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# Bulgaria

**Post:** Sofia

# Organic Sector and Trade Update

**Report Categories:**

Special Certification - Organic/Kosher/Halal

Agricultural Situation

**Approved By:**

Russ Nicely

**Prepared By:**

Mila Boshnakova

**Report Highlights:**

Organic farming in Bulgaria has thrived driven by improved export demand in the EU market, excellent production subsidies, and favorable governmental policy. Despite the dynamic development, however, the share of organic farming remains small. The land under organic farming grew almost fourfold in 2015 vs 2010, and reached 2.4% of all utilized agricultural land but organic food sales are less than 1% of total food sales due to low purchasing power of consumers. Over 80% of local organic products are exported while most organic foods on the market actually come from imports. Bulgaria is known better for exports of organic aromatic, medicinal and culinary herbs than for organic foods. The major challenges for the organic sector are deficiencies of the certification system, dependence on domestic support, and development of sustainable local consumer demand.

Domestic organic food market is still young but it has witnessed dynamic development with a growing number of specialty outlets, diversity of products, improving consumer awareness and increasing number of purchases. Steadily growing consumer incomes encourage optimistic trade prospects for

2016/17.

Availability, choice, and affordability of organic products will remain key factors motivating purchases by Bulgarian consumers.

**General Information:**
**Overview**

Since 2012 the interest in organic farming has grown considerably, driven by export demand of the EU market, good production subsidies, and favorable governmental policy. A growing number of NGOs have undertaken active developmental, educational and promotional activities to encourage the organic sector. There is political consensus that organic farming is an efficient solution to address jobs, depopulation and social issues in rural areas and to stimulate alternative tourism. Additionally, the green concept resonates increasingly well in the urban and young population (see GAIN BU1405). Many believe that organics offers one of the best export opportunities due to the niche characteristics and high values. Over 80% of local organic products are exported and the country leads in the EU in exports of certified organic essential oils of rose and lavender.

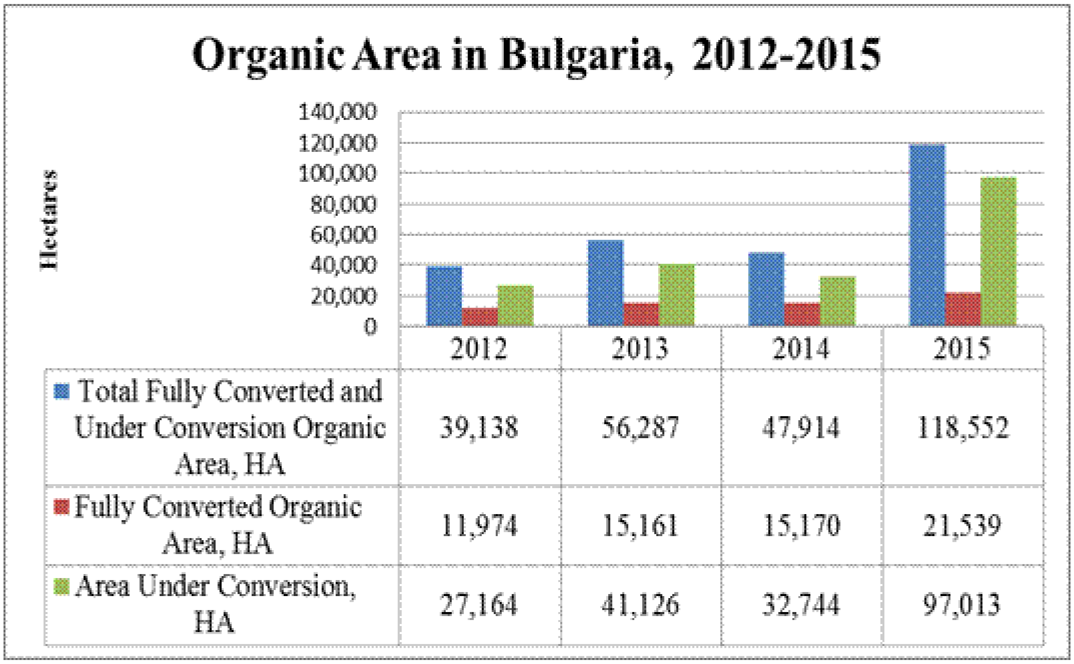
Bulgaria has an emerging organic consumption market estimated at U.S. $17 million in 2015 (source: Euromonitor), however, the growth has been dynamic and reached 7% in 2015 vs 2014. Economic improvement in 2014/15 and stabilization of consumer income boosted consumption of organic products. Organic sales grew in every segment of the market and new specialty retail outlets were opened. However, the market faces challenges related to consumer awareness, purchasing power and consumer confidence in certification oversight.

*Disclaimer:* Official data about the organic sector is scarce and not publicly available. Information in this report is based on a wide range of sources such as Bulgarian Ministry of Agriculture and Food Annual Agrarian Report for 2015 (published in 2016) which covers 2014 data and has a forecast for 2015; Eurostat; industry and trade interviews, industry/NGO/research publications, Euromonitor, and specialized agricultural and daily media. FAS Sofia made its best effort to use reliable and verified information; however, in absence of official statistics, some data in the report is based on trade estimates.

