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Bulgaria

Exporter Guide

Exporter Guide Bulgaria

Approved By:
Jonn Slette, Agricultural Attaché
Prepared By:
Alexander Todorov, Marketing Specialist

Report Highlights:
Following its 2007 accession to the European Union (EU), Bulgaria has achieved consistent economic stability and growth, and has established itself as an eastern gateway into the broader EU common market. In 2017, U.S. food and agricultural exports to Bulgaria were upwards of $64.8 million, an increase of almost two percent increase over 2016.

Market Overview
Bulgarian National Bank's 2017 average exchange rate of $ =BGN 1.63 was used in this report.

General Economy
Bulgaria continues its transition into a market economy and intervention by the Government of Bulgaria (GOB) in foreign investment and trade is decreasing. Exports generate 52 percent of gross domestic product (GDP) and are a pillar of the country's economy. Bulgaria's biggest exports are industrial supplies, consumer goods, fuels, and lubricants.

The Bulgarian economy continues to transition from command-and-control to full market-orientation. 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, EU Member States are Bulgaria's primary trading partners, although there is significant balance of trade variations between Member States.

National Economy	2015	2016	2017
GDP (billion BGN)	88,575	94,130	101,043
GDP (billion USD)	49.483	50.607	61.99
GDP per capita (BGN)	12,340	13,206	14,176
GDP per capita (USD)	6,894	7,100	8,697
Exchange Rate	**$1=BGN 1.79**	**$1=BGN 1.86**	**$1=BGN 1.63**

Source: Bulgarian National Bank

Bulgaria's leading food and agricultural trading partners are EU Member States (about 70 percent), other neighboring countries, and China. Top EU food and agricultural trading partners are Poland (37.9 percent), Romania (7.6 percent), Netherlands (6.8 percent), Germany (6.3 percent), and Spain (4.4 percent). The top non-EU food and agricultural trading partners are Turkey (2.73 percent), Ukraine (1.5 percent), the United States, China, Macedonia, Serbia, and Canada.

Total two-way trade in agriculture, fish, and forestry products between the United States and Bulgaria in 2017 reached $183 million, with U.S. exports at $64.8 million and Bulgarian exports at $118.3 million (source: Intrastat report from the Bulgarian National Statistical Institute (NSI) for the U.S. exports and Global Trade Atlas for the imports). Data indicate that bilateral trade between Bulgaria and the United States is growing, despite the strong dollar against the euro and other European currencies.

Bulgaria's agricultural export and import statistics 2015-2017

International Transactions *Billion EURO*	2015	2016	2017
Exports (FOB)	3.73	4.13	4.17
Imports (CIF)	2.71	2.84	3.14
Commodity Circulation	6.44	6.97	7.31

Source: Ministry of Agriculture and Food – Agrarian Report 2018

Geography and Demographics
Bulgaria is strategically located in southeastern Europe and is an important commercial hub between Europe and Asia. As of January 2018, Bulgaria's population totaled 7.05 million people, representing

1.4 percent of the EU's population, and a total area of about 111,002 square kilometers. 63,765 square kilometers of Bulgarian territory is agricultural land.

Bulgaria has relatively well-developed and constantly improving infrastructure: 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, linking Northern Europe with the Middle East and North Africa. There are four operational civil airports in Sofia, Varna, Burgas, and Plovdiv. The leading airport is Sofia's, with nearly 7 million passengers serviced in 2018 (about 6.5 million in 2017).

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 and supports inland water transport. 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 a population of 1.27 million people and is situated in the country's southwestern region. The second and third largest cities in Bulgaria are Plovdiv in southcentral Bulgaria, with a population of 345,213 people, and Varna on the west coast of the Black Sea, with a population of 335,854 people (as of December 2017) – source: NSI.

