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*The Marketing Structure in Agribusiness during the Transition
in Bulgaria*

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The Marketing Structure in Agribusiness during the Transition in Bulgaria

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Abstract: Bulgaria is moving toward a food processing and marketing system which resembles that of Western Europe and the U.S. Large grocery chains from Germany, Australia and Turkey are building supermarkets and hypermarkets in Bulgaria's larger cities. However, income in Bulgaria remains much lower than in Western Europe and most Bulgarian consumers cannot afford to shop in the new stores yet. Neighborhood markets, which serve average Bulgarians, are expanding their product selections and remain the primary shopping venue. Food processing plants in Bulgaria are being upgraded to meet EU standards. Farmers are getting more efficient as land is consolidated. On the whole, the agriculture and agribusiness sectors in Bulgaria are improving.

JEL codes: O52, P23, Q13

Keywords: Bulgaria, food marketing, transition

Changes in Agricultural Marketing Since 1989

Background

Bulgaria is located in southeastern Europe, bordering the Black Sea, between Romania and Turkey. It is slightly larger than the state of Tennessee. Its population in 2004 was estimated at about 7.5 million. The median age of its population is 40.5 years and its population is declining at the rate of .92% per year. In contrast, the median age of the U.S. population is 36 years and it is growing at the rate of .92% per year (CIA).

The gross domestic product per capita in 2003 was \$7,600 and the real GDP growth rate was 4.3%. In contrast, its neighbor Greece had a GDP per capita of \$20,000 and a growth rate of 4.7%; Turkey had a GDP of \$6,700 and a growth rate of 5.8%. (CIA)

Bulgaria has a temperate climate with cold, damp winters and hot, dry summers. About 40% of its land is classed as arable and 1.92% is in permanent crops (orchards, vineyards, etc.). In contrast 19% of the land in the U.S. is arable and .22% is in permanent crops. Bulgaria is a cornucopia. Whatever the condition of the government or the economy, Bulgarians have rarely been short of food.

Bulgarian agriculture is diverse. During the communist period Bulgarian animal agriculture was responsible for producing large numbers of pigs for export to the Soviet Union and other Soviet bloc countries. The infrastructure built during communist times is still in place and pig production continues to be the most important animal agricultural activity. Sheep have always been important in Bulgarian agriculture because of the availability of pastures and the adaptability of sheep to more rugged areas. Although sheep numbers are down, sheep production is still important. Good domestic markets exist for wool, lambs and mutton.

Many kinds of fruits and vegetables are grown in Bulgaria. Tomatoes, cucumbers, cabbages, beans, potatoes, and peppers are grown on a commercial scale and in home gardens. Greenhouse production of tomatoes, cucumbers and peppers is widespread.

Permanent crops such as grapes, apples, and cherries have been increasing in recent years after declining just after the transition to a market economy of 1989. Wine production has increased and wine exports are increasing.

Bulgaria's planned economy, the availability of export markets to the Soviet Union and Eastern Europe, the isolation of some its regions, its fertile and productive farmlands, and its traditions resulted in a large agricultural population. This farm population was too large to be sustained when the market economy was embraced in the 1990's. As a result, there has been migration into the small cities around the country. Large cities such as Sofia (the capital) and Plovdiv also experienced in-migration.

Although the state of Bulgarian agriculture is getting better, the change to a market driven agriculture has brought about profound impacts. Animal production is much less. The farm population is much lower. But farm productivity is much higher.

Agricultural Transition

The communist system in Bulgaria was instituted in 1944. At this time most of the agricultural land was taken over by the state. The economy was transformed from a market economy to a centrally planned economy.

State-owned farms were organized. Initially a typical state-owned farm consisted of the lands around a village. The size was typically 800-3000 hectares. Over time farms were consolidated so that a farm might include the land of several villages. The exception was that a system of private subsidiary plots existed. Depending on family size a family was allowed to farm a plot of .3 to 1.0 hectares to produce vegetables for its own use, for sale on local markets, or for sale to state-owned processing plants. The family did not own these plots but rather was allowed to use them.

A family often did own the house it occupied and the land surrounding the house. Most of the yards were devoted to some sort of food production—they had a few grapevines, fruit trees and gardens. This provided additional food.

In Bulgaria after 1990 the government instituted a policy of returning the land expropriated after 1944 to the original owner or the heirs of the owner. The process, as one would imagine, has been difficult. If the owner had land records certifying ownership, those records were validated and the process could proceed. In many cases, records were lost due to the passage of time, or perhaps never existed at all. In such cases the landowner could produce witnesses to attest to the fact that he did own the land. The witnesses would have to point out the land that was owned. The process has been further clouded since irrigation systems have been installed in some areas. The systems often encompass multiple 1944 farm boundaries. Livestock barns, garages and other structures have been built. Whether the new owner on whose property these were built should get these without additional payment has been an issue.

