CBI MARKET SURVEY

The fresh fruit and vegetables market in Bulgaria

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Introduction

This CBI market survey provides exporters in developing countries (DCs) with information on the main developments in the fresh fruit and vegetables market in Bulgaria. The information is complementary to the information provided in the CBI market survey, 'The fresh fruit and vegetables 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

In 2007, apparent consumption[1] of fresh fruit was 381 thousand tonnes, and of fresh vegetables it was 642 thousand tonnes. With a share of 1% of fruit consumption and 1% of vegetables consumption in the EU, Bulgaria is a mid-sized market. Between 2002 and 2007, fruit consumption decreased 15%, an average of 3% per year, while consumption of fresh vegetables decreased 26% (6% per year). With 50 kg per person, fresh fruit consumption is far below the EU average of 94 kg. Per capita consumption of fresh vegetables was 83 kg, also below the EU average (120 kg).

Industrial demand forms a substantial share of the apparent consumption. The food industry is mainly supplied by domestic producers, but since these supplies are decreasing, imports are becoming more important. Industrial demand for fresh fruit and vegetables from DCs is small. The average annual growth rate of the GDP was 6.1% between 2002 and 2007, which is much higher than the EU rate of 2.4%. Based on an extrapolation of trends, consumption volume of fresh fruit and vegetables will not increase much further, but sales value will increase.

Trends in consumption

In addition to general consumer trends, such as those relating to health, convenience and pleasure, described in the CBI market survey 'The fresh fruit and vegetables market in the EU', the following trends are specifically relevant for Bulgaria:

- Bulgaria has a large population size which makes it an attractive potential market for fresh fruit and vegetables.
- Major trends in food seen elsewhere, such as convenience and health, are in evidence but their impact on consumption is currently small. However, many Bulgarians share the same attitude towards food as those in Western European countries and these trends are expected to increase in importance. Convenience products are one of the best performing products in retail sales.
- The volume of the entire organic food market in 2007 was estimated at €800 thousand (0.02% of the total domestic food market). The biggest turnover of organic food products is achieved in supermarkets. Most of the Bulgarian organic food is produced for export. The most important products are fruits, and some vegetables such as tomatoes and cucumbers. Generally, people are more and more interested in buying healthy food (http://www.organic-market.info).

[1] Calculation based on data from Eurostat (2007, 2008) and the Food and Agriculture Organisation (FAO) (2008). Apparent consumption includes industrial and consumer demand, and is calculated as production plus imports minus exports.

Production

In 2007, Bulgaria produced 189 thousand tonnes of ***fresh fruit***, accounting for less than 1% of EU production. It is the 16th largest EU producer. Watermelons are the most important fruit crop, accounting for 41% of total fruit production. Other main fruits are apples (13%), cherries (12%), plums and sloes (12%), peaches and nectarines (9%), apricots (7%), and strawberries (3%). Between 2002 and 2007, total production fluctuated but showed an overall decrease of 41%, with an average annual change of -10%.

Production of ***fresh vegetables*** amounted to 533 thousand tonnes, less than 1% of the total EU production. Main crops produced by Bulgaria are tomatoes (25% of the production volume in 2007), cabbages and brassicas (other than cauliflower and broccoli) (19%), chillies and peppers (15%), cucumbers and gherkins (11%), lettuce and chicory (2%). Between 2002 and 2007, vegetable production fluctuated, with an overall decrease of 34% (-8% annually) (FAO, 2008).

Of all Bulgarian agricultural production, 90% is destined for the domestic market. A considerable part of the domestic produce is used by the food industry. For an overview of the main players in the food processing industry for DC exporters, please refer to the CBI market survey 'The preserved fruit and vegetables market in the Bulgaria', which can be downloaded from http://www.cbi.eu/marketinfo.