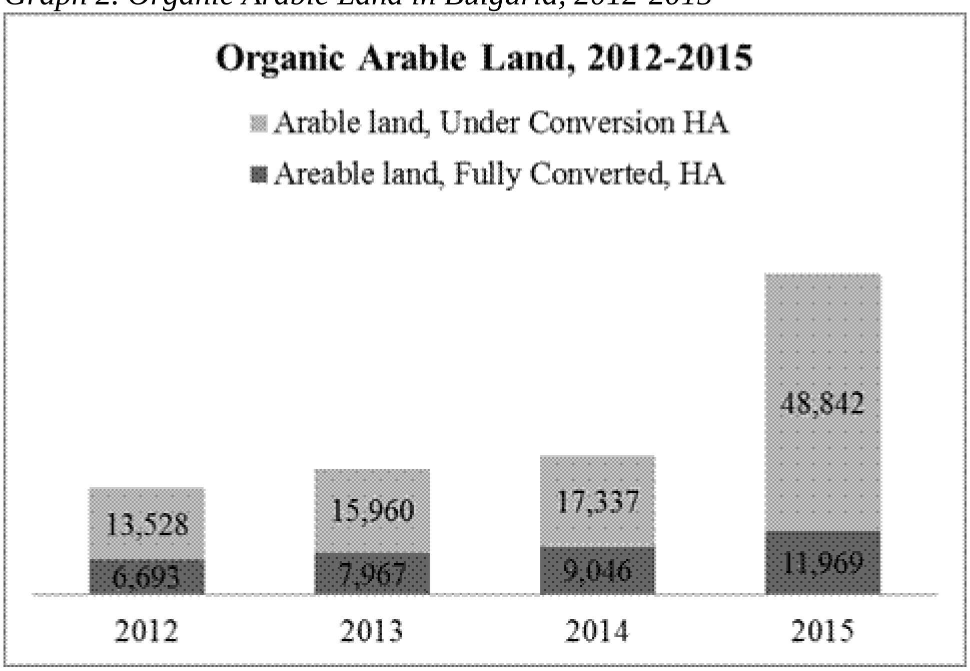
**Organic Farm Production**

Bulgaria has a favorable climate and excellent soil conditions for development of organic production. The country ranks third in Europe, following Croatia and Slovenia, in terms of Natura 2000 protected areas, over 34% of the country's territory. In the period 2014-2020 farmers received access to plentiful subsidies. This led to skyrocketing organic area and production in 2014/2015 and to establishment of new processing facilities which began to offer value-added products. High dependence on production subsidies and exports combined with low domestic purchasing power, however, raise questions about the longer-term success of this industry.

*Graph 1. Organic Area in Bulgaria, 2012-2015*




*Graph 2. Organic Arable Land in Bulgaria, 2012-2015*




**Organic Farming Today**

Organic Farms: Organic farms are small with an average size of 12 HA/farm (source: Organic Production in Bulgaria, InteliAgro). The number of organic producers, processors, and traders (all organic operators) at the end of 2015 was 6,173 or 51% more than in 2014 (Table 3). The number of organic farms dominated and in 2015 it reached 5,919, or 52% more than in the previous year.  Farms accounted for 96% of all organic operators. This demonstrates the need for further development of the organic processing industry which is still at an emerging stage.

Organic Area: Area under organic farming has grown sharply and reached 118,600 HA in 2015, or more than double when compared to 2014 and accounted for 2.4% of total utilized agricultural land in the country (Graph 1).   However, most of this growth is due to land under conversion (82% of total compared to the EU average of 10%) which increased almost 3 times from 2012 to 2015, while fully converted organic area expanded by 80%.  The reasons for this uneven development are complex but the major one is the higher amount of subsidies for farms in conversion compared to those which are already certified as organic.  Another reason is the larger number of start-up organic farms over the last two years.

Arable area accounts for 51% of total organic area (fully converted and in process of conversion) and about one third (27%) is permanent grassland.  Another 700,000 HA is the certified ecologically clean area which is used for collection of wild plants, herbs, and forest fruits as most of these products are certified organic and exported.  Certified arable organic area used for actual production at farms is 22,000 HA.  Most organic producers are concentrated in Southern Bulgaria (see BU1405).

