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Report Highlights:

Consumer demand in Bulgaria for organic foods and beverages has grown in recent years due to economic stability, improved purchasing power, and growing popularity for products perceived as healthful. In 2018, organic food and beverage sales reached a record €30 million, with further sales growth expected in 2020 and 2021. Although demand growth for organic consumer-ready products will likely continue, Bulgarian organic farms and area planted in 2018 declined by four percent and about six percent, respectively. At the end of 2018, organic area (fully converted and under the conversion process) accounted for 2.56 percent of Bulgaria's total agricultural area.

Disclaimer: Official data about Bulgaria's organic sector is scarce and not publicly available. Information in this report was taken from a range of sources, including Bulgarian Ministry of Agriculture (MinAg) statistical data, MinAg's 2019 Annual Agrarian Report, Eurostat data, Post's industry and trade sources, nongovernmental organizations, research publications, Euromonitor, and specialized agricultural media.

Organic Farm Production

Over the last two years, Bulgarian organic agriculture has faced regulatory and certification challenges, and declining levels of domestic support. The total number of organic operators, including agricultural producers, food processors, and traders, at the end of 2018 was 2.4 percent lower from 2017 (Table 1). The number of organic farms in 2018 decreased by four percent from 2017.

Bulgaria's 2018 organic area accounted for 2.56 percent of total agricultural land reached with 128,839 hectares (HA), a 5.7-percent decline from 2017 (Table 2). A notable shift in 2018 was land still undergoing conversion (about 35 percent) fell below fully converted organic area (about 65 percent). The driver of this trend was a decline in subsidies paid to farmers with acres under conversion. Fully-converted organic area increased considerably by 74 percent (84,150 HA) and its share reached 65 percent versus 35 percent in 2017. This trend is likely to continue and fully converted organic area is expected to expand. Arable land increased and accounted for 51 percent of the total organic aera, while permanent organic grassland declined to 26 percent.

Organic Crop Production

Although the total organic area declined in 2018, MinAg data report fully converted organic land expanded for most crops (2019 Annual Agrarian Report) (Table 3). Fully converted cereal crop acres grew by 27 percent. 81 percent of the organic cereal area in 2018 was fully converted. The fully converted area in 2018 for fresh vegetables grew by 94 percent over 2017. 58 percent of organic fresh fruit acres in 2018 were fully converted.

Bulgaria is a leading EU producer of aromatic and medicinal plants, herbs, and spices (both conventional and organic). The 2018 organic area for these crops increased by 22 percent. The largest share in this category was organic lavender at 7,021 HA compared to 4,346 HA in 2017. Lavender production expanded sharply in recent years due to favorable export demand for lavender oil. Reportedly, the area planted in 2019 expanded further (18,000 HA) of which 7,200 HA organic area. This growth in areas and production led to a drop in farm-gate prices for lavender and lavender oil by more than 50 percent in 2019.

According to industry sources, the annual herb production is about 81,000 metric tons (MT) with exports accounting for 85 percent of local supply. The area for organic fennel in 2018 reached 3,948 HA, up from 3,438 HA in 2017.

The 2018 area planted for roses used to make essential oil (conventional and organic) expanded by 3.4 percent. Production grew by about 14 percent. The area for organic roses was 2,255 HA. Rose production growth led to high stocks and lower prices for rose pellets and rose oil in 2019.

A new challenge for organic farmers will be local supplies of certified organic planting seeds, as new certification requirements will be enforced in 2020. Local organic seed stocks are limited and imported seeds are two-three times more expensive. Currently, Post contacts report that local seed producers and research stations are not prepared to meet demand.

Organic Animal Production

In 2018, the number of organic live animals declined (Table 5). Organic dairy cows and sheep each dropped by 19 percent from 2017, goats by 11 percent, and beehives by nine percent. Production of organic cow milk declined by about 60 percent and organic honey production decline by 15 percent. Production of organic meat, sheep milk, goat milk, cheese and yogurt experienced some growth.

Certification and Control

In 2019, 14 certification bodies were eligible to certify organic, six of which were Bulgarian, and eight from other EU countries. In late 2018 and in 2019, MinAg terminated certification rights of several companies due to irregularities in the certification procedures.

