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Report Highlights:

Prior to the COVID-19 pandemic, Bulgaria was a growing market for food and beverages, with rising consumer confidence, declining unemployment, increasing incomes, and a stable number of foreign tourists driving expansion. Despite the pandemic's turmoil and initial uncertainty, retail sales rose slightly year-on-year by 1.7 percent in 2020 and 1.2 percent in 2021 as compared to the previous years. However, the number of retail outlets in Bulgaria in 2021 declined by 5 percent to 38,955. Modern retail sales, which make up 61 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 close to 3 percent in 2017 and 2018, and 4 percent in 2019. In 2020 it dropped by 4 percent in the wake of COVID-19 and in 2021 it grew by 7.6 percent compared to 2020. Exports generate 49 percent 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 2021 Bulgaria ran a $2.46 billion trade deficit in goods. Agriculture makes up 5 percent of Bulgaria's GDP.

SWOT Analysis	
Strengths	***Weaknesses***
Bulgaria is accessible by sea and has an efficient distribution network. A 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 2021 consumer-oriented food imports were $3.28 billion, a 14.3 percent increase compared to 2020.

Food Processing Industry

The Bulgarian food processing industry enjoys steady growth. 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 BGN 12.2 billion ($7.07 billion) in 2021. Modern retail sales accounted for BGN 7.43 billion ($4.3 billion) or 61% and BGN 4.78 billion ($2.77 billion) in traditional channels. The total number of grocery outlets was 38,955, with the largest retailer, Kaufland, accounting for nearly 28 percent 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 higher quality, as well as products perceived as "healthy".

Quick Facts CY 2021

Imports of Consumer-Oriented Products
($3.28 billion)

Top 10 Growth Products in Bulgaria
(Imported from the World):

1) Sunflower Seeds
2) Food Preparations
3) Swine Meat
4) Waters
5) Bread, Pastry, Cakes
6) Cocoa Preparations
7) Cane or Beet Sugar
8) Tomatoes
9) Whiskies
10) Coffee, not Roasted

Food Industry by Channels ($ billion) 2021

Consumer-Oriented Products Imports	3.28
Consumer-Oriented Products Exports	2.17
Food Exports – Agricultural and Related Products (2021)	8.55
Food Imports – Agricultural and Related Products (2021)	6.13
Food Retail	7.07
Food Service	2.57

GDP/Population
Population *(million)*: 6.52
GDP *($ billion)*: 80.5
GDP per capita *($)*: 11,700
Bulgarian National Bank's 2021 Average Exchange Rate: $1=BGN 1.727

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

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I. Market Summary

The Bulgarian National Bank's 2021 average exchange rate of $1.00 =BGN 1.727 was used in this report.

COVID-19 Impact
In mid-March 2020 the biggest threats to the retail industry were supply uncertainty, responding to a dynamically changed consumer demand landscape, and oversupply. Following the initial outbreak and subsequent economic ambiguity, growing unemployment, and expected wages shrinkage, consumers shifted their purchasing habits away from high-end and impulse purchases toward staple foods. The industry used all its resources to provide all essential goods and avoid shortages.

Despite the turmoil and initial uncertainty caused by the pandemic, grocery retail sales rose slightly year-on-year by 1.7 percent in 2020 and 1.2 percent in 2021 as compared to the previous years. In 2021 the revenues of all the largest grocery retail chains in Bulgaria increased by up to 15 percent compared to 2020.

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

The total number of grocery retail outlets in Bulgaria in 2021 decreased by 5 percent to 38,955, of which 3,354 were modern grocery outlets (see Table 1). According to Euromonitor, 2021 modern retail sales reached BGN 7.43 billion ($4.3 billion) and accounted for 61 percent of market share. The remaining 39 percent, or BGN 4.78 billion ($2.77 billion), was held by 35,601 traditional grocery outlets throughout the country.

Bulgaria's grocery retail market kept developing in 2021, with significant growth in e-commerce. During the pandemic, which was one of the main channel growth drivers, most of the big food retailers launched their own online platforms or used the services of independent online operators to respond to growing demand. In 2021, after all restrictions were lifted, many consumers preferred to continue shopping online due to the convenience provided by the well-developed network. As a result, as compared to pre-pandemic 2019, online food and beverage shopping almost doubled in 2020 and increased nearly threefold in 2021. Post forecasts that the category will continue its upward trend in the coming years with a growth of 20-25 percent year-on-year.

Table 1. Grocery Retailers Outlets by Channel: Units 2019-2021

Outlet	2019	2020	2021
Modern Grocery Retailers	3,313	3,329	3,354
Traditional Grocery Retailers	37,922	37,684	35,601
Total Grocery Retailers	**41,235**	**41,013**	**38,955**

Table 2. Sales in Grocery Retailers by Channel: Value 2019-2021

BGN million	2019	2020	2021
Modern Grocery Retailers	6,700.9	7,001.4	7,433.6

BGN million	2019	2020	2021
Traditional Grocery Retailers	5,162.3	5,063.8	4,780.8
Total Grocery Retailers	**11,863.2**	**12,065.2**	**12,214.4**

Table 3. Grocery Retailers Forecasts: Value Sales and Outlets 2022-2024

	2022	2023	2024
Value sales BGN million	12,702.3	13,370.3	14,000.6
Outlets	38,582	38,552	38,491

