CBI MARKET SURVEY

THE PHARMACEUTICAL PRODUCTS MARKET IN ESTONIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the pharmaceutical products market in Estonia. The information is complementary to the information provided in the CBI market survey 'The pharmaceutical products 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

Data concerning consumption of pharmaceutical products in Estonia are derived from the European Federation of Pharmaceutical Industries and Associations (EFPIA). The latest report from this organisation (The Pharmaceutical Industry in Figures, 2009 Edition) provides data as of 2007. Data for previous years are derived from previous editions of this report. Please note that data are given at ex-factory prices.

Consumption
Estonia was the second smallest EU market for pharmaceutical products in 2007, accounting for around 0.1% of the EU pharmaceutical market (about the same size as the Cypriot market). Germany and France, the largest pharmaceutical markets in the EU, individually accounted for 18% of the EU market. Between 2004 and 2007, Estonia's consumption increased at a strong annual average rate of 9.3%, amounting to € 137 million in 2007. Estonia's pharmaceutical consumption increased at a higher rate than the average EU pharmaceutical consumption, which grew by an annual average rate of 6.7% between 2004 and 2007.

Generic medicines
The EFPIA does not report the size of Estonia's generic medicines market but, according to Oebig/European Commission (2006), generic medicines account for approximately 35% of the total pharmaceutical market in terms of volume, and 15% in terms of value.

A system of generic substitution is not in place in Estonia, although physicians are obliged to prescribe by International Nonproprietary Name (INN) (i.e. by active ingredient). Patients are, in this sense, encouraged to ask pharmacists for the cheapest alternatives. The use of generic medicines in Estonia is related to the cheaper alternatives it offers to a population with a relatively low income, and to the government's cost-containment measures, trying to lower expenses in the healthcare sector.

Trends in consumption
- **Common diseases:** The main causes of death in Estonia are cardiovascular diseases and different types of cancer. Since alcohol consumption plays a large role in this country as well, diseases associated with this habit are expected to shape the market for pharmaceutical products (Pharmaceutical Pricing and Reimbursement Information - PPRI, 2007).
- **Non-prescription:** Estonia is suffering from increasing inflation and a slowing-down economy. In 2009, a marginal slow-down of non-prescription product sales is expected. (Euromonitor, 2008). In addition, it is reported that the retail sector of non-prescription products in Estonia is saturated (Business Wire, 2007).

- **Top-selling preparations:** The following pharmaceutical products are the best selling in Lithuania: Metoprolol, Insulin glargine, Ramipril, Trastuzumab, Iodixanol (State Agency of Medicines, 2008).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

Production
EFPIA does not provide data on Estonia's production of pharmaceutical products.

According to Euromonitor (2007), there are only seven manufacturers of pharmaceutical products in Estonia, of which the two leading domestic players are:

- Tallinna Farmaatsiatehase AS - http://www.tft.ee
- Nycomed SEFA AS - http://www.nycomed.ee

The research-oriented pharmaceutical industry in Estonia is very small, represented only by foreign innovative multinationals present in the country. These companies are part of the Association of International Pharmaceutical Manufacturers in Estonia (RRLE). Foreign companies also play a role in the production of generic medicines.

Trends in production

- **Pharmaceutical industry:** Estonia's pharmaceutical industry is expected to invest more heavily in biotechnology and pharmaceutical research. The strengthening of the country's domestic industry is accompanied by the fact that manufacturers are now required to meet Good Manufacturing Practices (GMP) standards - as from Estonia's entry into the EU (Business Wire, 2007).

Most-used active substances: The following Anatomical Therapeutic Chemical (ATC) groups were used most often by domestic pharmaceutical producers in 2008: plain angiotensin-converting enzyme (ACE) inhibitors, selective calcium channel blockers, antithrombotic agents, antiinflammatory and antirheumatic products, and beta-blocking agents (State Agency of Medicines, 2008).

