Voluntary Report – Voluntary - Public Distribution **Date:** February 24,2021

Report Number: BU2021-0008

Report Name: Organic Market Annual Report

Country: Bulgaria

Post: Sofia

Report Category: Special Certification - Organic/Kosher/Halal

Prepared By: Mila Boshnakova-Petrova

Approved By: Jonn Slette

Report Highlights:

Bulgarian consumer demand for organic foods and beverages has grown in recent years due to economic stability, improved purchasing power, and increased popularity for products perceived as healthful. In 2020, the Bulgarian organics market was valued at about $38 million, with growing sales of packaged foods and beverages, but declining sales of fresh produce due to pandemic-related farmers markets closures. Demand growth is expected to increase by the end of 2021 and in 2022 due to favorable consumer trends and better prospects for the hotel, restaurant, and institutional (HRI) sectors. Bulgarian agricultural land under organic production (fully converted and under conversion) at the end of 2019 declined by nine percent from 2018. 2019 organic land accounted for 2.34 percent of Bulgaria's total agricultural area, down from 2.56 percent in 2018. Certification, compliance, and domestic support for organic farmers remain as policy priorities for the Government of Bulgaria.

Disclaimer: Official data about Bulgaria's organic sector is scarce and not publicly available. Information in this report is based on a wide range of sources, including Eurostat data, Bulgarian Ministry of Agriculture and Foods' (MinAg) 2020 Annual Agrarian Report, Post industry and trade sources, industry/research publications, Euromonitor, and specialized agricultural media. While every effort was made to use reliable sources, given the absence of official statistics, some data included in this report are based on trade estimates.

Organic Operators and Organic Land

Organic Operators: The number of organic operators (agricultural producers, processors, and traders) at the end of 2019 declined by 3.8 percent from the same period in 2018 (Table 1). The number of organic farms in 2019 was down 4.4 percent from 2018, however, the share of organic farms among total Bulgarian farms remained stable at 7.3 percent. Organic farmers face regulatory and certification challenges, increasing labor shortages, and burdensome domestic support administrative procedures. These factors have reduced the number of Bulgarian organic farmers since 2016 and make organic agriculture less appealing for new farmers.

Conversely, the number of processors and traders of organic foods continued to grow in 2019 by 1.3 percent and 32.2 percent, respectively, over 2018. This development was encouraged by higher consumer demand for processed products, newly built processing facilities in Bulgaria, and increasingly efficient value chains. As a result, the number of Bulgarian organic food processors in 2019 has increased 47 percent since 2014 and the number of traders in 2019 has tripled since 2015 (see Table 1).

Agricultural Land under Organic Production: Bulgaria's 2019 organic area dropped to 117,779 hectares (HA), an 8.6-percent decline from 2018. Organic land in 2019 accounted for 2.34 percent of Bulgaria's total agricultural land, compared to 2.56 percent in 2018 (see Table 2). This downward trend began in 2016, in parallel with the lower number of organic farms. As of today, the percentage of organic area to total agricultural land is lower than it was five years ago.

Two major shifts occurred in 2019: first, fully-converted organic land reached a record 95,000 HA, a 13.5-percent over 2018. The share of fully-converted organic land in 2019 accounted for 81 percent of total organic farmland, up from 65 percent in 2018. Second, land under organic conversion declined sharply to only 22,000 HA, a 50-percent drop from 2018. As of 2019, the share of land under conversion accounted for just 19 percent of total organic farmland, compared to 35 percent in 2018. This trend is likely to continue and the fully-converted organic area is expected to expand.

Bulgaria's arable organic area continued to decrease, but still accounted for 54 percent of total organic land. The relative shares of fallow land and permanent organic grassland declined. The shares of these latter categories in 2019 were 2.1 percent and to 23.2 percent, respectively, to total land under organic production, compared to 3.8 percent and 26.2 percent in 2018 (Table 2).

