



HIIUMAA
ECONOMY
2015 **REVIEW**

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Good reader

Hundreds of years ago, when sailboats made in Hiiumaa started to sail the seas of the world, the people from Hiiumaa would say that the biggest maritime countries include Hiiumaa, Saaremaa, and England.

That statement perfectly represents the nature of people from the island of Hiiumaa. There is a friendly competition with Estonia's biggest island, Saaremaa, and the understanding that the world is bigger than just the local seaside. But all the seamen, past and present, probably consider their own home port to be the most important.

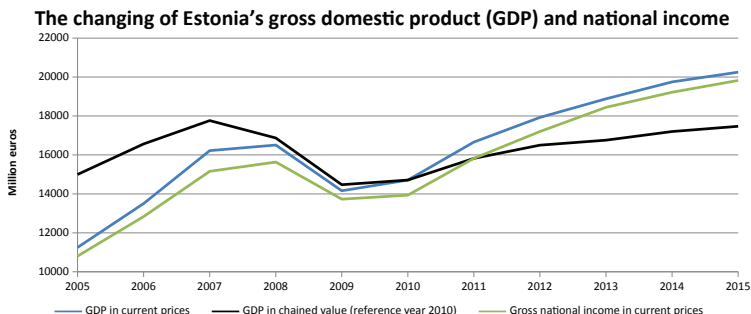
Also today, maritime transport is essential. We welcome you to our island whether by the new and modern ferries, or even by your own yacht. The backbone of the economy of Hiiumaa is the plastics industry, and the details produced in our island can be found from all five continents. Hiiumaa's food, sea culture, pure nature and national traditions are only a few keywords to characterise the products and services produced on the island.

In the midst of globalisation, Hiiumaa has remained a calm and a somewhat mystical place, situated at the crossroad of the Baltic Sea. It is open and curious about the world, but Hiiumaa holds a historical and cultural legacy and because of it is balanced and wise.

As for the future of Hiiumaa, we picture an island with a clean environment, and that values high technology and the creative industry. We know that partners are essential in order to create that future, and thus you are holding this book which presents the economy and enterprises of our island. We hope that the information provided in it increases the interest about the people and enterprises of Hiiumaa, and that this could evolve into an economic or cultural relationship, and also to a friendship.

Riho Rahuoja,
Governor of Hiiumaa county

Estonian economy 2015



Due to globalisation, the Estonian economy is more and more influenced by world economy. In 2015, the world economy was characterised by a moderate growth of 3%, a complicated business environment for the developing countries, low commodity prices, low inflation, growing prices for financial assets and a low interest rate. Global economic growth was influenced by China's economic slowdown, Russia's economic crises and faster economic growth in developed countries.

The European Union's economic growth accelerated to 1.9%, while the euro area accelerated to 1.6%. Ireland had the fastest economic growth, followed by many smaller European countries. Based on general growth, the economic growth of Eastern-European countries slowed down, including Estonia, Latvia and Lithuania. In Europe, the unemployment rate (9.4%) has started to drop, while still remaining high in the euro area (10.9%), including Greece (24.9%) and Spain (22.1%).

Estonia's economic growth of 1.1% was lower than expected. The reason behind this was a low demand from our main trading partners – Finland and Sweden. Productivity in real terms decreased (-1.3%); unit labour costs rose (4.3%). The share of added value in GDP decreased in the processing industry, construction and transport, while it increased in agriculture and in professional, scientific and technical activities. Investments decreased.

Estonia's market shares in export markets decreased and with this, the export share in GDP and the import of goods decreased. Eesti Pank offers viable reasons for this – the price advantage has lessened and labour costs have become higher.

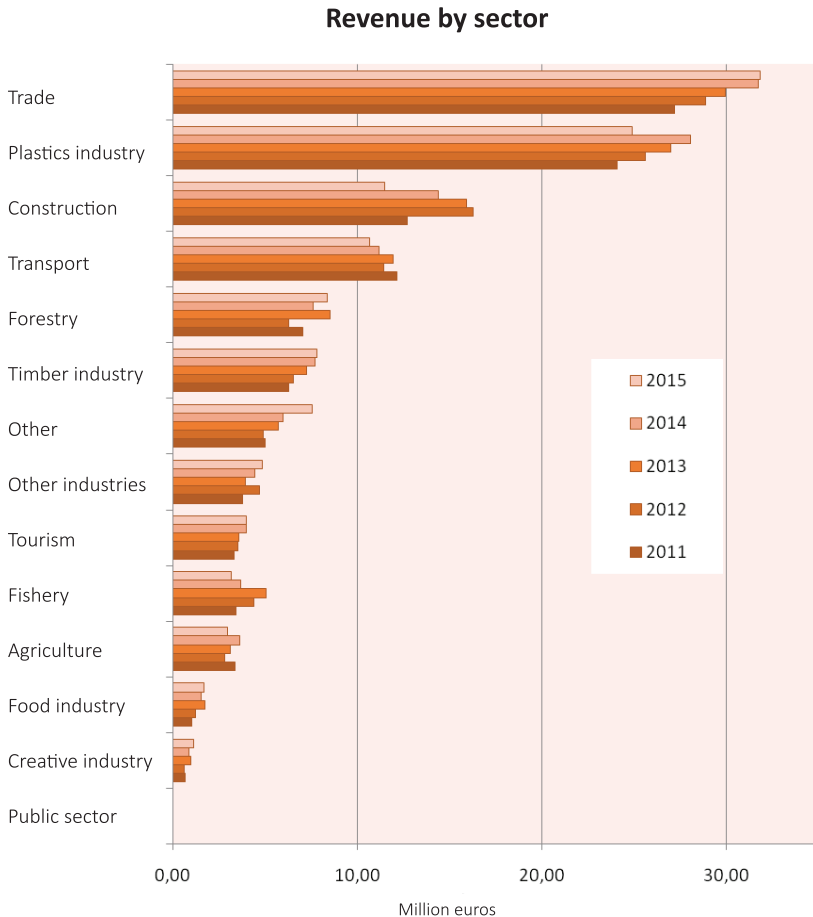
Unlike in previous years, Estonian economic growth was led by domestic consumption. Despite the fact that consumer confidence has decreased, consumption expenditure became notably higher.

It was a good year for Estonia's labour market. The working age population (15-74 year-olds) dropped by 8000 people, while the number of people active in the labour market increased by 9000. The employment rate rose to 65.2%, and the unemployment rate dropped to 6.2%. The unemployment rate of the youth (15-24 year-olds) and of people of prime working age (25-49 year-olds) decreased. However, the unemployment rate of older workers (50-74 year-olds) remained the same.

General indicators of Hiiumaa's economy

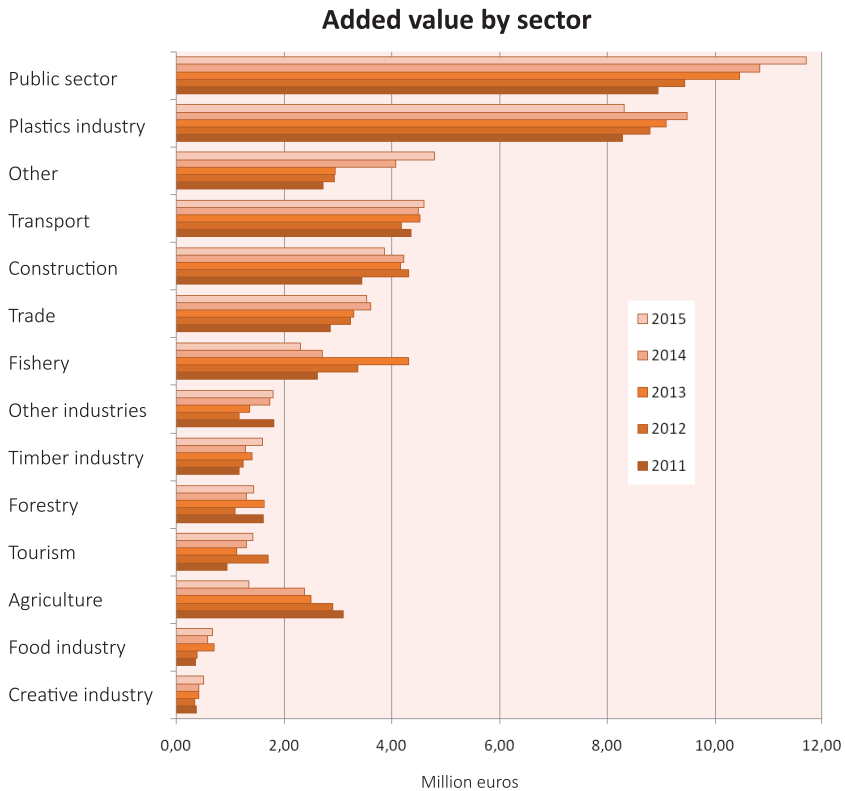
The sales revenue of the businesses located in Hiiumaa decreased to 120.44 million euros in 2015. The delocalisation of production due to a new factory in Saku, Harjumaa for the company Estpak Plastik, played a huge role in the decrease in sales revenue.

But it has to be pointed out that the sales revenue growth was already relatively moderate in 2014, when it was about 100 000 euros and reached up to 124.77 million euros.



Added value in Hiiumaa's economy decreased from 48.54 million euros to 47.96 million euros. The decrease in added value was less than the decrease in revenue. The biggest reason for this was the fast growth of added value in enterprises under 'Other'. Also, the growth was partly due to investment grants.