Trends in production

- Overall production of fruit is decreasing substantially. Cherries, peaches and apricots are gaining share in production, at the expense of the production of watermelons, plums and apples. Production of lettuce and chicory, carrots and turnips and green peas increased, while the production of tomatoes, chillies and peppers and cucumbers and gherkins decreased. Weather conditions during the growing season strongly influence the volume of fruit and vegetable production.
- Over the last twenty years, agriculture has transformed from state-owned farms to private enterprises and is being modernized. As a result producer's prices are increasing. Domestic produce experiences fierce competition from lower-priced imported products. It may lead to a further decline of production of many types of fruit and vegetables (Fruchthandel, February 2007 – http://www.fruchthandel.de).
- Many of the 80 Bulgarian canning factories import fruits and vegetables from abroad because the Bulgarian ones are too expensive for the mass consumer. Domestically produced produce is not competitive and therefore, supply in the canning factories stems from abroad, mainly Macedonia and Turkey (http://www.freshplaza.com).
- Organic agricultural production occupied 3% of the total available land for agriculture (http://www.bioselena.com). Both government and private organizations are quite important and developed, but organic agriculture still requires a better institutional setting (FAO, 2005).

General production trends are described in the CBI market survey 'The fresh fruit and vegetables market in the EU'.

Opportunities and threats

+ Incomes are rising so Bulgarians are spending more on food. It is expected that imported food, higher quality and speciality food will gain popularity.
+ Overall production is decreasing, so Bulgarian food companies have to import more to meet demand.
+ The market for exotics is limited, but expected to increase as many Bulgarians are adopting a more western lifestyle.
- Bulgaria has a large potential for production of organic produce. Since the domestic market is small, production and exports are increasing.

For more information on opportunities and threats, see Chapter 7 of the CBI market survey 'The fresh fruit and vegetables market in the EU'.

2 Trade channels for market entry

The Bulgarian retail sector is less consolidated and concentrated than in other EU countries, although the sector is increasingly concentrated. Smaller retailers are joining the large ones under franchise contracts. The large supermarkets and hypermarkets in Bulgaria are mostly foreign-owned companies. Small neighbourhood supermarkets, street markets and kiosks have a large share in retail sales, selling mainly domestic produce. The potential of multiple retailers is very high, especially for imported exotics and luxury products. The largest retailers in Bulgaria are:

- Metro Group (Germany) – http://www.metro.bg;
- Kaufland (Lidl and Schwarz Group, Germany) – http://www.kaufland.bg;
- Fantastico (Bulgarian) – http://www.ff-bg.net;
- Rewe Bulgaria (German-based) - http://www.rewe-group.com;
- CBA (Hungary) - http://www.cba.bg.

More information on retailing in Bulgaria can be found on http://www.euromonitor.com/Retailing_in_Bulgaria

The best way of entering the Bulgarian market is through importers or agents, either independent or related to supermarket chains, which are specialised in fresh fruit and vegetables. Most large retailers have own central buying/importing facilities in Bulgaria or in the country of origin. The smaller supermarkets and traditional outlets buy fresh produce through importers and wholesalers or at wholesale markets. Exporters, who cannot meet the high volume demands from large purchasing organisations, should search for specialised importers. For contact details on importers of fruit and vegetables in Bulgaria, you can go to:

- The Bulgarian Chamber of Commerce and Industry - http://www.bcci.bg;
- http://bulgaria.importers.com;
- http://www.alibaba.com (mainly fruits. Select 'more' in 'Select Country/Region', then select Bulgaria).

Margins vary greatly depending on the type and quality of product, the distribution channel, the continual changes in supply and demand and resulting price fluctuations. It is estimated that European importers on average apply a trade margin of 5-10%. More information on margins can be found in section 3.2 of the CBI market survey 'The fresh fruit and vegetables market in the EU'. More information on the market for food in Bulgaria can be found at

- http://www.businessmonitor.com/food/bulgaria.html;
- http://www.researchandmarkets.com.