Organic Crop Production

Cereals: Land under organic cereal grains increased by about one percent in 2019 over 2018. All major grain crops saw area growth, including wheat by 2.4 percent, barley by less than one percent, and corn by 33 percent. The 2019 organic sunflower area was 26 percent higher than in 2018 (see Table 3).

In parallel with the abovementioned organic area trend, the total organic grain production also grew to 48,000 metric tons (MT), 31-percent increase over 2018 (see Table 4). Organic wheat production accounted for the largest share, at almost 70 percent growth over 2018. 2019 organic sunflower production grew by 35 percent over 2018, marking five straight years of year-on-year production growth. Most organic grains are exported due to better profitability, although domestic demand, particularly by organic livestock producers, is growing.

Aromatic, medicinal and culinary plants: Bulgaria is a leading European Union (EU) producer of aromatic and medicinal plants, as well as herbs and spices (conventional and organic). The 2019 organic area for these crops increased by 12 percent over 2018. Higher area resulted in 11 percent growth in production over 2018 (to over 16,000 MT).

Lavender and essential oil roses are the traditional crops which account for the largest share in production. Processed products such as lavender and rose oils are destined mainly for exports. Both crops see a stable trend of conversion from conventional into organically certified production due to more promising sales opportunities and higher margins. Recent processing capacity growth for essential oils also contributed to this trend.

Horticultural Crops: Bulgaria's organic horticultural area declined in 2019 from 2018. The fresh vegetable area declined by 19 percent and the organic orchard crop area declined by 10 percent (Table 3). Nevertheless, vegetable production increased by 7.8 percent and orchard crop production increased by 7.6 percent due to higher yields resulted in (Table 4). Pome fruits were the notable exception, with a 1.5-percent increase in the pome fruit area and a 46-percent production decline. Higher demand from processors and for direct consumption for fresh organic produce has incentivized farmers to improve and inputs for better yields.

Organic Animal Production

In 2019, organic livestock production expanded, although this industry continued to lag behind organic crops (Table 5). The number of 2019 dairy cows, sheep, and poultry grew by 26 percent, eight percent, and four percent, respectively, over 2018. Conversely, the number of goats and beehives declined by one percent and by three percent, respectively.

There was a sharp 80 percent reduction in organic meat production in 2019, while organic cow milk output more than tripled. Production of organic sheep milk increased by 63 percent. Output of organic cheese and yogurt also grew by 1.2 percent and 19 percent, respectively, over 2018. This development is largely driven by stronger domestic demand for organic dairy products. Post expects that this trend will continue.

Policy, Certification and Control

Policy: In August 2019, MinAg published its National Action Plan for Development of Organic Production for 2020-2027 (Attaché Report). The plan contains a SWOT analysis of domestic organic production, sets up three strategic goals for the organic development by 2027, and lists subsidies and promotional programs to assist local producers to export. MinAg emphasizes that the organics industry is a national priority. Despite these efforts, it will be challenging for Bulgaria to achieve 25 percent share of organic land out of total agricultural land by 2030--from the current two percent--as is prescribed under the EU's Farm to Fork and Biodiversity Strategies. Local organics industry associations are calling for a 15-percent share of organic land in Bulgaria by 2030, which they view as a more realistic target.

In January 2020, Bulgaria approved the long-awaited Rose Act, which introduced registries for essential oil rose producers and processors, as well which rose varieties can be used to produce permitted essential oil. The Act aims to provide more transparency and accurate data about the rose oil industry. The rose area and the number of rose farms were adjusted higher to 7,000 HA and 2,900, respectively (industry estimates).

MinAg amended Bulgaria's primary legislation on organic production, labeling, and regulation several times over the last three years: in September 2018 (Decree #5, September 3, 2018), in April 2019 (Decree #5, Official Gazette April 30, 2019), and in April 2020 (Decree#5, Official Gazette #33, April 7, 2020). These changes have increased regulatory controls, oversight of certifying bodies, more transparency, and sanctions for non-compliance.