MinAg amended its most important organic production, labeling, and control regulation in September 2018 (Decree #5, September 3, 2018) and again in April 2019 (Decree #5, Official Gazette April 30, 2019). These updates resulted in stricter regulatory controls and oversight of certifying bodies and sanctions for non-compliance.

Organic Market Size and Trends

Bulgaria's organic market in 2018 was valued at about €30 million, roughly one percent of the total food and beverage and beverage market (by value). This includes sales of organic packaged food (€14 million), beverages (€5.0 million), and sales of organic products via farmers markets (mainly fresh produce) (€11 million). Purchasing power continued to improve in 2018/2019 and higher public awareness of organic products spurred demand. Prospects in 2020 remain positive. More competition among suppliers may make organic products less expensive and more accessible for consumers.

Despite growing demand, organic products remain more expensive and are perceived as ‘lifestyle’ products. Organic sales growth in 2018 increased by 6.9 percent over 2017. Longer-term projections are for 18-percent increase in organic sales by 2023 compared to 2018.

Organic packaged food sales recorded 6.6 percent growth in 2018 over 2017 and reached €14 million. Sales are forecast to grow by another 4.5 percent in 2019 and by18.3 percent by 2023 compared to 2018. Imported organic packaged food dominated the market. Modern retail was the main channel and accounted for 69.7 percent (68 percent in 2017) of organic packaged food sales, versus 30 percent (32 percent in 2017) from traditional retailers.

All retail chains have increased organic inventories and have introduced specific organic corners or sections for “bio” products, which feature mainly private-label products. In most cases these sections are small, and choices are limited. Specialty organic shop often have better selections in terms of brands and products, but often have irregular inventories and higher prices.

The organic market remains fragmented and is less dominated by multinational companies as it was before. The top five players (two multinationals and three local companies) accounted for 44.7 percent (47 percent in 2017) of organic packaged product sales. International companies drove trends due to stronger marketing capacity, while local companies expanded their presence and product diversity. The largest organic product retailers were Lidl, Billa, and Fantastico, all of which expanded their private-label organic products. Smaller, local specialty retailers like Balev Biomarket, Zoya BG, Zelen Bio increased their market share.

Smaller local food processing companies accounted for about one percent of market share and were led by companies like Bio Bulgaria, Gimel, Smart Organic, Healthy Bars, Bioset, Ivtoni Shopov Eood, Smart Capital EOOD, Bioset OOD, Bio Organic, Vitanea, and Konservinvest.
Leaders in organic food sales were baby foods, snacks, dairy products and spreads. Baby food (€4.0 million sales in 2018) remained a leading food category with 6.5 percent sales growth in 2018 over 2017. Organic snack sales and dairy product sales grew by 8.8 and 7.3 percent, respectively, in 2018 compared to 2017. Organic butter and spreads sales growth achieved 19 percent. Bulgarian companies dominated organic yogurt, cheese, fruits and vegetables, and bakery production.

2018 organic beverages sales grew by 7.7 percent over 2017 and were estimated at €5.0 million. Organic beverage sales are estimated to grow by another 3.6 percent in 2019 over 2018, and 3.4 percent in 2020 over 2019, and by 17.4 percent by 2023 over 2018. Organic hot drinks and soft drinks increased market presence in 2018/19. Organic coffee benefitted from the trend among modern grocery retailers to introduce “bio” corners and sales grew by 6.9 percent. However, organic coffee is still considered as high-end and may remain a niche product. Organic soft drink sales grew by 10.4

percent. Organic tea, juice and private label drinks showed potential to increase sales. Billa, Kaufland, Lidl, and Fantastico were the most proactive retailers to introduce organic beverages.

Trade in Organic Products

Bulgarian exports of organic roses, lavender, and essential oils are usually destined for the EU and the United States. Total exports of essential oils (conventional and organic) (HS#3301/Oils; essential, concentrates, waxes, solutions) in 2017 reached $113 million, a 66-percent increase over 2016. In 2018, exports declined slightly by two percent to $111 million. The main export destinations in 2018 were the United States (42 percent share) and France (29 percent share), followed by Japan and China. Exports of essential oils alone in 2017 (HS#330129) were reported at $104 million or 60 percent more than in 2016, and stagnant ($104 million) in 2018.