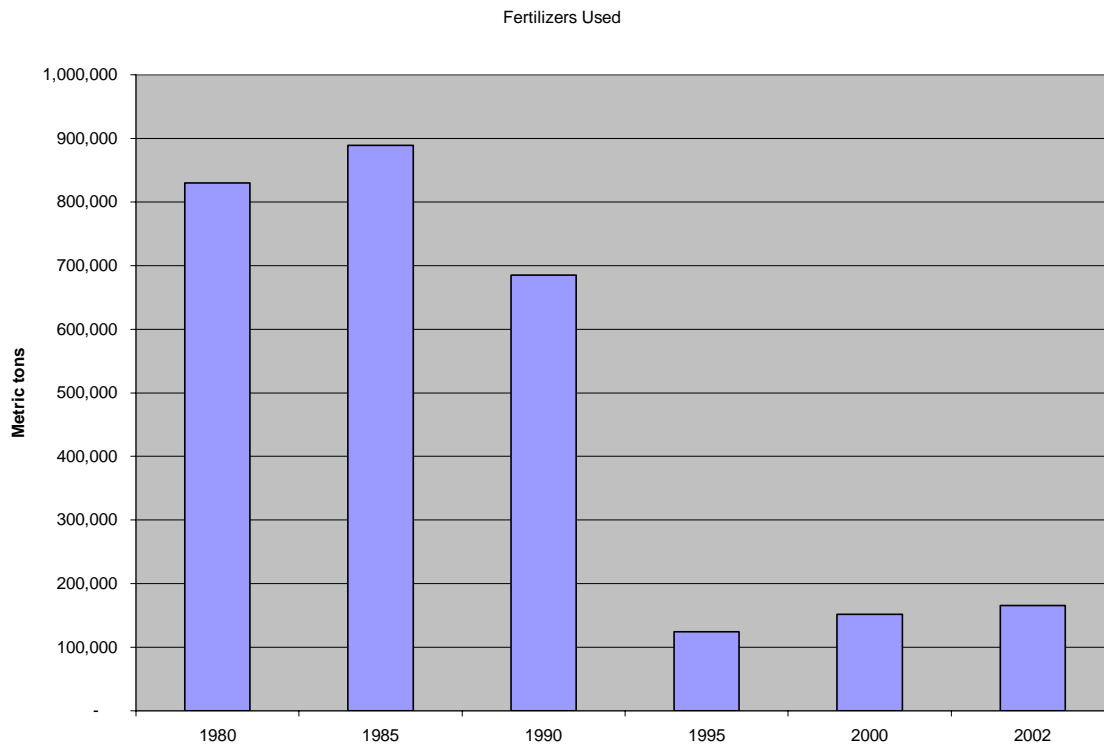
In 2004 the Bulgarian government decided began the process of consolidating land. A subsidy for this aggregation is being sought, perhaps from the European Union. Consolidation is necessary because land is fragmented. There is discussion for allowing foreigners to buy agricultural land. There is also a concurrent discussion on the taxation of non-cultivated agricultural land.

Centrally Planned Economy

Under the central planning which existed during the socialist period, plans were made in Sofia and in Moscow for the production. Interestingly, the planning included estimates of what the people would eat. For example, the government might decide that on Wednesday everyone would eat fish. Fish would be served in schools, restaurants, etc. The amount that would be needed was estimated by using portion sizes; number of people eating the fish that day and determining the amount of fish that would be needed.

Bulgaria was given special responsibility for producing pigs and vegetables for export.

In the mid 1990's when we (a group of six agricultural economists from Mississippi State University) first visited Bulgaria there was lament about the declines in the numbers of animals and the decline in the yield of crops. Of course, it was over fertilization that resulted in high yields. However, the marginal cost of the fertilizer greatly exceeded the marginal revenue from the resulting production. In the planned economy the goal was to produce the quota, not to maximize profit. Today many fertilizer factories in Bulgaria have been closed and scrapped. Animal numbers declined because export markets were much smaller. In 1995 it was not unusual to see a shepherd tending less than ten sheep. Many carts pulled by donkeys, horses or even goats were seen on the roads in 1995. Far fewer are on the roads today.

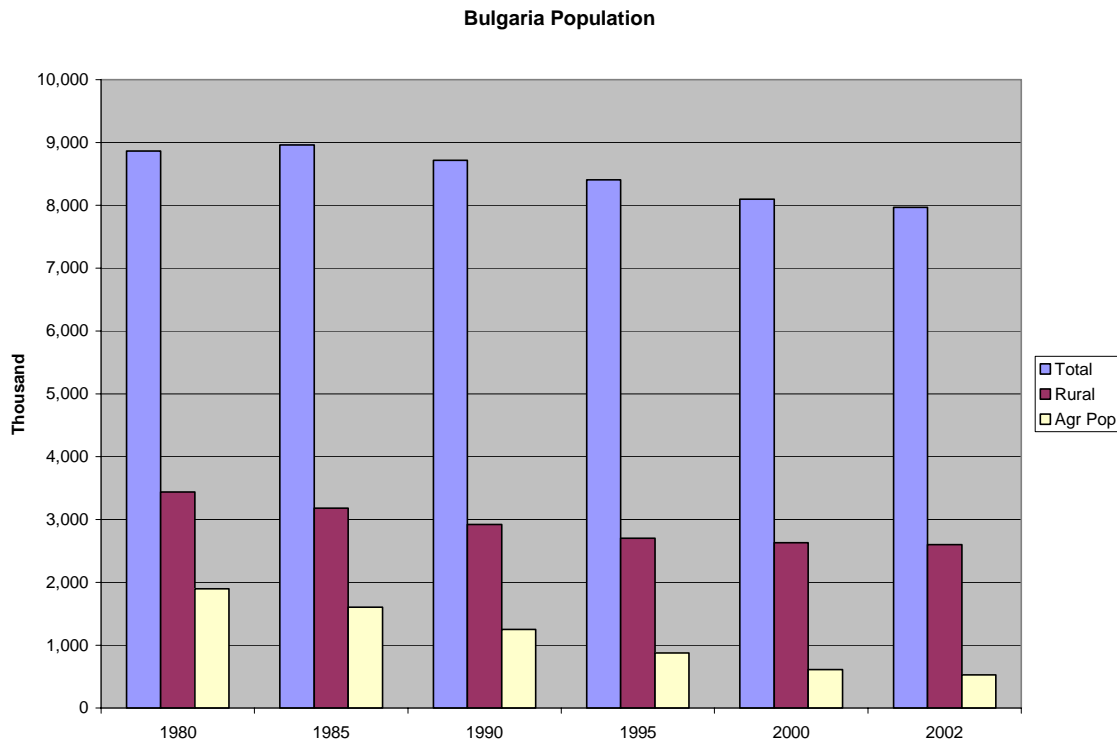


The impact of the transition went beyond the simple loss of export markets for meat. Less animal production means reduced demand for feed grains. Reduced demand for feed grains means less demand for inputs. The fertilizer industry in Bulgaria has been reduced to a fraction of its 1980 size. In 1980 over 800,000 metric tons of fertilizer was used on Bulgarian farms. In 2002 about 175,000 tons was applied. Many fertilizer manufacturing plants fell into disrepair as demand dried up. Today most have been closed and are being dismantled for scrap.

