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Report Highlights:

The Latvian economy is expected to steadily grow over the next few years. In 2015 total Latvian agricultural imports amounted to U.S. $2.7 billion with U.S. $8.5 million originating from the United States. Products from the U.S. that have good sales potential on the Latvian market include: fish and seafood products, beef, nuts and wines and distilled spirits.

This report provides U.S. food and agriculture exporters with background information and recommendations for entering the Latvian market.

General Information:

SECTION I. MARKET SUMMARY

In 2009-2014 Latvia's economy was one of the fastest growing in the European Union (EU) mostly due to financial support from the EU and the International Monetary Fund (IMF) that followed the financial crisis of 2008-2009. During 2015 Latvia's economic growth rate increased by 2.7 percent. Further increase in the real GDP growth is expected in the forthcoming years.

According to the latest data of the Central Statistical Bureau, in 2016 average consumer prices increased by 0.6 percent as compared to 2015. Increase in prices of food and non-alcoholic beverages, recreation and culture, alcohol and tobacco mostly influenced the level of consumer prices in 2016.

Consumer expenditure per capita in 2015 reached U.S. $8,272 and further growth is expected in the upcoming years. Total consumer expenditures are forecast to increase by 3.7 percent in 2016 and account for 61.5 percent of GDP.

In 2015 disposable income per capita reached U.S. $7,934 and is expected to steadily grow. Based on a forecast increase in nominal wages, private consumption is the main driver of economic growth in Latvia.

Table 1. Basic Economic Indicators

	2015[a]	**2016[b]**	**2017[b]**	**2018[b]**	**2019[b]**	**2020[b]**
Real GDP growth	2.7	1.8	2.8	3.2	3.1	2.9
Unemployment rate (av; national measure)	9.9	9.6	9.2	8.7	8.3	8.0
Consumer price inflation (av; national measure)	0.2	-0.4	1.7	2.4	2.3	2.2
Exports of goods fob (U.S.$)	11.4	11.2	11.8	13.1	13.9	14.8
Imports of goods fob (U.S.$)	-13.7	-13.6	-14.4	-15.9	-16.8	-17.9
Exchange rate Euro: U.S.$ (av)	0.901	0.913	0.915	0.901	0.868	0.847

Source: Economist Intelligence Unit [a] estimates and [b] forecasts.

In 2015 Latvia's total population reached 1.98 million inhabitants. The median age in 2015 was 42.7 years. Latvia is predominantly an urban country with nearly 68 percent of population living in urban areas.

Latvia's unemployment rate decreased from 10.9 percent in 2014 to 9.9 percent in 2015. It is expected that the rate will continue to decrease due to government initiatives aiming at unemployment reduction.

Agriculture is not a sizeable portion of the country's GDP. Due to the fact that many small farms in Latvia are disappearing, the average farm size is growing. Agriculture in Latvia mainly focuses on the cultivation of crops and dairy farming. Total agricultural imports into Latvia in 2015 amounted to U.S. $2.7 billion, with U.S. $8.5 million originating from the United States.

In 2015 Latvia imported U.S. $5.1 million of consumer oriented food products from the United States, with a 1.6 percent increase compared to 2014. Top products imported from the U.S. include distilled spirits, wine, almonds, walnuts, food preparations, sauces and condiments.

Table 2. Latvia – imports of agricultural and fish products in 2015, in million U.S. $

U.S. $ (million)	**2013**	**2014**	**2015**
Agricultural Products, imports from the U.S.	8.8	10.0	8.5
Consumer Oriented Agricultural Products, imports from the U.S.	4.4	5.0	5.1
Fish and Seafood Products, imports from the U.S.	0.9	1.2	0.6

Source: Global Trade Atlas

Table 3. Advantages and challenges for American products in the Latvian market.

