CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN ESTONIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments on the cut flowers and foliage market in Estonia. The information is complementary to the information provided in the CBI market survey 'The cut flowers and foliage market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo

1 Market description: consumption and production

Consumption
- No consumption figures are available about Estonian consumption of cut flowers and foliage. However, there are many indications, such as the population size and the level of purchasing power, also that it is amongst the smallest markets in the EU.
- Although Estonia is a former Republic of the Soviet Union, the culture and taste of the 1.4 million Estonians is strongly related to Scandinavian countries, particularly Finland. The Estonian language for instance is very closely related to Finnish. Also compared to the other two Baltic States, Estonia is more oriented to Western Europe. Therefore we recommend you to read the CBI market survey 'The cut flowers and foliage market in Finland' as well, if you are interested in the Estonian market.
- Although there is not much information about the purchasing patterns of the Estonian population, important occasions for giving flowers are birthdays, weddings, funerals, Valentine's Day, New Year and Christmas. International Women's Day (8th of March) also causes peaks in flower sales in Estonia.
- Furthermore, Estonians are superstitious concerning yellow flowers, since these are a sign of the coming loss of a loved one.

Trends
- Consumers gradually put more trust in domestically grown cut flowers.
- Variety in the choice of flowers is of growing importance to Estonian consumers.
- As the average income of Estonian citizens is increasing, it is also expected that the amount of money spend on floricultural products will increase.

Production
- No statistical information on floricultural production in Estonia is available. Although there are a couple of farms producing mainly for the local market, total production of cut flowers and foliage in Estonia is among the lowest in the EU.
- One of the larger floricultural companies in Estonia is Ceres, a former state farm that is now producing on 24 hectares outside Tallinn. Ceres not only grows cut flowers, but also all kinds of pot and garden plants (http://www.ceres.ee).
- Finally, agriculture has traditionally been one of the most important sectors of the Estonian economy. In the process of restructuring and economic development, its proportion was however reduced from 11.7% in 1992 to 4.7% in 2000.

Trends
- Due to increased competition from abroad, the Estonian flower sector is increasing in scale and has started to professionalise. This includes a limitation in the assortment which is

grown, in order to focus on the most competitive varieties. Nevertheless, competition from abroad is being felt, particularly by smaller growers.

Opportunities and threats

- Estonia is one of the smallest consumer markets in the EU, being almost entirely supplied by Netherlands exporters and local farmers. There are few opportunities for exporters in developing countries in Estonia as it is hard to compete with the suppliers from The Netherlands. The latter are more flexible and have more possibilities to adapt their distribution methods to Estonian demand, as they are closer to the market and are able to use trucks for transportation.
- Another threat is that consumers gradually put more trust in Estonian domestic cut flowers.

\+ Estonia is viewed as a gateway to larger markets in North-Western Russia, Ukraine, and Belarus.

Also refer to Sections 1.4 and 2.3 of the CBI market survey 'The cut flowers and foliage market in the EU' for general information on opportunities and threats in the EU.

Useful sources

- Estonian Trade Council: http://www.etc.ee
- List of flower producers in Estonia: http://www.connectus.ee/est/tab/tab1.htm

2 Trade channels for market entry

- The Estonian retail market of florists differs from Western Europe. This market appeared relatively recently so that florists exist for only around 10-15 years. The market can be divided into two sectors, which are the professional flower shops and the street sellers. Although specialized florists have difficulty in competing with the cheap flowers sold on the streets, their share is expected to increase in the coming years as a result of increasing purchasing power and a consequent increase in demand for more expensive flowers.
- Next to the former state farm Ceres, other leading companies are Revino, Plantex and Lahepollu.
- The main supermarket chain in Estonia is ETK, with a market share of about 34%. Other leading supermarkets are Ahold (18%), Rautakirja (12%), Kaubamaja (8%) and Kesko (7%). Particularly the market share of Ahold has increased over the past few years.
- Florists mostly prefer imported flowers from The Netherlands since they are of higher quality. There are, however, also domestic flowers sold at a lower price.
- You can find local companies via the website of Kontakt, an Estonian company listing: http://www.kontakt.ee. Another good starting point for finding local companies is the Estonian Chamber of Commerce and Industry: http://www.koda.ee.

