CBI MARKET SURVEY

THE COFFEE, TEA AND COCOA MARKET IN BULGARIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the coffee, tea and cocoa market in Bulgaria. The information is complementary to the information provided in the CBI market survey 'The coffee, tea and cocoa 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
Sustainability is an increasingly important topic in the markets for coffee, tea and cocoa. Therefore these surveys have a special focus on certified coffee, tea and cocoa. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market which makes it more interesting for DC exporters. Although this market is hardly developed in Bulgaria, having certification in place improves your market access in this country as well as in the rest of the EU.

Note that the consumption data of coffee and tea in this chapter concern the Bulgarian consumer market. Information on industrial demand for green coffee and tea for blending/packing, the form in which most coffee and tea is shipped to Europe, is not available. Although consumption offers interesting information about market developments, an increase or decrease in consumption does not necessarily translate into an increase in industrial demand from local roasters and blenders. Moreover, Coffee and tea intended for Bulgarian blenders and roasters can be imported from traders in the main EU trade centres. Regarding roasted coffee, developing countries play a very limited role as this is predominantly sourced in other EU countries.

Coffee
Bulgaria is a small consumer of coffee in the EU, with a market share of 1.1%. In 2008, total consumption of coffee was 27 thousand tonnes, an average increase of 5.2% annually since 2004 (International Coffee Organization, 2009). Per capita consumption of coffee increased by 0.5% annually between 2004 and 2008, totalling 2.9 kilograms. Compared to the EU average (5.0 kg), Bulgaria has a medium-sized per capita consumption.

The value of coffee consumption is increasing due to the high inflation rate in Bulgaria. However, the abolition of the excise duty for coffee, as well as the increasing competition of the main players in the domestic market, allowed for a competitive price to be set. This could result in a possible broadening of coffee consumption.

Low and mid-priced coffee products have an important share in the Bulgarian market. This is partly a result of the fact that more than half of hot drinks is consumed at home. Higher prices reflect better quality coffee. The on-trade channel is important for higher quality coffee (Euromonitor, 2009).

Tea
Bulgaria remains the smallest consumer of tea in the EU. However, total Bulgarian tea consumption shows a strong annual average increase of 8.3% between 2004 and 2008, amounting to 165 tonnes in the latter year. This represents only 0.1% of total EU tea consumption. Per capita, Bulgarians consume only 21 grams of tea annually (International Tea Committee, 2009).

With coffee being the leading product within the hot drinks sector, tea's share was only marginal (Euromonitor, 2009). Local consumers not only bought more tea, they also paid more for it, as international brands (i.e. Pickwick) invested more in the country. Green tea is also gaining popularity, as health issues have become an increasing concern among Bulgarians. A relatively high amount of green tea is consumed in Bulgaria.

Cocoa
As indicated by the apparent consumption[1] of cocoa, Bulgaria is a small cocoa consumer, with an EU market share of 0.5% (International Cocoa Organization, 2009). Between 2003/2004 and 2007/2008, the apparent consumption increased by 17% per annum amounting to 7.0 thousand tonnes in the latter year.

There were no data available for Bulgaria on cocoa bean grinding, but it is expected to be very small. Bulgarian per capita consumption of chocolate is unknown, as no data are available.

Trends in consumption
In the coming year, coffee consumption in Bulgaria is expected to increase in value and at a higher rate, in volume terms. Nevertheless, the growth rates are expected to be lower than earlier years, when a large part of the market penetration took place (Euromonitor, 2009).

The tea market in Bulgaria is still of minor importance and is expected to grow at a very low rate. (Euromonitor, 2009). Moreover, as tea consumption was just starting to become more common, the economic crisis is negatively effecting the consumption, as some Bulgarian consumers return to more traditional drinks.

Due to increasing incomes in new EU member states, chocolate sales, and therefore demand for cocoa should increase. However, only restricted development is expected for the coming years as the economy will show a limited growth.

Production
Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Bulgaria is therefore also fully dependent on imports of these products from other countries. Nevertheless, there is some production of herbal teas in Bulgaria. Wild plants and berries are collected in their natural habitat to be added to tea products. Bioprogramme is one of the largest herbal tea producers in Bulgaria - http://www.bioprogramme.net

Bulgaria used to have some cocoa grinding activities, processing cocoa beans imported from developing countries until 2004. However, the industry disappeared in the past few years due to limited competiveness and non-compliance with EU regulations. Tea and coffee processing predominately takes place in the EU, but is limited in Bulgaria.

