CBI MARKET SURVEY

The spices and herbs market in Bulgaria

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Introduction
This CBI market survey gives information on some main developments in the spices and herbs market in Bulgaria. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption
To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Bulgaria is a relatively small consumer of spices and herbs in the EU, accounting for 1.1% of total EU consumption. In 2008, total consumption in Bulgaria amounted to 3.8 thousand tonnes. In the period 2004-2008, the market for spices and herbs in Bulgaria fluctuated strongly.

These fluctuations were also seen in the apparent consumption of most product groups. The most consumed product group was by far paprika, chillies & allspice and its consumption increased considerably by an average annual rate of 11% to 1.2 thousand tonnes in 2008. Apparent consumption of pepper (625 tonnes) and spice seeds (552 tonnes) on the other hand both decreased on average. Spice seeds experienced a very strong increase between 2005 and 2007, followed by an even stronger decline in 2008. Demand for mixtures reached 239 tonnes, indicating strong growth between 2004 and 2008.

Of the products consumed in smaller quantities, apparent consumption of both cinnamon (81 tonnes) and turmeric (6 tonnes) experienced an average annual decline in a period of strong fluctuations. Demand for nutmeg, mace & cardamom (29 tonnes), ginger (29 tonnes), saffron (21 tonnes), cloves (6 tonnes) and other spices and herbs, including mixtures (together 1.2 thousand tonnes) all increased considerably, despite some fluctuations.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

Consumption trends
In line with Bulgaria's rise in disposable incomes and growth of the food-processing industry, Bulgarian consumption of food has been increasing in recent years. According to Bulgarian Statistics' Household Survey data, in 2005, Bulgarians spent 43% of earnings on food and beverages. Furthermore, following on Bulgaria's accession to the EU in January 2007, the mass grocery retail sector and establishments of hypermarkets have started to increase as well (Business Monitor International, 2008). As such, the Bulgarian food market is interesting for developing country (DC) exporters, as increases in the demand for spices and herbs are expected along these trends.

The organic market is still in its infancy and estimated to be approximately 1% of total food sales, considerably less than the average level in the EU. Its sales reached € 0.8 million in 2007 (FiBL, 2009).

The economic crisis did result in a scaling back in consumption; however, this does not immediately translate into a fall in apparent consumption of spices and herbs. Spices and herbs are also used in cheaper food products.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production

Besides Romania and Hungary, Bulgaria is a leading EU producer of spices and herbs. The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) records a total production of selected spices of almost 30 thousand tonnes, of which 28 thousand tonnes concerned the production of spice seeds. This makes Bulgaria the leading EU spice seeds producer, responsible for 71% of total EU output. According to the Public Ledger (2010), Bulgaria produces around 10 thousand tonnes of coriander seeds, making it the second largest supplier of coriander seeds globally.

Bulgaria also produces some paprika, chillies and allspice, amounting to 700 tonnes. Finally, Bulgaria is also a considerable producer of other spices and herbs, including mixtures, totalling 1,000 tonnes in 2008.

According to the statistical database of the European Union (Eurostat), Bulgaria is also a leading producer of officinal herbs, aromatic plants and plants for seasoning. In 2008 it amounted to 57 thousand tonnes. After a strong cut back in production between 2004 and 2006, production recovered somewhat in 2007 and 2008. Important herbs cultivated are peppermint, fennel, summer savory, oregano and sage.

Production trends

Bulgaria is still growing in terms of organic market penetration and, thanks to governmental and European support, organic farming is developing substantially. According to the Bulgarian Ministry of Agriculture, more than 14,000 hectares of the agricultural land were in use for organic cultivation in 2008. This constituted 0.3% of the agricultural land in the country. However, 90% of the organic production is used to supply other EU countries. Amongst others, mainly dill, peppermint and lavender are exported to the Europe. An additional 400,000 hectares are designated as wild collection areas for medicinal and aromatic plants. The EHGA reports significant amounts of coriander collected in the wild.