Population Decline in Bulgaria

Bulgaria has experienced a decline in its total population for twenty years. The population was almost 9 million in 1985; today it is slightly less than 8 million. Out-migration and smaller families both contribute to the decline. The median age is over 40 years. The farm population has declined even faster. In 1980 the agricultural population was over 1.9 million; today it is about 530,000. Sofia is growing but the population in Bulgaria's other large cities is about stable.

Unemployment in Bulgaria is officially estimated at 14.3% (CIA). Manufacturing seems to be on the decline. Many factories were closed during the transition because of loss of markets in the Soviet Union. Today manufacturing jobs are being lost due to competition from Asian countries where wages are even lower than Bulgaria. On the positive side, Bulgaria is becoming a place to which Western European countries are outsourcing service jobs in the computer industry. Jobs in the financial sector are also increasing. Bulgaria is attracting more tourists from Western Europe looking for a low cost holiday.



Rural Life in Bulgaria Today

Americans have a tendency use their own standards in judging whether people in another country or culture are doing well and are satisfied with their life. Obviously many of the world's people would opt to live in the U.S. as evidenced by those who try to immigrate to the U.S. each year. When comparing Bulgaria to the U.S. one simply cannot say that Americans are happier because their per capita income is four times that of Bulgarians. Many Bulgarians place great value on maintaining their traditions. Friends and family are important. Though many have emigrated, Most Bulgarians prefer to live in Bulgaria.

Bulgaria has a higher proportion of its population involved in agriculture than other eastern European countries. Bulgaria is still in transition toward modern European standards. As today's farm population ages, fewer young people will take their places. It is hard for a 50-year-old shepherd to be retrained. He will simply tend fewer animals than before. When he is too old to go to the field or dies, no one will bother to take his job. It just disappeared.

Also, there are many small farms that are owned by pensioners. These small plots are used to produce food for their own consumption and for sale in local produce markets. The large number of small farms really distorts the actual number of farmers in Bulgaria. These pensioners are classed as farmers almost by default.

The quality of life for rural people in Bulgaria seems actually high though measured incomes are typically much lower than in other European countries. There is plenty of food. Bulgaria has rich soils and a mild climate, which make it easy to produce enough food for its 7.5 million people. The winters are not too severe. Housing is typically adequate though some of the modern conveniences may be lacking. Transportation infrastructure is adequate. Medical care is generally available. While certain groups--notably the Roma-- are very poor and in need of special attention, by world standards most rural Bulgarians are faring quite well. Since the transition, the availability of consumer goods has greatly increased.



Professor Yordan Staykov, Steve Murray, and Professor Valentin Katzarov are in Kipilovo, the village in which Dr. Staykov was born. This is in the Balkan Mountains north of Sliven. Like many city dwellers, Dr. Staykov maintains a small home in his village as a retreat.

Life in the Villages

The definition of urban and rural is not the same in every country. In Bulgaria, urban refers to localities legally established as urban regardless of size. City and village are not the same in Bulgaria. Most cities seem to be the largest settlement in the “region.” Villages seem to be the smaller settlements which are located in the region around the large city.

Villages certainly are not uniform and can vary greatly in size. Some villages may have the multi-story apartment buildings which seem to be built from the same set of plans throughout the country. Others may have only private houses. Roma settlements, which often seem to be located on the outskirts of the village, appear to have the smallest houses and poorest access to infrastructure.

Village Bulgarians maintain gardens in their yards. Many still own a cow, a few sheep, pigs and/or goats. A shepherd will typically be hired to look after a group of animals. One wonders whether this will continue. If we look at the U.S. we find that there are many more part-time farmers than full-time farmers. American small farmers have adjusted their farm enterprise to a point where they can work off farm and still maintain a rural lifestyle. There is reason to believe that small farming in Bulgaria will continue.

Pig Production: An Example

Dr. Valentin Katarov, professor of animal science at the Thracian University in Stara Zagora, collected data on the number of pigs raised on farms in Bulgaria. That information is presented in Table 1. According to Katarov, only 145 farms raised more than 30 pigs per year while over 380,000 raised only one or two pigs. These data clearly indicate that resourceful Bulgarians continue to raise much of their family's food themselves.

Table 1. Pig farms according the number of pigs.

number of pigs	number of farms	%
1	283 938	64,2
2	98 647	22,3
3-5	39 638	9,0
6-10	11 612	2,6
11-15	4 493	1,0
16-20	1 490	0,4
21-25	1 855	0,5
26-30	385	-
30 -	145	
total	442 203	100,0

Staykov, A., V. Katarov, 2002. Development of pig farming during the period 2002 – 2006. In: Problems of Bulgarian Livestock Production, Publ. House “Silve”, p. 77 – 104.