Opportunities and threats
+/- Although socio-economic improvement was expected after Bulgaria joined the European Union, the adverse effects of the economic crisis will lead to limited economic performance.
\+ Tea consumption in Bulgaria is increasing rapidly. However, the tea market remains very small.

[1] Apparent consumption of cocoa means grindings plus net imports (imports minus exports) of cocoa products and of chocolate products recalculated into the amount of beans, using conversion factors.

+ The increased popularity of chocolate among the Bulgarian consumers can offer potential opportunities to developing country exporters.
+/- Consumption of medium and high-end brands is increasing in Bulgaria. However, the economic crisis could negatively affect the sales of such products for the coming period.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to chapter 7 of the CBI market survey covering the EU market.

Useful sources

Euromonitor offers information on the Bulgarian market for Hot Drinks, including coffee, tea and cocoa drinks - http://www.euromonitor.com. For additional useful sources on consumption and production of coffee, tea and cocoa in Bulgaria and the EU, please refer to the EU survey, Chapters 1 and 2. Furthermore, the associations and trade press mentioned in Chapter 6 of this survey are of interest.

2. Trade channels for market entry

The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly, the cocoa trade, with its four main products of cocoa beans, paste, butter and powder and its industrial focus, has an entirely different trade structure. However, they have several things in common;

- Processing takes place in a limited number of EU countries, although the extent of concentration varies.
- Developing countries play a limited role in processed products except for processed cocoa products. However, these are also mostly sourced from EU processors.
- As such imports into the EU take place mostly through these countries or other countries with an important trading role.
- Countries with smaller processing industries also source (part of) their needs from these trading countries. Countries with a small or no processing industry for one of the products will offer limited opportunities to developing country suppliers, except for certain market niches.

In general, traders are the most important trade channel for all three products for developing country producers, but in certain cases local agents of EU buyers, or EU processors can also be an interesting channel. Regarding organic products, the main organics traders, mostly located in Germany and The Netherlands, are the most important trade channel. However, the organic sector in Bulgaria is hardly developed. Furthermore, as the markets for coffee and tea are small, Bulgarian importers are in general small companies, supplying local processors. The main companies are foreign multinationals. In fact, the top seven companies in coffee and tea are all foreign.

It is important to note that throughout the various trade channels, different prices and margins apply. For more information on prices and margins, please refer to the EU market survey. No specific information is available on Bulgaria.

Key players in the coffee, tea and cocoa market in Bulgaria are:

- Nova Brasilia, a brand of Kraft - http://www.kraft.com
- Mercury Foods, mainly specialised in spices and herbs, also trades and processes coffee and tea - http://www.mpp.bg
- Spetema, Santos Royal and La Vista are brands of the Bulgarian company Balkam - http://www.balkam.net

On-line company databases for finding companies working in the coffee, tea and cocoa markets can be very useful. National associations for the appropriate products are mentioned in Section 6. Most information is provided in the Trade Directory of the Bulgarian Chamber of commerce. Here you can also find some Bulgarian importers. Furthermore, several sector specific EU-wide associations are included in Chapter 3 of the EU survey. The Bulgarian Business Adviser gives some information on companies in Bulgaria - http://www.bba.bg

3. Trade: imports and exports

Imports

Coffee
Bulgaria is one of the smallest importers of green coffee in the EU, since its coffee imports do not exceed the 0.6% of EU coffee imports. In 2008, imports of green coffee amounted to € 37 million / 22 thousand tonnes, signifying an average annual increase of 42% in value and 6.5% in volume since 2004.

Developing countries are an important source of Bulgaria's green coffee imports, covering a share of 75% of its green coffee imports. Their relative importance is increasing by 32% annually, although this is far lower than the equivalent intra-EU growth (431%). Vietnam (26% of imports) and Indonesia (22%) are the biggest developing county suppliers of green coffee to Bulgaria. Brazil (7.4%) and Colombia (5.1%) follow and are of increasing importance as the former marked an annual increase of 63% and the latter of 53% since 2004.

Most EU countries import part of their coffee needs as roasted coffee, a market in which developing countries play a negligible role. Bulgaria imports 15% of its coffee volume as roasted which matches the EU average level. Roasted coffee imports are increasing more slowly than green coffee imports. In 2008, the value of roasted coffee imports was € 20 million / 4.0 thousand tonnes, showing an annual increase of 26% and 8.7% respectively. Italy supplies 64% of the roasted coffee.

Tea
Bulgaria is the one of the smallest importers of tea in the EU. However, imports had a substantial average annual increase of 47% in value and 23% in volume between 2004 and 2008, amounting to € 1.5 million / 273 tonnes in the latter year.

