

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Distilled Spirits Product Brief

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Report Highlights:

Bulgarian's thirst for refined distilled spirits continues to grow with U.S. bourbon whiskies in high demand. In 2012, U.S. distilled spirits exports to Bulgaria set a record at more than \$6 million, which represented a three percent increase over the 2011 record and a 46 percent increase compared to 2010. Official data through May indicate continued strong demand for U.S. products despite the economic challenges prevalent in this region.

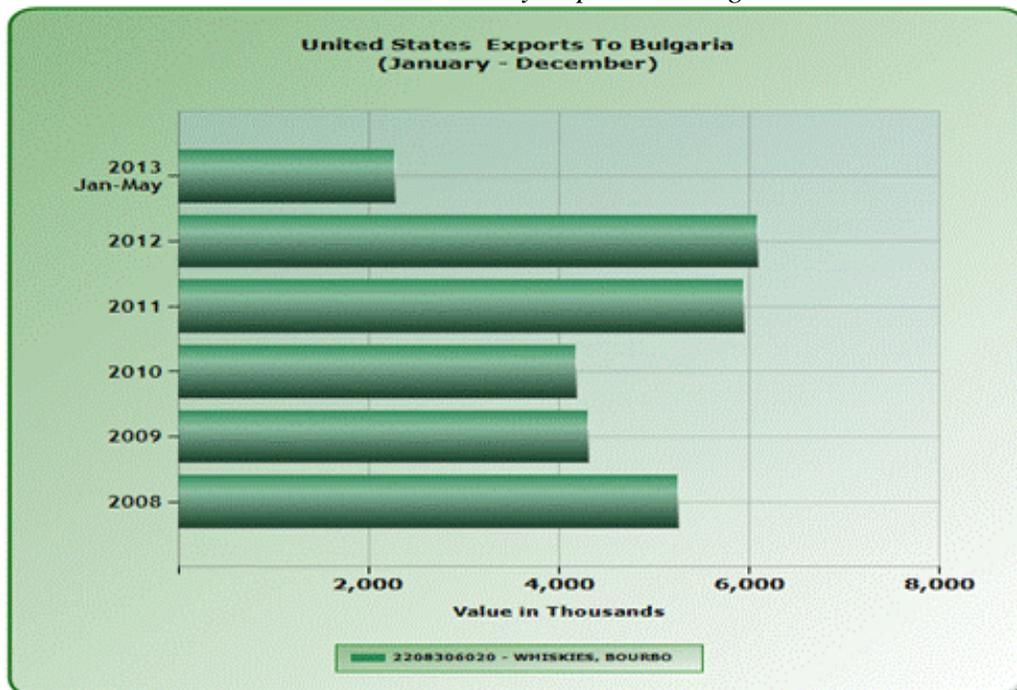
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SECTION I. MARKET OVERVIEW

- According to a World Health Organization’s (WHO) global status report on alcohol, during the period 2001-2006, Bulgaria ranked 30th in Europe in total annual consumption of alcoholic drinks averaging 12.4 liters per capita. Bulgaria’s population is 7.7 million of which 86 percent is above 15 years of age.
- In 2012 Bulgaria’s imports of distilled spirits set a record of more than \$6 million, up 3 percent from the previous year and almost 50 percent higher than 2010. In terms of volume, imports are up 6 percent compared to previous year. Trends suggest that total imports in 2013 will be even higher as data for the January – May 2013 period show trade up 12 percent compared to the same period in 2012 (*Source: BICO*).

Chart 1. U.S. Whiskey Exports to Bulgaria



Data Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

- In March 2004, in order to curb the high levels of spirits consumption in the country, the Bulgarian Parliament amended the Public Health Act to limit advertisement of high alcohol content drinks via electronic media. Spirits were placed apart from other types of alcoholic drinks with more stringent control on public promotion. As of January 2005 direct advertising became strictly forbidden, while indirect advertisements could only be broadcast on radio or TV after 10 p.m.
- The ban on advertising necessitated a thorough revision of marketing strategy for almost every manufacturer and importer. Both importers and local producers have a good understanding of the benefits of marketing. Imported spirits are supported through direct on-site promotional activities in retail outlets, bars and night clubs, merchandising and outdoor advertising. Maxxium, Pernod Ricard, Brown - Forman and Diageo (Avendi) are very active in promoting their brands, and the power of marketing is evidenced by the increase of imports in the past few years.