## Organic Crop Production

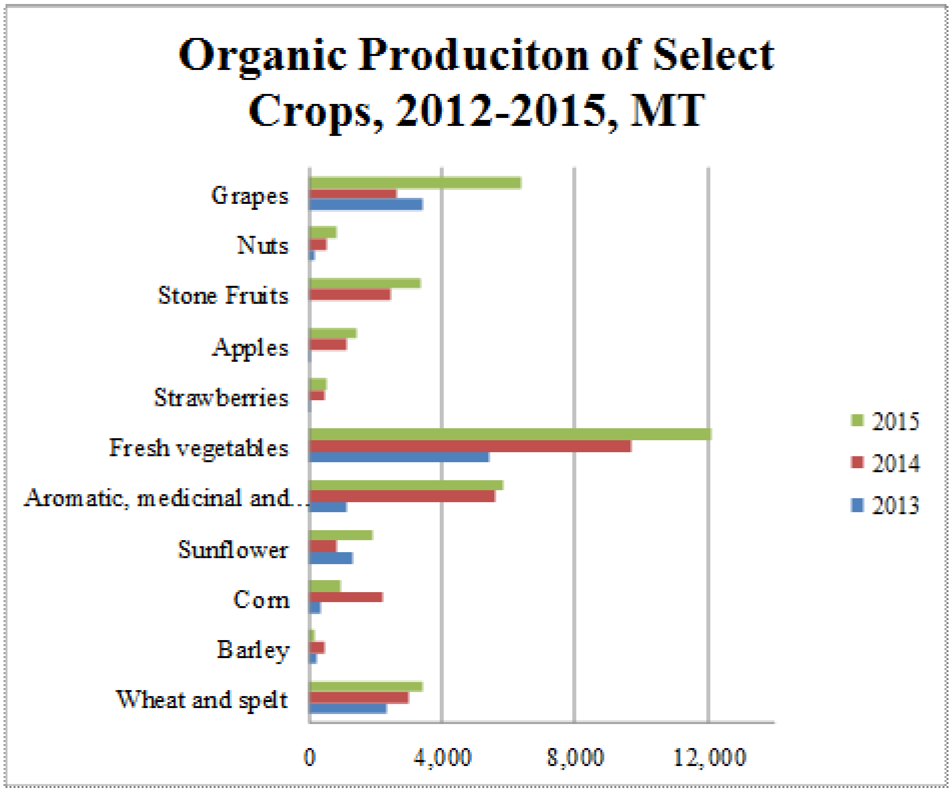
Often there is no correlation between the growth in organically certified areas, the number of farms, and the production of organic products.   The main reason for this trend is that often producers enter the organic sector with the idea to receive subsidies rather than to become active in the business.  There are also questions that the opportunity to receive subsidies during the conversion period may have stimulated abuse of domestic support or farms aim for subsidies but do not make efforts to finalize the organic conversion.  These doubts are indirectly confirmed by Eurostat data which shows that the share of “failed to convert” producers in the country is very high at 23%, the highest in the EU.  In other cases, farmers cannot sell organic products as organic due to their higher prices and prefer to sell them as conventional products at more affordable prices.

There are several trends in organic crop production at present:

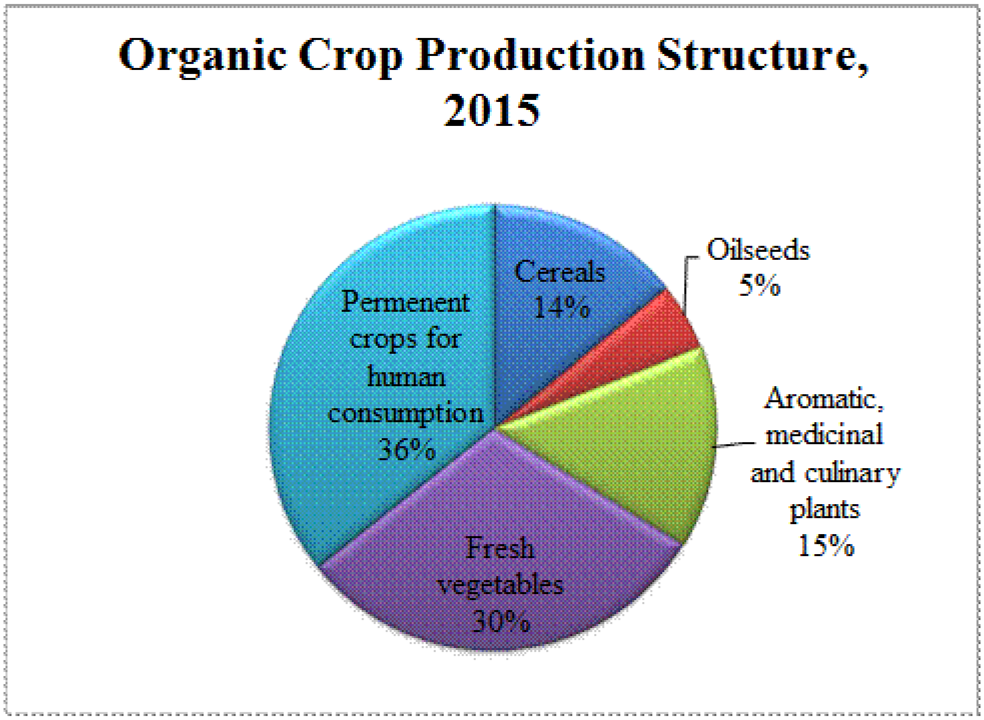
- Due to new entrants and attractive subsidies, crop area in the process of conversion has grown considerably and is far exceeding already converted organic area. If the situation is sustained, the potential for growth in fully converted areas in the next few years is promising. On the other hand, uncertainty on future domestic support may slow this growth;
- Organic crop production has a tendency to increase, however, the growth in production is behind than that in area and lacks consistency. This is due to lower yields compared to the EU average as a result of insufficient use of inputs, lack of experience and knowledge.  The size of non-harvested area is often substantial (36% in 2014, per industry sources);
- Growth in both areas and production of organic crops is driven mainly by exports with less organic crops used for the domestic market. Out of the products sold domestically, a smaller

share is processed and the rest is sold in bulk and/or directly.

*Graph 3. Organic Production of Select Crops, 2013-2015*




*Graph 4. Organic Crop production Structure, 2015*




The highest share in organic production in volume (MT) belongs to permanent crops orchards, vineyards, nuts (36%), followed by fresh vegetables (30%), aromatic, medicinal and culinary plants (15), cereals (14%) and oilseeds (5%). (See Graph 6).

*Permanent crops for human consumption*: Organic area under permanent crops for human consumption has sharply increased. In 2015 it was 50% more than in 2014. Production followed the same trend and was 59% higher.  The potential is very good with 19,789 HA (in conversion) in 2015 or more than 3 times higher than in 2014 (5,361 HA) and also 3 times higher than current fully converted area.