Source: Euromonitor International

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

Retailer	Owner	Nationality	Opened	Outlets (2022)	Revenue BGN '000 (2020)	Revenue BGN '000 (2021)	Percent Change 2021/2020
Kaufland Bulgaria	Schwarz Group	Germany	2003	63	1,739,950	1,897,587	9.1
Lidl Bulgaria	Schwarz Group	Germany	2010	113	1,355,476	1,568,917	15.8
Metro Cash & Carry Bulgaria	Metro	Germany	1999	11	765,220	846,108	10.6
Billa Bulgaria	REWE Group	Germany	1999	146	811,196	838,637	3.4
Fantastico	Family owned	Bulgaria	1991	45	630,664	704,428	11.7

Source: Retailers' websites and public financial information and reports

The revenues of the top five retailers increased in 2021, with Kaufland remaining the undoubted leader with 9 percent growth to BGN 1.9 billion ($1.1 billion) in revenue, followed by Lidl with nearly 16 percent growth to BGN 1.36 billion ($785 million). These are the first two retailers in Bulgaria with revenue of more than BGN 1.5 billion. In 2022 Kaufland may be the first retailer to exceed the BGN 2 billion turnover. The main factors that contributed to the growth of Bulgaria's modern trade (and especially discounters) were the decreasing disposable incomes of consumers because of rising inflation, as well as the large assortment and convenience presented in their outlets. Following the worst of the pandemic, the tourist flow and foodservice industry helped Metro Cash and Carry, the only cash and carry operator in the country, increase its revenue by nearly 11 percent following a 2 percent decline in 2020. Although Billa also reported revenue growth in 2021, it is the only food retailer that for a third year in a row reported a loss, which for 2021 was BGN 26.3 million ($15.2 million). Nevertheless, in

2022 the company kept expanding by opening five new outlets and renovating 15 existing stores, as well as changing its management in October. Fantastico, the only local chain in the top five, with 41 out of 45 outlets located in the capital Sofia, reported a nearly 12 percent revenue increase to BGN 704.4 million ($407.9 million).

Modern retail is expected to maintain its moderate growth trajectory over the next several years with a slight increase in the number of outlets. Traditional retail, on the other hand, is forecast to keep declining in sales and in number of stores. Following some market turmoil in 2016 which shook the industry and the COVID-19 pandemic, the grocery retail sector looks stable and vigorous. However, factors such as declining population, emigration, and a shrinking working-age population could hamper future long-term growth. Conversely, increasing wages, expected slight economic growth, decreasing unemployment, full revival of the tourism sector, and rising demand for high-quality and healthier food are expected to support sustained growth of up to 5 percent year-on-year in the next few years.

Table 5. Advantages and Challenges

Advantages	Challenges
Increasing demand for high value/high-quality products create opportunities for more imports.	U.S. products are subject to tariffs, versus products from within the EU and countries with EU free trade agreements (FTAs).
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. Some 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 costs associated with purchasing from importers or middlemen, but this remains limited. The best method to reach Bulgarian retail buyers and prospective importers is to reach out to FAS Sofia for assistance and guidance. Product catalogues and price lists are essential, and samples are helpful. The bigger retailers in Bulgaria include Kaufland, Lidl, Metro, Billa, and Fantastico (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 companies contact FAS Sofia in advance 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 "healthy" or "nutritious." Nuts and dry fruits, fish and seafood, bakery products, confectionary products, 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 English well, especially those under 40 in urban areas. Translation services are relatively 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 Post'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. Post exhibited at the last five editions of IFD by highlighting and promoting existing and new-to-market U.S. products.

FAS/Sofia strongly encourages U.S. suppliers to consider participation in 2023 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 2021 about 81 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.

Unlike 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 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 where the bigger retail chains are not present, 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, usually selling produce of small and mid-size local producers. These stores try to focus on convenience and organic, fresh, and local food. They are mainly located in the central parts of the bigger cities where bigger chains are not available and there is a concentration of more health-conscious consumers with higher purchasing power. The Bulgarian retail industry benefits from this tendency, as these stores indicate a well-developed market, and more choices to consumers 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, Billa, and Fantastico are expected to increase their market shares by opening new outlets and becoming increasingly cost competitive. The market share of private labels is also expected to develop moderately. The expansion of retailers into smaller towns and convenience format outlets will continue to 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.

IV. Best Product Prospects

Products in the market with best sales potential
- Distilled Spirits – stable, saturated, and growing market with a large assortment of brands.

- Nuts/Tree Nuts and Dried Fruits – strong demand for almonds, pistachio, peanuts, pecan, walnuts, and cranberries.
- Wine – highly saturated market enjoying steady growth along with increased diversity and quality. Mid-range and high-end imported wine segments, where U.S. wines are positioned, keep developing in a very competitive environment.
- Snacks/Cereals – Big multinational companies dominate the market. 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 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 (sardines, hake, herring, cod, salmon, mackerel, trout, squid, pollock), lobsters, and other higher-end shellfish. Existing FTAs with other non-EU countries are a strong drawback for U.S. fish and seafood products.
- 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 consumer taste towards higher-value pulses and healthier protein sources.
- Sauces, soft drinks (including flavored spring waters, carbonated, and energy drinks), and specialty (craft) beers – developing culinary culture, growing meat consumption, and inflowing modern trends create stable demand for these products.

Products in the market that have good sales potential - fruit juices; fresh fruits, including grapefruits and exotic fruits; ready-to-eat meals; ethnic/regional sides or meals; salad dressings; spices; 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 and meat products with hormones; most poultry and 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.