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Table 1: Opportunities & Challenges of the Distilled Spirits Market in Bulgaria

Opportunities	Challenges
Consumers consider U.S. products to be of very good quality, especially in premium segments.	Bulgarian spirits market is very price sensitive and consumers are oriented mainly towards products on promotion.
Many young Bulgarians maintain a close tie with the United States through travel, education and business exchange. Many of them identify themselves with new product trends emerging in the United States.	On-trade representatives report decline in sales due to the smoking ban in public places introduced in 2012.
Shift in consumption trends and demographics of drinking population generate demand for new innovations in products and wider choices (introduction of flavor whiskey lines and mixed drinks).	Production of homemade brandies and rakia accounts for about 50 percent of the consumption. Consumers become more interested in wine and beer.
The Bulgarian retail market is expanding offering more consumers access to modern retail options.	Retailers often charge high listing fees for products.

Market entry strategy

The largest portion (about 78 percent) of U.S. whiskey is introduced on the market from the importers through the so called modern trade channel – hypermarkets, supermarkets and smaller specialized shops. The remaining portion finds its way to consumers through the HRI channel. Imported alcohol is sold in 53 percent of all outlets in the country.

Currently, the largest distributor in terms of volume in Bulgaria is Avendi with market share of 33 percent, followed by Pernod Ricard (20.4 percent), Maxxium (16.8 percent), Transimport (13 percent), and a few smaller importers/distributors. The market share ratio in terms of value is similar. See below

charts.

Chart 2. Whiskey Distributors Market Share (Volume)

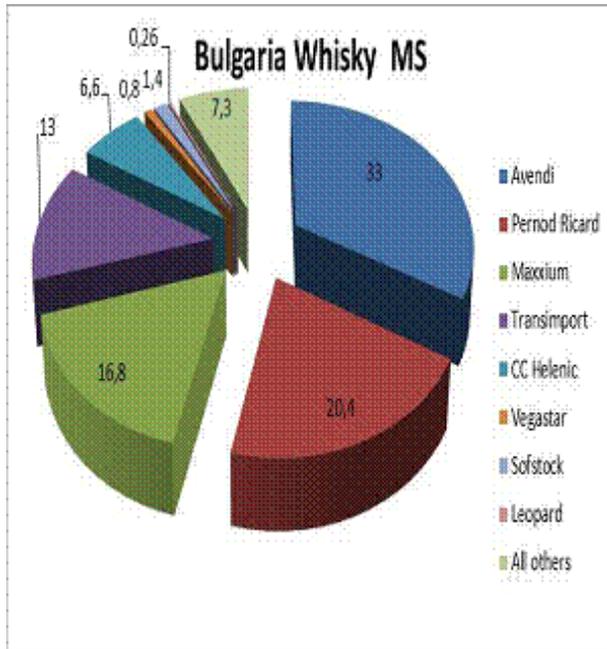
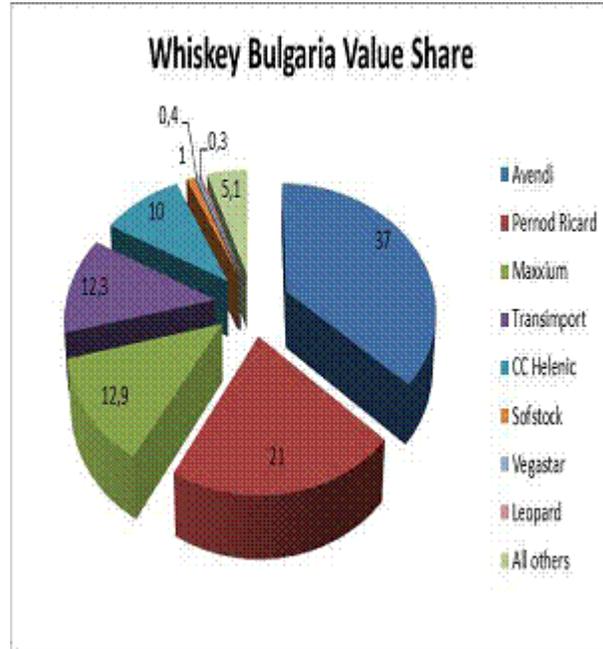


