CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN BULGARIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the market for cut flowers and foliage in Bulgaria. The information is complementary to the information provided in the CBI market survey 'The market for cut flowers and foliage 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

- Precise data on the value of the Bulgarian flower market are not available. However, according to estimations of industry sources, the consumption of cut flowers in Bulgaria increased from € 2.4 million in 2005 to € 3.7 million in 2006. Moreover an annual growth of 5-10% is expected for the coming years. Note that these figures can not be compared to the figures for the other EU countries, as sources are different. Volumes are estimated to have increased from 1.4 thousand tonnes in 2005 to 1.7 thousand tonnes in 2006. Moreover the sales in terms of volume were expected to increase to approximately 1.9 thousand tonnes in 2007.
- The economic crisis in the 1990s negatively affected the floricultural sector. In recent years, the economy has been stabilising and, following the good performance of the economy, average disposable incomes in Bulgaria are increasing. As flowers are luxury products, for which sales are strongly related to the level of disposable income, Bulgarian consumption of flowers is also strongly increasing.
- Cut flower sales in Bulgaria are mostly influenced by social events, Christian traditions, and international days such as Valentine's Day and Women's Day. A short overview of the special days in Bulgaria is presented in table 1.1. Sales of flowers peak on and just before these dates.

Table 1.1 Special days in Bulgaria

Special Day	Date
St John	7th of January
Valentine	14th of February
Women's Day	8th of March
St George	6th of May
Christmas	35th of December

- Furthermore, the sales of cut flowers differ in the different regions of Bulgaria. In urban areas and larger cities sales are higher because the income is higher in those regions, there is a more lively economy and education levels are higher. Examples of cities where flower sales are high are Sofia, Varna, Burgas, and Plovdiv.
- Popular cut flower varieties on the Bulgarian market include Rosa, Tulipa, Lilium, Orchids, Dendranthema, Anthurium, Daffodils, Freesia, Gerbera, Gladiolus and Strelitzia.

Trends
- In the past, Bulgarian consumers were mainly interested in the traditional assortment of flowers. Nowadays, however, as disposable income is increasing, some Bulgarian consumers are starting to look for a more diverse assortment.
- The floricultural industry is expected to continue to increase, though at a slower pace than in recent years.

Production
- In 2003, cut flower production in Bulgaria took place on 144.3 hectares, on which approximately 7 million cut flowers were grown (Netherlands Ministry of Agriculture, 2007). Over 900 companies are active in the flower and plant sector, of which 655 are focused on cut flowers. Local production mostly concerns Rosa. Furthermore, the largest producers of cut flowers in Bulgaria are Bulrose Trade and Iris Day (www.ivestoseeds.com).
- The geographic and climatic conditions (especially the great number of sunny days) in Bulgaria are good preconditions for greenhouse production of flowers. The weather is influenced by a continental and subtropical climate.
- However, consumption is mostly covered by imports. Domestic production covers only 10% of the cut flower demand in Bulgaria. Especially during autumn and winter, imported flowers dominate the market. During spring and summer, domestically produced flowers are cheaper than imported flowers.
- In general, the locally-produced flowers in the Bulgarian market are of low quality and have difficulty in competing with imported products. The well-established local producers try to improve the quality of their supply, but they do not have the technology to compete with foreign importers. At the moment, Dutch-Bulgarian partnerships produce the highest quality local products on the market.

Trends
- Production is increasing, and the logistics and distribution systems are improving.
- Low quality products are driving down prices and profitability.

Opportunities and threats
+ Bulgaria is a small market for cut flowers, but income is increasing and growth in cut flower consumption is expected for the coming years. This could provide opportunities for exporting to Bulgaria.
+ Domestic production mainly consists of low-quality products. As incomes are increasing demand for more expensive products could increase. This offers opportunities to export flowers of a high and consistent quality to Bulgaria.
+ Particularly good opportunities exist for the popular varieties, such as Rosa, Tulipa, Lilium, Orchids and Dendranthema.

Also refer to Sections 1.4 and 2.3 of the CBI market survey 'The cut flowers and foliage market in the EU' for general information on opportunities and threats in the EU. Keep in mind that Bulgaria has only recently become a member of the EU and that, consequently, not all of the opportunities and threats are applicable to Bulgaria.

Useful sources
- AgroWebBulgaria (website with information on agricultural institutions and other important agriculture related subjects in Bulgaria): http://www.mzgar.government.bg/agroweb/

2 Trade channels for market entry

- The fragmentation of the wholesaling and distribution channels among many small players may make it difficult for foreign exporters to find appropriate distribution channels.
- Most exporting small or medium enterprises enter the Bulgarian market via an agent or an importer. The best method of locating an appropriate and legitimate agent or distributor in

Bulgaria is to contact a Business Support Organization which provides business matchmaking.