In June 2020, MinAg included organic fresh produce and food in the national and EU-funded Bulgarian school lunch program for academic year 2020/21. In November 2020, MinAg amended requirements for foods sold or served at nurseries, kindergartens, and schools to include organic products. However, due to limited budgets, only a few schools have offered such products.

MinAg's Paying Agency continued to provide domestic support to organic farmers, with $26 million in subsidies for organic farmers in 2019. 75 percent of these funds came from the EU and 25 percent were provided by the national budget.

Certification and Control: In 2019, 15 EC-recognized certification bodies (as of April 2019) conducted organic certification in Bulgaria. The list of official laboratories for organic verification per Regulation (EU) 2017/625 can be found on MinAg's website. As of January 2021, this list includes 11 laboratories.

In August 2019, an organic producers' registry was introduced per EU Regulation 834/2007. The database contains information about organic producers, processors, traders, and handlers, as well as approved certifiers. As of January 2021, the database contained 5,737 operators.

In November 2020, MinAg published a registry of organic seed and planting material producers and traders. As of January 2021, the registry lists 10 organic planting seeds suppliers.

Organic Market Size and Trends

In 2019, economic growth drove demand for organic products. Organic products penetrated more market categories and became more accessible for mass consumption. In 2020, consumer demand for organic products increased, as the COVID pandemic spurred even more interest in products perceived as more healthful. According to Post's specialized organic retail contacts, customer loyalty increased and the value of purchases is growing. On the other hand, the economic challenges, closed food service outlets, and restricted hospitality and tourism sectors are reportedly limiting organic sales. Public awareness about organic products is higher.

In 2020, the value of the Bulgarian organic market is about $38 million, roughly the same as 2019. While sales of packaged organic foods and beverages are estimated higher in 2020 to $28 million, organic sales at farmer markets are estimated downward to $10 million due to due to COVID-related market closures. Organic foods and beverages accounted for about one percent of the total food and beverage market in both 2019 and 2020.

Despite growing demand, organic products are still more expensive than other non-organic categories with health-related claims (e.g. "free from XYZ", "functional", "naturally healthy", etc.). According to market studies in 2019, market share for organic foods and beverages expanded to 3.3 percent (3.1 percent in 2018), versus 54 percent for "naturally healthy" (58 percent in 2018), and 33 percent for functional foods (30 percent in 2018).

2019 sales for organic packaged foods and beverages were 6.2 percent higher than 2018. Industry estimates are that 2020 sales will increase an additional 3.8 percent over 2019 and sales to grow another 3.9 in 2021. Longer-term projections call for 2024 organic sales to increase by 18 percent over 2019.

Organic packaged food: 2020 organic packaged food sales grew by about 8.9 percent over 2019 and were valued at $21 million. These 2021 sales are forecast to grow another 3.7 percent over 2020. 2024 sales are forecast to be 18.5 percent above 2019.

Modern food retailers were the main channel for organic packaged food sales in 2019 and accounted for 69.6 percent (68 percent in 2018) percent of sales. 30 percent (31 percent in 2018) of organic packaged food products were sold by traditional retailers. All retail chains have increased and diversified their inventories of packaged organic foods. Most retail chains offer specific "bio" sections for organic products and many have expanded in size and variety. The number of smaller, independent organic retailers (e.g. Balev Biomarket, Zoya BG, Zelen Bio) have also increased and are attracting more price sensitive consumers.

Leading retail chains actively promoted organic products in 2019 and 2020. In May 2020, Lidl Bulgaria launched a campaign for promotion of locally grown organic fresh produce once a month. The chain reported that eight percent of all fruits and vegetables on its shelves are organically certified.