Younger Bulgarian consumers behave differently from older consumers and/or retirees. Younger workers tend to have higher incomes, greater purchasing power, purchase higher-quality products, visit restaurants, and travel. Older consumers and pensioners often receive less pay (or pensions) and limit themselves to the staple products and basic needs. The average annual salary in Bulgaria is about $7,803 (BGN 12,720 - source Bulgarian National Bank), while the average annual pension is about $2,610 (BGN 4,250, source: Bulgarian National Social Security Institute). The data demonstrate that young people have three times the purchasing power of pensioners. There are also significant consumption differences between urban dwellers and those living in small towns and villages. 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 (EURO 1 = BGN 1.95583)

I. Exporter Business Tips

Import Agents

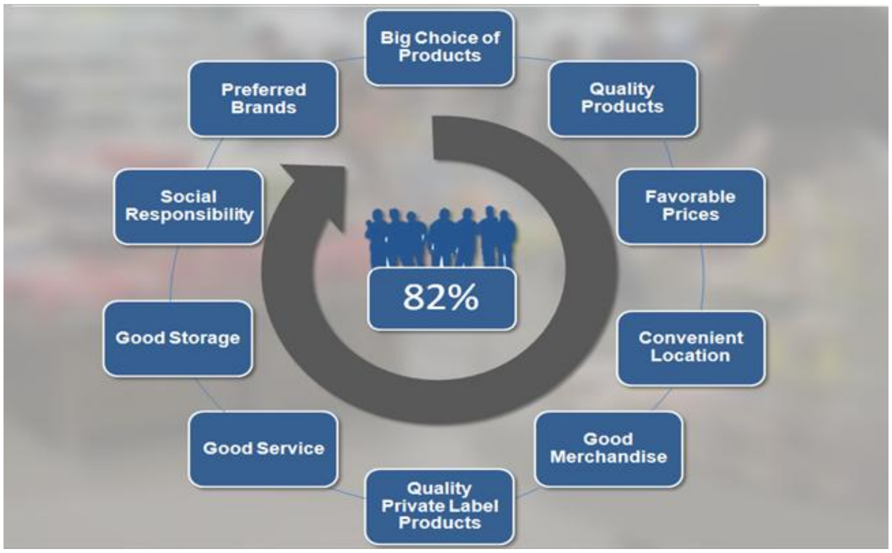
Although large companies may have internal logistics personnel in Bulgaria, many exporters appoint local import agents to act on their behalf. Although factors are subjective and may vary, key issues to consider include:

- What is the extent of the agent's network of distributors, owned or leased storage capacity, and owned or leased transportation arrangements?
- Does the agent have strong contacts with the responsible purchasing managers in the target sales channels?
- Does the agent have a high proportion of direct-to-market channels or are they heavily dependent on multiple distribution levels?
- Is the agent developing value-added communications and promotions or are they overly dependent on price discounts?
- Does the agent have complementary product lines? Although cases vary, exclusivity can provide better incentives to the agent and can help the exporter to maintain improved supervision over price and product integrity.
- Is the agent connected to other Balkan markets for future sales expansion opportunities?

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 fax. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Metro, Lidl, Billa, CBA, and Fantastico. For more information, please refer to FAS Sofia's GAIN Retail Market report.

The chart below illustrates the modern trade profile in Bulgaria



A visit to Bulgaria is strongly recommended to establish meaningful relationships with Bulgarian buyers. Personal relationships and face-to-face meetings are important. 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 recommended that the companies contact FAS Sofia for guidance when arranging a trade visit to Bulgaria.

Bulgarian businesses are usually interested in several products instead of single product lines. As incomes increase, consumers tend to look for more variety and importers constantly look for new products, including new-to-market products and new brands of certain products. Conversely, other importers follow more customary Bulgarian pattern of collecting basic information (samples, catalogues, prices, supply schedules, etc.). Trial orders to test the market might then be placed. Many importers specialize in certain product categories and often join together in consolidated shipments to lower associated risk and costs.

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 foods and beverages perceived as 'healthful' or 'nutritious'. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are examples of product categories for which marketing strategies based on nutritional and health messages have proven to be highly successful.

Bulgarian Business Customs

Bulgarian business contacts tend to be direct and informal in their approach and do not observe strict business protocols found in other countries. Although procurement and purchasing managers are always searching for new products, they tend to be thorough in product evaluations. They prefer to see product samples whenever possible and will often place small trial shipments to test the market response.