- Vineyards: Organic vineyards area had a steady growth and in 2015 was 16% more than in 2014.  Area in conversion in 2015 was 2,965 HA or 60% more than in 2014 and promises good prospects.  Organic grape production enjoyed stable growth and in 2015 was 240% up over the previous year.

- Orchards:  Growth in organic areas under fruit species is stable, with better development for the fully converted area.  The growth comes from orchards under apples, cherries, and plums.  The highest was growth in organic apples area, 43% in 2015 vs 2014, followed by plums with 39%. Cherry orchards, however account for the largest area in total organic orchards. Production of organic fruits is led by plums with 34% growth in 2015 vs 2014, and apples with 31% growth in 2015 vs 2014.

- Nuts: Nuts (walnuts, almonds, hazelnuts and chestnuts) areas had stable growth since 2011 (see BU1405). Area of fully converted organic nuts in 2015 doubled since 2014. The potential for further growth is strong since area in conversion in 2015 was 12,423 HA compared to fully converted 2,943 HA, i.e. organic nuts orchards can potentially increase 400% in the near future but production growth is much behind due to lower yields or a lack of harvesting. In 2015 total nuts production was 68% higher than in 2014.

Among the different types of nuts, walnuts have been the most attractive for farmers due to the lower cost of plantings compared to the subsidies per hectare. Walnuts also got an additional subsidy as a part of the domestic support (coupled) program which provided high additional subsidies per area for select crops. Out of total organic nut orchards, the largest were those under walnuts at 7,199 HA or 70%, followed by hazelnuts with 21% (source: MinAg Annual Report 2015). In July 2016 the MinAg excluded walnuts from the coupled support program. Due to this change, it is likely that the expansion of walnuts orchard may slow down and areas may stagnate.

*Fresh vegetables*: Organic areas under fresh vegetables, melons, strawberries and mushrooms were 886 HA (2015) or 42% more than 2014 but still is the smallest group compared to other organic crops. Artichoke and pumpkin account for the largest share with 64% and 28%, respectively. Production is steadily growing and in 2015 it was 25% more than in 2014. In volume, organic vegetables production ranked second after permanent crops with 30% share of total organic crop production.

*Cereals:* Organic cereals include wheat, barley, corn, rye, oats, and triticale (see GAIN report BU1405). Wheat has the largest organic area and its growth in 2015 was up 58% over 2014 while wheat production in 2015 was only 14% more than in 2014. Demand for organic wheat is driven by domestic buyers and development of high-end bakeries and confectionary/ snacks players. Other grains have inconsistent growth in both area and production with the highest demand for organic rye for the bakery industry, followed by barley. Insufficient organic grains output is one of the reasons for the less developed organic animal sector. The prospects are good with 18,541 HA in conversion in 2015 or more than doubled vs 2014 (7,290 HA).

*Oilseeds crops*: Area under organic oilseeds crops (sunflower, rapeseeds, soybeans) more than doubled in 2015 vs 2014 to 1,696 HA due to growth under organic sunflower (268% percent to 1,641 HA). Production of organic sunflower also increased sharply, by 230%.

*Aromatic, medicinal and culinary crops*: Bulgaria is a leading producer in the EU in terms of production of such crops (both conventional and organic). Certified ecologically clean area for collection of wild herbs increased to 694,251 HA (2014 data). In recent years production of these crops was captured by national statistics (Table 1). Organic area under these crops in 2015 was at 5,813 HA, 4% more than in 2014 but more than double that in 2013. Total area (fully converted and in conversion) was 11,456 HA or twice as high than in 2014 (5,577 HA).

Essential oil rose is a traditional crop and a symbol of the country. Bulgaria has been an exporter of rose oil for centuries. Lately area under cultivation, processing and exports have grown with the diversification of processed products and increased use of rose pellets for culinary purposes. Industry sources indicate that 35% of area is organic (about 1,000 HA) and another 550 HA are in conversion. First data for 2016 show production at 12,510 MT or 47% more than in 2015 due to higher yields. There are 50 rose oil distillers which account for 80% of the rose oil market and farm around 50% of roses.

Lavender production has expanded considerably since 2012. Lately, the crop expanded in to major grain production regions due to attractive margins and subsidies. Average yields steadily increase and production growth has surpassed the increase in harvested area (87% growth in production in 2015 vs 2013, 18% growth in areas for the same period). According to industry estimates (source: Inteli Agro - Lavender Study), 36% of lavender area (3,413 HA) is organic (1,224 HA) and 64% is in the process of conversion (2,188 HA). Lavender area had 16% growth in 2015 vs 2014, production was at 18,768 MT or 18% more than in 2014. First data for 2016 show production at 16, 695 MT. The number of lavender farms has increased more than three times since 2007 to 1,100 in 2016.

**Organic Animal Sector**

The number of organically raised animals has grown although this sector remains far behind organic crop growing. In 2015 the number of dairy cows grew by 125% vs 2014, sheep by 159%, goats by 68%, poultry by 6 times, and beehives by 99%.

Bulgaria leads the EU in terms of organic beehives and production of organic honey which is a major export product. Organic honey output is 2,200 MT - 2,400 MT and accounts for 15% and 20% of total honey production. Organic beehives are 25% of total, a share achieved after sharp growth since 2010. Subsidies are attractive at 25 Euro/organic beehive and 35 euro/ beehive in conversion. Often, farmers expand the number of beehives but the honey output does not follow. Organic milk is the next popular product, its output in 2015 grew by 195% to reach 7,400 MT. Bulgaria does not produce organic red or poultry meat and eggs.

