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## **Estonia**

## **Exporter Guide**

## **Annual**

## **2002**

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**Report Highlights:** The inflow and fast development of large Nordic/European retail chains into Estonia along with other Baltic countries offer new opportunities for American exporters who can successfully connect with them. With consumer purchasing power on the rise and growing tourism, prospects for increased demand for high-value food imports are viewed as favorable. Estonia hopes to finalize EU accession negotiations by the end of this year and join the union in 2004. New market entrants will have to be aggressive to compete with the more established European suppliers, as their commercial relationships have been built up and maintained over the past decade. Major current constraints to exports of U.S. products include the unfamiliarity of consumers with U.S. grocery products and tariff disadvantages vis-a-vis European suppliers and Estonia's partners of Free Trade Agreements.

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## **SECTION I. MARKET OVERVIEW**

In 2001, the Estonian economy grew 5.4 percent, supported by stable foreign demand for direct exports, strong domestic demand, and the related growth in investments. Its per capita GDP of US\$ 4,050 was largest among the three Baltic neighbor countries, although several times lower than the average among countries of the European Union. The prices of goods and services rose on average by 5.8 percent. While private consumption growth rate was modest 3.4 percent, investments grew by 17.2 percent. Investment demand will continue to increase because food processing enterprises must gear up to meet EU quality requirements. There may be opportunities for U.S. suppliers of inputs to these operations. The development of a strong food manufacturing sector is an official government priority.

The fast-developing consolidation of retail outlets through investment by large Scandinavian chains has led to the construction of ultra-modern, self-service, fully-assorted supermarkets and hypermarkets that may provide new opportunities for exporters who can successfully connect with these companies. Overall population numbers are declining due to lowered birth rates and migration of young non-Estonians. In January 2002, the population of Estonia was 1.361 million people, which represents a decline by almost 8 percent over the past decade. Given the relatively small consumer base in the Baltic region as a whole, the emergence of pan-Baltic food companies with centralized distribution schemes will help to achieve the economies of scale needed to make imports viable.

In 2001, the domestic retail grocery trade amounted to US\$ 620 million, of which food products accounted for 74 percent. The remaining 26 percent consisted of alcoholic beverages and tobacco products. Imported foods added much to the variety of products on the market and accounted for nearly 35 percent by value. Consumption patterns and demand for imported food products have been affected by increased consumer purchasing power, an increase in the expatriate community, and the growth of tourism. In 2001, the 3.23 million visits of tourists to Estonia generated revenues of roughly \$682 million. Most visitors to Estonia are Finns (58 percent), followed by Latvians (14 percent), and Russians (9 percent).

Supermarkets have experienced growth, especially in the suburbs, at the expense of small shops and open-air markets, and the concentration of retail chains is evident. Opportunities exist for new-to-market products - particularly for products marketed through the developing retail chains. Currently, the food retail trade is largely controlled by only a handful of companies.

Estonia is a net importer of food and agricultural products (wood products excluded). In 2001, food imports worth US\$ 496 million exceeded the value of Estonia's exports which amounted to US\$ 272 million (excluding wood). The most significant imports included beverages, meat products, fresh and preserved fruits and vegetables, coffee, tea, cotton and animal feeds. Wood product exports, which dominate Estonia's exports, totaled US\$ 449.9 million in 2001.

Under the Baltic Free Trade agreement signed between Estonia, Latvia and Lithuania, as well as FTA's with the EU, EFTA and CEFTA countries, exports from countries which are parties to these

agreements are advantaged by preferential tariff schedules of lower or zero duties and increased TRQs for agricultural products. Imports from the U.S. are subject to MFN rates. Given the current trade flows, MFN customs tariffs presently apply to less than 20 percent of all agricultural and food imports. (Note: Free trade agreements have been concluded with the EU, EFTA countries (Norway, Iceland, Switzerland, Liechtenstein), the Czech Republic, Slovakia, Slovenia, Turkey, Ukraine, Poland, Hungary, and the Faeroe Islands. Negotiations continue with Bulgaria and Romania).