Imported organic, high-value consumer products dominated the market with estimated over 60 percent market share. Imported organic products are trusted for being genuinely organic. Increasing number of multinational brands have launched organic versions of their products. See here for detailed information about exporting organic foods to Bulgaria.

Agricultural Policy and Domestic Support

In July 2019, MinAg approved a new National Plan for Organic Industry 2020-2027, emphasizing the importance of the organic industry to Bulgaria. Between 2007 and 2018, over €150 million in subsidies were paid under the EC's Rural Development Program to organic farmers and processors. According to the new National Plan, organic farmers will be subsidized, receive free consulting services and training, and encourage small organic producers to form partnerships. The plan also prioritized organic fruit and milk for school feeding programs.

Domestic Support: In 2018/2019 the local organic farmers' association (Bulgarian Association Bioprodukti) publicly appealed for fair payment of subsidies to legitimate, "genuine" organic producers. The association claimed that most subsidies are paid to farmers producing cereals and forage crops since they have larger organically certified areas (the subsidy is paid per a hectare) instead of supporting higher value crops (fruits and vegetables). The association proposed a ceiling on area eligible for organic subsidies of 50 HA.

To support new organic farmers, MinAg's Paying Agency introduced funding scheme for new investments in organic farms under the EC Rural Development Program. In August 2019, the MinAg reported that 654 new organic farmer projects--59 for livestock farms and 595 for crop farms--were approved for subsidies under the program. Additionally, €40 million were provisionally secured as subsidies for organic producers in late 2019 to be used in 2020-2021. Funding availability depends on the findings of a November 2019 EC audit.

Certification: In 2018/2019 the MinAg recognized the deficiencies in organic certification identified by the Bulgarian Audit Chamber and respective EC audits. Deficiencies related to pesticides residue levels were identified as the industry's main challenge. Consequently, more stringent certification measures were introduced in November 2018 and in April 2019 by amending the major organic regulation (Decree No. 5). Several certification companies lost their government authorizations and do not work on the market any longer.

MinAg also amended domestic support regulations in March 2019. The amended regulation introduced lower domestic support budget for organic farms 2019-2020 due to higher than initially expected demand and faster absorption of funds in the past (2017-2018). The reduction in various types of organic payments varied from €2.0/HA to €50/HA. Also in April 2019, the Cabinet appointed a new Deputy Minister of Agriculture in charge of organic farming. An Organic Industry Advisory Council to the Minister of Ag was established. In October 2019, MinAg updated its organizational structure and established an Organic Farming Unit.

In August 2019, a special registry of organic producers was introduced as per EU Regulation 834/2007. The database contains complete verified information of organic producers, processors, traders and storage handlers, as well as the list of approved certifiers. As of January 2020, the database contains 6,182 records for operators.

Appendix: Bulgarian Organic Industry Statistical Indicators

Table 1. Organic Farming and Food Processing Indicators

Organic Farming and Food Processing Indicators (in numbers), 2014-2018					
	2014	**2015**	**2016**	**2017**	**2018**
Total producer operators	4,092	6,173	7,262	6,822*	6,660*
-Agricultural Producers	3,893	5,919	6,964	6,471*	6,213*
-Processors	132	161	175	181*	234*
-Other (traders)	49	74	98	130*	171*
Food processors	NA	250	253	202	216*
-Fruit and vegetable processors	20	45	54	74	92*
-Dairy processors	14	26	29	12	8*
-Grain/milling processors	1	24	23	5	6*
-Bakery processors	10	20	20	10	12*
-Other food processors	70	83	95	58	53*
Beverage processors	15	22	21	15	10*
Wine makers	4	14	17	11	10*

Source: Eurostat
*Note: Data is sourced from MinAg statistics and 2019 Annual Agrarian Report

