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Report Highlights:

With its developing grocery retail industry, prior to the Covid-19 pandemic Bulgaria was a growing market for food and beverages, with growing consumer confidence, declining unemployment, upward incomes, and a stable number of foreign tourists driving this expansion. Despite Covid-19 turmoil and initial uncertainty, retail sales in 2020 rose slightly by less than one percent as compared to 2019. The total number of retail outlets in Bulgaria in 2020 stood at 41,067. Modern retail sales, which make up 58 percent of the industry in value terms, remain dominant. U.S. food exports with best sales potential include distilled spirits, tree nuts, dried fruits, wine, craft beer, snacks and cereals, beef meat, fish and seafood, sauces, spices, and pulses.

Market Fact Sheet: Bulgaria

Executive Summary

Although Bulgaria's GDP growth had been above 3% since 2016, in 2020 GDP fell by 4.2% in the wake of Covid-19. Exports generate 46% of Bulgaria's GDP and are a pillar of the economy. EU Member States are Bulgaria's primary trading partners, although there are wide disparities in the balances of trade. In 2020, Bulgaria ran a $2.73 billion trade deficit in goods. Agriculture makes up 4% of Bulgaria's GDP.

SWOT Analysis

Strengths	***Weaknesses***
Bulgaria is accessible by sea and has an efficient distribution network. Growing food processing industry is looking for new imported ingredients. Low marketing costs.	Some 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

U.S. goods exported to Bulgaria must meet EU sanitary and phytosanitary requirements. For more specific information, see Post's Food and Agricultural Import Regulations and Standards report. In 2020, consumer-oriented food imports were $2.87 billion, a 5% increase over 2019.

Food Processing Industry

Bulgarian food processing is developing rapidly and generated $7.4 billion in 2019. Over 6,300 food processors operate in Bulgaria and employ over 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 grocery retail sales reached $7.45 billion in 2020. Modern retail sales accounted for $4.32 billion (58%) and $3.13 billion in traditional channel. Total grocery outlets were 41,067. The largest retailer, Kaufland, accounted for nearly 30% of sales among the top 10 largest food retailers. Grocery e-commerce expanded significantly due to Covid-19 but still has growth potential. Urban consumers are increasingly demanding for higher quality and products perceived as healthful.

Quick Facts CY 2020

Imports of Consumer-Oriented Products

($ 2.87 billion)

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 Beet Sugar	8) Whiskies
9) Non alc. Beverages	10) Tomatoes, Fresh or Chilled

Food Industry by Channels ($ billion) 2020

Food Industry (2019)	7.4
Food Exports – Agricultural and Related Products (2020)	6.25
Food Imports – Agricultural and Related Products (2020)	5.18
Retail	7.45
Food Service	2.48

GDP/Population

Population *(millions)*: 6.92
GDP *($ billion)*: 75.3
GDP per capita *($)*: 10,853
Bulgarian National Bank Exchange Rate: $1=BGN 1.594

Sources: Euromonitor, Eurostat, Bulgarian National Bank, Bulgarian National Statistical Institute, Local sources

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I. Market Summary

The Bulgarian National Bank's 2020 average exchange rate of $1.00 =BGN 1.594 was used in this report.

Covid-19

The following report provides full-year data for calendar year 2020. 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. At the beginning of the pandemic in mid-March 2020, the biggest threats to the retail industry 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 ambiguity, growing unemployment, and expected wages shrinkage, consumers shifted their purchasing habits away from high-end and impulse purchases toward staple foods. At the same time, retail sales for products perceived by consumers as 'healthful' augmented.

The GOB 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 under a local product marketing scheme. This new legislation also required retailers to sell dairy products made entirely from Bulgarian milk. The local retail industry reacted strongly against the regulation by stating that the new regulation will distort established supply chains by eliminating certain brands and suppliers in favor of others. At the same time, retailers successfully implemented voluntary 'buy local' programs for local foods and produce. 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 the long run.

FAS Sofia expects that in the next few years the food retail industry will continue to adapt to changes in demand and will slightly expand presence on the market, particularly in the modern trade segment.

Total number of grocery retail outlets in Bulgaria in 2020 stood at 41,067, of which 3,332 are modern grocery outlets (see Table 1). According to Euromonitor, in 2020, modern retail sales reached BGN 6.83 billion ($4.32 billion) and accounted for 58 percent of market share. The remaining 42 percent, almost BGN 5.05 billion ($3.13 billion), was held by 37,735 traditional grocery outlets throughout the country.

Despite the Covid-19 pandemic, Bulgaria's grocery retail market kept developing in 2020, with significant growth in 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 online retail will continue to grow in the future. The undisputed leader in the grocery e-commerce segment with about 70 percent market share is eBag. The company tripled its turnover in 2020 and became the first online retailer on the list of top 30 retailers in Bulgaria.

Several retail segments, namely gas stations, excise goods retailers which rely mainly on locations with a large flow of people like airports, subway stations, malls, and tourist areas, suffered losses as a result of the pandemic measures and reduced consumers' mobility. Aside from the negative effects on the tourism industry, the restrictions on tourism negatively impacted on the grocery retailers on the Black Sea coast.