Of the tea imported in Bulgaria, 39% is supplied by developing countries, showing a significant increase of 43% in value and 13% in volume since 2004. Sri Lanka is the largest developing country supplier, accounting for 27% of total imports, followed by China (9.5%) and India (2.1%). The shares of these three countries have marked an increase of 46%, 41% and 50% respectively.

Green tea imports also had a large value increase of 47% between 2004 and 2008, totalling € 561 thousand / 80 tonnes in 2008. Black tea imports increased by 48% annually, amounting to € 945 thousand / 193 tonnes in 2008. Green tea imports are relatively large (29%) in Bulgaria compared to the EU average (13%).

Cocoa
Bulgaria is a small importer of cocoa products, being responsible for less than 1% of the market share for each product. Bulgaria does not import cocoa beans. In 2008, imports of cocoa paste amounted to € 11 million / 5.0 thousand tonnes, butter to € 15 million / 3.3 thousand tonnes and of powder to € 2.9 million / 2.9 thousand tonnes.

Between 2004 and 2008, imports of cocoa paste and butter increased in both value and volume, while cocoa powder imports decreased. Developing countries accounted for 28% of the Bulgarian cocoa paste imports, Ivory Coast covering 23% of them by playing an increasingly important role (+165%) since 2004. The cocoa butter contribution of developing countries is still low and accounted for 1.1%, but moves at a significantly increasing pace as well (+72%). Turkey is the biggest developing country supplier of cocoa butter, covering a share of 6.9%. However, there was only a small increase in value and a small increase in volume in its contribution. The rest of the cocoa products is supplied by the EU.

Exports
Bulgaria does not export green coffee and is one of the smallest exporters of roasted coffee in the EU. In 2008, exports amounted to € 12 million / 3.5 thousand tonnes. The main recipient countries are Romania and Ukraine.

Bulgaria plays a negligible role in tea exports, which amounted to € 183 thousand / 17 tonnes in 2008, showing an annual increase of 42% in value and 52% in volume. Black tea exports are mostly destined to Spain, Germany and UK, while green tea is mostly directed to Germany and Slovakia.

Bulgaria does not export cocoa beans, cocoa paste or cocoa butter, but it has a small export of cocoa powder, which decreased by 24% annually in value and by 14% in volume between 2004 and 2008. In 2008, exports amounted to € 1.5 million / 1.9 thousand tonnes. Romania and Ukraine were the main importers.

Opportunities and threats
+ Imports of coffee and tea are increasing rapidly in value, as part of Bulgarian consumers is consuming more mid-priced and high-priced coffee and tea. However, consumption of coffee is decreasing in volume.
- Bulgaria's trade ties with other EU countries are very strong for the three commodities, especially for coffee and cocoa.
+ Developing countries play an increasingly important role in providing Bulgaria with green coffee.

It is important to note that an opportunity for a supplier in a developing country may sometimes be a threat to another. The information given should be assessed according to the reality of each supplier. For more information on opportunities and threats, please refer to chapter 7 of the CBI market survey covering the EU market.

Useful sources
- EU Expanding Exports Helpdesk
  ➔ http://exporthelp.europa.eu/
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.ec.europa.eu;
  ➔ go to 'themes' on the left side of the home page
  ➔ go to 'external trade'
  ➔ go to 'data – full view'
  ➔ go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to Easy Comext
  ➔
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4. Price developments

As the prices for coffee, tea and cocoa are global market prices, Bulgarian prices should show limited deviation from those. The survey covering the EU provides more information on price developments. However, prices of coffee, tea and cocoa (products) provided should be used only as a reference point, as they depend on origin and buyer preferences.

For information on on-line useful sources on price developments, please refer to chapter 5 of the CBI market survey covering the EU market.

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 'organic food products' 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. No quotas apply to coffee, tea and cocoa. However import tariffs apply to processed products. More information is available in the EU survey.

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 & Industry - http://www.bcci.bg
- Bulgaria Association of Food and Drink Industry - http://www.bafdi.com
- InvestBulgaria Agency - http://www.investbg.government.bg
- The Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA) - http://www.bepc.government.bg

Trade fairs
- AGRA, International Agricultural Exhibition, is an annual fair, which is held in February. For more information, visit the website - http://www.fair.bg
- Inter Food and Drink – annual food and drinks fair with a specialised section for coffee, tea and organic hot drinks; next edition will be held 11 to 14 November 2010 - http://dev.bulgarreklama.com.

Trade press
- Bulgarian trade press is predominately in Bulgarian (Cyrillic). Information on Bulgarian business culture can be found at http://www.investbulgaria.com

This survey was compiled for CBI by ProFound – Advisers In Development
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