At the end of 2015, in Hiiumaa there were registered: 20 joint-stock companies (-1), 792 private limited companies (+48), 9 commercial associations, 2 general partnerships (+1), 7 limited partnerships, 529 self-employed persons (-24), 380 non-profit associations (+4), and 10 foundations.



Export in Hiiumaa's economy

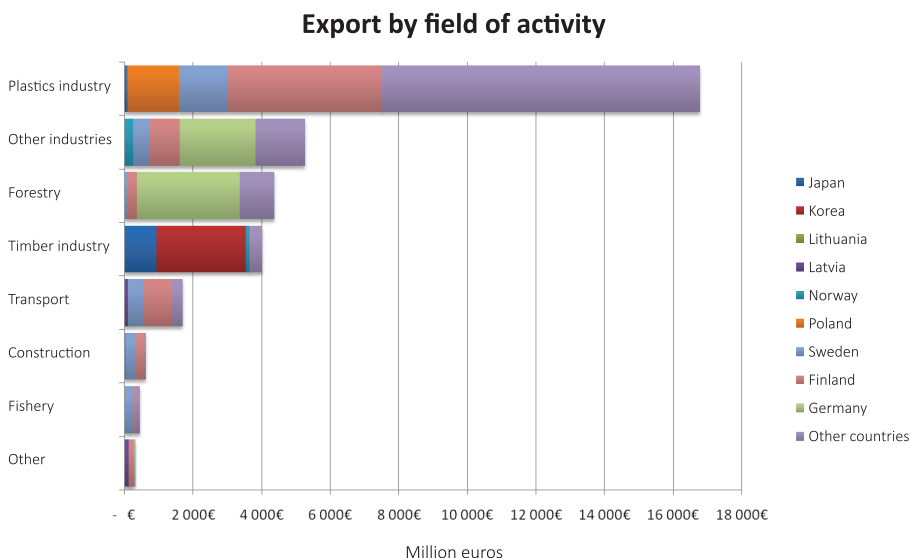
For Hiiumaa, export has been a natural part of its economic activity. At different periods, this exportation has included lime, wood, salt, glass and broadcloth. Historically, people from Hiiumaa sailed on ships and worked as maids in Tallinn.

In today's Hiiumaa, the export of products of the island's industrial industries is very important; mainly the outsourcing and product export of plastics and assembly industries. On a smaller scale, wood, transport and construction services are also offered.

Export brings in money for the island's economy, which helps create new jobs and make investments. The volume of export characterises the competitiveness of a local economy – competitive enterprises usually have high levels of export.

Two resources were used for the statistics of economy: Statistics Estonia and the database of Hiiumaa's enterprises.

According to resources, 71 enterprises in Hiiumaa declared export, while the volume of export was 33.9 million euros. Based on the fields of activity, the volume of export and countries were as follows.



Brief overview of economic sectors

Agriculture

Represented in the sector: crop production and animal farming

Net turnover: 2.97 million euros. -18%

Added value: 1.35 million euros. -44%

Investments: 1.17 million euros. 49%

Number of enterprises: 32. -6%

Number of employees: 38. -12%

Average gross salary: 658 euros. 6%



Gunnar Aug, Annomere OÜ

"The main activity of Annomere OÜ is producing bovine animals. The year 2015 was so far the best for the enterprise in terms of sales turnover (53 000 euros). At the same time, some forms of agricultural subsidies have decreased and some do not exist anymore. We have started with the export of calves to Turkey and Poland, where the profitability is higher than sending animals to meat industries. However, we try to be optimistic, our job is also a way of life. Our beautiful island would seem deserted without our work."

Waterlogged land prevented early spring seeding. The farmers who had good drainage ditches or whose land was on higher ground, were in a better position.

In 2015, all bigger farms increased their cereal areas.

The technology of direct seeding has improved the time spent on growing cereals. In Harju farm, direct seeding of a 30 ha field took two days. Many of Hiiumaa's cereal growers use direct seeding.

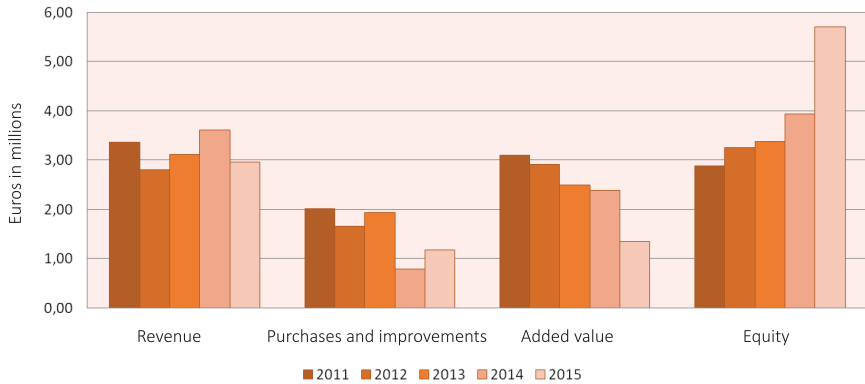
The quantity of cereals cut in Hiiumaa in 2015 was the highest of the last decade. 3969 tonnes of cereal was harvested, where barley made up 2049 tonnes and spring wheat 1444 tonnes. The crop of rapeseed and turnip rape seed was 557 tonnes. Compared to the two previous years, the main crops' yield per hectare increased; for example, rye was 3533 kg/ha (2418 kg/ha in 2014), spring wheat 3703 kg/ha (1940 kg/ha in 2014), and barley 3461 kg/ha (1729 kg/ha in 2014).

The buying-in prices remained high, while the buying-in price of organic cereals was twice as high as that of regular cereals.

Despite favourable buying-in prices of potatoes, the land used for growing potatoes was moderate, which also affected the potato crops (221 tonnes). The buying-in prices of vegetables were low, and the vegetable crop was less than average – 34 tonnes.

In 2015, horticulture was not grown under cover in Hiiumaa anymore.

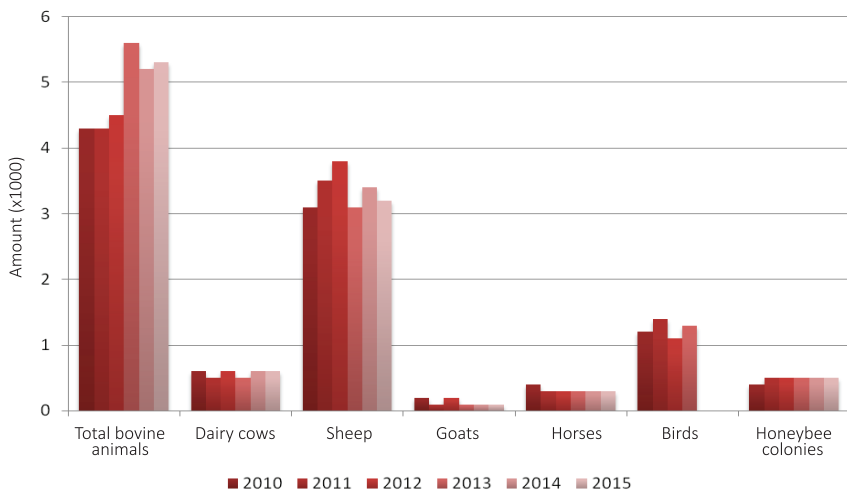
Agriculture



Fruit trees and berries are grown on 65 hectares around Hiiumaa and the farmers were happy about the crops. When the Kriggulson family harvested their first big crop of strawberries from their 0.4-hectare field, there were no problems with realising that crop in Hiiumaa; and thus, they were not afraid to increase the growing area.

Two trends characterise Hiiumaa's long-term development of agriculture: the increase of land used for growing cereals and the increase in bovine animals. Those fields of activities are highly mechanised and do not need many employees.

Animals and birds at 31.12.2015



OÜ Adoranna

The farm was founded in 1989, when the main activity was dairy farming. In 1998 there were 15 dairy cows. Up until 2002, the farm produced cheese, curd and yoghurt.

The first beef cattle bull was bought in 2000, in order to cross dairy cows with bovine animals. Now, the farm has 345 bovine animals, where 125 are suckler cows, 3 Simmentals and one is an Aberdeen-Angus bull. The farm has 600 hectares of land, out of which 300 hectares is on a coastal meadow reserve. OÜ Adoranna is a recognised farm of organic production, where the feed is only based on grass. The enterprise also takes part in many environmental projects.

Address: Laheküla, Käina, 92101, Hiiumaa, Estonia

Phone: +372 5649 6482

Fax: +372 463 6519

E-mail: ado.ranna@neti.ee

Annomere OÜ

The main activity of the enterprise is bovine animal farming.

Legal address: Utu, Käina, Hiiumaa, 92136

Phone: +372 462 9120

Mobile: +372 564 9985

E-mail: gunnaraug@hotmail.ee

Mereliiva farm

Address: Jõeküla, Käina Parish

Phone: +372 462 9385

Activities:

Horticulture, vegetable cultivation, retailing, agriculture, plant production.

Additional:

Agriculture, horticulture, plant production, growing vegetables and potatoes, manufacturing, sale.

Hiiumaa Agro

The main activity of the enterprise is dairy farming.

Address: Kõrgessaare Road 45, 92412, Kärkla

Phone: +372 501 0396

E-mail: matto@hotmail.ee



Forestry

Represented in the sector: forest management, harvesting and selling roundwood.

