Voluntary _ Public

Date: 7/7/2015
GAIN Report Number: BU1522

Bulgaria

Post: Sofia

Popcorn Market Update

Report Categories:
Product Brief
Grain and Feed

Approved By:
Russell J. Nicely
Prepared By:
Mila Boshnakova

Report Highlights:

The snack foods market, especially for popcorn, has developed dynamically over the last several years. Prior to the democratic changes of the 1990s, Bulgaria used to grow and produce small quantities of popcorn which people prepared at home for home use. Street vendors with portable popcorn-makers were very popular, especially in the spring and summer seasons and in resort areas. Microwave popcorn was not yet available due to a lack of microwave ovens. Around year 2000, households began to upgrade their kitchens and microwave popcorn started to grow quickly in popularity. Ready-to-eat packaged microwave popcorn imports grew. The first industry players emerged. These companies imported U.S. popcorn in bulk and manufactured ready-to-eat flavored microwave popcorn.

Over the last several years, the volume and value popcorn sales increased and more players entered the market while manufacturing capacities expanded. Some of the market leaders launched contract production programs with select farmers by importing U.S. popcorn seeds (as well as from Argentina,

Spain and Hungary) and supplying it to farmers against purchase of the ready product. As a result, the local popcorn supply increased, processing expanded and the young industry began to export ready-to-eat microwave popcorn to the EU, the Balkan countries and the Middle East.

At the same time, the local snack foods markets also grew in value and diversified. Today an increasing number of farmers grasp the opportunity to produce popcorn as a specialty, premium crop which provides a good market niche in times of depressed commodity prices. The market for U.S. popcorn seeds continues to improve as the country exports an increasing volume of value-added product.

U.S. exporters have very good potential to supply this market both through exports of seeds and through exports of popcorn for further packaging.

General Information:
Trade

Imports

Imports consist of three major segments: - bulk popcorn ready to be further manufactured into microwave or popped popcorn for direct sales; - popcorn genetics (planting seeds), and ready-to-eat packaged microwave popcorn.

Currently, Bulgaria has 10-15 major local players wo manufacture popcorn. Some of them are strictly specialized in popcorn (3-5), and the rest are companies which carry product lines of snacks such as tree and ground nuts, berries, dried fruits, chips, etc. All of these companies also import and export. Most, if not all of them, import U.S. popcorn kernel in bulk which are further manufactured into microwave popcorn or ready-to-eat products. These imports from the U.S. (mainly Nebraska, Indiana) in the period 2010-2014 varied between U.S. $160,000 and U.S. $460,000. Major competitors were Argentina (U.S. $360,000- U.S. $830,000), and Hungary (U.S. $330,000- U.S. $860,000). Per industry estimates (there is not a separate specific tariff number for these imports), this market is estimated at around U.S. $2.2 million and about 2,500 MT - 2,800 MT. (Table 3)

There are 3-4 industry players that specialize in popcorn snack manufacturing and have contracting programs with farmers. They import U.S. popcorn seeds (mainly from Nebraska) as well as from Argentina, Spain, France, and Hungary. Planting seeds are provided to farmers against purchase of the ready popcorn crop. Over the last 3-4 years this became an increasingly attractive business. New hybrids, although producing lower yields compared to commercial field feed corn, enjoyed prices from 250% to 400% higher that of field corn. There is no hard data about these imports (no separate tariff number) but industry sources estimate this trade at around U.S. $3-4 million. Total corn genetics imports in Bulgaria grew substantially since 2010 from U.S. $15 million to U.S. $45 million or by 300% due to gradual increase in areas but mainly due to the demand for better genetics. Demand for imported popcorn genetics was also part of this trend.   Availability of local genetics is limited with a few hybrids offered by a local public research institute. (Table 2)

Planted areas under popcorn expanded and are currently estimated at 8,000 HA to 12,000 HA. Post estimates production at 15,000 MT to 20,000 MT. Area per a farm is limited since popcorn is still considered as a specialty crop (on average about 150-250 HA/farm). Irrigation is currently an important limitation on expansion. However, it is likely that later in 2015 and in 2016, the Ministry of Agriculture (MinAg) will launch a new program for investment in irrigation equipment and infrastructure with EU funds under the Rural Development Program and farmers have already expressed a high interest in such investment projects. Another barrier is the limited number of local traders offering such contracts which does not provide many options for farmers. Some farmers have already indicated that margins are shrinking and that they may slightly reduce their planted areas next year.