The EU market is gradually opening up for Estonian food products as it adopts EU hygiene requirements and as the EU increases import quotas for Estonian products. In 2001, the EU accounted for 27.5 percent of Estonia's food and agricultural products exports, and 61 percent of Estonia's food imports. U.S. agricultural exports to Estonia were US \$12.4 million. The U.S. is the second leading supplier of poultry to Estonia with a 26 percent share of poultry imports for its domestic market (5,973 MT). Other major U.S. exports were fish, dried fruit, nuts, cotton, fresh and preserved fruits and vegetables, wines, liquors, and cigarettes. U.S. imports of Estonian agricultural products amounted to only US\$6.7 million in 2001. Chief U.S. agricultural imports from Estonia included wood products, beverages, frozen fish and fish preparations.

Viewed strategically, Estonia is an attractive gateway to the large regional markets, including the St. Petersburg region in Northwestern Russia with a population of 44 million, Belarus with a total of 10.3 million people, and the aggregate Baltic market with a combined population of almost 8 million.

#### **Advantages and Challenges Facing U.S. Products**

<b>ADVANTAGES</b>	<b>CHALLENGES</b>
<b>U.S. products are considered safe and of good quality. The general image of U.S. products is positive.</b>	<b>Long-established consumer preference for domestic fresh products with no additives.</b>
<b>The retail sector is looking for highly processed food imports. Purchasing power of the population is on the rise.</b>	<b>Strong competition on the local market between domestic producers and increasing imports from EU and Baltic FTA partners. High distribution and shipping costs.</b>
<b>The country is viewed as a gateway to larger markets in Northwestern Russia, Ukraine, and Belarus.</b>	<b>Based on the newly effected import tariff schedule, U.S. exports are disadvantaged vis-a-vis products from European Union and FTA countries.</b>
<b>Estonia joined the WTO in December 1999</b>	<b>Estonia is a comparatively small target market for US products.</b>

## SECTION. II. EXPORTER BUSINESS TIPS

### Local Business Practices and Customs

#### Entry Strategy

As a result of the fast-developing consolidation process, perhaps the most effective strategy for U.S. exporters would be to connect with parent companies of the food retail chains in Europe (mainly in Finland, Sweden and Norway) that are expanding their outlets in the Baltics. These chains already have a degree of familiarity with U.S. products.

Market entry strategies for U.S. food products should include:

- 1) Market research in order to estimate product opportunities.
- 2) Advance calculation of the landed cost of a product in order to make price comparisons vis-a-vis competitors.
- 3) Locating an experienced distributor or independent reliable agent/dealer with strategic distribution channels to advise on import duties, sanitary and phytosanitary regulations, and labelling requirements. It is advisable to initiate personal contact in order to discuss marketing matters such as funding for advertising, slotting allowance, in-store promotions and tasting events. Suppliers may also wish to consider trade fair participation to raise awareness of the product.
- 4) Explore the purchasing arrangements of the larger retail chains.

U.S. products traditionally have lower customer awareness due to fewer promotional activities than those of domestic and European competitors. For many product categories, new market entrants will have to be aggressive to compete with the more established European suppliers, as their commercial relationships have been built up and maintained over the past decade.

Several constraints have contributed to the small market presence of U.S. food:

- Trade terms from U.S. companies tend to require advance payment of up to two months.
- An aversion to the assumption of exchange rate risks.
- Minimum quantities offered have often been too large for the small Estonian market (e.g. full container shipments).
- A perception that persists among Estonian importers is that landed costs of U.S. products will be higher compared to European products due to higher transportation costs.
- A perception that U.S. exporters are simply too far away to service the Estonian market.

Supplier choice may depend on the retail or wholesale company's ownership, because part of the stock may belong to a foreign investor who may influence decisions.

#### Distribution

Distributors are moving toward direct deliveries with their own sales force and delivery trucks to

service retail grocery stores and chains, although cash and carry operations are common, too. Usually, one exclusive agent/distributor is appointed to cover the entire country. Small and medium-size companies make their purchases of imported products through importers and wholesalers who have a direct relationship with foreign suppliers. Estonian importers represent several different product lines. Importers may serve a large customer themselves or work with dealers. Few wholesalers undertake nation-wide distribution, and almost none carries a complete range of products. As noted previously, however, the large, new grocery chains are developing their own distribution centers.