Net turnover: 8.39 million euros. 11%

Added value: 1.44 million euros. 10%

Investments: 0.91 million euros. -49%

Number of enterprises: 20. 0%

Number of employees: 43. -4%

Average gross salary: 819 euros. 4%



Entrepreneur: **Lembit Lühli**,
State Forest Management Centre

"The aims in State Forest Management Centre development plan for 2015 were:

- to increase the state forests' productivity by growing an additional 4.2 million m³ of timber; the result – 4.4 million m³

- to provide and sell 3.5 million m³ timber from state forests; the result – 3.6 million m³

- to receive 1.9 million visits at the protected areas and resting areas; the

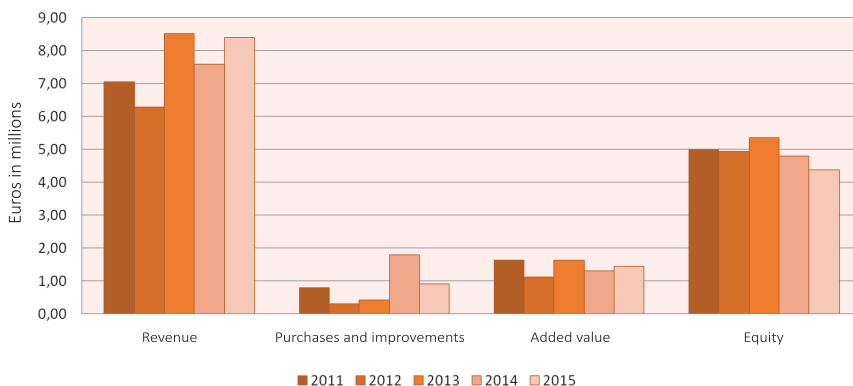
result – 2.2 million visits

- to restore 1500 hectares of habitats in endangered or unfavourable condition; the result – 2000 hectares

- to earn a profit of 35 million euros; the result – 36 million euros

- to be amongst the top ten most valued employers in Estonia and to provide a competitive salary; the result – 4th place in the top ten and a competitive salary."

Forestry



In 2015, timber prices continued to drop. The prices of pulpwood and firewood had already been low for a longer period of time. Only the prices of roundwood were stable.

The prices of logs in Estonia are directly connected to the deals that Estonian sawmills make with their clients. As China's economic growth slows down and the demand for timber decreases, the competition in Europe's sawn wood market increases and the prices decrease.

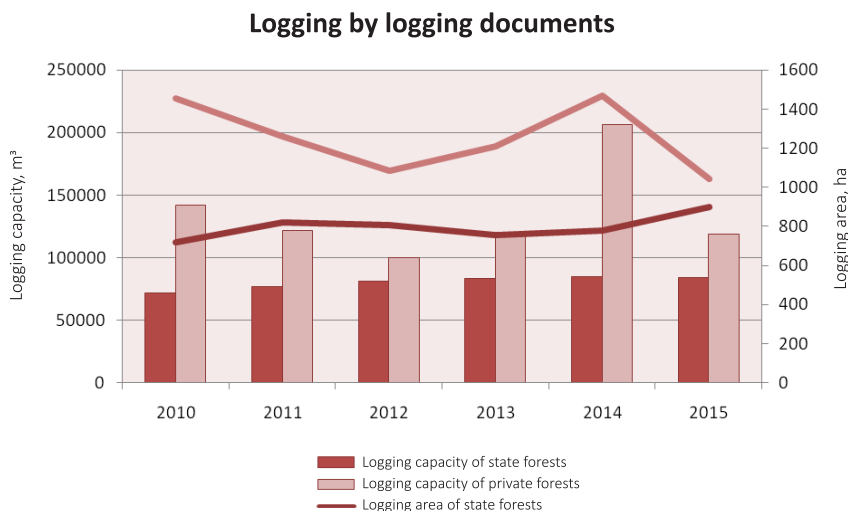
HMPK OÜ exported the biggest part of harvested wood in Hiiumaa. Export turnover of the enterprise was 4.3 million euros which was over 60% of the overall revenue. The main target markets are Germany and Denmark, and to a lesser degree also Finland.

Hiiumaa's forests have been sources of energy throughout history. However, the prices of firewood have begun to drop despite the fact that the demand remains the same. Firewood is a source of energy that does not have a major effect on the world. Energy saving measures decrease thermal energy consumption and thus, it decreases firewood consumption. The demand for energy wood and firewood is increased by developing local energy, and the combined production of power and heat in smaller settlements.

Hiiumaa's ability to export energy wood is connected to the size of the ships that can fit into the island's ports. The major consumers first buy their energy wood from places where the capacity of the mooring ships equals the economically beneficial quantity to be delivered.

In conclusion, the demand for Hiiumaa's energy wood depends on:

- the ability to introduce the combined production of power and heat in smaller settlements for heating
- the increasing of ports' reception capacity
- the success of OÜ Hiiu Graanul (2015) in fulfilling the plan to produce heating granules
- the realisation of other business plans to use energy wood as raw material



Resource: Statistics Estonia, 2016

Fishery

Represented in the sector: fishing.

Net turnover: 3.15 million euros. -14%

Added value: 2.32 million euros. -15%

Investments: 0.27 million euros. -10%

Number of enterprises: 7. -13%

Number of employees: 56. -3%

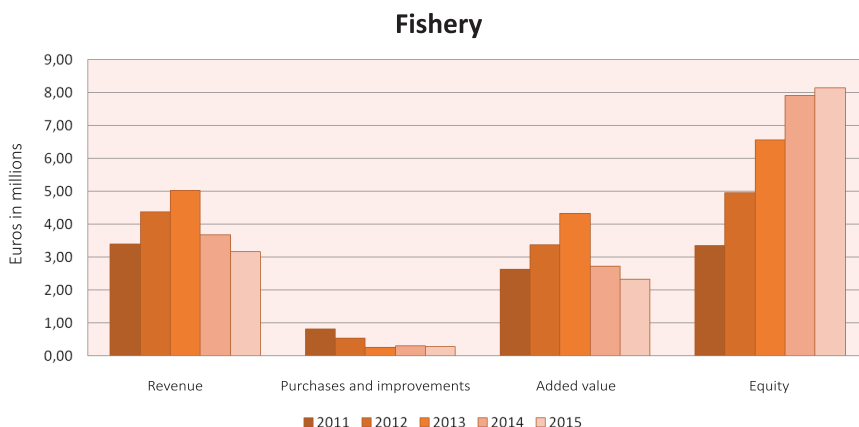
Average gross salary: 1576 euros. -3%



Entrepreneur: Koit Kalmus, Hiiurand OÜ

"The year 2015 was average for Hiiurand OÜ, as the catch has been smaller compared to previous years. At the same time, it was relatively hard to market fish, mainly due to the import of fish to Estonia.

We made important investments in 2015; the cooperation with our long-time partners was good."



The offshore fishing quotas were changed in 2015; it was allowed to catch more Baltic herring and less sprat.

The main activity for AS Hiiu Kalur is to catch Baltic sprat and herring in the Baltic Sea. They also repair ships at Suursadam. More fish was caught in 2015 than during the previous year; the total was 12 006.7 tonnes, where Baltic sprat made up 6379.2 and herring 5627.5 tonnes of it. During the last two years, the enterprise did not catch any cod. AS Hiiu Kalur has five ships for fishing. In 2015, export made up 15.7% of the revenue; the enterprise invested 165.4 thousand euros.

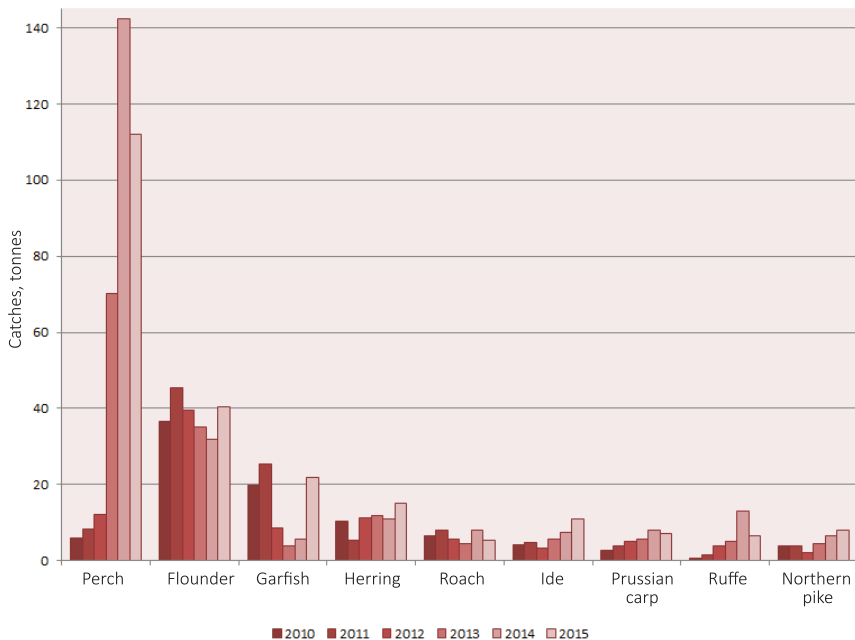
AS Hiiu Kalur has OÜ Tippera, OÜ Soome Kala, AS Kajak Fishexport, AS Krapesk, OÜ Traaler, and the Estonian Fishing Association as shareholders.

