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Report Highlights:

As Bulgaria's thirst for distilled spirits continues to grow, U.S. whiskies remain popular. According to 2019 Bulgarian National Statistical Institute (NSI) data, U.S. distilled spirit exports to Bulgaria exceeded \$12.69 million, a slight increase over 2018, despite the European Union's (EU) 25 percent tariffs imposed on U.S. whiskies in 2018. However, prospects for 2020 and following years are uncertain due to additional EU tariffs currently scheduled for June 2021 and the ongoing COVID-19 pandemic.

SECTION I. MARKET OVERVIEW

COVID-19

The following report provides full-year data for calendar year 2019. Because data during the ongoing pandemic are still incomplete, Post seeks to provide updated information and developing trends.

Bulgaria's two main trade channels for spirits are through hotel, restaurant, and institutional sectors (HRI), and food and beverage retail. Bulgaria's HRI channel was severely hit by the COVID-19 pandemic in 2020. Nearly 44 percent of restaurants, bars, and entertainment outlets suspended operations and were forced to lay off staff following the official state of emergency from March 13 to May 13. After state of emergency measures eased during the latter half of May and June, over 70 percent of those businesses resumed operations, albeit at reduced capacity. On November 27, the Government of Bulgaria (GOB) introduced a second partial lockdown until January 31, 2021, which once again forced restaurants, bars, and entertainment establishments to close, except for food delivery. The HRI sectors reacted against this measure and argued that a large percentage of them would likely be forced to close permanently. Overall, 2020 HRI sales of distilled spirits are expected to decrease by up to 60 percent.

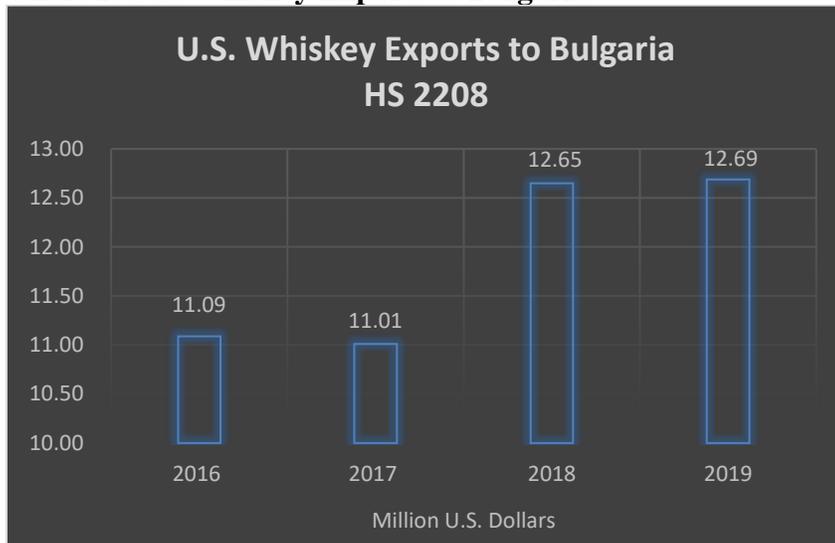
Following COVID-19's initial outbreak and the subsequent economic uncertainty, health concerns, growing unemployment, and decreased wages, consumer confidence dropped and consumption trends shifted away from high-end and impulse purchases toward staple products, which negatively affected distilled spirit purchases, especially in the premium segment. According to the Bulgarian Association of Producers, Importers, and Traders of Spirits ([Spirits Bulgaria](#)), the average Bulgarian household spends about two percent of its budget on alcoholic beverages, but in 2020 the lingering economic uncertainties led many households to reduce discretionary spending. Retailers achieved more success through promotions and discounts. According to industry sources, up to 80 percent of spirit sales were discounted from 15 to 30 percent. Despite the uptick in retail sales, overall sales could not make up for HRI's decline. Online alcoholic beverage sales grew during the first half of 2020 over the same period in 2019, mainly because of the mandatory social distancing requirements between March and May. Online sales continued to remain stable throughout the second half of the year. A slight sales uptick in online trade likely occurred around the Christmas and New Year holidays.

FAS Sofia is optimistic that by mid-2022, demand for distilled spirits will return to pre-COVID levels. Post expects the proliferation of vaccinations throughout the EU and Russia will increase travel and tourism.