Table 1. Grocery Retailers Outlets by Channel: Units 2018-2020

Outlet	2018	2019	2020
Modern Grocery Retailers	3,216	3,313	3,332
Traditional Grocery Retailers	38,096	37,922	37,735
Total Grocery Retailers	**41,312**	**41,235**	**41,067**

Table 2. Sales in Grocery Retailers by Channel: Value 2018-2020

BGN million	2018	2019	2020
Modern Grocery Retailers	6,150.9	6,697.5	6,828.7
Traditional Grocery Retailers	5,145.4	5,162.3	5,053.7
Total Grocery Retailers	**11,296.3**	**11,859.8**	**11,882.4**

Table 3. Grocery Retailers Forecasts: Value Sales and Outlets 2021-2023

	2021	2022	2023
Value sales BGN million	12,092.7	12,651.5	13,315.1
Outlets	41,033	41,045	41,013

Source: Euromonitor International

Table 4. Top Five Grocery Retailers, Outlets, and Revenues

Retailer	Owner	Nationality	Opened	Outlets (2021)	Revenue BGN '000 (2020)
Kaufland Bulgaria	Schwarz Group	Germany	2003	60	1,737,067
Lidl Bulgaria	Schwarz Group	Germany	2010	107	1,345,137
Billa Bulgaria	REWE Group	Germany	1999	134	803,816
Metro Cash & Carry Bulgaria	Metro	Germany	1999	11	767,694
Fantastico	Family owned	Bulgaria	1991	45	624,631

Source: Retailers' websites, Retail Magazine, and public financial reports

The revenues of three out of the top five retailers increased in 2020, with Kaufland remaining the undoubted leader with about six percent growth to BGN 1.74 billion ($1.09 billion), followed by Lidl with nearly 17 percent growth to BGN 1.35 billion ($847 million). Billa reported a slight decrease of less than one percent to BGN 804 million ($504 million). Metro Cash and Carry suffered a decline of about 11 percent to BGN 768 million ($482 million) due to the restrictions imposed on the HRI, industry which is their biggest client. Fantastico, the only local chain in the top five, with 41 out of 45 outlets located in the capital Sofia, reported an eight percent increase to BGN 625 million ($392 million).

Modern retail is expected to maintain its moderate growth trajectory over the next several years. Traditional retail is forecast to decline in sales and in number of outlets. Following some market turmoil in 2016, the grocery retail sector looks to be more vigorous. However, factors such as declining population, emigration, shrinking working-age population could hamper future long-term growth. Conversely, increasing wages, expected economic growth, stable unemployment, expected post-Covid revival of the tourism sector, and rising demand for high-quality and healthier food are expected to support sustained growth over the next few years.

Table 5. Advantages and Challenges

Advantages	Challenges
Increasing demand for high-value/high-quality products creates opportunities for more imports.	U.S. products are subjected to tariffs, versus products from within the EU and countries with EU free trade agreements (FTA).
Growing food processing industry is looking for new imported food ingredients. Migration of people from rural to urban areas continues at a rapid pace.	Still moderate consumer awareness of U.S. products. Bulgarian domestic producers are receiving EU funding to upgrade production efficiency and product quality. They increase agricultural production, reducing demand for imports in the country.
Bulgarian market is accessible by sea and has efficient domestic distribution network. Marketing and advertising costs are relatively low.	Exchange rate fluctuations and the strong dollar disadvantage U.S. shippers. (Bulgarian lev has a fixed exchange rate against the Euro (€1 = BGN 1.95583)
Consumption habits are changing towards high-quality and healthier food and drinks. Consumers become more receptive to new and imported products.	Bulgaria is still price sensitive. Competition among specialty products from the EU is strong. U.S. products are viewed by many Bulgarian consumers as too expensive.

II. Road Map for Market Entry

Entry Strategy:

Bulgarian convenience stores, supermarkets, and hypermarkets generally purchase from local importers, wholesalers, and producers. Most of the international retail chains source products through their corporate supply channels in other European countries. There has been a recent shift toward direct imports to avoid higher cost associated with purchasing from importers or middlemen, but this is still limited. The best method to reach Bulgarian retail buyers and prospective importers is to contact them directly via e-mail or to reach out to the FAS Sofia office for additional assistance and guidance. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Lidl, Billa, Metro, Fantastico, and CBA (see Table 4).

A visit to Bulgaria is strongly recommended to establish meaningful relationships with Bulgarian buyers. While visiting Bulgaria, it is advisable to bring product samples to show to potential buyers, as many importers and retailers rely heavily on subjective factors when deciding on new products to represent. Post recommends that the companies contact FAS Sofia for guidance when arranging a trade visit to Bulgaria.

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. U.S. suppliers are strongly advised to consider providing marketing support to importers for new-to-market products.

More Bulgarian consumers are willing to pay price premiums for products perceived as 'healthful' or 'nutritious'. Bakery products, confectioneries, soups, oils and fats, and a wide range of nutritional supplements are some examples of product categories for which marketing strategies based on nutritional and health messages have proven to be highly successful.