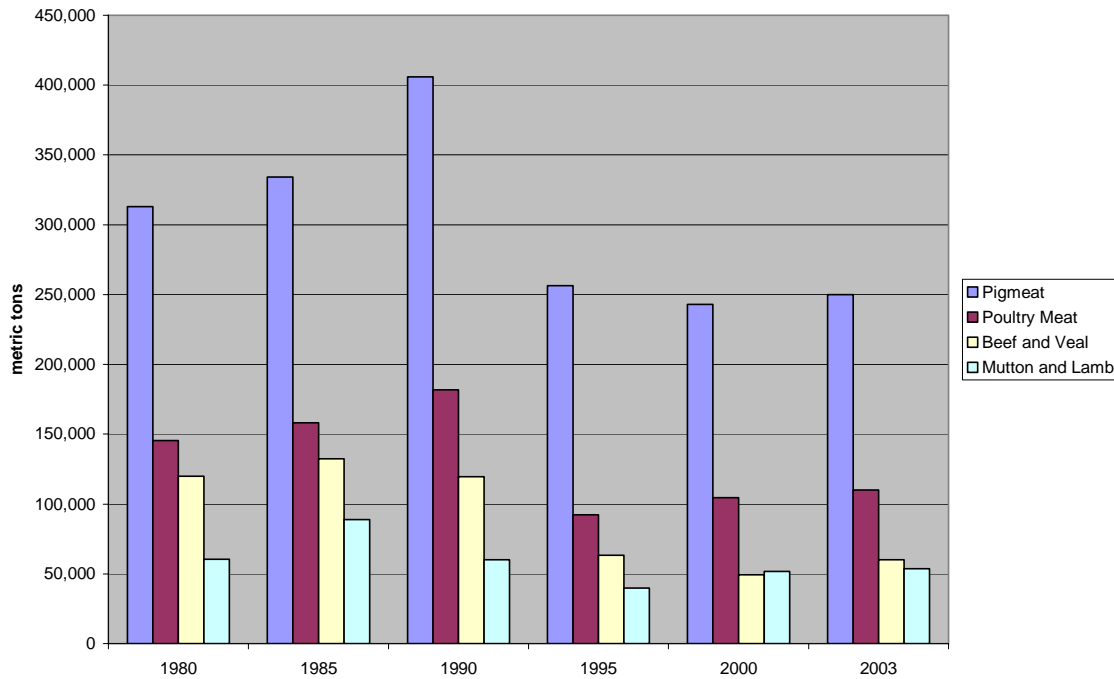
In the pork sector there may be a trend toward larger pig farms again. Firms that further process pork tend to contract with local farms for live hogs. There are slaughterhouses that kill hogs on a custom basis. The hogs are then further processed. Some of the farms which raise 6-30 pigs per year contract with the small meat processors and sell their pigs to them.

This practice used to be common in the U.S. south. There were many small meat processors who developed local markets for their “special” sausage, hams and other meat cuts. They developed supply arrangements with local farmers. They owned a few trucks and delivered the meat to small grocery stores in the area. Today, most of these small processors have closed. The small groceries have given way even in rural areas to the Wal-Marts and Krogers of the world. While touring these small meat processors in Bulgaria in 2004, I thought they reminded me of business organization thirty years ago in the South.

When the change came, many people set up small shops. In Stara Zagora in the mid 1990’s there were over 15 small butcher shops who received hog carcasses for breaking. Today there are about seven. This reflects a consolidation and increased productivity by those remaining.

Most of the farms simply have one or two animals which are slaughtered, usually during the cold season, to provide for the household and perhaps for sale in local markets. Throughout Bulgaria there are abandoned and underutilized swine facilities. The decline in the pork and meat production follows:

Bulgarian Meat Production



Food Retailing

In 1995 a group of 6 agricultural economics professors from Mississippi State University were participating in a faculty exchange in Stara Zagora. After a long Sunday of touring various sites around Stara Zagora, home of the Thracian University, we asked our Bulgarian guide if we could stop and get some beer to take back to our apartment. We stopped at a small corner shop in the center of Stara Zagora. We told the shop clerk that we wanted beer. She brought out a can of Zagorka, the local brew. Our leader told the girl, "Yes, each of us wants six." Our guide told us, "You do not understand. She has only the one can." The storeowner had to pay for the beer when it was delivered and by Sunday night she was out of beer. The next shipment would arrive on Monday.

Well, today there is plenty of beer, even on Sunday night.

Major European chains such as Metro Cash & Carry and Billa are moving to Bulgaria. Metro Cash & Carry is a division of the German company Metro AG, whose shares are publicly traded. Metro Cash & Carry is a wholesale warehouse, much like Sam's in the U.S. It sells food as well as household furnishings, computers, and electronics. Prices are low but you must usually buy food items in bulk quantities. The store caters to restaurants and to owners of small shops who buy products for resale in their shops in the city. More affluent Bulgarians also shop there. Metro Cash & Carry stores are typically located on the outskirts of the cities and are not readily accessible to those who do not own autos. Metro has experimented with membership or affinity cards. Customers have at times not been allowed to shop in Metro unless they have a card. This policy was recently changed in Stara Zagora. It is unclear what the actual intent of the card policy is. (See <http://www.Metro Cash & Carry.de>)

The quality of the products in Metro is very high. Many world brands are sold in the store. The selection of meats and fishes is exceptional. At first glance you wonder who is buying these products, but after a few minutes you see many restaurant owners buying the bulk packages.

In 1995 this type of retailing was not even imagined in Bulgaria. In less than ten years Bulgaria has come from a point where there was little merchandise in the stores to where almost anything one wants is on display.

Soon Bulgaria will have stores which are the U.S. equivalent of Dollar General or Family Dollar. These will be stores offering low cost consumer goods which Bulgarians with average incomes can afford.



Pictured above is the Metro Cash & Carry in Stara Zagora. While the store is large and has a great selection, note the small number of cars in the parking lot. The store is located on the edge of the city. Most Bulgarians still simply do not have the income to shop there regularly.



Pictured above is Billa grocery in Stara Zagora. Billa is conveniently located in the city on a main thoroughfare near many large apartment buildings. By U.S. standards prices are good but they are much too high for the typical Bulgarian to shop there regularly. Unlike Metro, no membership card is required and there are no minimum purchase requirements.