General Overview

In 2019, Bulgaria imported roughly \$12.7 million of U.S. distilled spirits, a slight increase over 2018. (*Source: NSI transshipment statistics*). According to NSI food and beverage consumption statistics, total 2019 Bulgarian alcoholic beverage consumption averaged 32.6 liters per capita (including beer and wine), a five-percent increase over 2018 (home consumption only, not including HRI). Bulgaria's population is 6.95 million, of which nearly 86 percent is over the age of 15. The legal age to consume and purchase alcohol in Bulgaria is 18 years.

Chart 1. U.S. Whiskey Exports to Bulgaria



In an effort to curb what it perceived as excessive alcohol consumption, in 2004 the Bulgarian Parliament amended the Public Health Act to limit advertising for alcoholic beverages above 15 percent alcohol by volume (ABV). As a result, direct advertising for distilled spirits was restricted, although indirect advertising could continue on radio or television after 10:00 p.m. These restrictions forced importers to revise marketing strategies toward more direct, on-site promotions in retail outlets, bars, and nightclubs, as well as billboard advertising. Promotional activities by Maxxium, Brown-Forman (Coca-Cola HBC), Transimport, Pernod Ricard, and Diageo (Avendi) have contributed toward growing the market and increasing imports.

A comprehensive indoor smoking ban was introduced in 2012 which included bars, restaurants, and other public places. Although initially the bar and restaurant industries were negatively affected, they adjusted by expanding outdoor seating and installing heating devices during cold weather and business has resumed to normal levels.

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 standard and premium segments.	Bulgaria’s spirits market remains price sensitive and consumers tend to prefer products on promotion.
Many young Bulgarians maintain U.S. ties through travel, education, and business exchanges. Many young consumers identify with new U.S.-product trends.	In 2018, the EU imposed 25 percent tariff on U.S. whiskies, which resulted in up to 15 percent increase of their prices.
Shifting consumer trends and demographics stimulate product innovation and wider choices (introduction of flavor whiskey lines and mixed drinks).	Homemade brandy (rakia) accounts for nearly half of the consumption. Consumption of wine, beer, and spirits is growing slowly.

The Bulgarian retail market is growing and increasing volumes, offering more consumers access to modern retail options. Online trade is growing.	Retailers often charge high listing fees and require frequent product promotions and discounts.
Consumers are receptive to innovative products. Increasing wages, low unemployment, and improved drinking culture create demand for premium brands.	Growing health-consciousness creates demand for lower alcohol content drinks such as wine, beer, and cocktails.

Market Entry Strategy

The U.S. whiskey enters the market mainly from importers through local distributors, cash and carry outlets, supermarkets, hypermarkets, convenience stores, forecourt retailers, and specialty liquor retailers. Local distributors and cash and carry outlets also supply many HRI outlets. Home consumption of alcohol prevails in Bulgaria due to price sensitivity. In 2019, imported spirits accounted for about 20 percent of total consumption, a slight increase over 2018. Import growth suggests that many consumers are gradually switching from local to imported products, especially younger consumers. Bulgaria’s largest cities, namely Sofia, Plovdiv, Varna, Burgas, and Ruse, together accounted for more than two-thirds of imported spirit sales.

Currently, the largest importers and distributors in Bulgaria are Maxxium, Avendi (Diageo), Pernod Ricard, Transimport, Sofstok, FIB Trade, and Selected Brands. In 2014, Brown-Forman’s portfolio moved to Coca-Cola HBC and in 2016 Coca-Cola HBC acquired the distribution rights of Edrington Group’s spirits brands, which slightly repositioned the market.

Distribution channels are important in terms of new-product development, especially for promoting new imported products. Promotions are increasingly held on-site in supermarkets and hypermarkets due to the abovementioned advertising restrictions. This is also crucial for communicating cocktail innovations for 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.

U.S. exporters may obtain up-to-date listing of Bulgarian importers and distributors of distilled spirits by contacting the U.S. Embassy’s [Office of Agricultural Affairs \(OAA\)](#) (also see Section IV).

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.