3 Trade: imports and exports

Imports

In 2007, Bulgaria imported 201 thousand tonnes of ***fresh fruit***, with a value of €60 million (Eurostat, 2007, 2008). Bulgaria accounted for less than 1% of the total EU import value of fresh fruit which makes it one of the smallest importers. This is lower than its population share in the EU of 1.7%. Imports consisted of bananas (34% of the total import value in 2007), citrus fruit (30%), stone fruit (12%), apples, pears and quinces (12%), melons (4%), berries (4%), grapes (3%), and exotic fruits (2%). Between 2003 and 2007, total imports increased 86% in value and 44% in volume. The average annual change of the import value was 17%, which is much higher than the EU average of 4.9%. Greece is the main supplier to Bulgaria, with 31% of total import value in 2007, followed by Turkey (18%), Ecuador (17%), Macedonia (10%) and Italy (9%).

DCs accounted for 52% of the import value in 2007, higher than the EU average of 37%. Imports from DCs increased 69% in value compared to 2003 and import volume increased 52%.

DCs are increasing fast, but not so fast as imports from other EU countries, whose imports doubled between 2003 and 2007. The main DC supplier, Turkey supplies mainly citrus fruits including oranges, lemons and tangerines, and stone fruits such as cherries and apricots. The second largest supplier from DCs is Ecuador, who supplies mainly bananas. A substantial part of the Bulgarian demand for products from DCs is supplied through other EU countries. Typically, bananas, pineapples and avocados are sourced from Greece, the Netherlands, Italy and France.

The most important products from DCs are bananas (32% of the import value in 2007), oranges (11%), apples (11%), lemons (8%), mandarins and tangerines (7%), and cherries (6%). Between 2003 and 2007, imports of the most important fruits (apples, cherries, lemons, grapefruit and oranges) increased, along with most others. Those of mandarins and tangerines, pears, pineapples, mangos, strawberries and peaches decreased both in value and volume.

In 2007, Bulgaria imported 120 thousand tonnes of ***fresh vegetables***, with a value of €33 million (Eurostat, 2007, 2008). Bulgaria accounts for less than 1% of the total EU import value of fresh vegetables. Imports consisted of tomatoes (61% of the total import value in 2007), other vegetables (15%), cucumbers and gherkins (10%), alliaceous vegetables (9%), edible roots (3%), brassicas (2%), lettuce and chicory (1%) and peas and beans (0.5%). Between 2003 and 2007, total imports increased 226% in value and 120% in volume. The average annual change of the import value was 34%, which is much higher than the EU average of 5.6%. Turkey is the main supplier to Bulgaria, with 73% of total import value in 2007, followed by FYR Macedonia (11%), Greece (5%), the Netherlands (2%) and Czech Republic (2%).

DCs accounted for 88% of the import value in 2007, which is far above the EU average of 13%. Imports from DCs increased 231% in value and 145% in volume compared to 2003. This is a high growth rate, although imports from other EU countries also increased strongly in value (+192%). Turkey, the largest supplier among the DCs, mainly delivered tomatoes, sweet peppers, cucumbers, onions and carrots. Macedonia supplied tomatoes, sweet peppers and cucumbers. A small part of the Bulgarian demand for products from DCs was imported through other EU countries.

Not surprisingly, the most important products imported from DCs were tomatoes (66% of the import value in 2007), sweet peppers (11%), onions (7%) and cucumbers (7%). Between 2003 and 2007, imports from DCs increased in value and volume, except for imports of carrots, other cabbages and garlic, that decreased in value and volume.

Exports

In 2007, Bulgaria exported nine thousand tonnes of ***fresh fruit***, with a value of €7 million (Eurostat, 2007, 2008). This is less than 1% of the total EU export value. Between 2003 and 2007, exports increased more than threefold in value and doubled in volume. Exports consisted of berries (53% of total export value in 2007), stone fruit (27%), citrus fruit (10%), apples, pears and quinces (4%), melons (3%), bananas (3%), exotic fruit (1%) and grapes (1%). Russia is the main destination, with 19% of the export value, followed by Italy (13%), Germany (12%), Romania (10%), and Belgium and Poland (8%). Between 2003 and 2007, exports of berries and other minor fruit and citrus fruit grew more quickly than the market. Since Bulgaria imports mainly from other DCs, and exports are increasing, it is re-exporting more fresh fruit originating from DCs.