Stores such as Billa cater to retail customers. They are conveniently located. The selection in these stores is very good. It provides the products that its customers want. For example, the Billa has a selection of pork and pork products which exceed that of most U.S. groceries. The selection of beef is quite small but the selection of chicken is pretty good. All this indicates that the store caters to the consumers' tastes and preferences. (See www.billa.at)

Billa is an Austrian Company with stores in Central and Eastern Europe. Billa Bulgaria opened its first Bulgarian store in Sofia in October 2000. At present the chain includes 9 stores: in Bourgas, Pazardjik, Sliven, Shumen, Plovdiv, Stara Zagora and three in Sofia. In Table 2 are the locations of Billa and the population of each city.

Again, Bulgarians are proud to have these stores in their city. But the stores are about the size of a typical U.S. grocery (50,000 square feet). This type of retailing is still very new and only serves a very small part of the Bulgarian population. Most of the items in Billa are far too expensive for the average Bulgarian. Interestingly, the produce section seems to be the weakest part of the store. This is probably because local farmers' markets or vegetable markets offer superior produce at much lower prices.

As the rural population continues its decline and as incomes increase, we can expect many more Billa-like markets in Bulgaria.

Table 2. Location of Billa Markets

City	Population est.	# of markets
Bourgas	210,000	1
Pazardjik	79,000	1
Plovdiv	722,000	1
Shumen	106,000	1
Sliven	137,000	1
Sofia	1,177,000	3
Stara Zagora	150,000	1

Reports on Bulgaria's retail sector have been prepared by Euromonitor International (www.euromonitor.com/results_country.asp?country=BU). This company provides in-depth information on retailing throughout the world. Country-specific, sector-specific and company specific reports are compiled. The report "Retailing in Bulgaria" was released in November 2004. The report, which breaks down sales by food category and store size, seems to have answers for many of the specific data-related topics posed in this paper. Unfortunately, the cost of the report is \$1700. For businessmen investigating market opportunities in Bulgaria this would be a small and reasonable expenditure. For a project such as this for the Davidson Institute, the purchase of such a report is impossible. This is where the data on Bulgarian food retailing is.

However, the executive summary and the table of contents from the report should be reviewed at the website www.euromonitor.com/report_print.asp?docid=29235.

As far as the existing retail structure is concerned, modern grocery retail sales are estimated at around \$2.77 billion in 2004, with the vast majority of this (\$2.2 billion) coming from food sales. Yet with total food retail sales at \$5.9 billion, according to M+M Planet Retail, the market is clearly still dominated by local stores (in part explaining the popularity of Metro Cash & Carry), prompting some companies to look to this particular sector for expansion. www.sofiaecho.com/art.php?id=10360&brojid=218&catid=23

Chain stores usually expand to nearby cities because they want to maximize the use of their distribution facilities. Chain stores are able to purchase goods cheaper since they purchase larger quantities. They are able to pass these savings along to their customers. The reason they can sell cheaper is they are more efficient.

Smaller locally owned chains are being developed in Bulgaria. The chain may be a small number of shops owned by a local food processor or it may be a number of shops which have been put together by local entrepreneurs. Single store sole proprietorships are declining. It will take years for the system to sort itself out, but the trend is obvious.

Most of the people (75%) buy from small shops; prices are generally because quality is lower quality and cheaper. Low-income people prefer small shops, wholesale shops and street markets. Most people go to the market each day because they have low incomes, limited storage space in their flat, and because of tradition.



Above is the entrance to a smaller neighborhood market in Stara Zagora. Note that the store is called “supermarket” but with the Cyrillic alphabet. The owner of this market has a total of three stores in Stara Zagora. They are typical of markets which serve urban areas. There is no parking. The products are sold in rather small sizes because the shopper usually must carry them home by foot.



Above is the interior of the neighborhood market in Stara Zagora. While the selection is not nearly as large as Billa, it offers a much wider selection than was available just a few years ago.



Above is a vegetable stand at the central market in Sliven. Most Bulgarians living in the small cities buy a lot of produce from these stands. This is a category where the Bulgarian selection is probably superior to that found in a U.S. market. The vegetables are fresh, usually grown nearby and cheap. For example, the tomatoes shown sell for 1.60 lev per kilogram or about 49 cents per pound (in April).



This is another stand at the Sliven market where sweets and breads are sold here. The assortment of sweets at the far right sells for 2.90 lev, or about \$1.95.

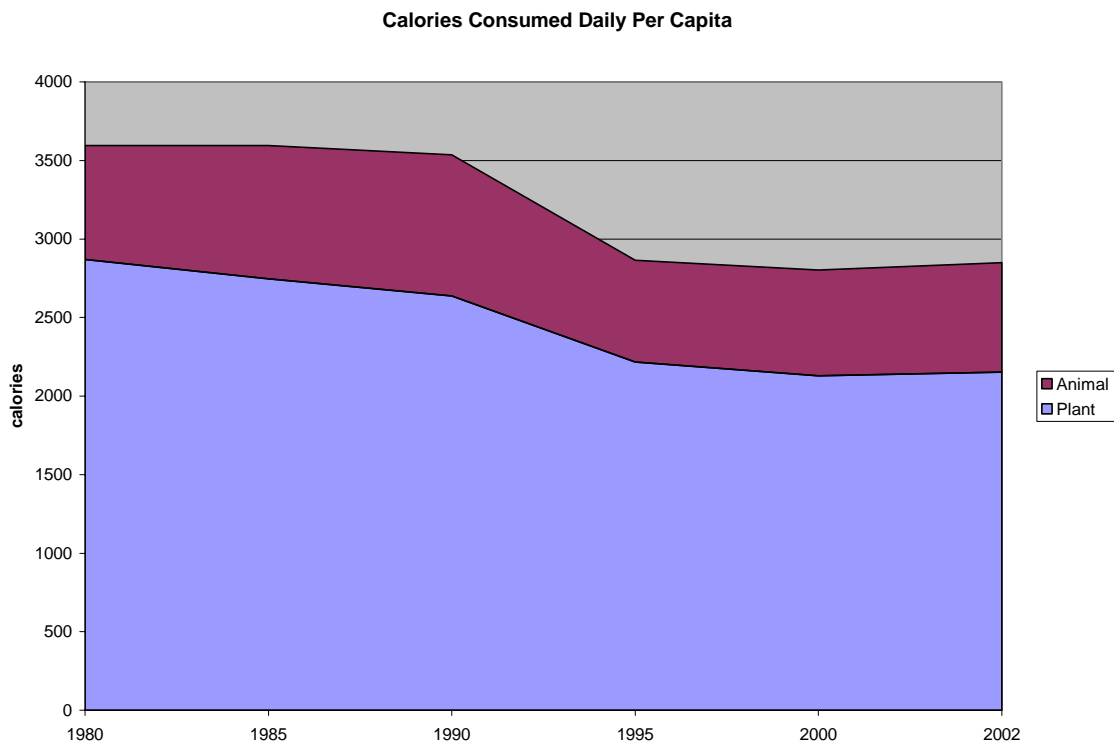
During the winter some tomatoes and cucumbers are imported from Turkey and Greece. Some are produced in local greenhouses.

