CBI MARKET SURVEY

THE NATURAL COLOURS, FLAVOURS AND THICKENERS MARKET IN BULGARIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the natural colours, flavours and thickeners market in Bulgaria. The information is complementary to the information provided in the CBI market survey 'The natural colours, flavours and thickeners 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: industrial demand and production

Industrial demand

Bulgaria has a small industrial demand for natural colours, flavours and thickeners in the EU. Compared to Western Europe, the Bulgarian food market is still underdeveloped. According to the Confederation of the Food and Drink Industries of the EU, Bulgaria's food industry accounted for 0.3% of the total turnover of the EU food industries in 2006, with a turnover of € 2.8 billion. Nonetheless, there are several producers and traders of natural food colours, flavours and thickeners in Bulgaria (listed in the sections on Production and Trade channels). Consequently, some industrial demand is expected to exist in Bulgaria. Industry sources estimated that the Bulgarian market has approximately the same size as the Hungarian market.

Table 1.1 presents the sizes of the different sectors within the Bulgarian food industry, and compares these to the EU. As can be seen, relatively large sectors in Bulgaria are beverages and tobacco. When looking at subsector level, the largest sectors in Bulgaria are bread and fresh pastry (accounting for 9.5% of the total food industry turnover; falls under 'other food products') and meat products (8.1%). This indicates that demand for natural colours, flavours and thickeners used in these products is relatively high in Bulgaria.

Table 1.1 Manufacturing of food products, beverages and tobacco in Bulgaria

Food and drink industry sectors	Share in EU food industry, 2006	Share in Bulgarian food industry, 2007	Average annual change in Bulgarian food industry, 2003-2007
Total	**100%**	**100%**	**14.4%**
Beverages	14.1%	17.0%	12.2%
Meat	*19.1%	16.6%	19.5%
Tobacco	7.1%	13.3%	4.1%
Dairy	12.7%	6.9%	19.7%
Fruit and vegetables	5.6%	6.7%	16.2%
Oils and fats	4.4%	6.7%	19.8%
Grain mill products and starch	3.5%	5.9%	10.2%
Animal feeds	*5.5%	3.2%	16.3%
Fish	2.4%	0.6%	27.1%
Other food products	24.7%	23.1%	18.0%

Source: Eurostat (2009)
* Data from 2005

Interesting subsectors with high growth rates in the period 2003-2007 are bread (29% annually on average), soft drinks (23%), chocolate and confectionery (27%), dairy and cheese (24%), but also the smaller sector feed for farm animals (42%). This indicates a growing demand for natural colours and flavours, which are widely used in the soft drink industry such as citrus oils, and a growing demand for starch and fruit flavours, which are used in confectionery products.

The Bulgarian cuisine includes many natural and healthy ingredients. The accent lies on preserving natural flavours. However, when it comes to processed foods and drinks, Bulgarian consumers generally buy products with synthetic additives, which are cheaper. Consequently, sales of the Bulgarian trader Orion consist for 80-90% of synthetic colours and flavours. Carmoisine and Tartrazine (both azo dyes) are the main colours. The leading natural colour is beta carotene.

Demand for many natural colours, flavours and thickeners slowed down during the first year of the economic crisis, as traders and users reduced their stocks and working capital, and shortened their contracts. Since the second half of 2009, however, trade has picked up again, as inventories ran low and had to be replenished.

In 2006, organic food consumption was less than 0.5% of total food consumption in Bulgaria. There are three reasons for this. Firstly, there is a lack of information on organic products and agriculture; secondly, the average income of the Bulgarian population is very low, meaning that they consume the cheapest products they can afford; and the third reason is the lack of organic products available in the market. However, demand for organic food products is increasing in Bulgaria. Until 2007, Bulgarian organic food producers mainly exported their products, but organic food retailers are currently being opened. In 2007, total sales of organic food products in Bulgaria amounted to € 0.8 million, signifying a per capita consumption of only € 0.10 that year (FiBL, 2009). Only around 7% of the market is supplied by domestic producers (Organic-World.net, 2008).

Trends in industrial demand

- Bulgaria still has a very traditional food market, although products from other countries and cultures are rapidly gaining ground. The major trends in Western Europe, as discussed in the CBI market survey 'The natural colours, flavours and thickeners market in the EU', are mirrored in Bulgaria, although the impact of those trends is not yet as large as in Western Europe. Food safety and health have only recently become priorities.
- An organic food market boom is expected in Bulgaria. Currently, this market is still in its initial stage, but is expected to grow rapidly in the coming years.
- The convenience trend is also present in Bulgaria, although not at the same level as West-European countries. Convenience products are important applications for natural colours, flavours and thickeners.

For more information on trends, please also refer to the CBI survey covering the EU market for natural colours, flavours and thickeners.

Production

More than half of Bulgaria's territory is agricultural land. However, the agricultural sector has been decreasing in recent years. The industrial sector, as well as the service sector, is increasing. Nevertheless, organic production is growing in Bulgaria. Organic agricultural production took place on 13 thousand hectares in 2007, which was 0.3% of the total agricultural area in the country (FiBL, 2009). Medicinal and essential oils crops (such as rose, lavender and mint) form the largest part.