Some local customs are worth observing. For example, offering holiday greetings and giving small gifts during major holidays (Christmas, New Years, and Orthodox Easter) are common and appreciated. These holidays are also high sales periods and American companies may consider introducing new products to coincide with these busy holiday seasons. One example is that many bakery product companies will 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 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. A high percentage of Bulgarian residents speak fluent English, especially those under 40, who have often taken English lessons. Translation services are easy to find and written materials such as company information, product brochures, etc. will resonate more if translated into Bulgarian.

II. Import Food Standards, Regulations, and Import Procedures

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 example, dairy-based product containing vegetable oil, not 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

Agriculture made up 4.7 percent of Bulgaria's GDP in 2017. Land in Bulgaria is most commonly measured by the decare (daa), with10 daa equate to one hectare. Domestically, Bulgaria produces wheat, barley, corn, sunflower, tobacco, rapeseed, fresh vegetables, fruits, and grapes. Bulgaria exports cereals, tobacco, and oil seeds and imports meat, vegetables, fruits, sugar, fish, and coffee. Bulgaria is a relatively small market for U.S. agricultural exports.

Imports from the United States

According to the Intrastat data from the Bulgarian NSI, imports from the United States topped nearly

$64.8 in 2017, up almost two percent over 2016. Bilateral trade relations are friendly. Demand growth for U.S. agricultural exports is increasing.

Bulgaria's EU accession negatively affected U.S. fruit product imports, as EU horticultural products gained duty-free and facilitated access. EU FTAs with non-EU countries also threaten U.S. exports, as some products enter Bulgaria and other EU Member States with low 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.

Food Processing Sector

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/cereal foods, pulses, beef, prepared food, wine, soft drinks/juices, and seafood products. For more information about the Bulgarian food processing sector, please refer to FAS Sofia's latest Food Processing Ingredients report.

Food Retail Sector

Total number of retail outlets in Bulgaria stands at 41,872, of which 3,683 are modern grocery outlets (Table 1). According to Euromonitor, in 2017 modern-retail sales exceeded BGN 5.75 billion ($3.52 billion) and accounted for 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. For more information about the retail market, please refer to Post's 2018 Retail Market report.

Hotel, Restaurant, and Institutional Food Service (HRI) Sector

The HRI sectors in Bulgaria are still a young with few long professional traditions, especially in the area of high-value services. These sectors have developed dynamically over the past several years with tourism and shopping malls being a main driver. In 2017, the foodservice industry recorded its highest sales-growth rate in sales in five years due to improving consumer purchasing power and tourism. For more information about the Bulgarian HRI food sectors, please refer to Post's 2018 HRI report.

Organic Foods Sector

Organic agriculture in Bulgaria is developing rapidly due to generous EU subsidies, higher local purchasing power, and growing consumer demand. In 2016, the number of organic producers grew by 18 percent and organic area increased by 37 percent, accounting for 3.2 percent of Bulgaria's total production area. 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 for consumer sales.

Imported organic products dominate and account for over 60 percent market share. Most imports come 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 being genuinely organic. Increasing number of multinational brands have launched organic versions of their products. The 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 Bulgaria here. More information about the organic food sector in Bulgaria can be found in FAS Sofia's latest Organic Market report.

IV. Agricultural and Food Imports

Best Consumer Oriented Product Prospects

Product	2017 Imports (U.S. $ in millions)	Import Tariff Rate	Constraints over Market Development	Market Attractiveness for U.S.
Grape Wines	22.36	13.10 Euro/HL for still, and 32.00 Euro/HL for sparkling. Excise Tax= 0 percent VAT = 20 percent	Bulgarian wines still dominate the market. Imported wines account for about 19 percent of total wine volume.	Bulgaria's wine industry produces high-quality wine. Although many consumers prefer local brands, wine imports from Italy, France, Spain, Germany, Chile, South Africa, New Zealand, and the United States have increased. Low purchasing power and strong local competition are challenging. Most commercial wine is consumed in urban markets. Home-made wine dominates in smaller cities and villages. U.S. wine imports have increased and Bulgarian consumers are becoming more aware of it. More information about Bulgarian wine

				sectors can be found here.
Tree Nuts (HS 0802) and Ground Nuts (HS 2008 and HS 1202)	78.86	From 0 to 12.8 percent depending on the type of the nuts. Information pertaining to other dried fruits and nuts is available in the EU official Journal pages 94 through 100, 157, and 165.	Greece, Canada, and Turkey for tree nuts and Argentina, China, Nicaragua, and India for ground nuts are the main competitors to U.S. exporters in Bulgaria. The Chinese and Indian nuts are considered to be lower quality.	American tree nuts are dominant in the Bulgarian market. For more information, see FAS/Sofia's Tree Nuts Annual report here and the Peanuts Market Brief here.