Popcorn manufacturers benefitted significantly from changing the trade pattern from importing popcorn to importing seeds and launching production programs. Manufacturers have expanded their facilities by importing U.S. and Canadian equipment over the last 3 years. One of the market leaders undertook a major increase in capacity 3 years ago and another player is currently expanding. Reportedly, the new capacities will allow the industry to manufacture up to 25,000 MT of popcorn.

A higher local supply allowed the Bulgarian industry to begin exporting. For example, a local company which claims to be the largest popcorn manufacturer in South East Europe, exports to more than 30 countries – the EU, India, Pakistan, Egypt, Russia, and even the United States. In the countries of Benelux, the company is a supplier to three retail chains under private label. Another company recently launched exports of packaged flavored popped popcorn to Japan using traditional flavors such as rose oil and yogurt. A third player has emphasized production under private labels for the Russian market. A fourth one is producing under a private label for the Greek market. Regardless of the marketing approaches, all popcorn manufacturers make every effort to produce a wide range of flavored popcorn (salt, extra butter, coconut oil, peanut butter, cheese, olives, honey, hot pepper, hot dog, ketchup, mushrooms, caramel, rose oil, yogurt, herbs, honey, chocolate, pizza, barbeque, cream, strawberries, apple and cinnamon) or popcorn with whole pieces of extra ingredients such as cheeses or olives.
The third segment is imports of packaged, ready to eat microwave popcorn. These imports used to be over 3,000 MT in 2010 (U.S. $1.1million) but have gradually declined to about 250 MT in 2014 (U.S. $580,000). Main exporters to Bulgaria are the Czech Republic, Hungary and Spain. Higher local supply is the main reason for the declining imports. (Table 4)

Thus total imports in the above 3 segments is currently estimated at about U.S. $6.5- U.S. $7.0 million. The tendency is to see more imports of popcorn genetics vs imports of ready-to-eat popcorn. Still the structure of this trade will be dominated by the price movements since popcorn is considered to be a low-end snack. Some industry sources think that with the lower prices of corn, and respectively popcorn, imports of bulk popcorn for further manufacturing may turn out to be more beneficial than imports of genetics and organization of contracting programs. Others think that that price premiums and good domestic support (subsidies) will still make locally grown popcorn more attractive and price competitive vs imports, especially if irrigation programs allow for more investments. In this case, this business could become more sustainable in the future and can rely on more stable local supply.

Exports

Exports of ready-to-eat popcorn in various forms (HS#22089985) in 2010-2014 ranged from U.S. $3.6 million to U.S. $5.4 million (1,700 MT to 10,500 MT). In 2014, the major markets were the Netherlands, followed by Russia, Poland, Italy and Greece. Still sales to the neighboring countries such as Romania, Macedonia, Serbia, Greece and Turkey are more stable than exports to far destinations. Exports to the Middle East are growing. For the first quarter of 2015, exports in tonnage increased by 11% while in value it decreased by 11% due to over 20% decline in the average export unit price. Recent expansion of local capacities and diversification of the product list (flavors) shows that the local industry is determined to growth in exports which is the main driver behind these investments. (Table 5)

Local Market Development and Trends

The local market is estimated at about 8,000 MT-9,000 MT in volume and U.S. $10 million. The snack popcorn product list is diverse – packaged microwave popcorn, packaged popcorn for home popping, packaged popped ready-to-eat popcorn, packaged salted corn seeds, bulk popcorn for direct consumption at movie theaters, and made on the spot popcorn at sport events and at the streets by popcorn-makers vendors.