Leading organic product categories included baby food, snacks, dairy products, and spreads. Baby food ($5.2 million sales in 2019) remained a leading food category, offered by a few foreign companies. 2019 baby food sales grew by 3.8 percent over 2018. Steady growth is expected, as parents prioritize high quality diets. 2019 organic savory snacks and dairy product sales grew nine and two percent, respectively, over 2018. 2019 organic honey sales achieved the highest level of growth for any product category at 18 percent. A new development was sales growth for organic nuts sales, which are increasingly popular among athletes. Price remained a determining factor for purchases and encouraged discounts for many organic products.

The top five Bulgarian organic processed food suppliers (local producers and importers) accounted for 44.0 percent (44.7 percent in 2018) of total sales. This included two multinationals and three local companies. Smaller local companies accounted for about 55 percent of total market share. Main local stakeholders include Bio Bulgaria, Gimel, Smart Organic, Healthy Bars, Bulmed 2000 EOOD, Elit-Pro Ltd., Bioset, Ivtoni Shopov Eood, Smart Capital EOOD, Bioset OOD, Bio Organic, Vitanea, and

Konservinvest. Bulgarian companies dominated among the organic yogurt, cheese, horticulture, nuts, and bakery product categories.

Organic beverages: 2019 organic beverages sales grew by seven percent over 2018 and were valued at about $7.0 million. Sales of are forecast to grow by another 4.1 percent in 2020 over 2019, by 3.4 percent in 2021.

Organic hot drinks and soft drinks had a stronger market presence in 2019, increasing by 7.7 percent and by 6.3 percent, respectively. 2019 organic liquid concentrates also grew in value terms by 6.3 percent over 2018. Organic coffee sales grew by nine percent in 2019. A new trend was the expansion of locally made organic juices and concentrates, which benefitted from the expansion of organic agriculture in the country.

Trade in Organic Products

Bulgarian exports of organic roses, lavender, and essential oils are usually destined for other EU and U.S. markets. Total exports of essential oils (conventional and organic) (HS#3301/Oils; essential, concentrates, waxes, solutions) in 2019 reached 2,391 MT ($87 million). Although exports by volume were 20 percent higher than in 2018, a 40-percent decline in prices reduced the value of exports by 26. The main destinations in 2019 were the United States (46 percent share) and France (22 percent share), followed by Germany and China. Exports to the United States had the highest growth of 21 percent. 2019 exports of essential oils (HS#330129) were reported at $75 million, and at $67 million in 2020 (October), to traditional markets the United States, France and Germany.

Imported organic, high-value consumer products dominated 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. U.S. exporters can find detailed information about how to export organic foods to Bulgaria here.

Appendix: Bulgarian Organic Industry Statistical Indicators

Table 1. Organic Farming and Food Processing Indicators

Organic Farming and Food Processing Indicators (in numbers), 2015-2019					
	2015	**2016**	**2017**	**2018**	**2019**
Total producer operators	6,173	7,262	6,822	6,660	6,405*
-Agricultural Producers	5,919	6,964	6,471	6,213	5,942*
-Processors	161	175	181	234	237*
-Other (traders)	74	98	130	171	226*
Food processors	250	253	202	222	NA
-Fruit and vegetable processors	45	54	74	85	NA
-Dairy processors	26	29	12	24	NA
-Grain/ milling processors	24	23	5	5	NA
-Bakery processors	20	20	10	9	NA
-Other food processors	83	95	58	59	NA
Beverage processors	22	21	15	12	NA
Wine makers	14	17	11	12	NA
Source: Eurostat *Note: The data is based on Bulgarian MinAg statistics and 2020 Annual Agrarian Report. It shows data at the end of 2019.					