In 2015, inshore fishermen landed fish in 63 ports, landing places or shores, and caught 235.5 tonnes of fish. The major landing sites in Hiiumaa were the ports of Orjaku (57.4 tonnes), Puulau (31 tonnes), Kõrgessaare (25.6 tonnes), Salinõmme (23.2 tonnes), and Kassari (18.8 tonnes).

The renovated Tärkma Port was reopened for inshore fishermen.

For hobby-fishermen, the season began at the middle of March. The Environmental Board reduced the limit of catching crayfish in Hiiumaa by half.

Hiiumaa's coastal fishing by 9 fish species



Resource: Ministry of Rural Affairs, 2016

Industries

Food industry

Represented in the sector: bakery and culinary, food production in smaller batches.

Net turnover: 1.69 million euros. 9%

Added value: 0.68 million euros. 15%

Investments: 0.13 million euros.

Number of enterprises: 11. 38%

Number of employees: 50. 0%

Average gross salary: 642 euros. 4%



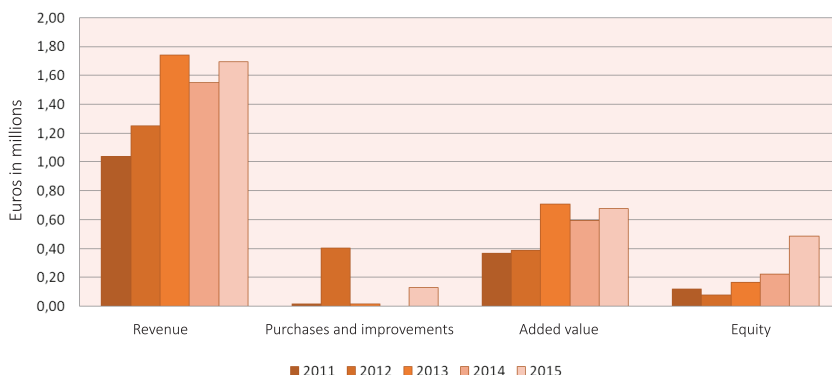
Entrepreneur: **Sander Kopli**, Mainegrupp OÜ

"Mainegrupp OÜ started with small-scale smoked meat production in spring 2015. The initial plan was to use the local produce to diversify the food offered in tourist accommodation; after that we sold those products to the tourists. In autumn 2015, we started the realisation of meat products through Hiiumaa's consumer cooperative stores. We do not market our products on the Estonian mainland ourselves. The cooperation with animal farmers, Hiiumaa Lihatööstus and Hiiumaa's consumer cooperative has gone very well. I think that using the local resource is

very important and believe that, based on this, we have found a good balance in our enterprise between the availability of raw materials, the needs of catering services and producing finished products; and that is including fish and meat.

Raw materials which are grown, caught and hunted in Hiiumaa are an important resource with great potential. Producing foods can bring along a noticeable increase in profit. Luckily, things are going in a good direction and the production of food in Hiiumaa is increasing."

Food industry



Hiiumaa Tarbijate Ühistu (Consumer Cooperative) had a choice at the middle of the year 2014 – whether to continue producing baked goods or not. The baking industry needed investments, the production rooms did not meet today's requirements and devices were becoming outdated. In order to cover investment costs with subsidies, the programme Leader-support was applied for (and granted) to rebuild a storehouse in a bakery. It was decided to continue producing baked goods in Hiiumaa.

In 2015, HTÜ Tootmine OÜ applied for ARIB-support in order to acquire equipment (bakery ovens, dough mixers, etc.).

HTÜ Tootmine OÜ actively developed and commercialised new and already existing products. The aim was to regain the products' position in the market.

In September, OÜ Hiiumaa Pruulikoda started to build a brewery in Kärkla.



Timber industry

Represented in the sector: treatment of wood, manufacturing wood products.

Net turnover: 7.8 million euros. 1%

Added value: 1.61 million euros. 24%

Investments: 0.46 million euros. 37%

Number of enterprises: 27. 23%

Number of employees: 77. 1%

Average gross salary: 813 euros. 7%

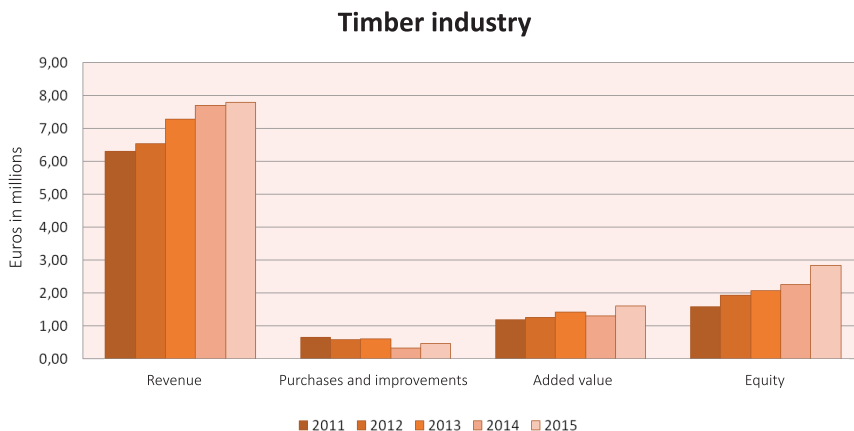
Entrepreneur: **Ruudi Kasser**, Lauka Saeveski OÜ

"The year 2015 was stable for Lauka Saeveski. The activity of the business has been held back by the modest demand in the roundwood and sawn wood market. However, there are signs of improvement in the coming periods."

Continually, OÜ Vesset has the highest revenue in the market (4.5 million euros) and they market their products on local and also external markets. The majority of the produce is marketed in South Korea, Japan, Italy, Hungary, Germany, Ireland, England, Latvia and Estonia.

OÜ Norse Wood, which was founded in 2008 and produces log houses and saunas, has found its place on the market. The work they have done includes regular orders, and also orders which have required specific solutions. During the years, they have exported their produce to the Netherlands, the UK, Denmark, France, Finland and Sweden.

Wood products made in Hiiumaa can be found in many more places aside from those mentioned above. And for example, Prosper Line OÜ, which produces custom-made furniture, got most of its 2015 revenue from Norway.



The subsidiary of HMPK OÜ, Lehtma Saeveski, executed its turnover and profit targets.

The revenue from the sale of timber products makes up 10.9% of AS Honga's overall revenue.

There is a transition to new technology in Estonia's timber industry. Computers are being used in furniture design more than before, and also programme-controlled machine tools which create suitable elements with a specific degree of processing.

Thus, the timber industries in Hiiumaa have two options – whether to apply this new technological process, or to continue improving the traditional hand-made furniture, refining the design, quality of the process and the artistic level. Both options involve considerable investments; the former option includes investments mainly in the machines and devices, and the latter includes investments in people's skills and knowledge.



Plastics industry

Represented in the sector: treatment of plastics, manufacturing and assembling plastic products.

Net turnover: 24.89 million euros. -11%

Added value: 8.31 million euros. -12%

Investments: 2.03 million euros. -58%

Number of enterprises: 9. 0%

Number of employees: 437. -2%

Average gross salary: 913 euros. 1%



Entrepreneur: **Agur Nurs**, M&P Nurst

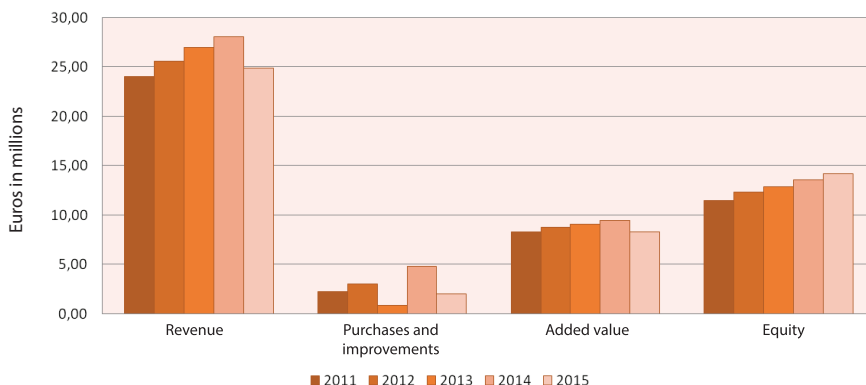
"The year 2015 was the beginning of great innovations for AS M&P Nurst. Our main partner in Finland shut down by a group decision, which strongly influenced our activity. There was no other choice but to focus on the future and conclude new contracts. Due to such intensive work, we expanded our area of operation to Poland and Denmark. The Schneider enterprises there have become our new strong cooperative partners. Of course the supply chain and logistics had to be looked over

because of this. M&P Nurst's product range became more diverse, production capacity and sales increased again, which gave new hope to view the coming year in an optimistic way.

Despite the fact that there was economic stagnation in Europe, we managed to come out of it with much more positive results than we had hoped at the beginning of the year.

The future is in transition, and our M&P Nurst team is ready for it."

Plastics industry



Liisbet Tukat OÜ, who subcontracts to Finland's enterprises, had the best economic outturn in this sector.



Other industries

Represented in the sector: manufacturing clothing, textile and metal products, peat production.