Advantages	**Challenges**
Latvia's economy is expected to grow in short-term perspective due to financial support from European Central Bank (ECB)	Latvia's population is ageing. According to forecasts, the percentage of population aged 65+ as a share of total population with reach the level of 24.9 percent by 2030. This will impact the country's long-term competitiveness
Latvia has three major sea ports at Liepaja, Ventspils and Riga well connected to railways and roads. Well-developed infrastructure connects the country with Russia and other Baltic regions as well as Europe and Central Asia. Geographical location and infrastructure make the country a central point for international commerce	EU remains the main source of imports to Latvia. In 2014 80.7 percent of Latvia's total imports of goods originated from the EU
Due to expected wage growth, private consumption is expected to grow and be the main driver for Latvia's economic growth	Latvia's disposable income per household is one of the lowest in the EU
Joining the EU in 2004 and adopting the euro in 2014 helped to attract foreign investment to Latvia	In the outcome of 'buy local' promotional campaigns, Latvian consumers show preference for buying food products originating from Latvia
Latvia ranked 22nd out of 189 economies in the World Bank's Ease of Doing Business. This is the fourth highest ranking in the Eastern European region	Although the Latvian government is open towards foreign direct investment (FDI), there are restrictions imposed on FDI from non-EU investors

SECTION II – EXPORTER BUSINESS TIPS

In order to get the best understanding of the Latvian market it is recommended to visit and speak to importers and distributors. Trade Shows organized within the European Union present the U.S. companies with the opportunity to establish contacts with regional buyers. A list of USDA/FAS endorsed Trade Shows is available at www.fas.usda.gov – *Exporting Trade Shows* link.

To determine what new products may become profitable on the Latvian market, it is necessary to conduct market research. Businesses that want to enter Latvian market are advised to contact the Office of Agricultural Affairs in Warsaw, Poland for guidance. It is also advisable to visit Latvia as personal contacts are highly valued in business relationships.

Following European Union accession in 2004, Latvia changed imports requirements including documentation, sanitary and phytosanitary requirements as well as labelling to adhere to EU regulations. Detailed information regarding certificates required for exporting products to the European Union is available in the *EU-28 Food and Agricultural Import Regulations and Standards – Certification (FAIRS)* report. The report is available via **www.fas.usda.gov** ***– Data and Analysis – GAIN Reports Category*** **link.**

There is a strong tradition among Latvians to prepare food at home. However, it is not unusual for younger and urban consumers to dine out or consume ready meals or other prepared foods to save time. As the Latvian economy has recovered from the recent crisis, the proportion of population dining in restaurants has increased. Despite this trend, most Latvians still search for special menu price offers. Full-service restaurants are still considered a luxury that most Latvians are not able to afford regularly. Aside from price, food and service quality is what customers pay attention when selecting a restaurant.

It is customary among Latvians to consume snacks between meals. The most popular include: cereal-based products, chocolates, sweets, pastry, sandwiches, cheese, fruit and nuts. Beer and wine are Latvians' preferred alcoholic beverages. Due to the increase of disposable income, consumers show a growing interest in more expensive craft beers and wines. Alcohol can be purchased in supermarkets and hypermarkets, petrol stations, small convenience stores and larger DIY outlets. Due to increasing incomes, information campaigns promoting local products and Russian restrictions on Latvian food exports, Latvian consumers are showing increased preferences for buying locally. Local food products are considered healthier and of higher quality.

Business hours in Latvia are from 8 a.m. to 5 p.m. or 9 a.m. to 6 p.m. Business lunches and dinners are a usual practice. There are no specific requirements as to dress code for business meetings unless stated in the invitation. Gifts are not expected on initial business meetings. English is common as a business language.

SECTION III – MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector

There was growth in the retail sector in 2015 resulting from the increase in disposable incomes and private consumption. Despite overall growth in the sector, Russian sanctions on importing products from the European Union reduced the increase in grocery sales.

Experts predict that the forecast GDP growth in the coming years will have a positive impact of the development of retailing in Latvia. It is expected that Riga will become saturated with hypermarkets, supermarkets and convenient stores which will lead to smaller outlets being opened more extensively outside Riga where the population is less dense.

Table 4. Forecast sales in retailing by Store-based vs Non-store (2016-2021)

$ million	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Store-based Retailing	5.33	5,415.53	5,504.99	5,595.22	5,679.91	5,756.03
Non-store Retailing	276.76	312.70	353.20	390.99	430.73	467.97
Total Retailing	5,607.93	5,728.23	5,858.31	5,986.21	6,110.64	6,224.00

Source: Euromonitor
**Sales values calculated per exchange rate as of March 28, 2017 1USD=0.921 EUR*

Rimi Latvia SIA and Maxima Latvija SIA are the two leading retailers in Latvia. Both maintained a dominant position on the market in 2015 and are expected to continue expanding their outlet network. New players, including Lidl and IKEA, are anticipated to enter the Latvian market soon.