For more information on trends in pharmaceutical products, please refer to the CBI survey 'The pharmaceutical products market in the EU'.

Opportunities and threats

-/+ Estonia is one of the smallest markets for pharmaceutical products in the EU but, at the same time, it is a market which is growing at impressive rates. The expanding Estonian market could, therefore, represent real opportunities for exporters in developing countries.

-/+ The penetration of generic medicines in Estonia is not as high as in its Baltic counterparts, but the country is fairly generic-friendly.

- Estonia's production of pharmaceutical products is very small, and there is a strong presence of foreign multinationals. It is doubtful whether there is space for developing country exporters in this industry in Estonia, especially because more investment in its domestic industry is planned by the government in the coming years.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

2 Trade channels for market entry

The trade structure for pharmaceutical products across the EU is mostly similar, but reveals slight variations according to the diverse pharmaceutical and healthcare systems existent in each country. These variations hardly affect an exporter's market approach, since they are related to the way pharmaceutical products are domestically dispensed to the end-consumer. Some of the specific characteristics of the Estonian pharmaceutical trade channels and trends therein are outlined below:

- Manufacturers in Estonia usually distribute their pharmaceutical products through the largest **wholesalers**, although some of them have created their **own outlets** as a separate company, thus often distributing directly to (or through their) pharmacies (there has been a vertical integration of wholesalers and pharmacies). The most important wholesale companies are:
    - Estonia is Magnum Medical SA - http://www.magnum.ee
    - Tamro Eesti OÜ - http://www.tamro.ee
    - TopMed AS - http://www.topmed.ee
    - Oriola AS - http://www.oriola.ee
    - Nordic Pharma Eesti OÜ - http://www.nordicpharma.ee
    - Apteekide Koostöö Hulgimüük OÜ

  Together these companies cover about 90% of the market. They are organised in the Estonian Association of Pharmaceutical Wholesalers (EHRL).
- Regarding the distribution of pharmaceutical products at **the wholesale level**, there is a multi-channel system, with 40 wholesale companies. Pharmaceutical products are solely distributed to the public through privately-owned community pharmacies in Estonia. Approximately 80% of the community pharmacies is linked (in ownership or commercially) to different pharmacy chains (of which there are four of five altogether) (State Agency of Medicines, 2008).
- **Non-prescription** pharmaceutical products are mainly sold through three companies which dominate three quarters of the total Estonian health-care distribution, and which are wholesalers as well as retailers:
    - Tamro Eesti OÜ - http://www.tamro.ee
    - Magnum Medical AS - http://www.magnum.ee
    - Apteekide Koostöö Hulgimüük OÜ - http://www.apotheka.ee
- According to EFPIA, 87% of the pharmaceutical products is sold through **pharmacies** in Estonia, and 13% is sold through **hospitals** (although hospital pharmacies in Estonia are for hospital use only, for in-patient care).
- **Distance-selling** of pharmaceutical products in Estonia is not allowed (neither by Internet nor mail order).

Please, refer to the CBI survey 'The pharmaceutical products market in the EU' for further information on EU pharmaceutical trade channels.

Price structure

Estonia established a reference price system in January 2003. The reference price is based on internal price referencing, where the pharmaceuticals are grouped on the basis of different active ingredients, administration methods and pharmaceutical forms (PPRI, 2007).

Different prices apply throughout the various trade channels. The margins applied to pharmaceutical products in Estonia can be expressed in the following manner:

- Wholesaler: Regressive margins (maximum mark-up of € 6.40 per prescription)
- Pharmacist: Regressive margins + fixed margin
- State (Value Added Tax - VAT): a discounted VAT of 9% is applicable to pharmaceutical products (the standard VAT rate is 18%)

Generic medicines

A generic medicine has to be at least 30% cheaper than the originator product, provided that the originator product is on the reimbursement list. If a generic of a current active substance first applies for reimbursement, then the same pricing procedure is applied as if that generic were the original product.