Food Trends

Our observation is that there is not much variation in the typical Bulgarian meal. A meal consists typically of a salad of tomatoes, cucumbers, peppers, onions and cheese. This is followed by some type of grilled meat, usually pork, with potatoes. There rural Bulgarian eats more mutton, lamb and goat, and would eat more cabbages and carrots.

The UN FAO data shown in the chart “Calories Consumed Per Capita” indicate that food consumption is decreasing. However, observation of what has transpired in Bulgaria seems to indicate the opposite. The shops and stores are well stocked.

Since 1995 the quality of automobiles has increased. New roads are being built and old roads have been repaired and upgraded. The buses on the street seem to have been upgraded and spew less smoke. The streets are cleaner because the truck mounted street sweeper runs frequently. Grass has been cut and sidewalks repaired. New construction is occurring. Walking through stores and driving around inevitably leads one to believe things are better rather than worse.



The transition from a planned economy to a market economy has led to greater efficiencies. Whether this is because workers are better drawn to jobs to which their skills are better suited or whether they are working harder is impossible to quantify. But the increased productivity results

in more goods and services available and increased consumer demand for these goods and services.

Cheap electric power is available. Bulgaria exports electricity from nuclear and lignite fired plants. Plentiful electricity means that many households own a freezer and fill it during times when food is cheap and plentiful. Again, it is uncertain how to account for the food harvested from private plots, but resourceful Bulgarians acquire a lot of food from places other than retail markets.

Current State of the Agribusiness Sector

Producing Pork Products



This is a processing area in the Meat Shop "Kumer - SI" in Stara Zagora. The pigs are purchased from local farmers and taken to a slaughter plant. Then they are received at several small meat shops in Stara Zagora. The carcasses will then be taken to the small processing plant where they will be broken and sausages and specialty meat products will be made.

The system is that a further processor buys hogs from the farmer and sends the hogs to a slaughterhouse to be killed. Then he pays the slaughterhouse for the service, takes the carcasses back to his plant to be broken. Meats and sausages are prepared. They are then sold to shops, usually delivered by its refrigerated trucks.

Pricing is always an interesting process. The further processor first prices his products based on his cost of production. After that, market forces act. Perishables such as meat must be priced in the market to sell before the food spoils. Alternatively, if the meat does not sell quickly enough, it may be made into sausage. Most pork and beef are sold as fresh products. Chicken and fish are frequently sold frozen.



This is a display case in the Meat Shop "Kumer - SI" in Stara Zagora.

Owner: Slavi Ivanov

Some privatization still remains to be done of Bulgarian agribusiness. For example, in Stara Zagora the state still operates the region's large slaughterhouse. The slaughterhouse today processes hogs, beef cattle and sheep. It operates at less than 50% capacity. Its equipment is old and in need of modernization. It is expected that this slaughterhouse will ultimately be closed. Most of its operation is in custom slaughter of animals for private firms that break carcasses and sell to retail stores and institutions in the region.

One sees much evidence of globalization in Bulgaria today. In addition to retail chains such as Billa and Metro Cash & Carry, Russian companies such as Lukoil are expanding. Shell and BP are evident. In the agribusiness sector, Deere and Monsanto have made headway. Kellogg's cereal seems out of place but it is available.

In Bulgaria the transition to a market economy is still underway. All over Bulgaria one can see abandoned, derelict factory buildings. The ownership of most remains in state hands. The companies located in these buildings went out of business when the markets for their products in the planned economy disappeared.

During the transition some of the companies did survive. Some state farms were converted into cooperatives that were owned by the workers. Also, some of the industrial factories became cooperatives owned by the former workers.



Encho Kostov (above) is the owner of a small the small cheese processing firm SD "Kostovi" EMK. It is located in the town of Saedinie in the Plovdiv region. Feta from sheep's milk, goat's milk and cow's milk is produced. Some of this cheese is exported to the U.S. The firm meets EU standards. Mr. Kostov, like many Bulgarians, has relatives in the U.S. and has visited them in the U.S.