### **Consumer Tastes and Preferences**

Consumer preferences differ significantly among various income, age and ethnic groups. Preferences for new products are strong among the younger population, but a significant number of consumers remain at "the tasting level".

Incomes stabilized in the 90's and have continued to be able to meet more of consumers' basic needs. With average per capita income still low, the consumption volumes of most food products are smaller than the optimum basket necessary for healthy nutrition. In IQ 2002, the average gross monthly wage in the public sector totaled US\$ 321. Of the 700,000 people comprising the workforce, the official unemployment rate reached 9 percent. Women account for nearly 48 percent of the workforce and contribute to the increased demand for meals consumed away from home. With a large proportion of two-income families, most Estonian customers prefer meals that are quick to prepare. Therefore, prepared, frozen and convenience food should be a key focus of US exporters. However, it should be noted that microwaves, refrigerators, and freezers have much more limited capacity than in the U.S. and Western Europe. Nearly 30 percent of the population live in rural areas. In rural areas where incomes are the lowest, farming provides many households with staples. Consumer concern about the presence of genetically engineered products does exist to some extent, and there is a clear interest in organic foods. According to surveys, 83 percent of consumers prefer domestic food products that are fresh, are free from additives, are familiar in taste and are low in price. Nevertheless, the large retail chains have observed that they are capturing market share from traditional farmers' markets.

**Table. Estonian food market value, 2001**

Product Groups	US\$ Million
Red meat and poultry	179
Dairy	170
Bakery	100
Potatoes	40
Fats /Oils	40
Soft drinks	45
Fruits/Berries	34
Tobacco	33
Spices and condiments	14
Vegetables	86
Alcohol Beverages	35
Sugar	20
Jams, confectionary, honey	33
Fish	34
Total	863

### Food Standards and Regulations

The Estonian Food Act regulates the production, trade and distribution of food products, as well as health issues. The Food Act was effected in January 2000 based on EU directives, and since then clauses have been amended in view of Estonia's preparations for EU accession. Estonia is modifying sanitary and phytosanitary standards as well, and some of these have blocked once-existing U.S. trade, especially of pork and beef. Estonia accepts U.S. poultry from about 50 plants which have been approved by the Estonian Veterinary Authorities. Unless the EU market has re-opened for U.S. poultry products by the time of Estonia's EU accession, U.S. poultry exports stand to lose the Estonian market.

The Estonian veterinary legislation applies unified import certification of meat and meat products, dairy products and fish (Regulation 44, 1999). Special Laws regulate flows of alcohol, tobacco, meat, dairy products, and veterinary and phytosanitary legislation. Other ordinances include the use of additives in foodstuffs, usage and content of artificial flavorings, respective labelling, and level of residues. Regarding genetically engineered ingredients, Estonia will follow EU regulations, recommendations, and labelling and certification requirements. As of January 1, 2001, labelling is already required for foods produced of or derived from genetically engineered soy and corn (Regulation 176, Ministry of Agriculture, based on 98/1139/EC, 49/2000/EC). Products that contain or consist of GMOs must adhere to requirements for deliberate release of GMOs, placing them on the market, and handling permits (258/97/EC and 97/618/EC) issued by the Veterinary and Food Board. The presence of

GMO ingredients should also be clearly disclosed on product labels. Before the handling of a Novel Food is commenced, its conformity with regulations is examined. Based on this assessment, the Veterinary and Food Board issues a handling permit.

In 1998, Estonia introduced a licensing system for importers of all agricultural and food products with the declared objective of ensuring the proper handling of food products and addressing consumer concerns over the safety of imported foods. Licenses are issued by the Ministry of Agriculture. Imported food and agricultural products need to be cleared and sealed by the border inspection service to ensure conformity to Estonian legislation.

Every retail package requires a label (sticker) in the Estonian language with the name of the product, name of the producer and importer, origin, metric weight or volume, listed ingredients, storage conditions, use information, and expiry date or “best before” date indications (Regulation 390, 99, Ministry of Agriculture). Please consult with the importer regarding specific packaging and labelling requirements.