Industry estimates show that the biggest is the share (in value) of microwave popcorn (60%), followed by popcorn sold at movie theaters (25%), on-spot made popcorn (10%) and packaged ready-to-eat popcorn (5%). Overall, retail sales dominate in volume while food service sales dominate in value (rough industry estimate 60:40).

The most dynamic segment of the market is the sales at movie theaters. Bulgarians did not have the habit of eating snacks at the movie theater in the past but this new behavior has been developed by the quick growth in new IMAX and contemporary movie theaters since 2006. The number of these outlets (halls) in 2014 was 54% more than in 2007, although the number of movie theaters declined by 20% due to the tendency to make them bigger and associated with shopping malls to order to benefit from the visitors' flow. As a result, the average visits per movie theater increased by 245% and the total number of visits grew by 94% to reach above 5 million in 2014 as compared to 2007. This trend made the segment the most fast growing sales channel. The prospects for this channel are very good although future development is likely to see slower, more gradual growth. (Table 1)

At the retail level, microwave popcorn dominates over popcorn for popping, followed by ready-to-eat popped popcorn. Packages for retail sales of popped popcorn are in 40, 60, 80, 100, 160, 200, 500 grams, while microwave popcorn is usually sold in 100 gram packs. Popcorn ready for popping is sold usually in 200 gram packs (see examples of packages at the bottom of the report).

The industry makes efforts to emphasize several popcorn characteristics: lack of or low cholesterol, no trans-fats, freshness, and GMO-free. Periodically, there are campaign against GM- products and popcorn is one the most attacked products which forces suppliers to deny media speculations and allegations.

Although the local market remains limited in terms of volume sales, it is believed that it will grow with more purchases of added-value popcorn such as various flavors (at the retail level) and higher consumption of popcorn in value in the food service segment.

Table 1. Movie Theaters Development 2008-2014

Movie Theaters Development 2007-2014							
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Number of theaters	57	56	42	43	41	40	49
Screens(halls)	109	135	151	150	150	157	196
Number of performances	159,765	173,140	207,275	255,190	242,700	248,486	282,202
Visits (000)	2,429	3,041	4,157	4,649	4,257	4,760	5,097
Average number of visitors per a movie theater (000)	42.6	54.3	99.0	108.1	103.8	119.0	104.0
Source: National Statistics							

Table 2. Imports of Corn Genetics 2010-2014

Bulgaria Import Statistics					
Commodity: 100510, Corn (Maize) Seed, Certified, Excluding Sweet Corn					
Calendar Year: 2010 - 2014, Year To Date: 03/2014 & 03/2015					
United States Dollars					
Partner Country	**Calendar Year**				
	2010	**2011**	**2012**	**2013**	**2014**
World	15,392,750	21,354,795	35,296,235	38,534,440	44,853,399
Romania	10,972,244	12,399,744	19,735,231	28,051,357	26,778,629
Hungary	3,206,154	5,163,203	7,253,619	5,257,294	9,803,809
France	498,432	1,143,730	5,546,252	3,266,552	5,706,761
Serbia	135,189	122,172	208,687	863,375	894,959
Croatia	0	0	50,587	389,595	827,580
Austria	239,063	1,750,714	945,730	184,808	311,356
Greece	112,640	210,620	552,973	391,553	250,670
Italy	27,423	88,235	141,570	0	148,866
Germany	10,815	12,450	143,814	1,386	58,281
Turkey	0	63,091	0	53,093	31,349
United States	0	0	0	61,491	22,927
United Kingdom	55,063	0	0	0	0
Slovakia	47,032	393,588	700,132	0	0
Source of Data: Eurostat					