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American Trade Promotion Organizations:

U.S. exporters can receive market information and support from their respective U.S. State and Regional Trade Groups (SRTG) and state departments of agriculture. General tools offered by the organizations include trade delegations to key foreign markets and exhibition booths in key trade shows. For more information, contact the SRTG responsible for your state [here](#). The Distilled Spirits Council of the United States ([DISCUS](#)) is also an import resource and serves as the trade association representing producers and marketers of U.S. distilled spirits products.

Market Size, Structure, Trends

Retail: In 2019, the total number of Bulgarian grocery retail outlets was 41,306, of which 3,294 were modern retail outlets. According to Euromonitor, 2019 modern retail sales of distilled spirits reached BGN 6.55 billion (\$3.77 billion) and accounted for 55 percent of total sales. The remaining 45 percent, almost BGN 5.34 billion (\$3.08 billion), was through over 38,000 traditional grocery outlets. 2019 growth in Bulgaria's food retail market was mostly driven by increased consumer confidence, which is reaching EU-average levels, aggressive marketing campaigns, declining unemployment, growing incomes, and more international tourism (9.31 million, up 0.4 percent over 2018). For more information about the retail market, please see Post's [Retail Market report](#).

Specialty alcohol retailers (spirits, wine, and beer) are emerging in large cities and expanding to the rest of the country. Many offer premium imported brands and rare, hard-to-find, varieties of products. Significantly, they also guarantee quality, a key factor in Bulgaria. There are no restrictions about operating hours for retail or HRI outlets that offer alcoholic beverages. Many shops are open around the clock and offer alcohol at any time of the day.

HRI: HRI has developed dynamically in recent years, with economic and demographic changes, tourism, shopping malls, and upscale urban bars and restaurants driving growth. In 2019 and by March 2020, the sector continued to see strong growth due to improving consumer purchasing power and Bulgaria's low-cost tourism destination image. According to Euromonitor, in 2019 there were 40,281 consumer service outlets in Bulgaria, two-thirds of which are café/bars and full-service restaurants. The HRI channel accounts for nearly 30 percent of total spirits consumption.

According to the industry data, total consumption of spirits (whiskey, vodka, gin, tequila, rum, brandy, including locally produced rakia, liqueurs, and flavored spirits) in 2019 is estimated at about 75 million liters. Wine consumption is estimated at about 130 million liters, and beer at about 5.3 million

hectoliters (HL). Consumption of other alcoholic beverages such as fermented beverages made from sorghum, rice, cider, etc. is not significant, although cider consumption has grown in recent years. Rakia and vodka are the most widely consumed distilled spirits by volume.

Rakia is Bulgaria's national spirit and its most popular drink, accounting for over 46 percent of total spirits consumption. The tourism and hospitality industry has helped increase rakia sales, as tourists are eager to sample traditional and authentic Bulgarian rakia. Rakia consumption is linked to meal consumption and appeals to older generations, while vodka and whiskey are more versatile and can be consumed on their own or in cocktails. Although less expensive brands continue to dominate this category, there is a notable trend in favor of more premium products due to modern retail expansion and more disposable income, particularly in urban areas. Homemade rakia accounts for a large portion of consumption. However, there are no official statistics about the actual production. According to unofficial data, it could be between 45-50 percent of total consumption.

Vodka is the second largest product area in spirits after rakia, accounting for more than 20 percent of total distilled spirits consumption. Vodka consumption grew by over five percent in 2019, reversing its previous downward trend. Vodka's performance can be attributed to the consolidation of sales in the hands of a few large domestic producers and importers, as well as improved quality and brand recognition. Competition between domestic producers and importers is intense. Locally produced brands still enjoy much better acceptance due to their price versus quality ratio and accounted for more than 80 percent of total vodka consumption in 2019. Unlike whiskey, vodka consumers are less brand loyal. Both flavored and non-flavored brands are promoted, which helps generate interest in vodka as a whole. There is a notable consumer shift from vodka to whiskey due to insignificant price differences, and due to consumers' being strongly influenced by marketing and the perception that whiskey carries a higher status than vodka. U.S. vodka still does not enjoy high popularity in Bulgaria and is mainly represented by two brands, namely Tito's Handmade and Skyy vodka.