**Processing and Production of Organic Foods**

Up to 2015 processing of organic farm products was underdeveloped and this was one of the reasons for insufficient supply of local organic foods. A shift in this trend was observed in 2015/16 when the number of processors increased sharply, supported by EU-subsidized investments and improved consumer demand (Table 2). Major processed products are yogurt, cheese, honey, bakery products, wine, herbs and tea.

**Local Market Trends**

Economic and income improvement in 2014/15 encouraged higher interest in healthy eating habits and led to more consumption of organic foods. The current market trends are:

- The breakthrough on the market in 2014/15 was that organic foods attracted not only high-income consumers but also those with average incomes who follow healthier lifestyles and are concerned about some unhealthy additives or preservatives in regular foods. This trend is likely to expand in the future and to attract more customers who will choose products with "clean/natural" ingredients;

- The concept of healthy lifestyle and organic food purchases has expanded beyond big cities. As of today, larger and medium size towns also see an increasing group of consumers. Although shoppers in big cities dominate, penetration into regional and local markets has begun;

- Improved consumer purchases led to expansion of portfolio of already established market players. Imports increased and new products launches intensified. This attracted new consumers;

- All types of retail channels registered growth in organic sales. The improved consumer demand stimulated modern grocery retailers to pay more attention to organic products. The share of organic sales via this channel grew from 44.5% in 2010 to 61.4% in 2015 (Table 6). This helped for better consumer awareness, especially about labeling. All retail chains now have specialty organic food shelves/ corners and some players make a special effort to emphasize on these sales by improving the diversity of organic foods being offered;

- Promotions still focus on organic food as a whole while brand differentiation remains as a second step to be undertaken in the future;

- The major challenge remains consumer income levels. Organic foods are often priced double or higher compared to their conventional equivalents and are considered not affordable by many. Higher prices of organic products prevent faster market penetration and quick growth in sales;

- Consumer awareness about organic food is still not very high but remains critical for market development. Often conventional food equivalents may have brands or sub-types which are labeled "local" or "natural" and attract customers with a price which is in between the conventional and organic versions. Such "eco-local-clean" labeling often mislead consumers who rarely differentiate labels. Advertising and marketing campaigns continue to shape positive consumer attitudes;

- A factor contributing to shifting consumers away from organic purchases is the weaknesses of the certification system and lack of confidence in organic labels. Progress in this respect was made in 2016 with an improvement of the regulatory environment and oversight which promises better prospects for the future.

**Market Size and Structure**

Sales of organic foods were estimated in 2015 at 30 million leva (U.S. $17 million), 7% more than in 2014. (Table 4). The growth for the last 5 years (2015 vs 2010) was impressive at 73%. The estimate for sales in 2016 is to top 31.6 million leva (U.S. $17.5 million) or 5.3% more than in 2015, and to reach 33.3 million leva (U.S. $18.5 million leva) in 2017. The forecast for 2020 is for 39 million leva (U.S. $22 million) (Table 5). This would represent a growth of 30% (2015-2020) over the 2010-2015 period. Most estimates about the size of the organic foods market are at one percent of the total food market although official data cannot support this figure.

Organic Products Categories

Organic baby food sales account for the largest share in organic sales, 36% in 2015 (Table 4). Sales grew and in 2015 they were 63% more than in 2010 and 7% more than in 2014. The presence of well established companies in this segment with trusted quality products sustains favorable demand. The market leader in this category maintains prices of organic baby food which are only slightly higher than that of conventional equivalents and this strategy attracts a growing number of consumers.

The milk and dairy products category is second after baby food with 18% share of total organic packaged food sales in 2015. In 2015 these sales were 10% more than in 2014 and 54% more than in 2010.

In 2015 the best performing organic products were chilled processed meat and seafood with a value growth of 24%. These products are all imported and account for only 1% of total organic sales. Most Bulgarian organic food lovers have preferences towards a vegetarian diet and this is a reason for slow emergence of this product category.

Organic beverages are a new emerging category. The prices are high, often 300-500% more than that of conventional equivalents. Organic coffee, cocoa and powered drinks are the most common. Consumers are not very familiar with organic beverages. Consumers who seek healthier lifestyles prefer to buy freshly squeezed juices, reduced sugar content or calories drinks, reduced caffeine coffee, or mineral water and for this reason sales are not likely to grow fast in the future without additional promotional efforts.

The best growth can be forecast for sales of organic dairy products, honey, wine and pasta. These products are supplied by both domestic producers and from imports which allows for more competition, diversity, brand differentiation and promotion. The trend of expanding purchases of fresh fruits and vegetables will continue to expand as well.

There are optimistic future prospects for higher sales of more processed organic products which build upon already popular basic organic products. For example, the dairy category is likely to see more sales of dairy based desserts or ice cream in addition to established yogurt and cheese; bakery products are likely to expand into cakes and organic sugar confectionary. Diversity becomes critically important and suppliers will likely offer more new product launches.

Organic Retail Players

The total number of various retail outlets selling organic foods is estimated to be about 2,000. The number of organic products sold on the market has increased from 2,500 in 2012/2013 to about 4,500 in 2015/16. All major retailers as well as many independent and smaller groceries offer organic foods - Balev Bio Market, Bio Mag, Sluntze Luna, Smart Organic, Zoya BG, Zelen Bio, Farm Point, Healthy Solutions,Eco products, The Secret Garden, Alteya Organics, Life Store, Green Shop, Green World, Avocado, Bio Kilera,Green Box, Revita, Bio Sviat, Bio Spot and many other.