Net turnover: 4.85 million euros. 9%

Added value: 1.8 million euros. 3%

Investments: 0.04 million euros. -75%

Number of enterprises: 18. -14%

Number of employees: 107. -4%

Average gross salary: 678 euros. -9%

Entrepreneur: **Jaak Hiimets**, Meritik OÜ

"The number of orders has decreased and thus, these are not the best of times. Unfortunately, there is not a large enough workforce to complete the bigger orders."

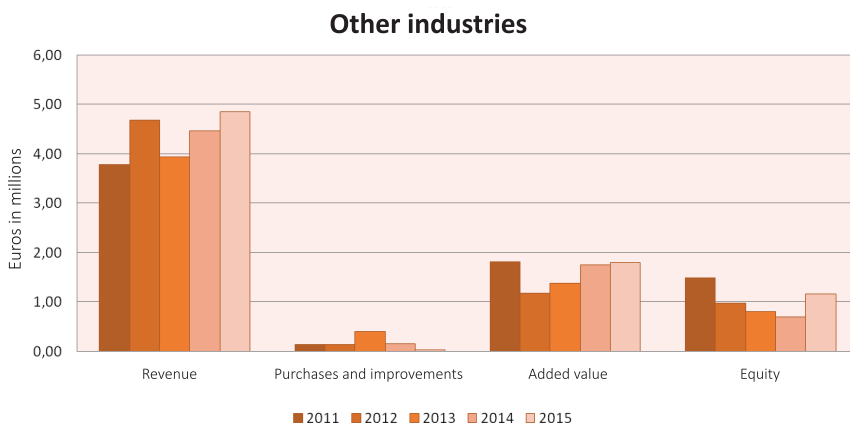


Because the creative industries are not under this sector anymore, the data of other industries has been influenced.

In Hiiumaa, there is OÜ Lade, which produces automatic inflatable lifejackets, and OÜ Pakpoord, which produces foam-filled lifejackets. The revenue of the enterprises increased by 10% and the profit was 2.5 times bigger. The products are exported to Australia, Spain, the Netherlands, Ireland, Italy, Latvia, Norway, Sweden, Germany, Finland, the UK, Denmark, etc.

In 2015, Meritik OÜ marketed its production in Finland; AS Hiiu Turvas exported its products to Germany.

The other enterprises in this sector did not export much of their products out of Hiiumaa.



Construction

Represented in the sector: general construction, road construction, specialised work, electrical work, land improvements.

Net turnover: 11.5 million euros. -20%

Added value: 3.87 million euros. -8%

Investments: 0.31 million euros. -70%

Number of enterprises: 80. -2%

Number of employees: 217. -1%

Average gross salary: 882 euros. -2%

Entrepreneur: **Lembit Vainumäe**, Leva AS

"Things could always be better, but generally I was happy with the year 2015, as Leva AS ended the year on a positive note, unlike many other enterprises in the same field."



Overall, 989 thousand euros was invested, 700 thousand from the Cohesion Fund, 82.4 thousand from Hiiu Parish, and 42.6 thousand euros from AS Kärkla Veevärk. Construction was carried out by Santeh-Ehitus OÜ.

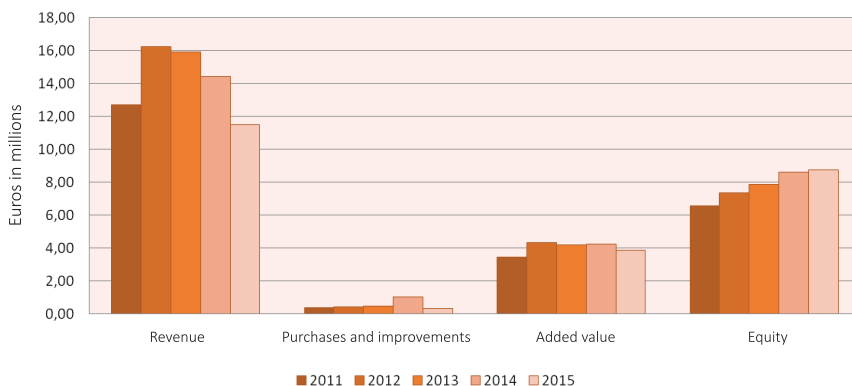
In the port of Kassari, the end of the protection pier was tidied up and buoys were replaced with newer ones.

The renovated Tärkma port was opened; the port and the channel were deepened, new piers and a new port building were reconstructed.

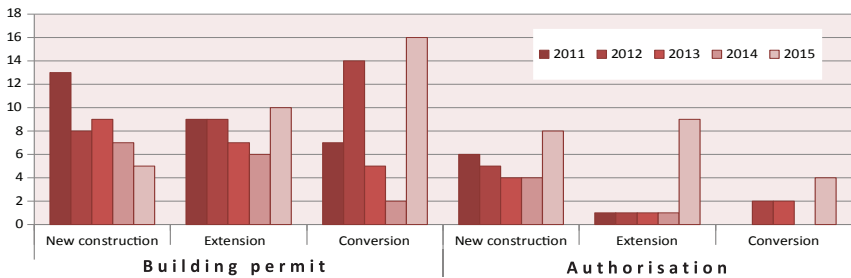
By June, Kärkla Sadamahoone (port building) was finished.

Estonia's Home Décor Association chose Tõnis Kasemägi's building in Soonlepa Village as the winner of 'Energy-saving beautiful home 2014'.

Construction



Accommodations which were given building permits and were authorised



Resource: Statistics Estonia, 2016





Trade

Represented in the sector: retail trade and service.

Net turnover: 31.83 million euros. 0%

Added value: 3.53 million euros. -2%

Investments: 0.07 million euros. -62%

Number of enterprises: 68. 3%

Number of employees: 254. 2%

Average gross salary: 680 euros. 5%

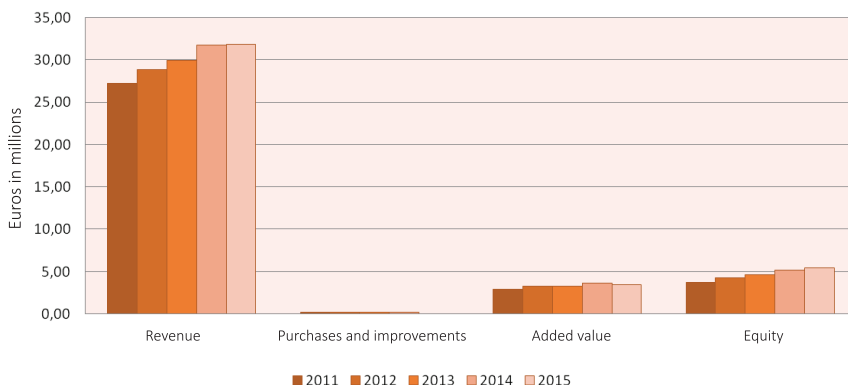
Mart Eller, Relle Autokaubad OÜ

member of the management board

"2015 was a stable year. We remained competitive and completed our tasks; sales to private customers increased. We could always sell more, but we are happy with the present situation."



Trade



Hiiumaa Trabijate Ühistu (consumer cooperation) found a new chief executive – Kaja Antons. In August, Hiiumaa's consumer cooperative elected Dan Lukas as its council's new leader.

Eesti Tarbijateühistute Keskühistu became Coop. The new trademark symbolises changes in strategy, marketing and organisation.

Hiiu Konsum got a makeover. Refrigerated counters were added or changed to newer ones, cash registers were updated and the placement of goods and shelves was slightly changed.

People in Hiiumaa can now order food and baked goods made by HTÜ Tootmine OÜ online from an e-shop.

Pääsukese Lilleäri extended into Selver. The flower business offers employment for three people.



Tourism

Represented in the sector: accommodation and catering.

Net turnover: 4 million euros. 1%

Added value: 1.42 million euros. 9%

Investments: 0.84 million euros. 30%

Number of enterprises: 64. -4%

Number of employees: 89. -8%

Average gross salary: 534 euros. 15%

Entrepreneur: Jüri Padu, Padu Hotell OÜ

"Padu Hotell OÜ has been active since 1994, so we have got quite a good overview of how tourism in Hiiumaa has developed throughout the years.

2015 was more successful for the hotel than the year before. Internal tourism has increased. Unfortunately, the number of tourists from other countries has decreased, especially from the more exotic countries. The majority of the tourists usually come from the Nordic and EU countries.

In the summer months of 2008-2010 there could be tourists from 30 different countries staying in our accommodation during just one month; now the number is usually 20. During the summer months, the hotel is generally full to about 70%-80%, which is quite high for the island.

Hunting tourism is important for our hotel in autumn and winter. A big contributor is also the clients on working visits from Saaremaa's or the mainland's companies; it shows that Hiiumaa is developing. As for the year's average, the hotel is full to about 35%-45%. In 2015 the average was 47.5%.