For more information on production trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Opportunities and threats

- \- Overall, the market for spices and herbs in Bulgaria is relatively small and has fluctuated strongly. Of the most-consumed products, spice seeds are produced in abundance in Bulgaria itself and demand for pepper has been decreasing.
- \+ Nevertheless, the food market and food-processing industry in general are growing. This could lead to increased demand for spices and herbs a few years from now, opening up new opportunities.
- \+ Product groups which might offer opportunities are paprika, chillies & allspice and mixtures. The first is produced in Bulgaria, but demand exceeds supply. The apparent consumption of the latter has been increasing strongly.
- \- The organic market is still in its infancy. Besides, Bulgaria produces a considerable amount of organic spices and herbs itself, mainly for exporting. Therefore, DC suppliers of organic spices and herbs will not find many opportunities in Bulgaria.

For more information on opportunities for and threats to exporters in developing countries stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

2 Trade channels for market entry

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for developing country exporters to the EU are a small number of specialised importers and brokers. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high quality volumes are relevant. The most important end-users are the retail sector and the catering sector, and especially the food processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply to spices and herbs. There is, however, no specific information about the prices and / or margins for spices and herbs in Bulgaria.

Companies which could be of particular interest for developing country exporters are:
- IRA – EKO Ltd. - http://www.ira-eko.com
- Balkan Bioherb - Mail to: bioherb@spnet.net
- Bulgarian Spice Exchange Ltd. & Contact VN Ltd. – http://www.bg-spices.com/eng/about.html

Good *Internet sources* for encountering trade partners in Bulgaria, like importers, agents and processing industries are the following:
- Food world - http://www.thefoodworld.com - an extensive online food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - http://www.europages.com – online business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - http://www.herbimporters.com - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US$15 (updated in 2009).
- SpiceImporters.com - http://www.spiceimporters.com - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US$20 (updated in 2009).

Online market places such as those below are also useful:
- Agronetwork.com - http://www.agronetwork.com/global
- Organic-market.info - http://www.organic-market.info – on-line magazine for organic trade.
- Spices Trade world - http://spices.tradeworlds.com
- IngrIDnet - http://www.ingridnet.com - for ingredient suppliers.

For more information on *prospects* for the spices and herbs market in Bulgaria:
- FAO's statistical database FAOSTAT, available at http://faostat.fao.org – is a valuable source.
- Furthermore, Bulgarian trade associations mentioned in section 6 of this survey, and the Bulgarian statistics agency (http://www.nsi.bg/Index_e.htm) can be a source of information.
- The 2004 IENICA report is fairly outdated but still offers relevant information. It describes the situation for the spices and herbs market in Bulgaria and other EU member countries - http://www.ienica.net

3 Trade: imports and exports

Imports

Bulgaria is among the smaller importers of spices and herbs in the EU, accounting for only 0.6% of total EU imports, ranking the country in 20th place. Imports totalled € 6.3 million/ 3.2 thousand tonnes in 2008. However, Bulgarian imports experienced large growth from 2004 to 2008, indicated by an annual average growth of 29% in terms of value and 20% in terms of volume.

The increase in imports was mainly due to large growth in intra-EU imports, indicated by an annual average growth of 35% in terms of value in the period 2004 to 2008. This strong growth was mainly realized in the last year(s) of the period reviewed as a result of Bulgaria's accession to the EU in 2007. However, the growth of the imports from extra-EU countries and developing countries was also considerable, demonstrated by an annual average growth of 24% and 26% respectively.

In the period 2004 to 2008, imports from developing countries to Bulgaria increased by 26% annually to a market share in imports of 58%. In contrast, the share of intra-EU countries accounted for 41%. Furthermore, considering the strong growth of the EU imports in recent years and the impact of the accession to the EU, the market share of intra-EU countries is expected to grow further at the expense of imports from both extra-EU and developing countries.

Austria was the leading supplier of imports into Bulgaria, responsible for 16% of the total imports, followed by three developing countries, Vietnam and India with 14% and China accounting for 12%. Imports from all three DCs increased, while especially those from India and China increased annually by 77% and 92% in terms of value, respectively. The increase in volume terms was similar, during the review period.