Language Barrier:
Speaking Bulgarian is not essential to do business in the country, but U.S. companies are advised to verify the level of English fluency of their potential business partners. Many Bulgarian residents speak good English, especially those under 40. Translation services are easy to find and written materials such as company information, product brochures, etc. will resonate much more if translated into Bulgarian.

Food Standards and Regulations:
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 approval by the Bulgarian Food Safety Agency and the 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 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 European Food Safety Agency and Bulgarian Food Safety Agency websites. Also, please check the U.S. Mission to the European Union webpage which will guide you on exporting into the EU.

Trade Shows:
U.S. companies, interested in entering the Bulgarian market, may consider attending or visiting one of Europe's USDA endorsed trade shows or the largest Bulgarian food and beverage trade show Inter Food and Drink (IFD), which is held every autumn in the capital of Bulgaria, Sofia. FAS Sofia exhibited at the last four editions of IFD by highlighting and promoting existing and new-to-market U.S. products. Due to the Covid-19 pandemic, some of the trade shows were cancelled, but FAS Sofia strongly

encourages U.S. suppliers to consider participation in 2022 exhibitions.

State Regional Trade Groups (SRTG):
SRTGs are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state here.

III. Competition

In 2020, about 80 percent of the imports of consumer-oriented products to Bulgaria originated from other EU member states, which are the main competitors for U.S. agricultural exports. Bulgaria's EU accession in 2007 negatively affected U.S. fruit product imports, as EU-origin horticultural products gained duty-free and facilitated access. The EU's FTAs with non-EU countries also threaten U.S. exports, as some products enter Bulgaria with lower tariffs or duty-free. The EU also effectively bans U.S. poultry meat (since 1997) due to its prohibition of U.S.-approved pathogen reduction treatments, which provide added hygiene and product safety. The EU retaliatory tariffs imposed in June 2018, negatively affected U.S. agricultural exports to the EU, including Bulgaria. The tariffs are suspended as of December 1, 2021.

Unlike in other foreign markets, prices between convenience stores and hypermarkets do not differ substantially because the market is highly fragmented. However, some convenience stores are not able to withstand the pressure from the modern chains as their assortment is limited to more staple products. Instead of going out of business, these players prefer to rebrand by becoming part of a more well-known franchise. Smaller outlets, especially in small towns, enjoy the advantage of having loyal customers and try to cater their individual needs.

There is an emerging wave of small, specialized fruit and vegetable stores, as well as similar outlets for dairy and meat products. These stores try to focus on convenience and organic, fresh, and local food. Bulgarian retail industry benefits from this tendency, as these stores indicate a well-developed market, and more consumer choices through new business models.

Hypermarkets and discounters are expected to keep growing over the next few years. Kaufland is expected to assert itself as a market leader, while Lidl and Billa are expected to increase market shares by opening new outlets and by becoming increasingly cost competitive. The market share of private labels is expected to develop moderately as well. The expansion of retailers to smaller towns and convenience format outlets will take more market share from the independent groceries and thus will further strengthen retailers' negotiation power. Traditional retail is expected to underperform compared to modern trade as large retailers tend to move towards densely populated town centers by opening convenient stores and smaller supermarkets. The same moderate downward trend is forecast for small specialized stores for fruits, vegetables, and dairy and meat products, which stake on convenience and fresh produce.

IV. Best Product Prospects

Products in the market with best sales potential

- Distilled Spirits – stable market with a large assortment of brands.
- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, peanuts, and cranberries. Demand for pecan and walnuts is growing too.
- Wine – the market enjoys steady growth along with increased diversity and quality. The high-end imported wine segment showed the most dynamic and strong market presence.
- Snacks/Cereals - U.S. companies face stiff competition from EU producers. Popcorn comprises the bulk of U.S. snack food imports. Local consumers perceive U.S. snack products as being of high-quality and competitive prices. U.S. microwave popcorn, breakfast cereals, and some types of confectionery products are the most popular.
- Beef Meat - U.S. prime beef is becoming more popular at high-end restaurants and is expected to expand its market presence, given a positive post-Covid development of the food service sector.
- Fish and Seafood - Bulgaria is a net importer of fish and seafood, chiefly frozen fish (hake, mackerel, salmon, squid, pollock) and also lobsters and other higher-end shellfish.
- Pulses (Dried Beans and Lentils) - Bulgaria's pulse market is well developed with favorable demand and high per capita consumption. Prospects are very good due to increasing product diversification on the market and developing of consumer taste towards higher-value pulses and new products.

Products in the market that have good sales potential - fruit juices and soft drinks (including flavored spring waters; fresh fruits including grapefruits and exotic fruits; soups; ready-to-eat meals; ethnic/regional sides or meals; salad dressings; tomato sauces; spices; specialty beer; chocolate; frozen desserts (such as cakes and ice creams).

Products not present in significant quantities, which have good sales potential - ingredients for the natural and healthy foods industry; dairy products (ice cream, whey, milk powder).

Products not present because they face significant boundaries - food additives not approved by the European Commission; red meat & meat products with hormones; most poultry & eggs; biotech-derived products.

V. Key Contacts and Further Information

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

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Attachments:

No Attachments.