Chart 3. Whiskey Distributors Market Share (Value)



Source: Industry

The distribution channels are very important in terms of new product development, especially for promoting new imported products. Promotions are increasingly held on-site in grocery stores and hypermarkets, as most producers are already looking at in-store advertising, due to the ban on spirits advertising in the electronic media. This is also crucial for communicating innovative types of alcoholic drinks consumption, such as long cocktail drinks with vodka, bourbons, liqueurs and special rum-based cocktails. In this way, the distribution channel will help to rejuvenate ranges within spirits that are otherwise neglected by consumers.

Below are the contacts of organizations which may offer support and recommend marketing tools for new-to-market suppliers when planning entry/expansion plan in the Bulgarian market:

Local Organizations:

- **Bulgarian Association of Producers, Importers and Traders of Spirit Drinks (APITSD)** - non-profit organization with main mission to regulate the professional relations among the member-companies as well as to ensure the support of the Bulgarian government to the local spirits producers, importers and traders.

Address: Sofia 1000, Bulgaria,
 1 Racho Dimchev Str, floor 3, ap.13
 Telephone: +359-02-988-20-18
 Fax: +359-02-988-59-36
 Mobile: +359-888-32-90-76

e-mail: apitsd@mail.bg

- **Ministry of Agriculture and Food Marketing and Control Department**
55 Hristo Botev Blvd
1040 Sofia
Telephone: +359-2-985-11-199
Fax: +359-2-980-58-31
Website: www.mzh.government.bg/
- **Customs Agency**
47 G. S. Rakovski Str.
1202 Sofia
Telephone: +359-2-985-94-210 / 985-94-213
Fax: +359-2-985-94-061
E-mail: pr@customs.bg
Website: <http://www.customs.bg/en/>

American Trade Promotion Organizations:

Various regional and industry organizations in the United States offer marketing support to their member targeting foreign markets. General tools offered by the organizations include trade delegations to key foreign markets and exhibition booths in key trade shows.

- **Distilled Spirits Council of the United States (DISCUS)**
1250 Eye Street, NW, Suite 400
Washington, D.C. 20005
Telephone: +1-202-628-3544
Website: www.distilledspirits.org
- **Food Export Association of the Midwest USA**
309 W. Washington St., Suite 600
Chicago, Illinois 60606
Telephone: +1-312-334-9200
Fax: +1-312-334-9230
E-mail: thamilton@foodexport.org
Website: www.foodexport.org
- **Western United States Agricultural Trade Association (WUSATA)**
2500 Main Street, Suite 110
Vancouver, WA 98660-2697
Telephone: +1-360-693-3373
Fax: +1-360-693-3464
E-mail: janet@wusata.org
Website: www.wusata.org

- **Food Export USA - Northeast Region of the United States**

150 S. Independence Mall West
1036 Public Ledger Building
Philadelphia, PA 19106
Telephone: +1-215-829-9111
Fax: +1-215-829-9777
E-mail: jcanono@foodexportusa.org
Website: www.foodexportusa.org

- **Southern United States Agricultural Trade Association (SUSTA)**

2 Canal Street, Suite 2515
New Orleans, LA 70130
Telephone: +1-504-568-5986
Fax: +1-504-568-6010
E-mail: jim@susta.org
Website: www.susta.org

The U.S. exporters may obtain up-to-date listing of Bulgarian importers and distributors of distilled spirits by contacting the Office of Agricultural Affairs at the U.S. Embassy in Sofia (see Section IV).