In 2007, Bulgaria exported 12 thousand tonnes of ***fresh vegetables***, with a value of €22 million (Eurostat, 2007, 2008). This is less than 1% of the total EU export value. Between 2003 and 2007, exports increased 61% in value and 4% in volume. Exports consisted of cucumbers and gherkins (47% of total export value in 2007), other vegetables (47%), tomatoes (4%), alliaceous vegetables (1%), lettuce and chicory (1%), and brassicas, edible roots and peas and beans (accounting together for less than 1%).

Germany is the main destination, with 42% of the export value, followed by Italy (18%), Austria and Spain (each 7%) and Romania (6%). Based on the import and export data, Bulgaria is not an important re-exporter of fresh vegetables, but it may re-export small volumes of fresh vegetables from DCs.

Opportunities and threats

- + The imports of exotics and off-season fruit are growing strongly and DCs are important suppliers. The best opportunities are in bananas, apples and citrus fruit. The imports of other exotics are very small.
- + DCs are important suppliers of fresh vegetables to Bulgaria and imports are increasing strongly.
- ± Bulgaria's fruit imports are small but are increasing at a higher rate than the EU average.
- ± The best opportunities are for tomatoes, onions and cucumbers. This favours countries that are located fairly close to Romania.

Exporters from DCs who want to access the Bulgarian market, are advised to look at those EU countries that supply fresh fruit and vegetables to Bulgaria, in addition to looking at Bulgarian importers. The main Bulgarian trading partners that re-export products from DCs are Greece and the Netherlands. For more information on opportunities and threats, see Chapter 7 of the CBI market survey 'The fresh fruit and vegetables market in the EU'.

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_20080117.pdf.

4 Price developments

The CBI market survey 'The fresh fruit and vegetables market in the EU', available from http://www.cbi.eu/marketinfo, gives information on price levels of fresh fruit and vegetables in the EU. Prices in the Bulgarian market will not differ much from the EU level. Prices of fresh fruit and vegetables are the result of negotiations between the seller and the buyer. In the negotiation process, many factors influence the final price. Exporters are advised to closely monitor market and price developments in their specific product categories, in order to quote realistic prices. More detailed information on prices in Bulgaria may be obtained from

- http://www.todaymarket.com/tmp_mps.htm (available upon subscription);
- http://www.novinite.com.
- Importers and agents are other valuable sources of information.

5 Market access requirements

Manufacturers in DCs preparing to access markets in Bulgaria should be aware of the market access requirements of the Bulgarian and EU governments and of potential trading partners. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select the market sector and Bulgaria in the category search, click on the search button and click on market access requirements.
Detailed information on packaging can be found on the International Trade Centre (ITC) website on export packaging: http://www.intracen.org/ep/packit.htm.

There are EU import tariffs and entry prices for fresh fruit and vegetables. They range from 0% for exotics such as papaya and passion fruits to 17.6% for nectarines. More information on tariffs and quotas can be found at http://exporthelp.europa.eu. Imports from DCs often benefit from preferential or zero import duties.

For fresh fruit and vegetables in Bulgaria, the value added tax rate (VAT) of 20% applies.

6 Doing business

Information on doing business, including approaching potential business partners, building up a relationship, drawing up an offer, methods of payment, terms of delivery, handling the contract and cultural differences, can be found in the CBI 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:
- The Bulgarian Chamber of Commerce and Industry - http://www.bcci.bg;
- Interfood & Drinks Bulgaria, International trade fair held every year in Sofia, Bulgaria – http://www.bulgarreklama.com/?id_sess=sv3h6la7h5ich8qhup14itrnl4&lang=en;
- For a list of trade shows in Bulgaria - http://www.biztradeshows.com/bulgaria;
- Information on Bulgarian business culture and practices can be found at http://www.kwintessential.co.uk.

This survey was compiled for CBI by Mercadero in collaboration with Piet Schotel.