Table 2. Agricultural Land under Organic Production

Agricultural Land under Organic Production, Indicators, 2015-2019					
	2015	**2016**	**2017**	**2018**	**2019**
Total fully converted and under conversion to organic farming agricultural land, HA	118,552	160,620	136,618	128,839	117,779
-In percentage to total utilized agricultural land	2.37	3.20	2.72	2.56	2.34
Fully converted to organic farming, HA	21,539	36,137	48,453	84,150	95,555
Under conversion to organic farming, HA	97,013	124,484	88,164	44,689	22,225
-Total fully converted and under conversion to organic farming land arable land, HA	60,810	88,711	66,211	65,648	63,938
-Fallow land, HA	6,209	8,075	7,782	4,918	2,510
-Permanent grassland, HA	31,796	38,736	39,921	33,713	27,339
Source: Eurostat					

Table 3. Agricultural Land under Organic Crops

Agricultural Land under Organic Crops, 2015-2019, HA					
	2015	**2016**	**2017**	**2018**	**2019**
Cereals	22,184	30,933	16,602	17,675	17,845
-Wheat	15,195	16,677	11,945	12,218	12,518
-Barley	2,536	4,474	1,279	1,678	1,682
-Corn	2,313	2,289	1,402	1,362	1,818
Sunflower Seeds	6,616	9,106	4,528	7,518	9,496
Aromatic, medicinal and culinary plants	11,456	18,089	16,859	14,729	16,560
Fresh vegetables (including melons and strawberries)	1,847	3,664	2,883	3,258	2,648
Permanent crops for human consumption	25,920	33,108	30,485	29,458	26,502
-Fruits, berries and nuts	21,722	27,717	26,386	25,414	22,873
-Pome fruits	702	900	757	881	895
-Stone fruits	4,581	6,757	5,935	7,541	6,206
-Nuts	15,366	18,484	17,985	15,520	14,135
-Grapes	4,199	5,390	4,092	3,990	3,611
Source: Eurostat					

Table 4. Production of Organic Crops, MT

Production of Organic Crops, 2015-2019, MT					
	2015	**2016**	**2017**	**2018**	**2019**
Cereals	5,619	5,943	16,152	36,904	48,219
-Wheat	3,452	3,264	11,135	25,188	32,576
-Barley	158	457	877	1,840	3,986
-Corn	976	955	1,818	6,676	6,712
Sunflower Seeds	1,942	1,558	3,816	10,610	14,281
Aromatic, medicinal and culinary plants	5,813	6,628	9,321	14,799	16,488
Fresh vegetables (including melons and strawberries)	12,622	13,800	6,986	20,189	21,773
Permanent crops for human consumption	14,153	21,738	17,373	32,054	34,506
-Fruits, berries and nuts	7,765	14,048	12,127	19,819	21,941
-Pome fruits	1,507	2,621	3,067	6,028	3,254
-Stone fruits	3,381	7,745	4,658	8,730	14,028
-Nuts	850	1,430	1,140	1,798	2,198
-Grapes	6,388	7,690	5,245	12,209	12,565
Source: Eurostat					

Table 5. Organic Livestock and Products

Organic Livestock and Products, 2015-2019					
	2015	**2016**	**2017**	**2018**	**2019**
Organically raised animals					
Live bovine animals, head	4,209	9,718	10,400	9,314	9,402
- Dairy cows, head	1,777	2,906	2,955	2,405	3,033
Live sheep, head	18,792	26,809	25,959	21,072	22,780
Live goats, head	5,381	8,242	9,023	8,039	7,956
Live poultry, number	3,041	3,926	3,122	2,176	2,260
Bee (hives), number	178,331	236,462	250,434	227,721	220,765
Organic animal products					
Meat of livestock, MT	NA	373	212	969	187
Cow milk, MT	5,468	6,973	6,430	2,646	8,071
Ewes' milk, MT	1,455	768	766	1,031	1,679
Goats' milk, MT	424	898	1,336	1,603	1,321
Cheese, MT	31	156	203	244	247
Yogurt, MT	191	240	83	271	323
Drinking milk, MT	99	253	845	547	87
Honey, MT	2,160	1,941	3,760	3,204	3,128
Source: Eurostat					

Attachments:

No Attachments.