The Estonian legal system is presently sufficiently developed to have in place both trademark protection and licensing provisions. There is no specific legal act to regulate franchises yet, and the parties to a franchise agreement are viewed as business partners. Franchising is increasingly being used for business expansion in Estonia.

### **Import and Inspection Procedures**

Import of plant and plant products are controlled by the Plant Production Inspectorate and require an accompanying phytosanitary certificate. The import of meats and poultry, fish, fowl, animal feed and its components, and biopreparations are subject to state control by the Border Control Service. The Veterinary and Food Board carries out quality and compliance checks of imported food stuffs, additives and supplements.

In cases where imported products fall into one of the categories requiring a special permit (Regulation 47 of the Minister of Agriculture), the importer must submit an application /request for a special import permit to the Veterinary and Food Board, indicating the importer’s license number, recognition number of the manufacturer if required, planned import quantity, arrival time and border entry point, product preservation conditions and purpose for importing the goods. Please consult with the importer regarding specific details. Exporters to Estonia should provide product safety assurances: a producers’ declaration, a quality certificate issued by the manufacturing establishment, and a phytosanitary certificate of origin in the Estonian language (Regulation 167 of the Minister of Agriculture). Conformity assurances for products originating in the EU member states, Baltic countries, and EFTA countries are recognized automatically, while those issued by authorities in other countries are recognized by the Estonian Conformity Assessment Center through a procedure of product testing and approval. It should be noted, however, that the Estonian Conformity Assessment Center recognizes conformity assurances issued for U.S. food products marketed in the EU member countries. It is highly recommended that U.S. product exports to Estonia meet European standards.



Goods imported into Estonia must be cleared through the Estonian Customs. Customs authorities require the following documentation – a copy of the contract, an invoice, a bill of lading indicating the amount, weight and value of goods and the original certificate of origin (form EUR.1 or form A). The following duties and taxes are collected:

- A. A procedure fee - a monetary fee of about US\$ 13 is collected per customs declaration.
- B. The 18 percent value added tax (VAT) is levied ad valorem and collected by Customs authorities upon clearance of the imported goods at the border unless the cargo is forwarded to a bonded warehouse.
- C. For tobacco products, spirits, alcohol beverages and beer the excise tax is imposed. Importer which has obtained a national license for importing tobacco and alcohol products, must buy the tax tags.
- D. Packaging taxes.

Until the end of 1999, Estonia's import and export regimes were among the most liberal in the world, and no duties were applied to imports. As of January 2000, the MFN Treatment Customs Duty Act imposed MFN rates on imported goods of all countries which have not entered free trade agreements with Estonia, including the U.S. At present, exports from the EU and countries which are parties to free trade agreements with Estonia, are advantaged by zero duties. The highest MFN duty rates stand at 25-33 percent for pork, 48 percent for poultry meat, 39 percent for sausages, 10 percent for chicken legs and wings, 59 percent for rye, and 40-45 percent for barley and oats. Import tariff rates can be found at [www.legaltext.ee/en](http://www.legaltext.ee/en), under title "Most Favoured Nation Customs Duty Act." Duties are not levied on goods transiting Estonian territory. Estonia's accession to the WTO in late 1999 has furthered the expansion of investment and trade. Because of its pending EU membership, Estonia's position for the next WTO round is generally in line with the EU's.

## SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

### Food Retail Sector

The Estonian food retail market holds considerable potential for a wide range of competitively priced packaged goods targeted at high/middle income groups. In 2001, grocery sales totalled US\$ 620 million, of which food accounted for 78 percent. A 12 percent growth in retail food trade turnover is projected for 2002. In 2001, food was sold in 2,715 food retail outlets, of which 102 were supermarkets. There were 40 retail chains of broadly diverse sizes.

Nordic retail chains entered the Estonian retail market in the mid nineties and contributed to the consolidation of retail outlets. Several large self-service shopping centers with supermarkets have emerged in suburbs of Tallinn. Supermarkets and hypermarkets have become more influential, accounting for 45 percent share of food retail sector sales, mostly at the expense of small shops and markets. Competition between small groceries is intense, and the emergence of niche stores is developing. With the development of large supermarkets, and reduced price sensitivity of customers, the share of open-market food sales has been reduced below 20 percent.