Whiskey sales are increasing, particularly among standard and value brands, although premium brands also saw slight growth in 2019. In 2019, Scotch whiskies led the Bulgarian whiskey market with nearly 40 percent of total market share, followed by Irish whiskey with 16 percent, and U.S. bourbon and Tennessee whiskies with nearly 10 percent. Consumption of local whiskey is significant with market share of nearly 35 percent. Canadian, Japanese, Taiwanese, and other imported whiskies represent less than one percent.

U.S. whiskies introduced some product lines such as Jack Daniel's Honey, Jim Beam Honey, Jim Beam Apple, as well as rye varieties (Woodford Reserve Straight Rye, Jim Beam Rye, Bulleit 95 Rye, Hudson Manhattan Rye, Journeyman Rye) and four grain (Hudson Four Grain), which helped boost sales without decreasing sales in their "mother" brands and helped increase the interest in the category. Despite market challenges, American whiskey showed steady presence in 2019 with a slight growth as compared to 2018, with Jim Beam and Jack Daniel's accounting for over 90 percent of sales. Relatively new-to-market products like Jim Beam Signature Craft, Jim Beam Double Oak, Gentleman Jack, and Jack Daniel's Legacy Edition helped maintain consumer interest in these brands. Other U.S. brands such as Four Roses, Maker's Mark, Wild Turkey, Bulleit, Woodford Reserve, Southern Comfort, Hudson, and Knob Creek have also stirred consumer interest in U.S. whiskies. The newest additions like Eagle Rare, Buffalo Trace, Jefferson's, Evan Williams, Cedar Ridge, Journeyman, and Kentucky Owl enriched

the U.S. whiskey category and helped it compete better against Scotch and Irish whiskies on the Bulgarian market.

According to Eurostat, U.S. distilled spirit imports in Bulgaria dropped by 21 percent for the period January-October 2020 compared to the same period in 2019. This is mainly as a result of the already developing tariffs effect as well as the COVID-19 related stagnation of sales, especially in on-trade channel. In the first 10 months of 2020, the pandemic caused a 16 percent drop of the imports of distilled spirits category in Bulgaria in general, including Scotch and Irish.

Scotch whiskies traditionally enjoys steady growth between two and five percent every year. Leading brands on the Bulgarian market are Johnnie Walker, with nearly one-third of total Scotch whisky sales, followed by J & B, Grants, Ballantine's, and Passport. On December 24, 2020, the UK Government and the EU announced agreement on the core elements of a post-Brexit trade agreement. While no new tariffs or quotas were established for trade in goods, various new non-tariff barriers, such as increased border checks and new criteria for exporting British goods into EU may be applied to UK shippers.

Irish whiskey sales increased by less than two percent in 2019, which turned the downward trend of the previous three years. Jameson, Bushmills, Tullamore Dew, and Paddy tend to be the most widely consumed Irish whiskey brands.

Gin showed the most notable growth by more than 20 percent in 2019, mainly due to the increasing popularity of cocktail culture among millennials and female consumers as well as increased demand during the summer season. Sales of rum, cognac, and flavored spirits declined slightly in 2019. Gin, tequila, and rum tend to peak in popularity during the summer and sell mainly through on-trade channels, especially at Black Sea resorts.

SECTION III. MARKET ACCESS

Tariff Schedule

The EU maintains a unified tariff schedule and lists actual tariff rates for different products. For more detailed information, please refer to [TARIC](#) database. Post notes that each group has a sub-group. For example, bourbon whiskey has TARIC code 22083011, under its dominant group 220830 - Whiskies.

In June 2018, the European Commission adopted [Implementing Regulation \(EU\) 2018/886](#) to impose retaliatory tariffs in response to U.S. Section 232 tariffs on steel and aluminum. This negatively affected the U.S. agricultural exports (spirits in particular) to the EU, including Bulgaria. In November 2020, the EU imposed additional set of 25 percent tariffs on U.S. rum, brandy, vodka, and vermouth in connection to the Boeing dispute. U.S. exporters will likely experience short- to medium-term drops in demand among importers of these and other high-end products.

According to [Implementing Regulation \(EU\) 2018/886](#), if the steel and aluminum dispute is not resolved by June 1, 2021, the EU will impose a second round of tariffs imported U.S. good, to include four CN codes for U.S. bourbons and whiskies (2208 30 11; 2208 30 19; 2208 30 82; 2208 30 88). These products were also hit with a 25 percent duty in 2018 when the first list went forward. If this happens, U.S. whiskey exports to the EU will face an overall 50 percent duty as of June 1, 2021.