In May 2015 a law to ban the unfair retail practices was adopted by the Latvian parliament. The law aims at preventing retailers from using their buying power against suppliers. The law prohibits a retailer to charge for entering into a contract, placing products on store shelves or compensate for some of retailer's costs such as profit not obtained for selling the supplied goods. According to experts, the implementation of the law may result in increased grocery prices due to the additional administrative costs the retailers will need to face.

For many people in Latvia, fresh markets are considered the best place to purchase fresh food products such as meat, fish, fruit, vegetable or dairy. The wide selection of products and negotiable prices attract many customers. However, the increasing number of supermarkets offering attractive prices of fresh food products has resulted in reduced popularity of fresh markets. It is not unusual for shopping centers to organize fresh markets in their yards to attract customers.

Latvian consumers have begun to turn towards online shopping sites more willingly. As more and more retailers follow this trend, among grocery major retailers only Maxima offers online shopping services so far.

Stores in urban areas have usually longer opening hours compared to those in the rural areas. As there are no restrictions as to the number of opening days per year, many stores are open during holidays.

Table 4. Grocery vs. Non-grocery retailing in Latvia (% breakdown)

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Grocery	45.2	45.3	45.5	45.7	45.8	45.5
Non-grocery	54.8	54.7	54.5	54.3	54.3	54.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor from trade sources/national statistics

Cash and carry

The two leading cash and carry retailers in Latvia are Promo Cash & Carry and Orange Cash & Carry. Promo Cash & Carry, owned by Sanitex, operates two outlets in Riga, one in Valmiera and one in Daugavpils. Orange Cash&Carry has one shop in Riga and offers higher quality products.
Cash and carry outlets, due to less convenient locations, do not attract as many customers as retailers. However, the channel is developing, mostly due to the fact that cash and carry outlets began to sell to both businesses and consumers. Cash and carry outlets try not to compete with each other by providing a slightly different range of products. It is expected that the cash and carry market will continue to grow in the forthcoming years mostly due to a wide portfolio of products and attractive prices.

Food Processing Sector

Food processing is one of the most important sectors in Latvia. The largest segments of food processing include: meat, dairy, fish, grain and baked goods, processed fruit and vegetables, confectionery, alcoholic and non-alcoholic beverages. In 2015 the food and beverage industry had approximately 23.5 percent share of total output in manufacturing.

Fish processing is one of the most significant food processing sectors in Latvia. Latvian fish processing companies produce both for the domestic and the export market and the main products include: frozen fish, salted and smoked fish, unsterilized preserves, ready to serve products and sterilized canned fish. For detailed information regarding the fish processing sector in Latvia, please refer to the FAS/Warsaw *Fish and seafood market in Latvia* report available at www.fas.usda.gov ***– Data and Analysis – GAIN Reports Category*** **link.**

Latvia's food sector has been growing steadily over an extended period. In 2015 the industry was greatly influenced by the Russian embargo. Food producers were forced to look for new markets for their products. Despite the economic situation, the food industry maintains a strong position due to the fact that food products prevail in consumers baskets as compared to other goods.

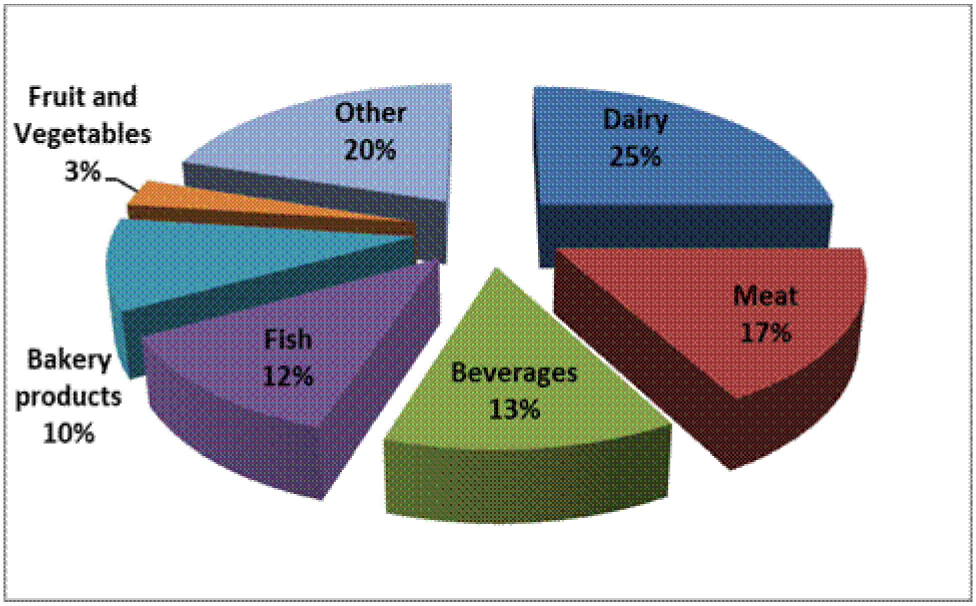
Table 5. The largest food industry companies (by net turnover in 2015)