### Profiles of companies

ETK (the Estonian Central Association of Consumer Societies) owns the Konsum supermarket chain of 4 outlets, the Edu grocery chain of 5 shops, 5 Maksimarkets, and the A&O discounter chain which consists of 13 grocery stores located in rural areas. In addition, ETK runs about 450 smaller mom-and-pop style food stores throughout Estonia. In addition, ETK has entered into partnership with Finnish SOK and German Schleswig-Holstein.

Kesko, the leading retail chain in Finland, has moved aggressively into Estonia. After its acquisition of the Estonian chain Säästumarket (Saving Market, or S-market) in 2001, the company has recently built its own distribution center in Tallinn. Presently, there are two SuperNetto stores operating in Tallinn, and one was recently opened in Tartu. Kesko plans to expand its chain of Säästumarkets, as well as start building its larger Citymarket stores. One Citymarket recently opened in Pärnu and another is scheduled to be opened in Tallinn in November, 2002. Kesko is aiming at a 20-25 percent market share of the total Baltic grocery market.

SELVER is a domestic chain of 5 shopping centers, owned by the Estonian company Tallinna Kaubamaja. The company is planning to open two new SELVER outlets every year.

### Prisma Supermarkets

The Rocca al Mare Prisma supermarket and the Sikupilli Prisma hypermarket started to operate under the Finnish Prisma trademark in the fall of 2001, following the cooperation agreement signed between ETK (the Estonian Central Association of Consumer Societies) and Foodbaltic OY, a retail trade development firm half owned by the German Consumer Society Coop, Schleswig-Holstein and the Finnish Consumer's Central Union, SOK (Suomen Osuuskaupan Keskuskunta). Prisma operates 4 supermarkets and acquired the Primo store recently. The Sikupilli Prisma hypermarket with a 10,000 square meter sales area, is among the largest hypermarkets in the Baltic States.

ICA Ahold Baltic, the Swedish company with joint Norwegian and Dutch ownership (ICA-Ahold), currently has two Rimi supermarket stores in Estonia, run by RIMI Eesti, a daughter company. ICA now has 70 stores in the three Baltic countries, and plans to open 4 new stores in Tallinn in 2002.

Stockmann, a Finnish company, runs a large department store located in an attractive area of the Estonian capital of Tallinn. The supermarket carries a wide selection of imported food items. Stockmann is popular among middle and high income buyers and tourists.

'R- kiosk' has 200 outlets and is the largest kiosk chain which sells foodstuffs along with magazines, newspapers and stationery items.

For a new-to-market exporter targeting the Estonian food retail sector, it is advisable to find a professional wholesaler or a local agent with strategic distribution who is knowledgeable about the Estonian market and is able to negotiate and implement product introduction and promotion. Food wholesale companies are cooperating to a large extent because of the tough competition. To stay competitive, Jungent, Abe Stock and AS Kaupmees created a joint logistics company called VIA 3L.

Smarten, which is working together with ETK Hulgi, and Hansatee Hulgi AS, and Kesko Eesti have strong positions on the Estonian market. These companies have developed sound logistics and provide for minimum warehousing of goods.

### **Food Processing Sector**

The Estonian government is now prioritizing the development of the food manufacturing sector to secure domestic market share and to develop export opportunities. Following a ten percent decline in 1999, caused by the Russian economic crisis, the Estonian food processing sector almost recovered in late 2000, with a 4 percent annual growth rate. This positive rate is expected to continue in the near future as the food industry maintains its leading position among the various sectors of the Estonian economy. With the expansion of this sector the demand for imported agricultural product ingredients should also continue to rise. Given the relatively small consumer base in the Baltic region, pan-Baltic food companies are beginning to emerge to enhance the competitiveness of the region's food industry. In 2001, the total output of the food industry amounted to \$641 million, accounting for almost one-third of Estonia's industrial exports and 24 percent of the country's total industrial sales. Imported raw inputs included fish, wheat flour, and meat, and valued US\$ 235 million in 2001, of which 27 percent was imported. It should be noted that a food processor's choice of imported raw material may depend on the plant's ownership and its foreign investors, rather than on quality or price.