According to the European Herb Growers Association, Bulgaria is among the smaller producers of herbs in the EU regarding the area under cultivation. Bulgaria produces, amongst others, the following essential oil crops: rose, clary sage, coriander, dill, sage, spearmint, wormwood, and yarrow. In 2002, the essential oil crops were grown on 32 thousand hectares. The rose valley in central Bulgaria is the most important source of rose oil in the world. However, nearly the entire rose oil production is consumed by the perfume industry. Coriander, a more important flavour ingredient, was produced on 26.9 thousand hectares and mint occupied 140 hectares. The essential oil crop production is forecasted to grow in the future (IENICA, 2004). There are some companies in Bulgaria which produce natural colours, flavours and thickeners. Some of them are listed below:

- BR Essentials - http://www.bressentials.com - producer of essential oils.
- Bulgarska Rosa - http://www.bulgarianrose-bg.com - producer of essential oils.
- G.M. Ltd - http://www.gm-bg.com - produces starch amongst other things.
- Rigana - http://www.rigana.net - produces flavourings and spices for food.
- 5040 Services - http://5040services.com/English/eng.htm - developer and producer of food additives.
- More companies can be found on: http://www.need.bg/en/search.php?page=25&category=66

Trends in production

- Agricultural production is decreasing in Bulgaria, due to the expanding industrial and service sectors in the country.

For more information on trends, please also refer to the CBI survey covering the EU market for natural colours, flavours and thickeners.

Opportunities and threats

+/-Some industrial demand is expected to exist in Bulgaria, as several producers and traders of natural colours, flavours and thickeners are present in this market. However, Bulgaria is only a small market for natural colours, flavours and thickeners in the EU.

\+ Bulgaria has relatively large beverage, tobacco, bread and meat industries, indicating opportunities for exporting natural colours, flavours and thickeners which are used in these products. Moreover, demand for ingredients used in bread, confectionery, soft drinks, dairy and cheese is growing.

+/-Although still very small, the organic market in Bulgaria is expected to grow rapidly in the coming years, which should provide opportunities for suppliers of organic food ingredients. Moreover, domestic producers supply only a small part of the Bulgarian market, indicating that the country imports organic food products.

+/-Bulgarians have a preference for lower-priced colours, flavours and thickeners, which poses a threat to DC suppliers, because synthetic colours and flavours are cheaper than natural ones. However, the health trend is also visible in Bulgaria, increasing consumers' interest in natural products, although not as strongly as in Western Europe.

+/-Bulgaria produces essential oils and production is expected to increase, which could form a threat to DC exporters. However, Bulgaria is only a small producer in 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 natural colours, flavours and thickeners in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

2. Trade channels for market entry

Bulgaria is a relatively small market. There are hardly any producers or processors of natural colours, flavours and thickeners and supplies mostly go through other countries or through distributors. The multinational flavour manufacturers and traders sell their products on the Bulgarian market through local sales offices or use local agents and distributors. Relevant players are:

- Arcommerce - http://www.arcommerce.com - importer and distributor of flavours and additives for the food industry in Bulgaria.

- Orion – Mateev - http://www.orion-vm.com - importer and trader of natural flavours and colours for food products (as well as cosmetics) in Bulgaria. Represents Givaudan, IFF and Bell Flavours & Fragrances, amongst others.
- BENA - http://www.bena-bg.com - distributor of colours and flavours from companies such as Givaudan, IFF, Firmenich, Symrise and Mastertaste.
- Brenntag - http://www.brenntag.bg - distributor of chemicals and supplies colours.
- Barentz - http://www.barentz.nl - distributor based in The Netherlands supplying colours, flavours and thickeners, amongst others.
- Panteley Toshev Ltd - http://www.toshev-ltd.com - producer and trader in flavours, sweeteners and colours for foods and drinks in Bulgaria.
- Kuk - http://www.kuk.com - subsidiary in Bulgaria supplies natural food flavours, colours and thickeners.
- Analytica Ltd. - http://www.analytica-bg.com - producer and trader of food additives, amongst which are guar gum and starches.
- Komers MM - http://www.komersmm.com – distributor of colours, flavours and thickeners; agent for Frutarom.
- Lobbi - http://www.lobbi.bg – distributor of flavours; agent for Aroma Praha.
- The following website provides a list of companies in the food industry of Bulgaria; the companies presented above also come from this website: http://www.need.bg/en/search.php?page=25&category=66

The following multinationals are active on the Bulgarian market through foreign sales offices, local agents or distributors: Akras, Esarom, Nactis, Bell Flavors & Fragrances, Cosmos and Aromatica.

Note that many food manufacturers prefer to deal with local agents or distributors, instead of dealing directly with suppliers in developing countries. They need advice about product applications and related EU legislation. It is generally difficult for an exporter in a developing country to provide this service, as the distance to the market is too big. Regarding Bulgaria, the situation is a little different from the other EU countries. As Bulgaria joined the EU only in 2007, Bulgarian companies still have to implement many of the rules and legislation required by the EU. Thus, Bulgarian companies also have some difficulty in providing assistance on legislation.