1. **Market Size, Structure, Trends**

Retail chains in Bulgaria continue to expand operations despite the region's economic challenges. In 2012, the country had 1900 hypermarkets, supermarkets and drugstores, which was 400 percent more than in 2005. This number is projected to rise by 6-7 percent per year, reaching 2600 in 2016. Such retail operations hold a 35 percent market share, which is expected to grow to 40 percent in 2013 and to 50 percent by the end of 2014. At the same time these operations are expanding the Bulgarian Retailers' Association says the market has shrunk by 1.0 billion Euros over the last 3 years due to the declining consumption (source [BU1203](#)).

Specialty outlet stores dedicated only to sale of alcoholic drinks (spirits, wine and beer) are emerging in large cities and expanding to the rest of the country. They offer a wealth of choice of premium imported brands and rare, hard-to-find varieties, such as certain liqueurs. Significantly, they also offer a guarantee of quality, a key factor in Bulgaria.

For many years a distinguishing characteristic of national consumption habits has been the preference for spirits. Consumers favor a very popular locally-produced grape brandy called rakia, which has been on the tables of virtually every Bulgarian household for years.

Total consumption of spirits in 2012 is estimated at 8.4 million 9-liter cases or about 50 percent of all alcoholic beverages, including fruit-made spirits. Beer accounts for 30 percent, and wine takes third place with 19 percent. Other alcoholic beverages such as fermented beverages made from sorghum, rice, cider, etc. account for less than one percent.

The internal changes taking place within the spirits industry in the past few years have been dynamic. Rakia and vodka are the most important product types in volume terms and their overall industry performance to a great extent determines the performance of other types of spirits.

Although still the most popular drink in Bulgaria, rakia has gradually declined over the past few years mainly due to rising popularity of vodka among young consumers. The tourism and hospitality industry has been unable to boost rakia sales, as the Bulgarian national drink has failed to make an impression on foreign visitors. Rakia consumption is linked to food and appeals to the older generation, while vodka is more versatile and can be consumed on its own or in a variety of cocktails. This makes it appealing to consumers in different age groups and a popular drink in the growing number of commercial outlets.

Vodka is the second largest product area in spirits after rakia accounting for almost 30 percent of distilled spirits consumption. Vodka's steady performance can be attributed to the consolidation of sales in the hands of a few large domestic producers and importers, as well as quality and brand recognition. Competition between domestic producers and importers has become very intense, with advertising viewed as a necessity to ensure the success of a brand. Locally produced brands still enjoy better acceptance due to their price vs. quality ratio. The best sellers in the imported vodka segment are brands positioned in the Standard category with Finlandia being the leader with 22 percent, followed by Russian Standard with 19 percent, Sobieski and Absolut with 18 percent each. Unlike whiskey, the vodka category does not enjoy high brand loyalty. Both flavored and non-flavored brands are promoted, which helps generate interest in vodka as a whole. Overall volumes are declining, while imports are growing.

Table 2. Vodka Consumption – Local vs. Import

000s 9 Litre Cases	2003	2008	2009	2010	2011	2012	F'Cast 2013
Total	2,029.50	2,120.00	2,065.25	2,084.50	2,120.30	1,995.00	1,893.25
Local	1,915.00	1,885.00	1,850.00	1,825.00	1,830.00	1,705.00	1,600.00
Imported	114.50	235.00	215.25	259.50	290.30	290.00	293.25

Source: Industry

Whiskey sales are increasing in volume with standard and value brands having better consumer acceptance than the premium category. Scotch whiskeys are undisputable leaders on the whiskey market with 57 percent of market share, followed by Irish with 24 percent, and U.S. bourbon with 19 percent. U.S. whiskeys have introduced some flavor lines which helped boost sales without decreasing sales in their “mother” brands and helped increase the interest in the category. Consumption of ‘ready-to-drink’ (RTD) type bottled and canned low alcohol content beverages as well as cocktail recipes incorporating whiskey and other hard liquors have reported strong sales in bars and dance clubs frequented by younger adults recently, especially during the high summer tourist season.