Company	Line of business	Turnover $ (million)	Profit $ (million)	Employment
Dobeles dzimavnieks As	Manufacture of flour-based confectionery products	106.96	1.24	598
Rigas piena kombinats AS	Milk processing	97.80	-6.67	631
Latvijas balzams AS	Manufacture of alcoholic beverages	80.12	7.68	183
Orkla Confectionery & Snacks Latvija SIA	Manufacture of food products	77.70	-2.38	304
Preilu siers AS	Milk processing	68.02	1.35	341
Cido grupa SIA	Manufacture of non-alcoholic beverages	58.34	-1.28	249
Tukuma piens AS	Milk processing	50.93	0.56	270
Balticovo AS	Poultry farming, production of eggs	49.88	6.06	206
Cesu alus AS	Manufacture of beer	48.40	2.58	646
Putnu fabrika Kekava AS	Processing of poultry meat	44.31	1.14	209
HKScan Latvia SIA	Production of meat and meat products	38.87	2.31	376
Lielzeltini SIA	Processing of poultry meat	37.58	1.80	963
Lido AS	Production of meat products, catering	36.66	1.35	225
Rigas plensalmnieks SIA	Milk processing	32.96	0.52	247
Forevers SIA	Production of meat products	32.69	1.55	224

Source: Industry sources
**Turnover and Profit values calculated per exchange rate as of March 28, 2017 1USD=0.921 EUR*

The main export destinations for Latvian food products are Lithuania and Estonia. Latvian products exported to Europe include cheeses, butter, milk, canned fish, fruit and berry preparations, grains, meat products, confectionery, alcoholic and non-alcoholic beverages.

Table 5. Share of Food and Beverage Sector Turnover in 2014



Source: Investment and Development Agency of Latvia

For additional information regarding food processing sector in Latvia, please refer to http://www.liaa.gov.lv/files/liaa/attachments/k_2014_food_industry_in_latvia_companies.pdf link.

Hotel, Restaurant & Institutional Sector (HRI)

During 2014 Latvian hotels recorded growth in the number of visitors partly due to an increased number of tourist attractions and major public events such as the World Choir Games or Riga as European Capital of Culture. While the hotel market is still dominated by local operators, a new international player – Accor Hotel Group – started operations in Latvia opening a 4-star Mercure Hotel and 3-star Ibis Styles Hotel in Riga.

Rezidor and Accor Hotel Group are two strong international chains operating in Latvia. Hilton Worldwide, Kempinski Hotels and Park Inn by Radisson are expected to open their properties in Latvia in 2017.

The decrease in the number of tourists from Russia in 2015 did not have a significant impact on the Latvian tourism industry. Due to Latvia holding the presidency of the Council of the European Union in the first half of 2015, the number of incoming foreign visitors increased considerably.
The total number of hotel guests in 2015 reached 2.1 million, 2 percent more than in the previous year. The number of foreign visitors reached 1.5 million and increased by 3.1 percent compared to the year 2014.

Table 6. The largest hotels in Latvia (by net turnover in 2015)

Company	Hotel	Turnover $ (million)	Profit $ (million)	Empl.
Vlesnica Latvija AS	Radisson Blu Latvija, ESPA Riga	23.29	3.11	225
Mogotel SIA	Rixwell Irina Hotel, Wellton Centrum Hotel&SPA, Wellton Hotel Riga&SPA, Rixwell Elefant Hotel, Rixwell Old Riga Palace Hotel, Rixwell Gertrude Hotel, Rixwell Terrace Design Hotel, Rixwell Centra Hotel, Rixwell Bauska Hotel	14.05	0.26	314
Reho SIA	Konventa seta, viesnicas Kolonna	12.29	0.07	219
BBH Investments SIA	Baltic Beach Hotel	10.54	0.65	372
Polar Bek Daugava SIA	Radisson Blu Daugava	7.95	0.37	169
Elizabetes centrs SIA	Radisson Blu Elizabete	6.34	1.00	51
Hotel Jurmala SPA SIA	Jurmala SPA	5.50	0.00	157
TLG Hotell Latvija SIA	Tallink Hotel Riga	5.20	-1.63	122