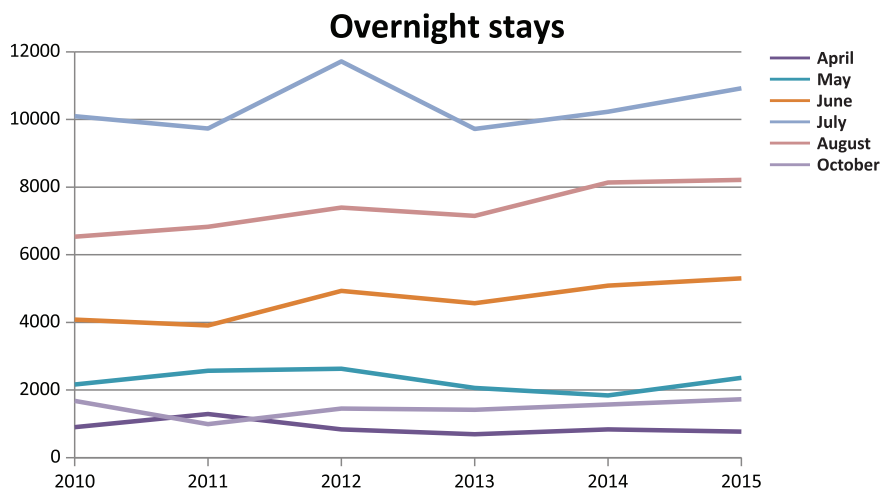
Compared to 2014, the turnover in 2015 was 117% and profit 264.5%.

Based on economic results, the hotel was given the rating 'very good' by Krediidinfo AS, and also the title Successful Estonian Company 2016."



According to Statistics Estonia, there were 19 742 people staying in Hiiumaa's accommodations in 2015. The number of tourist accommodated has increased by 79%. The number of rooms and beds has increased. On average, the rooms were full to 18% (in July it was 39%) and the beds up to 13% (34% in July). For the third year in a row, the average price for the night was 21 euros (29 euros in February).

In Hiiumaa, RMK campsites were visited by 67 519 people. The most popular was Sääretirbi campsite with 21 815 visitors, followed by Tõrvanina campsite with 18 144 visitors and Vanajõe valley study trail with 10 221 visitors.



Resource: Statistics Estonia, 2016



Transport

Represented in the sector: road, maritime and air transport.

Net turnover: 10.68 million euros. -4%

Added value: 4.6 million euros. 2%

Investments: 0.62 million euros. -14%

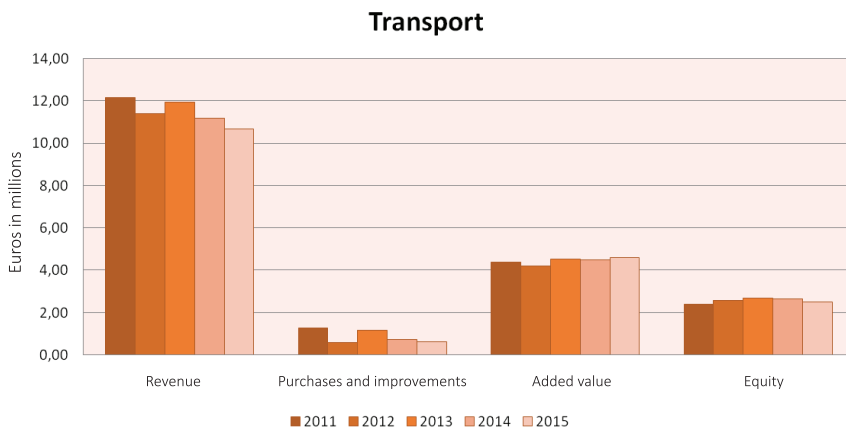
Number of enterprises: 30. 7%

Number of employees: 271. 0%

Average gross salary: 888 euros. 1%

Entrepreneur: **Aare Lukk, Fonax AA OÜ**

"2015 was basically a relief for transport companies, fuel costs decreased on the world market, which also reached petrol-stations. Fonax AA OÜ again dared to invest in new machinery – 2 vehicles were bought, one brand-new and another used for two years, and also one brand-new semitrailer was bought. The main issue here is the ferry connections; we cannot transport from or to Hiiumaa without them."



International and domestic transportation is an important part in Hiiumaa's economy and export.

There were no major changes in bus transport. With the coming of travel-cards in 2014, it is easy to pay for a bus ticket. There are two taxi drivers in Hiiumaa, who are ready to drive 24/7. During weekdays, most rides are made within Kärda.

Life and economy in Hiiumaa depend on ferry-connections. Thus, anything that is happening with air and maritime traffic is very important to us.

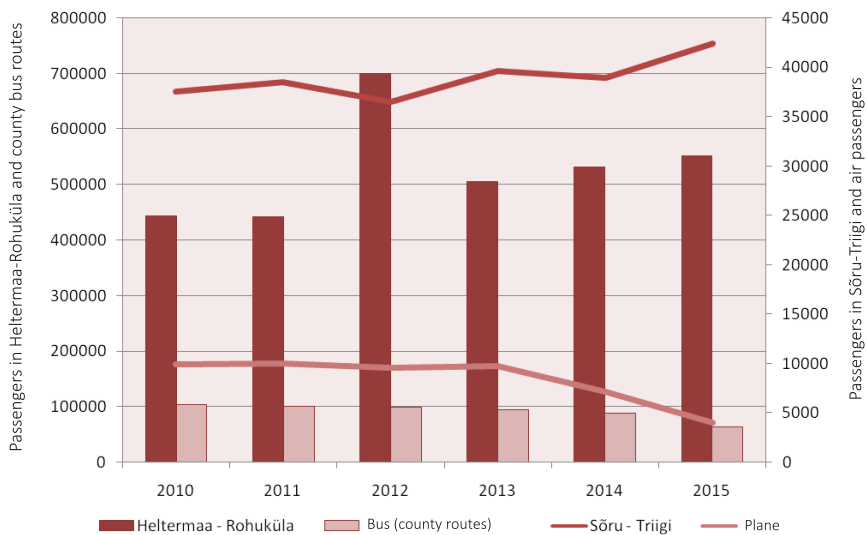
2015 was a great indicator of how important ferry-connections are to people from Saaremaa and Hiiumaa. The process of bringing state-owned ferries to ride between Heltermaa-Rohuküla and Kuivastu-Virtsu began in August 2015.

In order to finance buying new ferries, on 1 December, AS Tallinna Sadam issued liabilities with a maturity of up to two years, for 60 million euros.

The new ferries were named "Tõll" and "Piret" (Kuivastu-Virtsu), and "Leiger" and "Tiit" (Heltermaa-Rohuküla). The ferries for Saaremaa were built in a Polish shipyard Remontowa, and the ferries for Hiiumaa in a Turkish shipyard called Sefine.



Passengers



Resource: Hiiu County Government, 2016



Creative industry

Represented in the sector: architecture, photography, design, art, publishing, performing arts, music, advertising, handicraft.

Net turnover: 1.13 million euros. 30%

Added value: 0.51 million euros. 22%

Investments: 0.06 million euros. 33%

Number of enterprises: 22. 16%

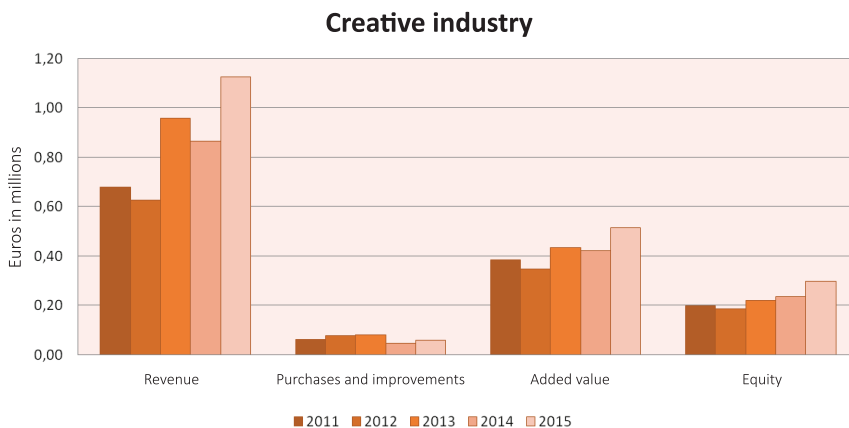
Number of employees: 32. -14%

Average gross salary: 699 euros. 55%



Entrepreneur: Kalli Sein, Ideeklaas OÜ

"The year 2015 was quite successful for the studio Ideeklaas. The enterprises in this sector are usually quite small studios or workshops with 1-4 people, where the process is mainly handicraft. 2015 was the kind of year with a few bigger orders, which made it a good year. Also the local institutions have begun to buy our art objects more and more, which makes us very happy."





Other

Represented in the sector: financial intermediation, insurance, training, sale of electricity, water supply and sewerage, public utilities, healthcare services, etc.

Net turnover: 7.56 million euros. 26%

Added value: 4.8 million euros. 17%

Investments: 1.58 million euros. 17%

Number of enterprises: 208. 0%

Number of employees: 167. 0%

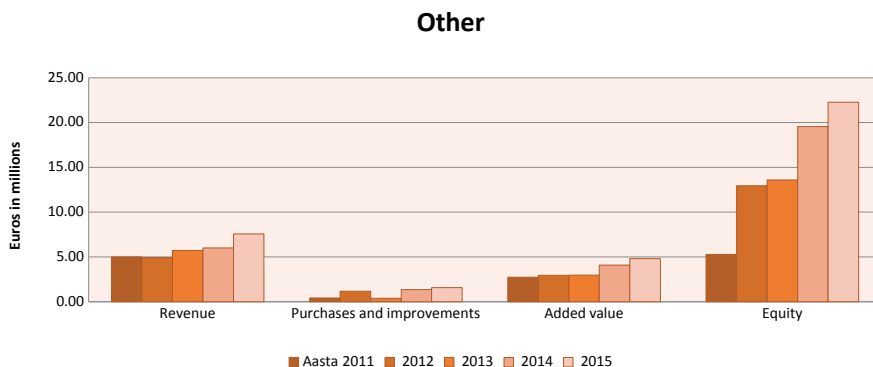
Average gross salary: 768 euros. 8%

Entrepreneur: **Rain Pruul, HK & Rent OÜ**

"The year 2015 was stable for us; we were able to stabilise the economic situation.