Table 3. Imports of Corn for Processing 2010-2014

Bulgaria Import Statistics					
Commodity: 10059000, Maize (Excl. Seed For Sowing)					
Calendar Year: 2010 - 2014, Year To Date: 03/2014 & 03/2015					
United States Dollars					
Partner Country	**Calendar Year**				
	2010	**2011**	**2012**	**2013**	**2014**
World	20,803,976	24,717,817	22,436,554	11,632,266	5,770,566
Greece	2,127,329	1,322,031	3,449,525	2,948,910	2,354,785
Romania	2,313,908	5,027,089	1,286,655	6,036,863	771,815
Serbia	7,551,661	5,758,432	1,840,817	0	663,633
Argentina	513,783	365,263	831,279	693,206	637,062
United States	449,005	362,635	331,874	155,426	459,740
Hungary	7,805,362	11,708,923	11,889,893	858,127	324,354
Russia	0	0	0	70,936	208,196
France	30,631	20,980	0	270,468	42,855
Egypt	0	0	0	0	24,896
Sweden	0	0	0	0	5,715

Poland	0	0	0	9,844	3,664
South Africa	0	0	21,316	91,002	0
Austria	0	0	12,582	16,536	0
Germany	0	0	2,402,469	35,243	0
Italy	0	24,727	3,408	0	0
Ukraine	0	0	76,778	0	0
United Arab Emirates	0	45,182	0	0	0
Source of Data: Eurostat					

Table 4. Imports of Prepared or Preserved Popcorn 2011-2014

Bulgaria Import Statistics							
Commodity: 20089985, Maize [Corn], Prepared Or Preserved, Not Containing Added Spirit Or Added Sugar (Excl. Sweetcorn [Zea Mays Var. Saccharata])							
Calendar Year: 2010 - 2014, Year To Date: 03/2014 & 03/2015							
United States Dollars							
Partner Country	**Calendar Year**				**Year To Date**		
	2011	**2012**	**2013**	**2014**	**03/2014**	**03/2015**	**%Change**
World	1,303,774	384,707	789,585	580,126	176,111	162,451	-7.76
Czech Republic	108,911	195,891	314,823	269,380	89,995	72,272	-19.69
Hungary	149,698	78,370	353,357	250,996	45,089	73,675	63.4
Spain	124,606	88,603	34,714	49,451	40,235	0	-100
Lithuania	0	0	13,316	6,611	793	8,918	1025.17
Greece	875,861	12,534	0	0	0	5,290	n/a
Source of Data: Eurostat							

Table 5. Exports of Prepared or Preserved Popcorn 2011-2014

Bulgaria Export Statistics								
Commodity: 20089985, Maize [Corn], Prepared Or Preserved, Not Containing Added Spirit Or Added Sugar (Excl. Sweetcorn [Zea Mays Var. Saccharata])								
Calendar Year: 2010 - 2014, Year To Date: 03/2014 & 03/2015								
United States Dollars								
Partner Country	**Calendar Year**				**Year To Date**			
	2011	**2012**	**2013**	**2014**	**03/2014**	**03/2015**	**%Change**	
World	3,988,562	3607,619	3,845,793	4,495,870	1,242,500	1,104,636	-11.1	
Netherlands	2,196	494,748	614,824	1,325,152	353,130	315,705	-10.6	

Russia	794,602	1,165,053	737,522	614,691	143,043	141,324	-1.2	
Poland	383,533	297,324	389,136	494,969	175,582	120,102	-31.6	
Italy	5,182	64,336	226,096	248,720	82,456	94,590	14.7	
Greece	1,081,960	243,746	226,907	227,699	79,566	65,211	-18.0	
Ukraine	110,418	83,050	151,024	190,328	77,086	32,534	-57.8	
Latvia	66,751	65,318	117,262	179,808	49,792	26,052	-47.6	
Germany	13,426	71,836	117,998	152,220	25,561	22,049	-13.7	
Israel	18,941	0	0	122,914	0	0	n/a	
Japan	11,704	39,968	52,130	95,032	51,561	32,684	-36.6	
Macedonia	46,162	47,068	76,712	90,587	25,723	31,811	23.6	
Lebanon	0	0	62,731	88,187	0	17,275	n/a	
Hungary	99,285	73,154	68,521	76,866	30,615	9,194	-69.9	
Romania	425,101	130,740	259,687	70,204	55,471	31,965	-42.3	
Source of Data: Eurostat								