3. Trade: imports and exports

Imports

Bulgaria is a small-sized EU importer of natural colours, flavours and thickeners, accounting for only 0.3% of total EU imports in 2008. Between 2004 and 2008, Bulgarian imports of natural colours, flavours and thickeners fluctuated, but increased overall by 4.3% annually in value. In terms of volume, however, imports declined by 13% annually, indicating increased import prices. In 2008, imports amounted to € 6.2 million or 1.0 thousand tonnes.

Developing countries accounted for a share of 19% in Bulgarian imports of natural colours, flavours and thickeners, which is low compared to the EU average of 37%. Bulgaria does not have significant colour, flavour or thickener industries and consequently imports very little raw materials for these products. As developing countries mainly supply raw materials, Bulgaria imports little from developing countries. However, imports from developing countries increased by 20% annually on average during the review period, which resulted in an increased share in imports.

The leading developing country supplier was India, accounting for 9.0% of total Bulgarian imports, making the country the third largest supplier. India mainly supplied oleoresins to Bulgaria. Moreover, imports from India increased by 35% annually on average during the review period. Other significant DC suppliers were China (3.1% of total Bulgarians imports) and the Philippines (2.7%). Imports from these countries increased by 8.9% and 67% annually respectively in the review period.

Bulgarian imports of natural colours, flavours and thickeners consisted of gum and seaweed thickeners (61%), essential oils (20%), colours (17%), menthol, liquorice and locust beans (1.3%) and manioc starch (0.5%). The most important groups of thickeners are pectins, guar gum, and the remaining-group, containing thickeners from vegetables (e.g. carrageenan, alginates). While imports of pectins and guar increased by 28% and 19% annually respectively in the review period, imports of the remaining group declined. The most important group of essential oils is a remaining group containing different products, accounting for 55% of essential oil imports. This group also comprises rose oil, which is produced and traded on a large scale in Bulgaria. Another important product group is oleoresins, accounting for 41% of the total imports of essential oils.

Exports

Bulgaria is a small EU exporter of natural colours, flavours and thickeners, accounting for 1.0% of total EU exports in 2008. Between 2004 and 2008, Bulgarian exports increased by 12% annually, amounting to € 16 million / 0.5 thousand tonnes in the latter year. The main countries of destination were France, Japan, the USA and Germany.

The composition of exports shows that Bulgaria's production of natural colours, flavours and thickeners consists almost entirely (97%) of essential oils. Further analysis of the production and exports of essential oils shows that Bulgaria mainly exports rose oil and rose oleoresin. Exports of other products are negligible.

Opportunities and threats

+ The share of developing countries in Bulgarian imports increased considerably during the review period, indicating increased opportunities for DC suppliers.
- Bulgaria is a small market and also a small EU importer of natural colours, flavours and thickeners. Moreover, developing countries still account for only a small share in Bulgarian imports.
- The food industry is mainly supplied through other EU countries so that opportunities for developing countries to supply raw materials for natural colours, flavours and thickeners directly to Bulgaria are limited.
- Bulgarian trade in essential oils is focused on rose oil.

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 natural colours, flavours and thickeners 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 Eeurostat: Quick guide to easy comext ➔ http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4. Price developments

Please refer to the CBI market survey covering the EU market for prices of natural colours, flavours and thickeners. The price indications given there are the best reference point for prices in Bulgaria. If any price differences exist, they are the result of differences in transport costs and individual buyer preferences for product origin, quality, packaging, etc. These differences are considerable, both between countries and within countries. Nonetheless, global market prices as mentioned in the CBI market survey 'The market for natural colours, flavours and thickeners in the EU' are the basis for price calculations in every country including Bulgaria.

For more detailed information on prices, refer to the survey covering the EU or to:
- The Public Ledger (http://www.public-ledger.com): Prices for selected colours, flavours and thickeners
- MCX India (http://www.mcxindia.com): Prices for menthol and guar
- Quarterly Review of Food Hydrocolloids (http://www.hydrocolloid.com): Prices for hydrocolloids

5. Market access requirements

As a manufacturer 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 'food ingredients' 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/packaging/packit.htm

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

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
- Bulgarian Association of Food and Drink Industry - Tel. +359 2 952 09 89
- Foundation for Organic Agriculture Bioselena - http://www.bioselena.com
- Bulgarian National Association of Essential Oils - http://www.bnaeopc.com/index_en.html

Trade fairs
- FoodTech, international exhibition of food products and technologies, in Plovdiv - http://www.fairs.need.bg – The fair is held once a year and the most recent one was held in May 2009.
- Interfood - http://www.bulgarreklama.com – international food and drink exhibition, held once a year. The most recent one took place in November 2009.
- Balkan Food & Drinks, in Sofia - http://www.foodreference.com/html/bulgaria-food-exhibitions.html - The most recent one took place in November 2007.

Trade press
- Food Processing Industry Magazine - http://web.need.bg/fpim/lang1/custom4.html
- Bulgaria Business Web Guide - http://www.prizone.bg

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