Table 3. Whiskey Market Share (By Origin)

	Growth/ Loss (Volume)	Growth/ Loss (Percent)	Total Whiskey Volume Share (Percent)
TOTAL WHISKY	22.98	7.03	100
TOTAL SCOTCH	20.01	11.11	57
TOTAL BOURBON	4.34	7.16	19
TOTAL IRISH	(-1.53)	(-1.78)	24

Source: Industry

Production of local whiskey is still insignificant and is represented by the brands “Black Ram” and “Savoy”. Their share on the whiskey market is about 13 percent.

Table 4. Whisky Consumption – Local vs. Import

000s 9 Litre Cases	2003	2008	2009	2010	2011	2012	F'Cast 2013
Total	296.25	664.15	555.00	607.50	691.30	742.00	786.25
Local	70.00	180.00	115.00	95.00	100.00	100.00	100.00
Imported	226.25	484.15	440.00	512.50	591.30	642.00	686.25

Source: Industry

The American whiskey sales are mainly driven by Jim Beam and Jack Daniel’s and is showing increase in volume and small increase in value. The Irish whiskey category is in decline in both volume and value. This category is mainly preferred by the younger consumers with Jameson and Tullamore Dew being the most preferred brands.

Chart 4. Sales Value (BGN)

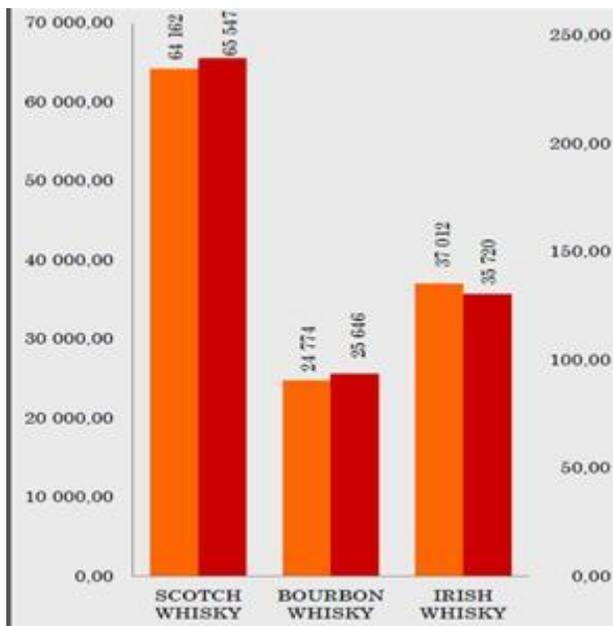
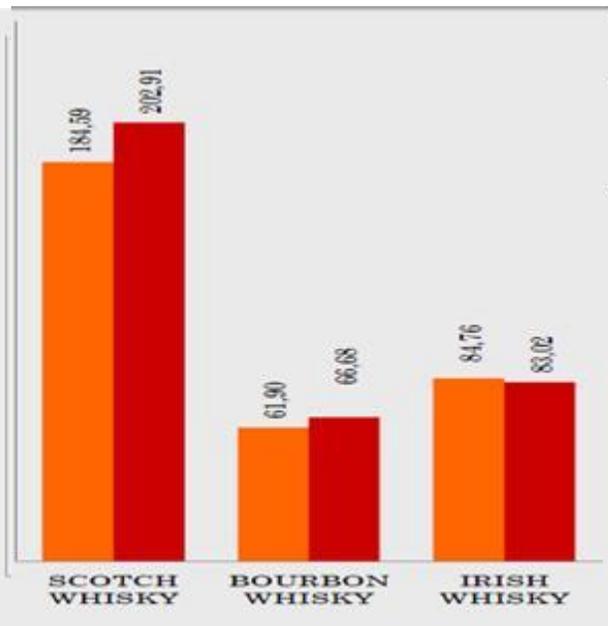
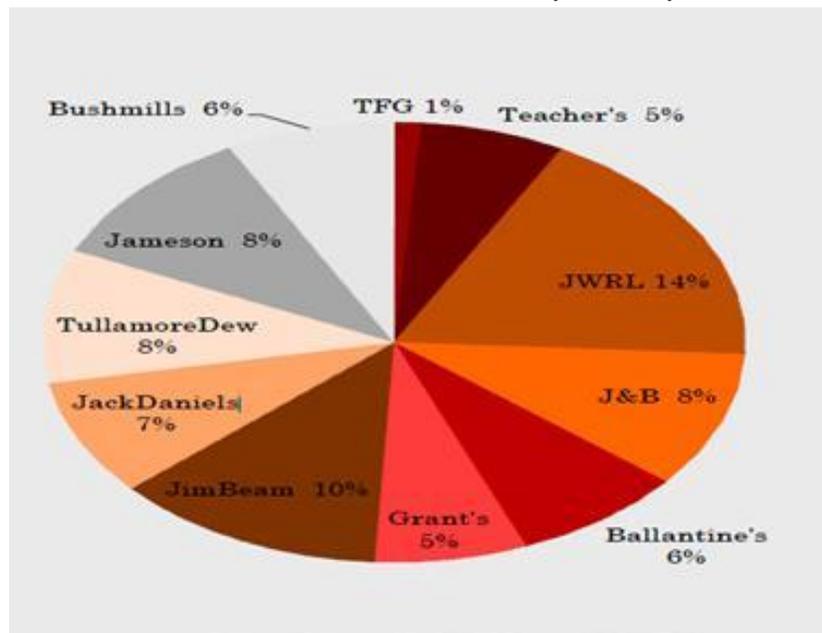