Based on the market situation, we decreased the percentage of locksmith's products and we deal with body repairs. We mainly do collision repairs, paintwork, and offer car wash services. To a lesser degree, we also do glass replacement and tyre works. We have increased our quality over the years.

We work with all of Estonia's insurance undertakings, from claim management to a vehicle's repair work. Work for insurance undertakings and local enterprises makes up most of the turnover. Based on availability, we have also done repair work for private customers."



How is Hiiumaa's economy internationalising?



Sulev Alajõe,
Investor consultant

When we leave out the two major exporters, Dagöplast and EstPak Plastik, the top 5 countries of other enterprises are: Finland 23%, Germany 17%, Sweden 10%, Denmark 8% and Poland 5%. The drop of Russia to 0.2% is notable, and is limited to three enterprises; this is a sign that the importance of the eastern market is in the past. The significance of Finland's market for Estonian enterprises has been chal-

lenging due to its economic downturn. Finland's economy will increase by over 1% in 2016 and 2017, mainly due to the major increase in the volume of construction according to Etla, the Research Institute of the Finnish Economy.

The power of Hiiumaa's enterprises to sell to Germany in such quantities is noteworthy; it is the richest market in the world, it is difficult to enter and we do not have much geographical advantage over Poland, the Czech Republic, Slovakia and Hungary, where the total population is 64 million people. It is now important to ensure and strengthen the positions – during the last global crisis, Germany's economy dropped very little. The biggest potential for growth is on Sweden's and Norway's markets, considering the strength of Sweden's economy and the fact that the Norwegian enterprise BioBag took over Dagöplast in 2015. M&P Nurst leads the way in Poland's market, which is needlessly underestimated in Estonia; this biggest country in Eastern Europe has plenty of American foreign capital.

In comparison, Estonia's top 5 export countries in 2015 include: Sweden 19%, Finland 16%, Latvia 10%, Russia 7% and Lithuania 6%. The enterprises on the Estonian mainland have plenty of reasons to learn from Hiiumaa's experience with Germany, Denmark and Poland.

The success of export depends on many factors. The biggest worry of the employers is finding good employees. It is important to offer training for the plastics sector and to plan support measures for it. In order to bring back Hiiumaa's people, who are working or studying elsewhere, scholarships and housing allowances connected to enterprises should be available. Speaking Swedish is definitely an advantage in export and investments.

In the conditions of a small labour market area, it is important to increase the enterprise's competitiveness with technological measures, which make production more effective. Each enterprise could produce more with the same resources, if this effectiveness was used. The MES (Manufacturing Execution System) software with sensors, collects data from the devices and about using resources, which is connected to different work commands and orders of the production process. MES allows one to make real-time automatic decisions about the production and it gives a full overview, ensuring maximal effectiveness. Quality control software allows one, for example, to check if the timber used meets the requirements. Machines can check this information much faster and to a higher standard compared to humans, and the automation of those jobs can increase the enterprise's export capacity. Certainly, many Hiiumaa's enterprises have realised, that modern technology helps attract educated young people to work for the enterprises. Digitalisation is happening in all of the sectors.

From the 16th century, Hiiumaa has carried out local raw material processing and export. Today, the role of industrial establishments is even greater in ensuring the standard of living. The export capacity of the food industry sector, where bakery and culinary, and food production in

smaller batches are represented, is first of all connected to the neighbouring markets. In the timber industry, forest management, treatment of wood and manufacturing of wood products are represented. The success of the largest sector, the plastics industry, is based on the local know-how which has been created throughout the decades - treatment of plastics, manufacturing and assembling plastic products. The opportunities for development are connected to the developing and use of polymer and composite materials. The future of the textile and metal industries also depends on the development of materials. Aside from fishing, fish farming is becoming more important in Northern Europe. The demographic situation in Nordic countries is suggesting a request for a silver economy – offering care, health and cultural services for the older clients, which is suitable to Hiiumaa.

These developments also mark the fields of involving foreign investments, in order to create jobs and wealth with the help of foreign capital. It is difficult to create new sectors from nothing, so the focus is on sectors with existing know-how, where the injection of capital can bring new devices, technologies and markets. An owner from Norway means an opportunity to increase the customer base in Norway. In all of Western Estonia, the focus is not on fishing for expensive and ideal foreign investors, but on understanding and supporting the development need of the existing foreign establishments. With the example of Dagöplast, it is possible to create jobs by involving investments in existing enterprises. It is then important, that the central government, implementing bodies, and Hiiumaa's public sector help the internationalisation of enterprises by smart cooperation and use of resources (workforce, technological networks, connections, knowledge transfer).



Property market

Kaie Nappir,

Property manager

The growth in the property sector that started in 2014, also continued in 2015. The year 2016 started moderately, but it is also showing signs of growing. The property market in Estonia has been on the rise, the only exception was the market for land not built on; the reason for this might be a decrease in the state's forest land auctions. For the past two years, the auctions for vacant forest lands have been the main reason for the increase of prices for land not built on. Keywords include: increased demand, decreasing offers, low Euribor rate, and stable economic growth. The confidence of the population has also grown, shown by the increase of property transactions. Increased demand caused more people to buy or rent housing, which is more than during the last 4-5 years. It is also noteworthy that the buyers preferred housing in good or very good condition.

A lower interest rate increases the growth of the property market; and analysts predict the continuation of low interest rates. However, loans secured by property are long term and the interest rates could go up in the future. The growth of the housing market has been helped along by low interest rates, increasing the turnover of housing loans, bigger salaries, decrease in unemployment, and optimistic prospects, which encourage buying and opportunities.

Based on the data of Statistics Estonia, during the second quarter of the year, 12 583 notarised sale/purchase agreements of property were made, and these amounted to 720.8 million euros. Compared to the data of the second quarter of 2015, the transactions increased by 3%, and the total amount by 3.5%. During this year's second quarter, the amount of sale/purchase agreements of apartment ownerships was 6352, so it increased by 2.4% compared to the year before. The total value of sale/purchase agreements of apartment ownerships was 346.6 million euros; it decreased by 0.2%. The number of transactions of built-on property was 2324, worth 245.7 million euros; the number of transaction increased by 2.1% and the total value decreased by 1.8% compared to the year before. The number of transactions of vacant properties was 3907, worth 128.5 million euros; the number of transactions increased by 2.4% and the total value by 30.2%.

The property market's price index has been constantly on the increase since the second half of 2010. According to the Land Board, there were 46 410 sale/purchase transactions made in Estonia in 2015, worth nearly 2755 million euros; in 2014 it was 44 961 transactions, worth 2322 million euros. Thus, there has been a considerable increase in value (15%), and the transaction activity increased by 3%.

The increase of the property market's price index in the third quarter of 2015 was 6.3% compared to 2014. The price index of apartment ownership increased by 8%; the price index for

vacant land was 0.6% and for land that had been built on it was 7.6%.

In the case of buildings on profit yielding land there has been a decrease, and the financial volume has dropped by 20%. Hiiumaa does not have many rural housing options to offer, although the demand is there.

There has been an increase on the apartment market; compared to last year, the transactions and also the financial volume have both increased by 9%. The median price for a square metre has dropped by 5%, while the average prices rose by 2%. The reason for the low median price is the low-priced apartments on sale in former collective farm centres. However, the prices of apartments have increased most in smaller villages.

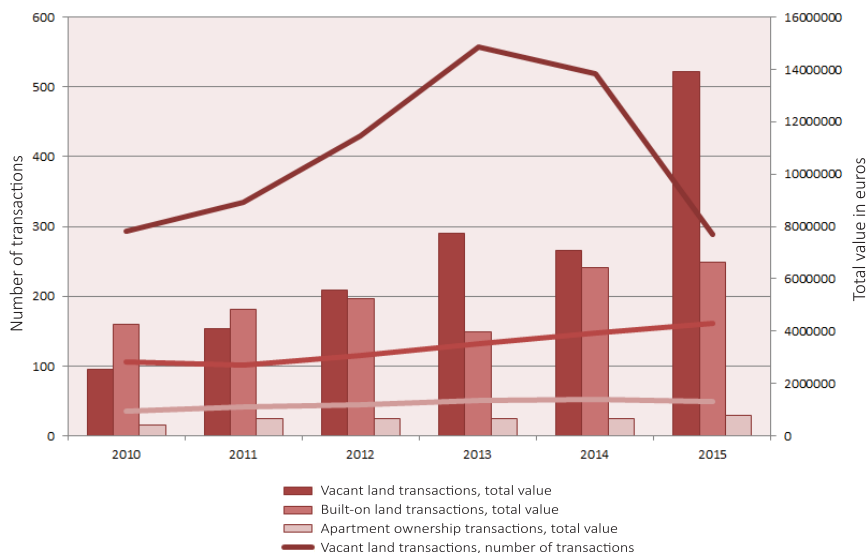
The prices of farms and housing mainly differ based on the location, distance from the sea and the size of the land. Prices start from 12 thousand euros for old houses that need renovation and are situated inland. Still, demand is highest for this type of offer. Farm complexes that are by the seaside have been sold for up to 660 thousand euros.