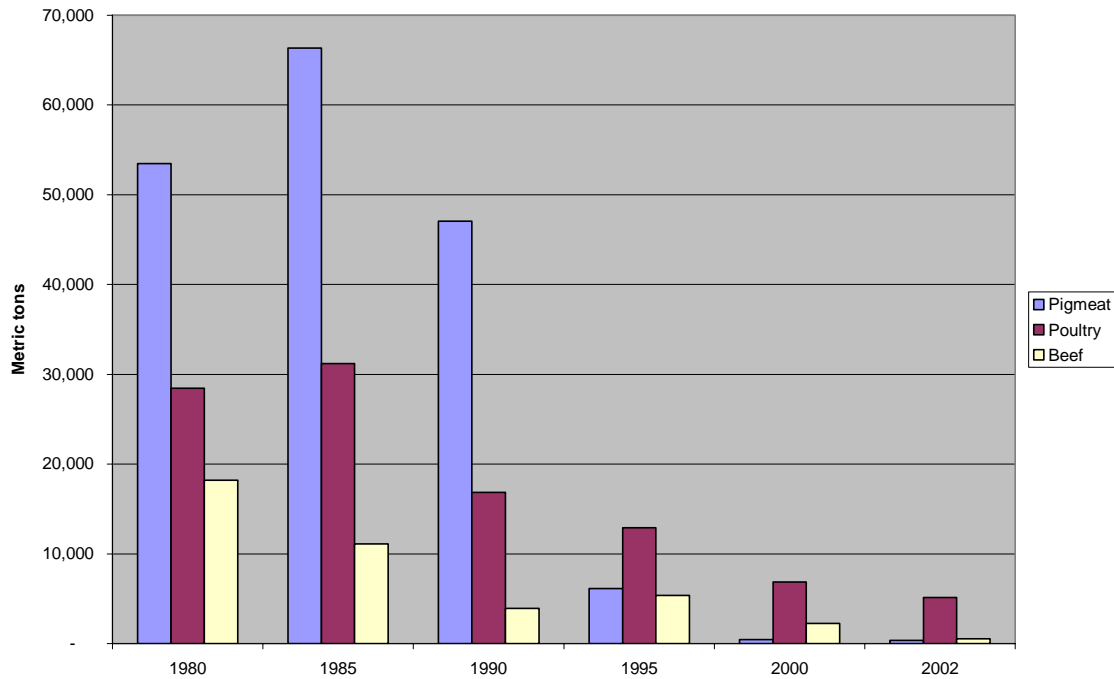
Above is the manager of quality control in the cheese processing firm SD "Kostovi" EMK.

The goal of many plants is to meet EU standards so they will be able to easily export to EU countries.

Young Bulgarian professionals have quickly adopted computer applications in the workplace. In fact, Bulgaria has become a country where Western European companies often outsource their programming. In one small cheese plant we visited data needed for HAACP was collected by sensors located in the plant and sent in real-time to the computer in the office. The cost of the system was very low yet it performed the critical task of maintaining quality control in the plant. The owner of the plant had a son who was a computer programmer in Sofia. Together with the plant's quality manager, they installed the system at a cost of only a few hundred dollars.

Meat Exports

Bulgaria's Meat Exports 1980-2002



Bulgaria's meat production has decreased dramatically since the 1980's. The loss of the markets in the Soviet Union and Eastern Europe explains this decline. In 1985 Bulgaria exported over 65,000 metric tons of pork, almost 30,000 metric tons of poultry and almost 20,000 metric tons of beef. By 2002 poultry was the only meat export of significance.

The Bulgarian government has a Division of Veterinary Control which is responsible for insuring that animals are raised properly (humane conditions, no improper use of drugs during the rearing process, etc.) and that food plants meet accepted quality standards. HAACP is used. The educational and experience level of the employees appears to be quite high. One thing that stands out is that while the experience Bulgarian professionals exhibit in market economy is still a bit low, as one would expect, their scientific and technical expertise is obviously high.

Feed Grain

As in most grain producing countries, the markets are complex. Incomes to farmers are a combination market receipts and government subsidies. Bulgaria is no exception.

After grain harvest the farmer may sell the grain in the following ways:

1. Using grain for livestock production
2. Using for selling to other farmers
3. Sell to the government for reserve
4. Sell to distributors for export
5. Sell locally to feed plants

The government has its own grain storage facilities, but some of the facilities are private grain storage facilities. Most of the export grain moves by rail. Very little goes by ship. Usually it goes by train and truck.

The government can influence the prices because it maintains a reserve in grain. The government purchases wheat, corn and other feed grains. The government regulates the price and supply of grain by buying and selling.

Not much grain-handling infrastructure has been built since the change because there is enough capacity still available. Much investment is needed to bring it up to standards as little has been done. One particular problem is that there is a lack of drying facilities. The grain often enters the chain too high moisture content; grain quality suffers.

The main feed grains are wheat, corn, and barley. Grain is inspected either by government inspectors or private laboratories and the grain is graded. Most of the grain is produced on mid size farms (50-100 hectares) and large farms (more than 100 hectares). The land is typically rented from many owners, but now there is land consolidation. Usually this is what individuals do. There are also private cooperatives but these seem to be less efficient and members of cooperatives are mainly people living outside the villages.

About 30% of farms have on-farm grain storage. They may sell when prices are good. Those without on-farm storage usually sell their grain at harvest or they may pay for storage and wait for better prices. There are several grain brokers in each region. It seems to be fairly competitive.

Impediments to Agribusiness Development and Increased Food Production

Some impediments are:

1. Currently there is still excessive land fragmentation. There is a program underway to consolidate land so that there can be efficient size units of production.
2. Fluctuating prices on grain markets during transition periods stifled expansion. Whether this will change in the future is under question.
3. During the transition there was a prohibition to export to EU.
4. Markets to the former Soviet Union have diminished.
5. Legal and illegal import of food products from other countries is a problem. Political parties tend to make decisions based on benefit to parties rather than to the farmers.
6. There is a lack of partnerships with international agribusiness firms.
7. The Bulgarian consumers still have low income and limited buying power.
8. There is a lack of capital to make needed improvements in plant and equipment

The Role of Government in Improving Market Performance

1. The system of inspection is good. It insures that products are recognized as good quality and can be trusted.
2. The Ministry of Agriculture has finished the discussion with the EU on agricultural production. Producers are better able to predict future markets and requirements.
3. Different programs have been created on the national level to support producers.
4. The government helped to create producers' organizations
5. The government is keeping detailed agricultural statistics which will positively influence development
6. The government created a National Advisory System (Extension Service) with 28 regional offices.
7. There is no tax on agricultural producers (no property tax, no income tax, and no tax).