Retail chains remain the main channel for sales of organic packaged foods. In 2015 modern retail groceries accounted for 61.4% of organic sales compared to 58.6% in 2014 (Table 6). Small independent grocers followed with just 20.9% of organic sales as this channel role has diminished from 38.8% in 2010.

Other grocery retailers (specialty stores) are the third channel accounting for 16.8% of organic packaged food sales in 2015, especially as the role of this channel grows. The number of specialty outlets grew substantially and many of them specialized in sales of "healthy/organic lifestyle" products such as foods, beverages, and/or cosmetics responding to consumer demand. These outlets offer the best diversity and quality of products, have very good market penetration, and enjoy growing popularity. Some of them combine sales with food services, for example, cafés with sales of organic bakery products, beverages and herbs. According to the Bulgarian Organic Association, in 2015 about 1,500 specialty shops offered organic products. Since consumer demand is still hindered by low purchasing power, most of these shops offer both conventional and organic products under the general concept of "healthy" foods. Industry estimates show that specialty shops offering exclusively only organic products are not more than 100 in number in all of Bulgaria.

Another popular channel is open farmers' markets, weekend or holiday markets, Christmas/Easter markets, green/organic corners/halls at trade shows/sports events, etc. This channel is preferred by local organic farmers and small organic manufacturers who cannot offer the volume and quality required by retailers. Due to a skyrocketing number of these suppliers, the role of these markets has grown and they are increasingly competing with specialty stores. This channel was identified as ideal for promotional marketing activities, product launches and consumer awareness campaigns.

Organic Market Players

The top five producing companies account for 54% of sales in 2015. The market is fragmented and all the rest are small companies which have market shares of less than 1%. This is not favorable for the demand since the market lacks price competition and supports higher prices.

Multinational producers have a very strong market presence, at least 36% in 2015 per Euromonitor, and about 60% per other industry sources. This is related to the fact that local suppliers often cannot produce sufficient volume and quality which does not allow them to do branding, enter retail channels and expand. Another reason is that customers tend to trust international certified organic products more than local ones.

Bulgarian organic products are less expensive than imported ones and it is likely that with the growth in product variety, pricing options will develop. The most popular local organic brands are: Harmonica (producer Bio Bulgaria, organic dairy products), Gimel (fresh vegetables), Roobar (bakery products/snacks/bars), Slancho (organic baby foods, Gerada GM (honey, walnuts, apricot seeds) and BioPrograma (tea and herbs).

## Trade

### Exports of Organic Foods

The EU and the U.S. are the major markets for Bulgarian organic exports. Often local organic products end up in the U.S. market as ingredients of EU products. In the last two years efforts were made to promote exports to new markets such as Canada, China, Japan, Vietnam and Korea.

The current trends in trade are as follows:

- Most organic crops are exported due to lack of sufficient local demand and/or lack of domestic processing. However, due to improved consumer demand and supply of more processed products, organic exports declined from 90%-95% of total output in the past (2012-2014) to 80% in 2015/2016;
- Local industry appeals for a national strategy to put greater emphasis on encouraging exports of added value organic products rather than raw materials;
- The major barrier to exports is the lack of proper marketing. Organic producers are small and not united which makes producing and selling commercial lots challenging. Quality may be not consistent. Current promotional activities are not always successful;
- Sharp growth in local production led to lower export income and the industry began to appeal for voluntary industry regulations and establishment of marketing associations;
- Grains and grapes enjoy both good local demand for processing into bakery products (and/or for feed for organic animals) and wine as well as favorable export opportunities, therefore, the development of these two categories looks more sustainable;
- The best export prospects are for honey, fresh vegetables, nuts, some fruits, and aromatic, medicinal and culinary plants. Reportedly, export of organic wheat, sunflower, lentils and corn in 2016 increased. Bulgaria currently leads the EU in terms of production and exports of aromatic, medicinal and culinary plants.

Bulgarian exports of organic roses and lavender and essential oils are traditional and usually destined for the EU.  Total exports of essential oils (HS#3301) in 2015 reached U.S. $ 62 million with the main destinations France and the United States.  Exports of rose oil in 2015 (HS#330129) were reported at *U.S. $54 million, mainly to France and the United States.  In 2014 Bulgaria completed registration of Bulgarian rose oil as a Protected Geographic Indication, a process which took 10 years.  In 2015, three companies were audited and certified to produce and trade the product.*

Bulgaria produces about 200-250 MT lavender oil (source: Inteli Agro - Lavender Study) and almost all is exported.  Initially, lavender oil was a good supplementary product for rose oil distilleries but lately it grew to become a leading product and enjoyed snowballing local and foreign investments.  In 2016 a U.S. company invested in a larger distillery in Dobrich, Bulgaria, and there are also French and other EU investments.  In 2015 lavender oil exports were record high at 125 MT (U.S. $11 million), mainly to France, the U.S. and Germany.

Industry sources report that organic herbs production (about 270 types) is annually at 15,000 MT - 17,000 MT, of which 2,000 - 3,000 MT are sold in Bulgaria and the rest are exported.  Herbs are reportedly exported dried, mainly to Germany and Spain.

Honey (conventional and organic) exports in 2015 were reported at 9,780 MT/U.S. $36 million, with all organic honey (2,000 MT) reportedly exported to the EU, Japan and the U.S.