Source: Industry sources
**Turnover and Profit values calculated per exchange rate as of March 28, 2017 1USD=0.921 EUR*

The tradition of preparing meals at home is still strong and many Latvians dine in restaurants only at weekends or for special occasions. However, an increasing number of young, busy urban professionals are turning towards ready meals to save time. Despite high demand for traditional locally produced food products, international cuisines are gaining popularity, especially among younger consumers. There has also been a trend for healthier and vegetarian cuisine which results in higher demand for seafood and vegetables. Small, local restaurants prevail in Latvia. International chains present on the Latvian market include McDonald’s, Subway, KFC and Hesburger.

Cruise ships are a very important element of tourism in Latvia. During the peak season, April/May – October, thousands of foreign passengers arrive in Riga aboard the ships. According to port statistics, slightly over 69,000 cruise ship passengers visited Riga in 2015. Germany, U.S. and the UK are the top three nationalities of tourists visiting Latvia on cruise ships.

U.S. exporters who wish to enter the Latvian market may benefit from HRI-oriented promotion campaigns as the HRI sector still presents vast opportunity for growth. Also, various food and beverage fairs, seminars and trainings for specialists in HRI sector are organized in Latvia on annual basis. ‘Riga Food’ is the biggest annual food industry fair in the Baltic States.

Import of High Value Products

In 2015 total Latvian imports of consumer oriented agricultural products reached U.S. $1.3 billion and recorded a decrease by 17.18 percent compared to the year 2014. Imports of consumer oriented products from the U.S. increased by 1.64 percent as compared to 2014 and reached U.S. $5.11 million. This accounted for 0.39 percent of total imports within this product category.

Table 6. Latvia Import of consumer oriented food products (U.S. $ million)

Latvia Import Statistics Commodity: Consumer Oriented Agric. Total, Group 32 (2012)							
Calendar Year: 2013 - 2015							
Partner Country	**United States Dollars**			**% Share**			**% Change 2015/2014**
	2013	**2014**	**2015**	**2013**	**2014**	**2015**	
World	1,525	1,585	1,313	100.00	100.00	100.00	-17.18
United States	4.45	5.02	5.11	0.29	0.32	0.39	1.64

Source: Global Trade Atlas

Table 7. Latvia Export of consumer oriented food products (U.S. $ Million)

Latvia Export Statistics Commodity: Consumer Oriented Agric. Total, Group 32 (2012)							
Calendar Year: 2013 - 2015							
Partner Country	**United States Dollars**			**% Share**			**% Change 2015/2014**
	2013	**2014**	**2015**	**2013**	**2014**	**2015**	
World	1,489	1,354	1,293	100.00	100.00	100.00	-4.47
United States	0.56	1.12	3.65	0.04	0.08	0.28	225.61

Source: Global Trade Atlas

The main competitors to U.S. exporters are Lithuania, Poland, the Netherlands and Estonia. The value of import originating from these countries constitutes nearly 60 percent of the total Latvian imports.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Products in the market that have good sales potential

- Seafood
- Beef
- Wine
- Nuts: almonds, walnuts
- Dried fruit

Increasing preference of Latvian consumers towards healthier and vegetarian cuisine presents a strong potential for supplying the Latvian market with high quality fish and seafood products. Currently France, Spain and Scandinavia, mostly Norway, are the main competitors to the U.S. when it comes to the seafood supply to Latvia. A steady supply of high quality products is an important factor driving the purchase decision making process, as locally sourced supplies can vary in quality and quantities availability.

Within the alcoholic beverages sector, the steady inflow of foreign tourists coming to Latvia on board cruise ships creates a potential for supplying the coastline stores with American wines and bourbon. Due to the fact that Latvia is a relatively small market, the country's purchasing potential is too small to be able to buy directly from the U.S. Therefore, a reliable network of distributors with stocks in Europe is necessary to develop sales of U.S. products on this market. Currently, main competitors to the U.S. wines include France, New Zealand and Australia.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

For additional information regarding the Latvian market please contact:

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Please also visit Foreign Agricultural Service website (www.fas.usda.gov – Data and Analysis link – GAIN Reports category) for more detailed information about exporting U.S. products to Latvia.

End of the Report.