sector can be found here.
Tree Nuts (HS 0802) and Ground Nuts (HS 2008 and HS 1202)	78.22	From 0 to 25 percent depending on type. Tree nuts information is available in the EU official Journal.	Greece, Vietnam, Turkey, and Germany for tree nuts and Argentina, Nicaragua, China, and Brazil for ground nuts are the main competitors to U.S. exporters in Bulgaria.	U.S. tree nuts are dominant in the Bulgarian market. For more information, see FAS Sofia's Tree Nuts Annual report here.
Distilled Spirits (HS 2208)	113.71	See the TARIC database here. See the website of the General Taxation and Customs Union Directorate here.	Scotch and Irish whiskies dominate in Bulgaria. U.S. whiskey market share is about 20 percent.	For more information see FAS Sofia's Distilled Spirits Market brief report here.

Food Preparations (HS 2106)	128.71	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).	U.S. food preparations can successfully increase their market share through marketing campaigns, due to the high quality of the products.
Beef and Beef Products	44.65	For more information see USDA EU-28's Food and Agricultural Import Regulations and Standards Report (page 48).	Strong competition from Latin America and Europe. U.S. beef costs more than imported beef from other markets. Limited purchasing power of the average Bulgarian consumer.	Awareness of U.S. beef in Bulgaria remains moderate. Positive perception about U.S. beef should be created by educating the main buyers (restaurants, hotels, and retailers) about its quality and diversified tastes.
Fish Products	123.11	EU seafood tariffs range from zero to 22 percent. More detailed information on seafood tariffs can be found in the official EU Journal in pages 47-69 and 134-139.	Bulgarian market is supplied with various types of fresh and frozen fish. Frozen fish is well accepted by the consumers. The consumption of other types of sea food is also increasing.	Growing demand for fish offers opportunities for U.S. exporters. U.S. products compete with fish and seafood from within the EU, Canada (FTA with EU), Turkey, China, Norway, Vietnam. See here for more information.

Source: OAA Sofia and Trade Data Monitor (TDM) based on Eurostat

V. Key Contacts and Further Information

If you have questions or comments regarding this report, need assistance exporting to Bulgaria, a list of Bulgarian wholesalers and distributors, or are you looking for the Foreign Buyers Lists (FBL) of various consumer-oriented and seafood products, please contact the U.S. Office of Agricultural Affairs in Sofia.

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