**Imports of Organic Foods**

Imported organic products dominate with estimated over 60% market share. Most imports come from Austria, Germany, Italy, Greece, and the Netherlands.  Currently imported organic products have better marketing, availability and choice for the local consumers. They are "trusted" for being genuinely organic.  Most imported brands have only organic ranges. Several multinational brands have launched organic versions of their products.

Due to the lack of established local processors, 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 at:  http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/organic-production/

**Domestic Support For Organic Farms**

Organic farms are small (under 30 HA) and for this reason are eligible for the highest amount of subsidies (direct payments, re-distributive direct payment for small farms, green payments and in most cases payment for young farmers) of total of 480 leva/HA (U.S. $267/HA).  Subsidies for fully converted organic areas are at 790 leva/HA (U.S. $439/HA) and subsidies for farms in process of conversion are at 1,010 leva/HA (U.S. $561/HA).  If a farm combines different type of subsidy programs, they can receive as much as 1,700-1,800 leva/HA (U.S. $944-1,000).  Before 2014, the organic animal sector did not receive much support.  However, in 2014-2020, organic pasture animals (cattle, buffalo, sheep and goats) are eligible for subsidies.

Aromatic, medicinal and culinary crops and their processing are granted a priority for subsidized investments in processing (50%-70%) under the EU-funded Rural Development Program. At the end of 2015, the organic sector received a total of 250 million leva (U.S. $139 million) in subsidies paid to 3,374 organic farmers. By current rules, 82% of these funds come from the EU and 18% from the national budget. (see BU1405)

## Government Policy

The MinAg has supported organic farming in many directions (see BU1405). Plans for 2017 are to provide more domestic support for the development of local farmer markets to encourage direct sales, short supply chains and supply of local and organic foods. There is also an idea to encourage more organic foods to be used at schools and kindergartens.

## Government Regulations

Details about the legislative framework and regulations about organic farming and marketing can be found here, at the MinAg website and in Bulgarian GAIN report BU1405. The regulations for organic food sales have improved and are aimed at guaranteeing a greater degree of control on labeling so that the consumer can differentiate between genuine organic products and quasi –organic labels. Please, see Bulgarian GAIN report GAIN BU1406 about organic logo, health claims, labeling requirements, organic wine regulations and organic products display.

## Certification and Control

In 2015 certification of organic production was carried out by 14 certification bodies of which 5 local and the rest are from the EU (see BU1405) compared to 11 in 2014.

In June 2016 the EC stopped some funds (U.S. $7.8 million) for organic production due to an audit report performed in November 2015 that found irregularities in certification practices. The report found that inspectors were overstretched and lack resources to carry out effective checks and for cases of irregularities, enforcement measures were not proportionate. The report had 22 recommendations. As a result, the MinAg undertook a reform of the certification control. A total of 112 experts from the MinAg 28 regional offices were trained to carry out inspections of certification companies. The MinAg updated the major regulation covering organic production and certification (Ordinance 1 of February 7, 2013, Official Gazette 49 of June 28, 2016). The new amendment substantially improved the control of organic production, especially of farms in conversion. In October 2016 the Food Safety Agency and Consumer Protection Commission launched mass inspections of specialty organic shops. The goal was to verify if the foods were genuine certified organic and correspond to the labeling.

**Table 1. Aromatic, Medicinal and Culinary Crops, Area and Production, 2012-2015**

| Aromatic, Medicinal and Culinary Crops, Area and Production, 2012-2015 | | | |
|---|---|---|---|
| | 2013 | 2014 | 2015 |

| | HA | MT | HA | MT | HA | MT |
|---|---|---|---|---|---|---|
| Essential Oil Rose (*Rosa Damascena)* | 3,290 | 8,681 | 3,587 | 10,125 | 3,926 | 8,487 |
| Lavender (*Lavandula)* | 5,083 | 10,034 | 6,892 | 15,844 | 6,018 | 18,768 |
| Coriander (*Coriandrum sativum***)** | 15,628 | 15,009 | 29,086 | 26,555 | 36,614 | 39,509 |
| Fennel *(Foeniculum vulgare)* | 1,565 | 1,232 | 2,795 | 1,629 | 3,082 | 1,247 |
| Lemon Balm (*Melissa officinalis*) | 536 | 1,527 | 290 | 518 | 410 | 550 |
| Milk thistle (*Silybum marianum*) | 1,554 | 933 | 1,949 | 706 | 2,302 | 1,290 |
| Valeriana (*Valeriana officinalis*) | 31 | 47 | NA | NA | NA | NA |
| Mint (*Mentha*) | 160 | 330 | NA | NA | NA | NA |
| Other | 1,172 | 1,912 | 446 | 688 | 2,250 | 2,679 |
| *Source: MinAg Statistical Bulletins* | | | | | | |

**Table 2. Number of Processors of Organic Products, 2008-2015**

| **Number of Processors of Organic Products 2008-2015** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Certified manufacturers of organic foods | NA | NA | NA | NA | NA | NA | NA | 250 |
| …Processors of fruits and vegetables | 16 | 29 | 21 | 22 | 29 | 21 | 20 | 45 |
| …Of grains | 0 | 1 | 2 | 2 | 2 | 0 | 1 | 24 |
| …Of dairy products | 3 | 3 | 5 | 7 | 7 | 9 | 14 | 26 |
| …Of meat products | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 5 |
| …Of bakery products | 0 | 0 | 0 | 1 | 8 | 4 | 10 | 20 |
| …Of other foods | 10 | 13 | 16 | 9 | 26 | 45 | 70 | 83 |
| …Of beverages | 0 | 0 | 0 | 0 | 6 | 6 | 15 | 22 |
| …Of wine | 0 | 0 | 0 | 0 | 5 | 2 | 4 | 14 |
| *Source: Eurostat, November 2016* | | | | | | | | |