Table 2. Agricultural Land under Organic Production

Agricultural Land under Organic Production, Indicators, 2014-2018					
	2014	**2015**	**2016**	**2017**	**2018**
Total fully converted and under conversion to organic farming agricultural land, HA	47,914	118,552	160,620	136,618	128,839
-In percentage to total utilized agricultural land	0.96	2.37	3.20	2.72	2.56
Fully converted to organic farming, HA	15,170	21,539	36,137	48,453	84,150
Under conversion to organic farming, HA	32,744	97,013	124,484	88,164	44,689
-Total fully converted and under conversion to organic farming land arable land*, HA	26,383	60,810	88,711	66,211	65,648
-Fallow land, HA	2,205	6,209	8,075	7,782	5,707*
-Permanent grassland, HA	12,089	31,796	38,736	39,921	33,713
Source: Eurostat *Note: Data is sourced from MinAg and 2019 Annual Agrarian Report					

Table 3. Agricultural Land under Organic Crops

Agricultural Land under Organic Crops, 2014-2018, HA					
	2014	**2015**	**2016**	**2017**	**2018**
Cereals	10,795	22,184	30,933	16,602	21,019*
-Wheat	6,459	15,195	16,677	11,945	12,218
-Barley	1,192	2,536	4,474	1,279	1,678
-Corn	1,528	2,313	2,289	1,402	1,362
Sunflower Seeds	3,282	6,616	9,106	4,528	7,518
Aromatic, medicinal and culinary plants	5,577	11,456	18,089	16,859	20,548*
Fresh vegetables (including melons and strawberries)	1,134	1,847	3,664	2,849	5,527*
Permanent crops for human consumption	9,442	25,920	33,108	30,485	38,188*
-Fruits, berries and nuts	6,512	21,722	27,717	26,386	25,414
-Pome fruits	431	702	900	757	881
-Stone fruits	1,612	4,581	6,757	5,935	7,541
-Nuts	3,677	15,366	18,484	17,985	15,520
-Grapes	2,914	4,199	5,390	4,092	3,990
Source: Eurostat *Note: Data is sourced from MinAg statistics and 2019 Annual Agrarian Report					

Table 4. Production of Organic Crops, MT

Production of Organic Crops, 2014-2018, MT					
	2014	**2015**	**2016**	**2017**	**2018**
Cereals	7,671	5,619	5,943	16,152	36,904
-Wheat	3,014	3,452	3,264	11,135	15,188
-Barley	477	158	457	877	1,840
-Corn	2,216	976	955	1,818	6,676
Sunflower Seeds	843	1,942	1,558	3,816	10,610
Aromatic, medicinal and culinary plants	5,614	5,813	6,628	9,321	14,799
Fresh vegetables (including melons and strawberries)	10,152	12,622	13,800	6,986	20,189
Permanent crops for human consumption	8,906	14,153	21,738	17,373	32,054
-Fruits, berries and nuts	6,278	7,765	14,048	12,127	19,819
-Pome fruits	1,145	1,507	2,621	3,067	6,028
-Stone fruits	2,478	3,381	7,745	4,658	8,730
-Nuts	505	850	1,430	1,140	1,798
-Grapes	2,623	6,388	7,690	5,245	12,209
Source: Eurostat					

Table 5. Organic Livestock and Products

Organic Livestock and Products, 2014-2018					
	2014	**2015**	**2016**	**2017**	**2018**
Organically raised animals					
Live bovine animals, head	1,344	4,209	9,718	10,400	9,314
- Dairy cows, head	789	1,777	2,906	2,955	2,405
Live sheep, head	7,250	18,792	26,809	25,959	21,072
Live goats, head	3,201	5,381	8,242	9,023	8,039
Live poultry, number	500	3,041	3,926	3,122	2,176*
Bee (hives), number	89,553	178,331	236,462	250,434	227,721*
Organic animal products					
Meat of livestock, MT	NA	NA	373	212	969*
Cow milk, MT	1,124	5,468	6,973	6,430	2,646*
Ewes' milk, MT	380	1,455	768	766	1,031*
Goats' milk, MT	983	424	898	1,336	1,603*
Cheese, MT	263	31	156	203	244*
Yogurt, MT	238	191	240	83	271*
Drinking milk, MT	13	99	253	845	547*
Honey, MT	1,517	2,160	1,941	3,760	3,203*
Source: Eurostat *Note: Data is sourced from MinAg statistics and 2019 Annual Agrarian Report					

Attachments:

No Attachments.