The development of Estonia's food industry has been impeded by an inadequate domestic supply of agricultural raw materials, the relatively modest purchasing power of domestic consumers, and limited export possibilities. Estonia's exports to Russia are assessed double the Customs rates of those paid for comparable products from Russia's preferential trade agreement partners. Market access for Estonian product exports to the EU has also improved. Various agreements which have come into force over the period July 2000 to July 2002, reduced tariffs and other barriers impeding exports of Estonian agricultural and processed food products to the EU and increased export quotas. However, only a few Estonian dairies and fish processors comply with the EU production and quality requirements and packaging standards required to be met to export to EU member countries.

As early as in 1995, the privatization of the food industry was almost completed. Foreign investors, mostly Finns, have acquired significant interests in the Estonian food industry and strengthened their presence in the entire Baltic region. In 1999-2001, nearly US\$ 706 million were invested in the food industry. Investment demand will continue to increase because food processing enterprises must gear up to meet EU quality requirements.

### Sector developments

- The food industry has 15 sub-branches. Of the total gross output by food manufacturers, dairies accounted for 29 percent, the meat industry for 16 percent, beverage manufacturers for 18 percent, the fish industry for 14 percent, and bakeries accounted for 9 percent.
- There were 804 food and beverage producers in Estonia in 2001. The concentration of production is high. The 4 largest meat producers accounted for almost 80 percent of the

sector's output, 4 fish processors accounted for about 46 percent of production, 4 dairies accounted for 53 percent of processed dairy products, and 4 major breweries accounted for 90 percent of the sector's production volume.

- Almost 35 percent of the fish processing industry's output is exported to EU member countries. Russia is the main export market for canned fish. However, further development of the fish industry has been negatively affected by the fact that Russia is imposing double the Customs duty rates on Estonian products that it applies to the same products from MFN suppliers. Of the raw fish inputs used by the fish processing industry, about 25 percent is imported, mainly from Norway and the UK. The largest enterprises are Maseko, Hiiu Kalur, and Viru Kalatoostuse.
- The industrial output of bread and bakery products totalled US\$ 52.8 million. Nearly 30 percent of the industry's output is produced by Finnish-controlled companies. Fazer Eesti AS is owned by Fazer Leipomot OY, and AS Leibur belongs to Vaasan & Vaasan. Imported wheat flour accounted for almost 70 percent of flour use, mostly due to the inconsistent quality of domestic wheat.
- The output of the meat packing industry accounted for 24,800 MT of meat, 29,000 MT of sausage, 4,300 MT of smoked meat products, and 671 MT of canned meat. Rakvere AS (owned by Finnish Ruokatalo) was the market leader, accounting for 40 percent. EBRD has a considerable share in the Tallegg AS poultry plant. Imported meat accounted for 45,800 MT. Leading suppliers were Denmark (27 percent), Finland (19 percent), Sweden (12 percent), and Belgium (10 percent). The U.S. is the second leading supplier of poultry to Estonia with a 26.6 percent share of poultry imports for its domestic market (5,973 MT).
- Dairy sector production increased after the EU increased import quotas. This brought about fierce competition for raw milk and contributed to price hikes for dairy products. The upgrading of the dairy sector will require large investments, and Estonian dairies will use EU pre-accession funds (SAPARD) for this purpose. The largest foreign-owned companies in the dairy sector include: Lacto AS, fully owned by Yaguab Haiday (Indonesia); Tapila AS, owned by Valio OY (Finland); AS Võru Juust, whose stock is partly owned by Saviola s.p.a. (Italy). AS Põlva Piim was bought by the Dutch company G.van den Bergh, and this has helped establish a market in the EU for Estonian powdered cream.
- The Tartu Õlletehas brewery is owned by Finnish Olvi OY, Saku Õlletehas is owned by Baltic Beverages Holding, and AS Viru Õlu belongs to Harboes Bryggery AS, a Danish brewery.
- The Coca Cola bottling plant, Eesti Coca-Cola Joogid has acquired a popular product, Linnuse Kali (kvass), from Õsel Foods. Fifty percent of Õsel Foods belongs to Carl Erik Sundbol (Finland).