For further information on price structure of pharmaceutical products in Estonia, please refer to: http://ppri.oebig.at/Downloads/Results/Estonia_PPRI_2007.pdf

3 Trade: imports and exports

Imports

Estonia is a very small importer of pharmaceutical products. In 2008, Estonia was the third smallest importer of pharmaceutical products in the EU, accounting for 0.2% of total EU imports, just above Cyprus and Malta. Between 2004 and 2008, Estonia's imports increased by an annual average rate of 14% in value but decreased by 24% in volume, amounting to € 175 million or 3.1 thousand tonnes in 2008. The majority of Estonia's imports (99%, in terms of value) was sourced in other EU member countries. Imports from other EU member countries increased by an annual average rate of 17% in terms of value between 2004 and 2008. Latvia, which accounted for a 15% imports share in 2008, was the leading supplier of pharmaceutical products to Estonia. Other important EU suppliers were Lithuania (13%) and Germany (12%). Extra-EU countries, excluding DCs, accounted for 0.6% of total Estonian imports.

The role of developing countries in supplying pharmaceutical products to Estonia is very small. In 2008, imports sourced in DCs accounted for only 0.1% of Estonia's total imports, which was even lower than the EU average of 0.8%. Moreover, imports from developing countries decreased by an annual average rate of 42% between 2004 and 2008. Ukraine was the main DC supplier in 2008, and imports from this country increased by an annual average rate of 48% in the review period.

In 2008, Estonia's imports of pharmaceutical products consisted of packed pharmaceutical products (99%) and non-packed pharmaceutical products (1%).

Exports

In 2008, Estonia was the smallest exporter of pharmaceutical products in the EU, accounting for a negligible share of total EU exports. However, Estonia's exports increased by a significant annual average rate of 13% in value and 7.6% in volume between 2004 and 2008, amounting to € 28 million or 1.1 thousand tonnes in 2008. Approximately 89% of Estonia's exports was destined to other EU member countries, and another 0.9% to non-EU countries, excluding DCs. Around 10% of exports was destined for DCs. Latvia, the leading destination, accounted for 37% of Estonian exports, followed by Lithuania (29%) and The Netherlands (12%).

In 2008, Estonia's exports of pharmaceutical products consisted only of packed pharmaceutical products. A negligible share of non-packed pharmaceutical products was exported.

Opportunities and threats

- Imports of pharmaceuticals into Estonia are low. Although imports increased in the review period (in terms of value), Estonia remains the third smallest importer in the EU.
- Developing countries play a small role in the Estonian pharmaceutical market. Moreover, imports from developing countries are decreasing considerably.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The pharmaceutical products market in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding eurostat: Quick guide to easy comext
http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Pricing systems vary in the individual EU countries, thus this is also the case for price developments. The main price development observed in Estonia in recent years is the following:

- In January 2009, the Estonian government raised the VAT on pharmaceutical products from 5% to 9%, thus increasing state budget revenues, but placing a greater financial burden on consumers (Pharma and Healthcare Insight, 2009).

Useful sources

- ITC market news service (MNS) - http://www.intracen.org
- PPRI – Pharmaceutical Pricing and reimbursement Information - http://ppri.oebig.at

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 'pharmaceutical products' 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/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu

6 Doing business

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. For more information on doing business in Estonia, visit the following websites:

Trade associations

- The Association of International Pharmaceutical Manufacturers in Estonia (RRLE) - http://www.rtl.ee/apme
- Estonian Association of Pharmacists - http://www.apteekriteliit.ee

Trade press

- Estonian Trade Council - http://www.etc.ee - a trade promotion organisation established by Estonian export-oriented companies and organisations.
- The Baltic Times - http://www.baltictimes.com - an independent weekly newspaper that covers Estonia, Latvia and Lithuania.

Trade fairs

No relevant trade fairs were found for the sector of pharmaceutical products in Estonia.

This survey was compiled for CBI by ProFound – Advisers In Development
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