Chart 5. Sales Volume (8.4L 1000 cs.)



The whiskey brand ranking is again led by a Scotch whiskey – Johnnie Walker Red Label with 14 percent, followed closely by Jim Beam with 10 percent and Jack Daniel’s with 7 percent.

Chart 6. Sales Volume Market Share by Whiskey Brands



SECTION III. MARKET ACCESS

1. Tariff Schedule

For import tariffs, the EU has a unified tariff schedule, where the actual tariff rates for different products can be found. For more detailed information, the TARIC database is accessible from [here](#).

Table 5. HTS Codes and Descriptions

HTS Code	Code Description
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher; ethyl alcohol and other spirits, denatured, of any strength
2207 10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher
2207 20	Ethyl alcohol and other spirits, denatured, of any strength
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % volume; spirits, liqueurs and other spirituous beverages
2208 20	Spirits obtained by distilling grape wine or grape marc
2208 30	Whiskies
2208 40	Rum and other spirits obtained by distilling fermented sugar-cane products
2208 50	Gin and Geneva
2208 60	Vodka
2208 70	Liqueurs and cordials
2208 90	Other

It should be noted that each of this groups has a subgroup. For example Bourbon Whiskey has TARIC code **2208 30 11**, under its dominant group Whiskeys.

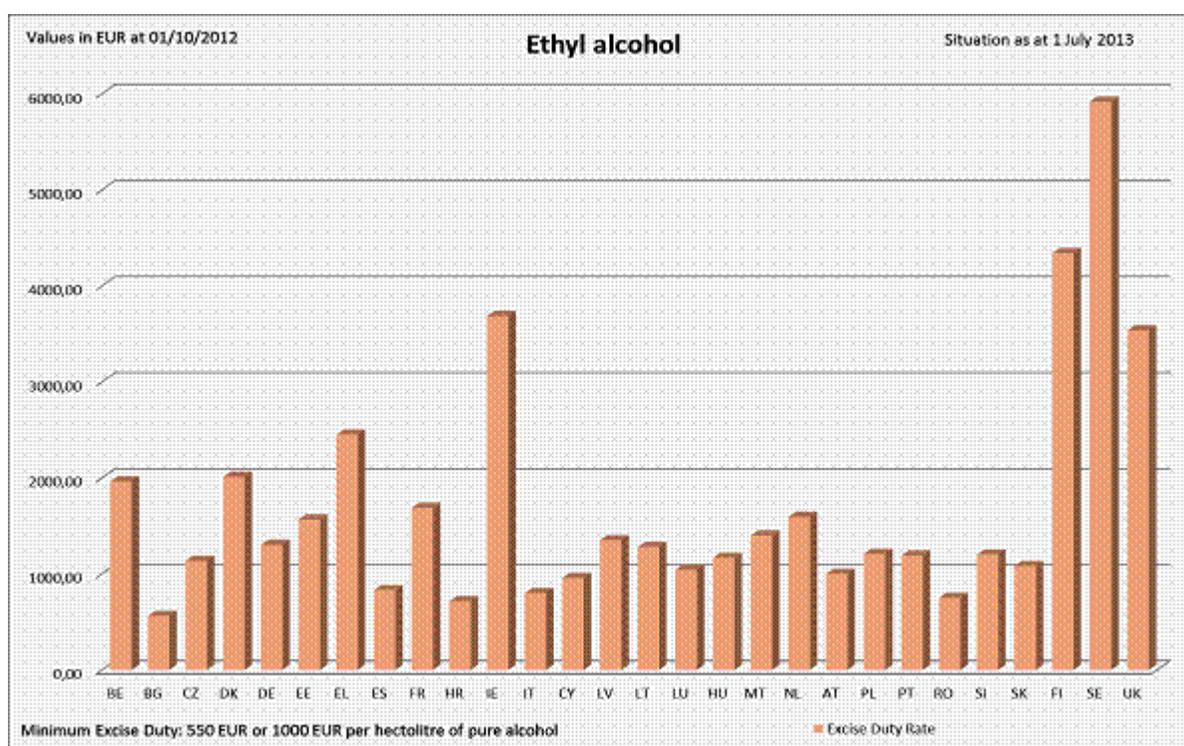
2. Excise Tax

The Excise Tax in Bulgaria currently has the lowest rate of all member states. For more detailed information about the excise tax rates for alcoholic beverages applicable in the European Union as of July 1st 2013 please refer to the official web page of the General Taxation and Customs Union Directorate at the European Commission [here](#).