Pepper is the largest product group imported (30%), followed by paprika, chillies and allspice (24%), spice seeds (19%) and mixtures (15%). Imports of all the above-mentioned spices and herbs grew in the period 2004 to 2008, of which paprika, chillies and allspice grew the most, by 68% in terms of value and 70% in terms of volume. Of all other imported product groups, only the imports of cinnamon decreased in both value and in volume. The share of DC supply of the three most imported product groups, pepper, paprika, chillies & allspice and spice seeds was considerably higher than the EU average.

Exports

Total exports were estimated at € 23 million/ 29 thousand tonnes. With a market share of 3.2%, Bulgaria is among the average-sized exporters of spices and herbs in the EU. However, in the period 2004 to 2008, exports from Bulgaria increased by 16% in terms of value, although they decreased by 7.2% in terms of volume.

Exports from Bulgaria to developing countries accounted for 83%. About 27%of the total exports of spices and herbs went to Indonesia, followed by Sri Lanka (17%) and 11% to South Africa and India (13%).

Opportunities and threats

+ Imports increased considerably, including those product groups which are the most important in terms of consumption and import: pepper, paprika, chillies & allspice and spice seeds.
+ Bulgaria is a relative large importer of imports from DCs. The share of DC supply has been relatively large also for pepper, paprika, chillies & allspice and spice seeds.
- Overall Bulgaria's total imports of spices and herbs are still limited.
- Although imports from DCs to Bulgaria increased significantly, exporters in DCs have to bear in mind the trend towards imports from intra-EU countries, as Bulgaria has recently

entered the EU. As a result, intra-EU imports are expected to increase further, both in absolute and in relative terms.
- Uncertainties on the markets, due to the recent economic crisis, give rise to developments in consumption and production which are not entirely foreseeable. It is not clear how and to what extent this can affect the trade in spices and herbs to and within the EU.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for spices and herbs in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources
- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding Eurostat: Quick guide to easy Comext
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given do not differ from those in Bulgaria. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:
- ITC Market News Service (MNS) - http://www.intracen.org/mas/mns.htm
- Public Ledger - http://www.agra-net.com
- International Pepper Community - http://www.ipcnet.org

5 Market access requirements

As a manufacturer/supplier in a developing country preparing to access Bulgaria, you should be aware of the market access requirements of your trading partners and the Bulgarian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select spices and herbs and Bulgaria in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu

Tariffs and quota applicable in Bulgaria are the same as for the EU. Information regarding these market requirements can be found in the survey covering the EU market.

The standard VAT rate in Bulgaria is 20%. The VAT rate generally applied to foodstuffs is 7%.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Bulgaria, visit the following websites:

Trade associations

- Bulgarian Chamber of Commerce and Industry- http://bcci.bg
- The Ministry of Agriculture and Food supply - http://www.mzgar.government.bg/MZ_eng/Default.asp - giving contact information for the Bulgarian Association of Herbs and Mushrooms.
- The Bulgarian Association of Food and Drink Industry – mailto: bafdi@mb.bia.bg.com

Trade press

- Bulgarian Plant Science Journal - http://plantscience.hit.bg/indexEN.htm
- Bulgaria Business Web Guide - http://www.prizone.bg

Trade fairs

- FOODTECH - http://www.fair.bg/en/events/Fudteh010.htm - International Exhibition of Food Products, Machines and Technologies. The next event will be held 11-16 May 2010 in Plovdiv, Bulgaria.
- Interfood and Drink - http://www.eventseye.com/fairs/f-interfood-drink-bulgaria-1422-1.html – International Fair for Foods, Drinks, Packages, Machines and Technologies. The next event will be held November 2010 in Sofia, Bulgaria.

Other

- A possible source of cultural specifics of Bulgaria could be: http://www.kwintessential.co.uk/resources/global-etiquette/bulgaria.html
- Information on Bulgarian business culture can be found at: http://www.worldwide-tax.com/bulgaria/bulpractice.asp, or: http://www.businessculture.com/bulgaria.html

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