

# Latvia and Estonia: Only Assertive Exporters Need Apply

By Jolanta Andersone

**W**hy would a U.S. exporter consider Latvia and Estonia as a market? Some European countries, thanks to their free trade agreements with the two countries, enjoy more favorable tariffs than the United States. Moreover, they have already established distribution networks, and Latvian and Estonian consumers are more familiar with foods and beverages of Nordic, German and Central European origin.

As counterintuitive as it sounds, some of Latvia's and Estonia's challenges can actually become opportunities for the savvy.

## Reasons To Choose Latvia and Estonia

Part of Latvia's and Estonia's appeal is their great economic progress. While the



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two economies do not compare yet with those of Western Europe, Latvia and Estonia are at the top of the list of the fastest growing economies in Europe. Gross domestic product growth rates in Estonia and Latvia have exceeded 6 percent in recent years, and this development is expected to continue.

Per capita income is also rising. Latvia's growing population is traveling more and discovering new foods and flavors. It is becoming familiar with and better able to buy high-value food imports. Latvia and Estonia are expected to accede to the European Union (EU) in the next two to four years. Both Latvia and Estonia joined the World Trade Organization in 1999, improving access to this market for U.S. exporters.

The countries are attracting foreign investors, including retail supermarket chains. As large Nordic chains rapidly consolidate retail outlets in Latvia, they may provide new opportunities for exporters.

## Retail Sector in Rapid Change

After the fall of the Berlin Wall and the collapse of the Soviet Union, it took a few years before the modernization of the retail sector got up to speed. Even though most food still is purchased at outdoor markets, bazaars and traditional small shops, modern self-service supermarkets and hypermarkets are appearing at a rapid pace and are expected to dominate Baltic retail trade within a few years. This development is largely driven by Nordic retail companies that began entering Estonia and Latvia in the mid-1990s, and is most dramatic around the big cities of Tallinn and Riga.

These Nordic companies have also built distribution centers that have the potential to supply the entire Baltic region with imported products. Thus, they are building the structure necessary to overcome the obstacles presented by the relatively small shipments heretofore demanded by those interested in importing U.S. products.

U.S. exporters have an advantage in the generally positive image of U.S. products. They are considered to be of good quality, so businesses are receptive to buying U.S. products. Still, sales of U.S. foods and beverages are hampered by limited consumer awareness.

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### Consumers Are Curious but Frugal

Even though the average Latvian and Estonian monthly household incomes are low, U.S. exporters can target urban consumers with higher incomes. With increased purchasing power and curiosity to spur spending, this group could form a base for future demand and can be targeted for promotional activities.

In Latvia, women make up 49 percent of the workforce. In Estonia, that number is 48 percent. The increasing number of women working outside the home is creating some demand for ready-made foods.

Also, promotions can aim at the growing expatriate community, the increasing number of tourists and establishments that cater to them.

### Best Products for U.S. Success

Even though Latvian and Estonian consumers are not familiar with many U.S. products, some American foods and beverages are seen on store shelves.

U.S. products that have good market potential are frozen poultry products, rice, fish, pet food, fresh and dried fruits, nuts and wines.

Products bearing U.S. brands but manufactured in European countries can already be found in Latvia and Estonia. U.S. brand chips, soft drinks, snacks and confectionery products are available.

Latvian and Estonian consumers are unfamiliar with low-fat, low-salt, sugar-free and cholesterol-free products. However, they can soon be expected to demand these products as health-consciousness increases.

Other products with potential are brown sugar, cake mixes, marshmallows, corn meal, graham crackers and chocolate chips.

U.S. exporters might also consider snack foods with a long shelf life, such as raisins and dried foods. Jams, jellies, maple syrup, frozen yogurt and sherbets might also sell. As for beverages, soft drinks, drink mix powders and frozen juices have potential.

Frozen foods, pizzas, meats, pasta preparations, canned seafood, vegetables and fruits might be popular. Cheeses, sauces, salad dressings and breakfast cereals might also sell.

Keep in mind, however, that high-value U.S. foods and beverages are currently disadvantaged by the preferential and even zero tariff treatment enjoyed by free trade agreement partners, mainly in the EU. In addition, the countries' implementation of sanitary and phytosanitary standards in preparation for EU accession has blocked some U.S. trade, especially in pork and beef. ■

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