**Table 3. Development of Bulgarian Organic Sector 2005-2013**

| **Development of Bulgarian Organic Sector 2005-2013** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| All Operators, Number | 311 | 476 | 820 | 1,054 | 3,750 | 3,995 | 4,092 | 6,173 |
| Farms, Number | 311 | 476 | 820 | 1,054 | 2,754 | 3,854 | 3,893 | 5,919 |
| Fully converted organic | 4,236 | 4,955 | 12,691 | 8,902 | 11,974 | 15,161 | 15,170 | 21,539 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| area, HA | | | | | | | | |
| Area under conversion, HA | 12,427 | 7,365 | 12,956 | 16,120 | 27,164 | 41,126 | 32,744 | 97,013 |
| Total organic area HA | 16,663 | 12,321 | 25,648 | 25,022 | 39,138 | 56,287 | 47,914 | 118,552 |
| Share of organic area out of total Utilized Agricultural Area (%)* | 0.3 | 0.2 | 0.5 | 0.5 | 0.76 | 1.13 | 0.96 | 2.37 |
| Area for collection of wild plants, HA | 397,835 | 401,426 | 546,195 | 543,655 | 472,000 | 678,025 | 694,251 | NA |
| *Source: Eurostat November 2016*<br>***Note:*** *The indicator is defined as the share of total utilized agricultural area (UAA) occupied by organic farming (existing organically-farmed areas and areas in process of conversion).Farming is only considered to be organic at the EU level if it complies with Council Regulation (EC) No 834/2007, which has set up a comprehensive framework for the organic production of crops and livestock and for the labeling, processing and marketing of organic products, while also governing imports of organic products into the EU. The detailed rules for the implementation of this Regulation are laid down in Commission Regulation (EC) No 889/2008.* | | | | | | | | |

**Table 4. Sales of Organic Packaged Foods by Category 2010-2015 (in Millions U.S. $)**

| Sales of Organic Packaged Foods by Category 2010-2015 (in millions U.S.$) | | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Organic Baby Food | 3.7 | 3.8 | 4.9 | 5.3 | 5.6 | 6.1 |
| Organic Bakery Products | 1.3 | 1.4 | 1.6 | 2.0 | 1.9 | 2.1 |
| Organic Biscuits, Snack Bars, Cereals and Confectionery | 0.4 | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 |
| Organic Dairy | 1.9 | 2.0 | 2.3 | 2.5 | 2.7 | 3.0 |
| Organic Sauces, Dressings and Condiments | NA | NA | NA | 1.4 | 1.4 | 1.4 |
| Organic Rice, Pasta and Noodles | 0.9 | 0.9 | 1.1 | 1.2 | 1.2 | 1.3 |
| Organic Spreads | 1.0 | 1.0 | 1.2 | 1.2 | 1.3 | 1.4 |
| Organic Sweet and Savory Snacks | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Organic Packaged Food | 9.6 | 10.3 | 12.05 | 14.4 | 15.5 | 16.7 |
| *Source: Euromonitor* | | | | | | |

**Table 5. Forecast Sales of Organic Packaged Foods by Category 2015-2020 (in Millions U.S. $)**

| Forecast Sales of Organic Packaged Foods by Category 2015 -2020 (in Million U.S. $) | | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Organic Baby Food | 6.1 | 6.4 | 6.7 | 7.2 | 7.7 | 8.3 |
| Organic Bakery Products | 2.1 | 2.3 | 2.4 | 2.4 | 2.5 | 2.6 |
| Organic Biscuits, Snack Bars, Cereals and Confectionery | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 |
| Organic Dairy | 1.9 | 2.0 | 2.3 | 2.5 | 2.7 | 3.0 |
| Organic Sauces, Dressings and Condiments | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Organic Rice, Pasta and Noodles | 1.3 | 1.4 | 1.5 | 1.6 | 1.6 | 1.6 |
| Organic Spreads | 1.4 | 1.4 | 1.6 | 1.8 | 1.9 | 2.0 |
| Organic Sweet and Savory Snacks | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Organic Packaged Food | 16.7 | 17.5 | 18.5 | 19.5 | 20.5 | 21.7 |
| *Source: Euromonitor* | | | | | | |

**Table 6. Distribution of Organic Packaged Food By Format 2013-2015**

| **Distribution of Organic Packaged Food By Format 2013-2015, Percent in Value of Sales** | | | |
|---|---|---|---|
| | **2013** | **2014** | **2015** |
| Grocery Retailers | 98.8 | 99.0 | 99.0 |
| -*Modern Grocery Retailers* | 57.3 | 58.6 | 61.4 |
| --Convenience Stores | 4.6 | 4.4 | 4.1 |
| --Discounters | 27.3 | 28.3 | 28.6 |
| --Hypermarkets | 0.8 | 0.8 | 1.0 |
| --Supermarkets | 23.0 | 23.6 | 26.0 |
| -*Traditional Grocery Retailers* | | | |
| --Independent Small Grocers | 25.2 | 23.9 | 20.9 |
| -*Other Grocery Retailers* | 16.3 | 16.5 | 16.8 |
| -*Internet Retailing* | 0.2 | 0.2 | 0.2 |
| Total | 100.0 | 100.0 | 100.0 |
| *Source: Euromonitor* | | | |

**End of Report**