3 Trade: imports and exports

Imports

- Estonia is one of the smallest EU importers of cut flowers and foliage, accounting for 0.2% of total EU imports. Its total imports increased by 15% annually between 2002 and 2006, amounting to € 7.3 million / 1.4 thousand tonnes in 2006.
- The Netherlands account for almost the entire Estonian demand for cut flowers and foliage (91%). Note that many Netherlands flower exporters consider the three Baltic states as one market, as they are well-connected by a major road. Moreover, in the past couple of years, Netherlands exporters regularly encountered problems exporting directly to Russia because of Phytosanitary issues between those two countries. It is suspected that, during that period, some Netherlands exporters exported flowers via Estonia to Russia and other former Soviet States. This could have affected the 21% annual increase of imports from The Netherlands during the review period.

- The largest product group imported by Estonia is Rosa, of which imports increased annually by 1%, amounting to € 3.1 million in 2006. Imports of 'other fresh cut flowers' increased annually by 14% amounting to € 2.0 million in 2006.
- Developing countries play a small role in the supply of cut flowers, accounting for a share of 6% in Estonian imports in 2006. The main supplier is Colombia (5%), followed by Ecuador (0.4%), China (0.2%) and India (0.2%). Their total supplies decreased by 18% annually in the period 2002-2006, amounting to € 435 thousand in 2006.
- Developing countries only play a significant role in the supply of Dianthus and 'prepared cut flowers'. Colombia accounts for 26% of Estonian demand for Dianthus, amounting to € 266 thousand in 2006, signifying an annual decrease of 23%.
- The share of developing countries in Estonian Rosa imports is small (4%), but increasing (by 6% annually). However, the imports from European countries are increasing at a faster pace. The developing country suppliers of Rosa are Colombia (3%) and Ecuador (1%). Imports from Colombia increased by 145% annually, whereas imports from Ecuador decreased by 24% annually.

Exports

- The Estonian export market of cut flowers and foliage is among the smallest of the EU; the market share is negligible. Exports increased by 21% between 2002 and 2006, amounting to € 372 thousand / 59 tonnes in 2006.
- Estonia's exports are mainly composed of foliage (€ 345 thousand), of which the imports increased by 22% annually during the review period.
- Basically, all cut flowers and foliage exports go to Germany (€ 194 thousand) and Finland (€ 152 thousand).

Opportunities and threats

Estonia is not a very interesting market for developing country suppliers of cut flowers and foliage, because of the following reasons:

- The cut flowers and foliage market is small. The size of the import and export market is also really small. Furthermore, the share of developing countries is small.
- Imports are increasing, however, imports from developing countries decreased by 18% annually between 2002 and 2006.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
- Enterprise Estonia (Investment Agency): http://www.investinestonia.com

4 Price developments

- There are no sources giving specific information on prices and price development in the Estonian market. In general, price development is in line with the North European markets. Most flower importers have direct lines with suppliers, who buy at the Netherlands auctions. The Netherlands auctions therefore have an important role to play in price-setting in Estonia (http://www.vbn.nl).

5 Market access requirements

- As a manufacturer in a developing country preparing to access Estonia, you should be aware of the market access requirements of your trading partners and the Estonian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select 'cut flowers and foliage' and Estonia in the category search, click on the search button and click on market access requirements.
- Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm
- Information on tariffs and quota can be found at http://export-help.cec.eu.int. The general VAT rate in Estonia is 18%. The VAT rate applied to flowers, however, is the reduced rate of 7%.

6 Business practices

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. When doing business with people in the floricultural business sector in Estonia, the most-used languages are English and German. For more information on doing business in Estonia, visit the following websites:

Trade associations
- Interflora: http://www.interflora.ee

This survey was compiled for CBI by ProFound – Advisers in Development in collaboration with Milco Rikken of ProVerde.