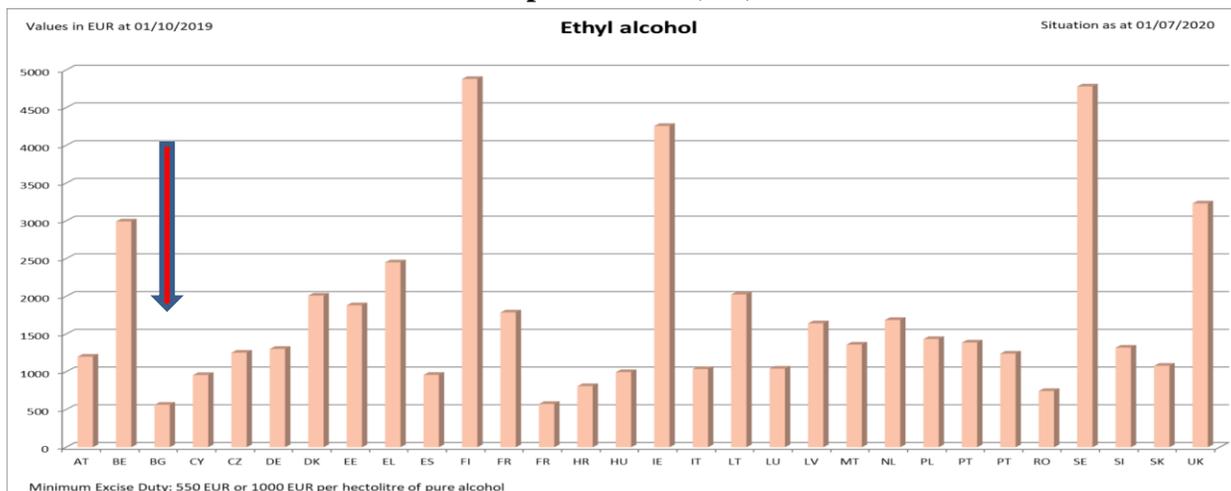
Table 2. HTS Codes and Descriptions

HTS Code	Code Description
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 percent volume or higher; ethyl alcohol and other spirits, denatured, of any strength
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 percent 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

Excise and Value Added Tax (VAT)

EU legislation sets harmonized minimum rates. EU Member States are also free to apply additional excise taxes above these minima, according to their own national needs. The minimum rate set for one HL of pure alcohol is EUR 550 (\$680). Bulgaria’s excise tax is currently among the lowest rate of all Member States at BGN 1,100 (\$690). For more detailed information about the excise tax rates for alcoholic beverages applicable in the EU, please refer to the official web page of the General Taxation and Customs Union Directorate at the European Commission, [here](#). The full list of the excise tax rates applicable in the EU as of July 1, 2020 is available [here](#). The VAT rate in Bulgaria is 20 percent.

Chart 2. Excise Tax Rates in the European Union (EU)



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

Labeling and Language Requirements

Labeling information must be written in Bulgarian and has to include the below requirements. Detailed information about labeling requirements can be found in the Bulgarian [Act on Wine and Alcoholic Beverages](#) (page 42, Section VIII).

- The trade name of the drink
- The nominal volume
- Sign "e" – the quantity of the drink responds exactly to the one, indicated in the label
- Real alcohol contents of the drink
- Number and/or date of the produced lot, where before them the sign "L" shall be placed
- Number of the technical specification of the drink
- Name (company) and central address of the producer
- Name (company) and central office of the bottling undertaking, where the drink is bottled

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 U.S. Department of Treasury [Alcohol and Tobacco Tax and Trade Bureau](#). Additional information can be obtained from [EU Regulation 1169/2011](#) on the provision of food information to consumers and on the web page of the [United States Mission to the European Union](#).

SECTION IV. POST CONTACTS AND FURTHER INFORMATION

If you have questions or comments regarding this report, need assistance exporting to Bulgaria, a list of Bulgarian wholesalers and distributors, or are looking for the Foreign Buyers Lists (FBL), please contact the U.S. Office of Agricultural Affairs in Bulgaria.

[Office of Agricultural Affairs](#)

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