Sale of property in Hiiumaa

(Resource: www.kv.ee)

Number of property transactions and total value by object of transaction



Resource: Estonian Land Board, transactions database, 2016

28 apartments were sold, most of them in Kärkla. The most problematic area in the apartment market is Käina Parish; there is demand but no offers. Also, there is no rental market in Hiiumaa. The renting is mainly done based on connections.

There is demand for the rental market; some investors have considered the option of buying cheap apartments which they could then rent out.

77 built-up properties were sold. Those included new houses and also buildings that need renovating.

211 vacant land transactions were made. People prefer properties by the seaside.

7 relaxation areas were on sale on the island. The main reason for such a high number is that the long-time accommodation owners are looking for young and more active people to take over.

Some shops and industrial spaces were on offer, also a restaurant, a former kindergarten, a post office, a barn and a business property near Kärkla with a depreciated building.

The buildings are usually in a good condition and do not need much investment. Properties, where the purpose of the land can be changed, are left until the new owner decides what they want to do with that land.

The areas with the biggest demand are still Köpu and Kassari peninsulas and the city of Kärkla, where prices are higher than in any other parts of Hiiumaa. During the last years, the seasi-

de properties of the parish Pühalepa have also been in demand. In Hiiumaa, the proximity of the sea, developed infrastructure, and quiet and safe environment attract buyers, who mainly come from outside Hiiumaa. The purchasing power of the native residents is low; the reasons for this include low salaries and not many workplaces.

Brokers are used more because of convenience. A lot of the sellers live outside Hiiumaa, so it is difficult for them to come themselves and show the properties.

The biggest issue with the property market is ferry-connections. In 2015, when the changes in ferry-connections were happening, the market crashed for a few months.

From the beginning of 2016, the market began to function again. People have got used to buying their ferry tickets early. Also, it is now usual that the client leaves their car on the mainland, and then the broker drives them to the destination on the island.



Emmaste Parish

Area: 197 km²

Tax revenues: 997 thousand euros (change +9.7%)

Population (31.12.2015): 1233 (change -1.8%)

Number of taxpayers (year's average): 582 (change +5.6%)

Mayor of Emmaste Parish, Tiit Paulus

"For the parish, the financial year of 2015 was a year of sustaining and strengthening the achieved financial stability."

Hiiu Parish

Area: 384 km²

Tax revenues: 3348 thousand euros (change +6.6%)

Population (31.12.2015): 4648 (change -2.3%)

Number of taxpayers (year's average): 2202 (change +6.8%)

Mayor of Hiiu Parish, Reili Rand

"For Hiiu Parish, the year has been like a gap year in order to find a balance between big projects and everyday life. The financial situation at the end of the last year made it clear that we could not continue in the same way; this is why in 2016 we practised a conservative fiscal policy and looked over our expenses. This has brought us balance in less than a year, so that we may again make necessary investments in the future."

Käina Parish

Area: 188.5 km²

Tax revenues: 1456 thousand euros (change +6.8%)

Population (31.12.2015): 2116 (change +0.2%)

Number of taxpayers (year's average): 960 (change +3.2%)

Pühalepa Parish

Area: 255.5 km²

Tax revenues: 1067 thousand euros (change +2.8%)

Population (31.12.2015): 1567 (change -1.1%)

Number of taxpayers (year's average): 716 (change -0.6%)

Mayor of Pühalepa Parish, Ants Orav

"2015 was seen as a year of preparations and plan-making for future investments."



Successful enterprises of Hiiumaa 2015

Starter of the year 2015

Hiiumaa Pruulikoda OÜ - nominee

OÜ Hiiumaa Pruulikoda opened a brewery-restaurant in Kärkla on Vabaduse Street, where the first sample batch of beer was ready in spring, 2016. Apart from the popular ale-beer, newer tastes are offered and also lager and wheat beer is produced. Local raw material is used as much as possible in the production. The enterprise produces beer, where people from Hiiumaa are the ones to regulate the taste development of beer. The pub Wabrik is opened on the second floor of the brewery, where apart from beer, delicious food is offered.

Triibuvineer OÜ - Starter of the year 2015

This innovative enterprise started in 2015 and makes products from a material they invented themselves – stripy plywood. As a raw material, birch plywood, a thin layer of wood, is used. Their main products include interior design and designed pieces. Simple form, functionality and user-friendliness characterise Triibuvineer OÜ products.

Hiiu Graanul OÜ - nominee

Hiiu Graanul OÜ was established in 2015 and focused on producing biofuels; at the end of 2016 it will start with pellet production. The planned production capacity of the factory is 20 thousand tonnes and the products are meant for export. They want to use the waste of local timber industries as much as possible and also buy fuel and paper wood.

Investor of the year 2015

Dagöplast AS - Investor of the year 2015

Dagöplast got a new owner in 2015 – BioBag International AS. The main part of the investment is bringing the production entity from Norway to Estonia. Also, a nearby property was bought for production rooms. The structure of the produce has changed – different biodegradable products sold within a group make up an increasingly bigger part. The number of markets has increased, for example, a notable part of the products is sold to the US.

Dale LD. AS - nominee

The outside and inside of the enterprise is very organised. Its annual investments include focusing on automation and less handwork in order to increase productivity. In 2015, the enterprise got new machinery and a robot, the injection moulds were also improved. However, it cannot do without its employees, and thanks to the continuous investments, Dale LD. AS is able to pay its employees a salary that is above average.

HMPK OÜ - nominee

For HMPK, improving forestry equipment has always been important. Most of its equipment was already replaced in 2014, but some was also renewed in 2015. Thanks to new equipment,

repair costs are smaller and standstills shorter, which means increased productivity. Newer equipment also means a better position in the market; and looking at the results it has paid off – turnover increased by 13%.

Best of the year 2015

EstPak Plastik AS - nominee

An enterprise which focuses on producing plastic packaging, and its economic indicators have improved with every year – turnover increased by 18% in 2015. Technologically, its production is very modern. 2015 was noteworthy because now, most of the products are made in Saku, Harjumaa. Because the enterprise has been so successful, only a small part of production is now in Hiiumaa; the enterprise was moved to the mainland due to increased capacities and the logistics of it.

HMPK OÜ - nominee

HMPK's field of activities includes collecting timber, and offering forestry work and transport services in Hiiumaa and Saaremaa. Export made up 60% of the turnover; turnover increased in forestry work by 13%, and export to Denmark and Germany by 56%. The enterprise collected and realised most of the timber which was harvested and sold in Hiiumaa in 2015. Despite difficult times in the timber market, turnover increased and they were able to maintain profitability. HMPK values long-term cooperation with timber buyers and sellers, it makes difficult times more easy.

OÜ Liisbet Tukat - Best of the year 2015

Liisbet Tukat is a family enterprise which produces lights. They produce them as outsourcing for a Finnish partner OY Lival AB and their cooperation has lasted for nearly 20 years. Outsourcing means that the components are Lival's and the lights are produced in Hiiumaa. The production is very labour-intensive – the enterprise has 88 employees. Liisbet Tukat has basically been established and developed without any outside help, all development has been made based on equity and profit. In 2015 turnover increased by 12% and export made up 99%.

Summary

Elmo Harjak,

Corporate Client Manager (Swedbank Kärkla office)

The enterprises in Hiiumaa are very small. There are 20 enterprises in Hiiumaa, which have a bigger turnover than 1 million euros, and only 30 enterprises have more than 10 employees. It can all raise a question – why is the review of this microscopic economy necessary? For people in Hiiumaa, it is an opportunity to see how we are doing, plan solutions to problems and see how these solutions are working. Also, the smallness of Hiiumaa is one of the reasons for putting together this book for the 19th time.

The good news is, that Hiiumaa's enterprises are less vulnerable than one big enterprise. The bad news is, that our enterprises are very vulnerable to any changes in transport. Thus, a change in ferry-connections can have a long-term affect which is felt by all of Hiiumaa's residents.

Robert Kitt has said that the biggest problem of Estonia's economy is a small population – too few clients and employees. In Hiiumaa, that same problem is even more intensive, the population is decreasing and ageing. Births are also decreasing. The issues on these kinds of islands is that when the population is decreasing, demand decreases as well and without enough demand, the provision of important services is stopped, as it is not profitable enough and the quality does not meet expectations.

The compilers of the economic review are happy with the result – measuring of Hiiumaa's economy has become more precise. During previous years, we did not know the contribution of self-employed entrepreneurs in the economy. This review is more precise. We have also changed the logic behind the data of enterprises in many parishes. In order to be more accurate, we have divided the added value and turnover based on the number of employees in a parish. We believe that it is more accurate, even though the result might not be pleasant – an increase is not predicted.

There has been a lot of discussion about what the advantage of Hiiumaa is, and why this place is better for an enterprise than for example the mainland. Today, the main reasons include safety and a good living environment. Development does not seem enough; we need a strong advantage in competitiveness and it cannot be just a good ferry-connection.

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Resources

Republic of Estonia Tax and Customs Board

Eesti Pank

Annual reports of enterprises

Hiiu Leht

Hiiu County Government

Republic of Estonia Ministry of the Environment

Republic of Estonia Land Board

Ministry of Finance

State Forest Management Centre

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