Table 6. Excise Tax per Hectoliter of Pure Alcohol

THS Code	Description	Excise Tax Per Hectoliter of Pure Alcohol
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % volume or higher; ethyl alcohol and other spirits, denatured, of any strength	1,100 BGN
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % volume; spirits, liqueurs and other spirituous beverages except for the fruit growers' production	1,100 BGN
Other		1,100 BGN

Chart 7. Excise Tax Rates in the European Union (EU)



Source: [EU-Taxation and Customs Union](#)

3. Labeling Requirements

Labeling information must be written in Bulgarian and has to include these requirements:

- Name under which the product is sold
- Net quantity of pre-packed beverage in metric units
- Expiry date
- Any special conditions for storing or use
- Name or business name and address of the manufacturer, packager or importer established in the EU
- Instructions for use
- Indication of the acquired alcoholic strength for beverages containing more than 1.2 % by volume
- Lot marking on pre-packaged beverages

More detailed information related to the EU requirements for labeling, licensing, required documents and import procedures, taxes/tariffs and contacts can be found on the website of the Alcohol and Tobacco Tax and Trade Bureau [here](#).

SECTION IV. POST CONTACTS AND FURTHER INFORMATION

For further information about the Bulgarian agricultural market and for a current importer list, please contact:

Embassy of the United States of America
Office of Agricultural Affairs
16 Kozyak Street
1408 Sofia, Bulgaria
Telephone: +359-2-939-5774
Fax: +359-2-939-5744
E-mail: agsofia@fas.usda.gov
Website: <http://bulgaria.usembassy.gov/fas.html>