The largest food processors purchase raw materials and food ingredients directly from foreign exporters and through their own networks. Such products include raw fish, meat, spices, spirits, juice concentrates, wheat flour and condiments. US exporters should focus primarily on connecting with the larger players seeking direct relationships with foreign suppliers.

### **HRI Food Service Sector**

A successful hotel/restaurant trade has rapidly developed in the past 3-4 years, in many cases as joint ventures with foreign firms. The growth within the hotel and restaurant sector has been boosted by the expansion of tourism. There were 3.3 million visitors to Estonia in 2000.

#### Restaurants

Eating out on a regular basis has become increasingly popular within the higher income groups which account for 10-15 percent of the population. An additional 20 percent eat out occasionally. Catering services are primarily operated by individual restaurants. In 2001, there were 237 restaurants in the market. Of the 147 fast food enterprises, the largest chains were McDonald's (U.S.), Hesburger (Finland), Peetri Pizza, and Pappa Pizza. The new fast food outlets and restaurants with international style cuisines such as Mexican, Chinese, Vietnamese, Italian and Indian, have begun to change the structure of the food service market. Chinese and Japanese fast food outlets have become popular at hypermarkets. These companies use a lot of imported food products and ingredients purchased through direct shipments from personal contacts, or from importers.

Fresh products is the priority for a-la-carte restaurants, which purchase from both local suppliers and importers. Poultry, pork, fish and seafood, beverages, sauces and spices are major imports.

#### Hotels

There are two hotel chains in Estonia with 4 hotels each: Reval Hotelligrupp AS and Scandic Hotels. An SAS Radisson Hotel opened in 2001. The Viru Hotel is the biggest hotel outside of these chains. There is no centralized supply system for hotels and restaurants, despite the Estonian Hotel and Restaurants Association's efforts to create one in order to cut down on prices. Hotel and catering companies use a lot of imported food products, beverages, wine, and ingredients, which they purchase from local distributors.

## **SECTION IV. BEST HIGH VALUE PRODUCT PROSPECTS**

There are opportunities for dry, chilled and frozen processed products. Rather unfamiliar to consumers are low fat, low salt, sugar free, and cholesterol free products. We recommend: candies, marshmallows, snack foods, pasta preparations, muffins, baking chocolate/chips, barbeque foods/sauces, fresh fruits, vegetables, seafood, wine, graham crackers, nuts, wines, ready prepared meals or quick-to-prepare dishes.

## **SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

State Veterinary and Food Board

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Estonian Enterprise Register

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Estonian companies database

Valge Register

[www.roland.ee](http://www.roland.ee)

Association of Estonian Fruit and Vegetable Wholesalers

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For including your product offers into the Baltics regional "virtual trade fair," check site

<http://www.food-fair.com>

For general questions about product import, please contact:

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or the regional Foreign Agricultural Service marketing staff at U.S. Embassy Stockholm, Sweden

[www.usemb.se/Agriculture](http://www.usemb.se/Agriculture)

For more information on exporting U.S. agricultural products to other countries, please visit the USDA, Foreign Agricultural Service home page: [www.fas.usda.gov](http://www.fas.usda.gov)



TABLE A. KEY TRADE &amp; DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil) /U.S. Market Share (percent)*/	567/4
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (percent)*/	297/2.7
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (percent)*/	42.6/3.5
Total Population (Millions)/Annual Growth Rate (percent)	1.36/-0.8
Urban Population (Millions)/Annual Growth Rate (percent)	0.9/-0.8
Number of Major Metropolitan Areas	1
Size of the Middle Class (Millions)/Growth Rate (percent)	0.6/N/A
Per Capita Gross Domestic Product (U.S. Dollars)	3705
Unemployment Rate (percent)	13.7
Per Capita Food Expenditures (U.S. Dollars), year	546
Percent of Female Population Employed	48
Average Exchange Rate US\$1	17 EEK