Distilled Spirits (HS 2208)	97.82	See the 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. For more detailed information about the excise tax rates for alcoholic beverages applicable in the EU as of July 1 2013, please refer to the official web page of the General Taxation and Customs Union Directorate at the European Commission here.	Scotch and Irish whiskies are still dominant on the Bulgarian market. U.S. whiskey's market share is about 20 percent. Information on the EU tariff rates imposed on U.S. agricultural products (including distilled spirits) can be found here.	For more information see FAS Sofia's Distilled Spirits Market brief report here.
Food Preparations (HS 2106)	114.5	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	36.7	For more information see FAS Warsaw's General Guidance on Exporting High-Quality Beef to EU report here.	Strong competition from Latin American and European producers/exporters; U.S. beef costs more than other imported beef; Limited purchasing power of the average Bulgarian consumer.	Awareness of U.S. beef in Bulgaria remains moderate among commercial and private end users. Positive perception about U.S. beef should be created by educating the main buyers (restaurants and hotels) about its quality and diversified tastes.
Fish and Seafood	114.2	Tariffs for seafood products exported to the EU range from zero to 22 percent depending on species, level of processing, and the time of year. Detailed information on seafood tariffs can be found in the official EU Journal in pages 47-69 and 134-139.	The Bulgarian market is supplied with various types of fresh saltwater and freshwater fish, as well as frozen sea and ocean fish. Frozen fish is well accepted by the consumers. Recently the consumption of other types of sea food is also increasing.	Increasing seafood consumption in Bulgaria offers good opportunities for U.S. exporters. U.S. exporters must overcome competition from other EU exporters (Greece, Denmark, Spain, Netherlands, etc.), as well as Canada (FTA with EU), Turkey, China, Vietnam, Argentina, Chile. See Post's Fish and Seafood report here.

Source: Global Trade Atlas; FAS Sofia researches

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

Ministry of Health
Sqr. Sveta Nedelya 5, Sofia 1000, Bulgaria
Tel: (359) 2-981-0111
E-mail: press@mh.government.bg Website: http://mh.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/

Bulgaria Customs Agency, Ministry of Finance
Str. Rakovski 47, Sofia 1202, Bulgaria
Tel: (359) 2-9594-210 Fax: (359) 2-9859-4528
E-mail : pr@customs.bg Website : http://customs.bg

Ministry of Economy, Energy and tourism
Str. Slavyanska 8, Sofia 1000, Bulgaria
Tel: (359) 2-940-71 Fax: (359) 2-987-2190
E-mail : e-docs@mee.government.bg Website: http://www.mi.government.bg

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

Bulgarian Industrial Association
Str. Alabin 16-20, Sofia 1000 Bulgaria
Tel: (359) 2-932-0911 Fax: (359) 2-987-2604
E-mail: office@bia-bg.com Website: www.bia-bg.com

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/

Branch Chamber of Industrial Bread Producers and Confectioners in Bulgaria
5 Bacho Kiro Str., Sofia 1000 Bulgaria
Tel: (359) 889-49-40-40
E-mail: bread_industrial@abv.bg Website: http://www.bread-industrial.org/index_en.html

Association of Fish Products Producers - BG Fish
Vitosha Blvd. 31-33, Sofia 1000, Bulgaria
Tel: (359) 2-981-7589 Fax: (359) 2-981-7589
E-mail: bgfish@bgfish.com Website: http://www.bgfish.com

Union of Bulgarian Millers
Pavlina Unufrieva Str. 4, Sofia 1510 Bulgaria
Tel: (359) 2-936-7925 Fax: (359) 2-865-0677
E-mail: office@agromill.com Website: http://www.ubm-bg.org/index.php?ul=2&lang=EN

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