- Key players operating on the Bulgarian cut flower market are mostly importers, as local production is very small and focused on Rosa. Moreover, many of the major producers in Bulgaria also deal with import and trade. The bigger producers have the capacity to deliver the products directly to their customers. There are, however, also smaller companies which import to supply to market niches.
- Importers are located mostly in the big cities. The companies with more developed importing and distributing networks are in Sofia (Royal Flora, L-2, Flora Garden), Plovdiv (Tilia), Varna (Mimoza), Bourgas (Bourgascvet Tanev, Burgascvet Baev), and Stara Zagora (Bulrose). These companies have refrigerated warehouses located around the country in which they store imported cut flowers. Most of these importers have their own stores where they sell the imported flowers. They also often have their own distribution system; they own trucks with which they supply the goods directly to the customers, and cover most of Bulgaria.
- Nearly every large city in Bulgaria has a wholesalers' market for cut flowers. Dimitar Petkov is the largest in the country and is located in Sofia. Producers, importers and buyers meet in this market. These wholesale markets, however, are chaotic and unregulated, and mainly low-quality products are sold here to retail shops. Small shops mostly buy from local producers at such markets.
- Flowers are also sold to supermarkets, which are mainly supplied by the larger importers. Also most boutique shops are supplied by the large importers.
- A problem in the Bulgarian market is the 'grey' market, where home-grown and wild flowers are sold on the streets for low prices and a low quality. Furthermore many wholesale markets have many unregistered sellers who offer products at low prices. Retail shops, however, are able to compete with this market when selling high quality products.
- Please note that different prices and margins apply throughout the various trade channels. In general though, the wholesalers typically add a margin of 25-50% to the imported flowers, while end-sellers add a margin of almost 100%. This happens because of the extremely high waste costs, which reach 80% in Bulgaria (while the normal waste margin for cut flowers is 30%). These waste costs are high due to poor planning and logistics, as well as transportation problems.
- When looking for prospects in Bulgaria, the following websites can be of use:
  - http://www.europages.com
  - http://www.alibaba.com

3 Trade: imports and exports

Imports

- Bulgaria is one of the smallest EU importers of cut flowers and foliage, together with Cyprus, Lithuania and Estonia. Bulgaria accounts for a market share of 0.1% within the EU, with imports amounting to € 3.5 million / 1.7 thousand tonnes in 2006. Between 2002 and 2006, imports increased rapidly, by 33% annually.
- Bulgaria's main suppliers are The Netherlands (60%), Turkey (16%), and Ecuador (10%). Imports from these countries increased by 50%, 10% and 218% annually respectively.
- Developing countries account for 32% of the supply of cut flowers. This is high compared to the EU average of 22%. Supplies from developing countries increased by 19% annually in the period reviewed, amounting to € 1.1 million / 835 tonnes in 2006. Next to Turkey and Ecuador, Bulgaria also imports from India (2%), South Africa (2%), China (1%) and Colombia (1%). Imports from these countries increased, except for South Africa from which the imports decreased by 21% annually during the review period.
- The largest product groups imported into Bulgaria are Rosa (€ 1.3 million), 'other fresh cut flowers' (€ 653 thousand), and Dendranthema (€ 569 thousand). The Netherlands is by far the main supplier of these product groups. Between 2002 and 2006, imports of Rosa increased by 38% annually. Imports of 'other fresh cut flowers' and Dendranthema increased annually by 25% and 53% respectively.

- Ecuador is Bulgaria's largest developing country supplier of Rosa. Its supply increased by 217% annually in the period reviewed, amounting to € 329 thousand in 2006, signifying an import share of 25%. Turkey is the largest supplier of Dianthus, accounting for a share of 93%. Its supply increased by 14% annually, amounting to € 446 thousand in 2006. Turkey is also the largest developing country supplier of 'other fresh cut flowers' accounting for a share of 12%.

Exports
- Bulgaria is a very small exporter of cut flowers and foliage, with a negligible market share within the EU. Exports decreased by 11% annually between 2002 and 2006, amounting to € 202 thousand / 216 tonnes in 2006. Moreover, exports seem to be low-priced compared to other countries.
- Bulgaria's exports are mainly composed of foliage (€ 174 thousand), which decreased by 13% annually during the review period. Its main export destinations are The Netherlands and Germany.

Opportunities and threats

\- Bulgaria is a very small importer of cut flowers and foliage, and therefore does not look very attractive to exporters in developing countries.

\+ However, imports are increasing at the fastest rate within the EU, by 33% annually. Moreover, developing countries have a large share in imports and their share is increasing. Especially Turkey and Ecuador have a large and increasing share in imports.

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int

4 Prices

- According to the National Statistical Institute, prices of flowers and plants are increasing. Between 2000 and 2007, prices have increased by more than 50%. Compared to other agricultural crops, prices of flowers and plants have increased particularly fast. This could be the result of a strongly increased demand and a domestic production which lags behind.
- Note that it is expected that prices will decrease in the coming years. Due to the improved access for EU suppliers as a consequence of the accession to the EU, competition will increase, pushing flower prices downwards.
- Moreover, prices are driven down in Bulgaria due to the 'grey' market and the lack of regulation of illegal production.
- Table 4.1 presents an overview of the average retail prices in Bulgaria.
- Average retail prices in Bulgaria are approximately € 1.50 for Rosa, € 3.50 for Anthurium, € 2 for Orchids, € 1.20 for Gerbera, and € 0.80 for Freesia (source: recent not yet published survey).

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 'cut flowers and foliage' 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://export-help.cec.eu.int/. The general VAT rate in Bulgaria is 20%.

6 Business practices

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 fair organizers
- Flower (fair for flowers, plants and garden equipment, taking place in Plovdiv, Bulgaria). In 2007 it was held from March 28th to April 1st: http://www.fair.bg/en
- Agra (international specialized agricultural fair, which takes place in Plovdiv, Bulgaria). In 2007 it was held from February 2nd to February 24th: http://www.fair.bg/en
- Flora (international specialized exhibition for flowers, seeding material, garden equipment and ceramics, takes place twice a year in Sofia, Bulgaria). The next one will be from March 12th to 16th 2008: http://www.bulgarreklama.com
- No interesting websites were found for trade associations or trade press in Bulgaria concerning cut flowers and foliage.

This survey was compiled for CBI by ProFound – Advisers in Development in collaboration with Milco Rikken of ProVerde.