\* / 2001 Data from United Nations database

**TABLE B. Consumer Food & Edible Fishery Product Imports**

<b>Estonia Imports</b> (In Millions of Dollars)	<b>Imports from the World</b>			<b>Imports from the U.S.</b>			<b>U.S Market Share</b>		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
<b>CONSUMER-ORIENTED AGRICULTURAL TOTAL</b>	312	282	297	52	16	8	17	6	3
Snack Foods (Excl. Nuts)	31	27	27	1	1	1	0	0	0
Breakfast Cereals & Pancake Mix	3	3	3	1	0	0	0	0	0
Red Meats, Fresh/Chilled/Frozen	20	23	22	4	1	1	19	3	0
Red Meats, Prepared/Preserved	4	5	5	1	1	0	0	0	0
Poultry Meat	50	21	19	45	13	6	90	61	32
Dairy Products (Excl. Cheese)	15	24	24	1	0	0	0	0	0
Cheese	5	5	15	0	0	0	0	0	0
Eggs & Products	1	2	2	1	1	0	0	0	0
Fresh Fruit	27	23	26	1	1	1	0	0	0
Fresh Vegetables	12	9	12	1	1	1	0	0	0
Processed Fruit & Vegetables	19	19	19	1	1	1	3	2	3
Fruit & Vegetable Juices	12	12	8	1	1	1	0	0	0
Tree Nuts	3	2	2	1	1	1	39	39	43
Wine & Beer	20	20	18	1	1	1	3	2	2
Nursery Products & Cut Flowers	6	6	7	1	1	1	0	1	1
Pet Foods (Dog & Cat Food)	5	4	6	1	0	1	3	0	0
Other Consumer-Oriented Products	80	77	83	1	1	1	1	0	0
<b>FISH &amp; SEAFOOD PRODUCTS</b>	30	30	43	1	1	2	3	3	4
Salmon	4	4	5	1	1	1	0	0	0
Surimi	4	3	4	1	1	1	13	16	26
Crustaceans	1	2	2	0	1	0	0	0	0
Groundfish & Flatfish	4	5	10	1	1	1	2	1	2
Molluscs	1	1	1	0	0	0	0	0	0
Other Fishery Products	17	16	22	1	1	1	1	1	2
<b>AGRICULTURAL PRODUCTS TOTAL</b>	542	535	567	69	24	22	13	4	4
<b>AGRICULTURAL, FISH &amp; FORESTRY TOTAL</b>	653	651	714	70	25	24	11	4	3

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Note that the decline of U.S. market share of Estonian imports of poultry was largely due to the higher (MFN) duty rates applied to U.S. poultry vis-a-vis poultry sourced from Europe.

**Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products**

<b>Estonia Imports</b>				<b>Estonia Imports</b>			
<b>CONSUMER-ORIENTED AG TOTAL (\$1,000)</b>				<b>FISH &amp; SEAFOOD PRODUCTS (\$1,000)</b>			
	1999	2000	2001		1999	2000	2001
Finland	52,032	46,780	53,007	Norway	10,488	8,486	10,529
Poland	20,243	20,009	23,079	Russian Federation	6,148	6,728	9,330
Denmark	16,508	18,248	22,431	Sweden	876	2,437	3,792
Germany	17,493	21,751	19,760	Chile	411	937	2,764
Sweden	15,834	14,201	18,780	Netherlands	1,496	595	2,232
Netherlands	23,910	19,969	18,063	Finland	1,873	2,455	1,968
Spain	10,715	10,975	12,360	Germany	798	873	1,881
Latvia	10,935	10,823	11,704	<b>United States</b>	<b>754</b>	<b>750</b>	<b>1,595</b>
Hungary	9,125	9,441	10,839	Spain	419	587	1,373
France	10,006	11,744	10,051	Lithuania	1,224	370	1,312
Russian Federation	7,120	13,135	9,919	Denmark	1,443	882	1,133
Lithuania	6,857	8,597	9,139	United Kingdom	731	771	1,078
<b>United States</b>	<b>51,534</b>	<b>15,699</b>	<b>8,373</b>	Ukraine	322	118	688
Italy	9,837	7,563	8,131	France	16	56	386
Brazil	1,954	6,117	6,992	Peru	152	309	348
Other	47,754	47,091	54,382	Other	2,770	3,205	2,207
<b>World</b>	<b>311,888</b>	<b>282,192</b>	<b>297,067</b>	<b>World</b>	<b>29,924</b>	<b>29,567</b>	<b>42,618</b>

Source: United Nations Statistics Division