NGO's and Improving Activity

Associations of producers are considered as NGO's in Bulgaria. NGO's

1. Lobby in Sofia for issues important to their members.
2. Develop programs for improving breeding stock.
3. Develop programs for HAACP and other hygiene programs (meat processors)
4. Organize national and regional exhibitions, training courses
5. Publish educational materials—magazines, brochures, etc.
6. Assess and develop programs for ecologically friendly production and for organic production.
7. Influence pricing strategies of farmers.
8. Develop programs for financing and subsidizing producers and offer/lobby these programs at the national level.
9. Develop programs for veterinary control and lobby government for production.
10. Develop programs for scientific support of agricultural production.

The role of associations is very important during the transition period and has had a positive influence on improving agricultural productions and incomes.

SWOT Analysis for Bulgarian Agribusiness Sector

SWOT analysis enables the researcher to think about what he has seen and learned. The following is our view of the current Bulgarian situation vis-à-vis the food marketing system.

Sector: Agricultural production

- Strengths: There is ample productive farmland, a good road and rail system and availability of fertilizers.
- Weaknesses: Getting land aggregated to efficient size tracts is difficult.

- Opportunities: There will be new market opportunities with EU accession.
- Threats: There is a lack of infrastructure for handling grain (storage, drying, and cleaning) which would constrain increases in production.

Sector: Primary processing

- Strengths: There is good availability of slaughterhouse workers, availability of local consumer and further processing markets.
- Weaknesses: Many existing processing facilities are old or in disrepair.
- Opportunities: There is an ample supply of fruits, vegetables, and meat animals to process.
- Threats: Stable population in Europe makes it easy to overproduce.

Sector: Further processing

- Strengths: The small size and wide distribution of these facilities make them nimble enough to respond to local market conditions and to supply products demanded by consumers in that region.
- Weaknesses: In the long run the inefficiencies associated with small plants may cause plants to shut down or consolidate to compete with large plants which are more efficient because of greater production runs.
- Opportunities: The domestic market penetration of further processors is still quite limited. As income increase, the market size will increase. Also, opportunities exist to export further processed products to Western Europe because costs of production can be lower than in Western Europe.
- Threats: Failure to upgrade plants to EU standards may limit export opportunities.

Sector: Wholesale and distribution

- Strengths: A good transportation system for distribution and cheap electricity for warehousing are available.
- Weaknesses: The population is declining, thus limiting the size of the market.
- Opportunities: As companies such as Metro and Billa expand in Bulgaria and Eastern Europe, domestic processors have opportunities to sell through Metro and Billa stores.
- Threats: If chains get too much of the market share, Bulgaria may not participate in the earnings of these companies.

Sector: Retail

- Strengths: Bulgaria is becoming a part of mainstream Europe due in part to improved communication systems. This creates demand, especially in the cities, for consumer products, including further processed foodstuffs. The urban market is growing.
- Weaknesses: Per capita income is still low and most consumers still have little for more than basic items.
- Opportunities: The opportunity for chain stores offering goods at low prices seems obvious. In the U.S., chains include Dollar General, Family Dollar, Dollar Tree, and Fred's. This model seems to have application in Bulgaria.
- Threats: Companies from outside Bulgaria could swiftly capitalize on this model which would result in profits going to stockholders outside Bulgaria.

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Afterward: Changes in Bulgaria

Mississippi State University and the Thracian University at Stara Zagora developed a working relationship in the mid-1990's. Dr. Terri Obert, a management professor at Mississippi State, went to Stara Zagora on a Fulbright fellowship. While there she developed its first web site (<http://www.uni-sz.bg>). In the spring of 1995 a group of 15 faculty from the Thracian University visited Mississippi State for three week. In the fall six agricultural economics professors returned the visit to Bulgaria for three weeks. Since that time many faculty members from Mississippi State as well as several farmers and agribusiness owners from Mississippi have worked on projects in Bulgaria with the Thracian faculty. Faculty from Bulgaria continue to return to the U.S. regularly for varied projects.

It is in this context that this paper is written. I have visited Bulgaria seven times since 1995 and have hosted Bulgarian friends in my home in Mississippi on numerous occasions. I have seen the country change for the better. I wish I had better data, but I do not.

In 1995 we stayed in apartments on the campus of the Thracian University. While the accommodations were satisfactory, conditions are much better today. There are several nice hotels in Stara Zagora with good restaurants either in the hotels or nearby. In 1995 we did not go hungry, but getting a good meal was sometimes a challenge. In 1995 we could find no one to do our laundry; we washed our socks and underwear in the kitchen sink and hung it out to dry on the balcony. Today there is no problem finding someone who is delighted to do your laundry.

In 1995 the road from Stara Zagora to the Thracian University had many, many potholes. Today it is in great condition and a limited access four lane highway will soon connect Stara Zagora to Sofia.

In 1995 the buses seemed to spew diesel smoke everywhere. Today most buses seem in good condition.

In 1995 making a telephone call to the U.S. was almost impossible. All out of country calls had to go through the post office. If you didn't speak Bulgarian, you had little chance of getting through. Today you can dial direct.

In 1995 there were no internet cafes in Stara Zagora. Today there are several with broadband connections charging about 50 cent per hour.

In 1995 there was a large state-run grocery store in Stara Zagora which was poorly stocked. Today that store is closed and private stores are abundant.

I could go on, but the message is that the economy has improved and the agriculture and agribusiness sectors are much more efficient.

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