USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Required Report - public distribution

Date: 11/5/2007

GAIN Report Number: SW7017

Sweden

Exporter Guide

Annual

2007

Approved by:
Steve Huete, Agricultural Counselor
U.S. Embassy

Prepared by:
Bettina Dahlbacka

Report Highlights:
Due to severe Nordic winters and its relatively short growing season, Sweden relies heavily on imported food and agricultural products. There are opportunities for high-value products, products which are not produced domestically and new-to-market products, including ethnic and "healthy" food and drink products.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Stockholm [SW1]
[SW]

TABLE OF CONTENTS

SECTION I. MARKET OVERVIEW

The Swedish economy has been growing rapidly in the past few years. Strong consumer spending, falling unemployment and robust growth in house prices have boosted consumption. In 2006, Sweden's GDP growth was estimated at 4.4 percent, one of its highest levels since the 1970s. The economy is expected to continue to grow at a good rate in 2007 and 2008. Sweden has been a member of the European Union (EU) since 1995, but has not joined the European Monetary Union (EMU).

Due to the severe Nordic winters and relatively short growing season, Sweden relies heavily on imported food and agricultural products. In 2006, imports of agricultural and food products totaled SEK 71 billion (USD 11 billion) and accounted for 8 percent of the Swedish total import value.

The demand for high-value, consumer-ready products remains strong in Sweden. In 2006, Swedish food retail sales rose by 4.6 % to SEK 159 billion (about USD 25 billion). The increase in consumption reflected a 4.8 % rise in value, and a 3.9 % gain in volume. The per capita food expenditure was US$ 2,705 and food and non-alcoholic beverages accounted for 11.7 percent of the Swede's total expenses.

Sweden, with a population of 9.1 million people, is a country with very high living standards. Swedish consumers are gravitating towards fresher, more convenient and more nutritious foods. High demands are made on food quality, origin and environmental concerns. Quality is now associated with assurances on production conditions, which range from the use of fertilizers and pesticides to animal welfare and environmental concerns. Consumers are willing and able to pay higher prices for food and drink products that fall into these categories.

Advantages	**Challenges**
Sophisticated market. High acceptance of new products and concepts. U.S. products are considered high quality and trendy.	U.S. products are at a price disadvantage compared to competitors based in the European Union.
Growing consumer demands for value-added products, convenience foods and functional foods. Proliferation of "healthy" and "greener" foods.	Strong hesitations with respect to genetically modified products
Location gives access to a Nordic/Baltic market comprising 25 million consumers.	No access for hormone treated beef from the U.S.
High standard of living, well educated workforce, growing incomes. English is widely spoken.	High distribution and shipping costs.
Favorable dollar exchange rate	

Trends in Imports of Consumer-Oriented Foods

Product Category	2006 US Exports to Sweden $1,000	Growth 2005-2006
Processed fruits & vegetables	27,786	14.07
Hardwood lumber	21,119	9.52
Tree nuts	20,949	-11.49
Wine & Beer	20,543	-1.15
Other consumer oriented	14,770	22.81
Other wood products	8,451	76.10
Pet food	5,458	2.79
Other seafood	4,943	0.41
Fresh fruit	3,741	-16.77
Sugar, sweetener, bases	3,565	-20.44
Fruit and vegetable juices	2,125	-14.42
Snack foods	2,062	1.98
Logs and chips	2,054	90.71
Vegetable oils (ex soy)	977	5.74
Salmon whole	835	0.97
Eggs & Products	524	502.30
Dairy Products	275	418.87
Red meats, fr/ch/fr	223	150.56

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Customs

Swedish firms do not change suppliers readily, and many commercial relationships have been built up and maintained over decades. While this is beneficial to exporters who have a partner, newcomers must be willing to invest effort in developing an entry into this market and securing the confidence of commercial buyers. A Swedish buyer will expect total commitment to prompt deliveries, precision in filling of orders and high quality for all kinds of products. Being punctual is not only regarded as a sign of respect, but also efficiency. Swedish businessmen will have little understanding for cultural variation in punctuality.

Market entry strategies for U.S. food products should include:

1. Market research in order to assess product opportunities.

2. Advance calculation of the landed cost of a product in order to make price comparisons vis-a-vis competitors.

3. Identifying an experienced distributor or independent reliable agent with strategic distribution channels to advise on import duties, sanitary regulations, and labeling requirements. It is advisable to initiate personal contact in order to discuss marketing

matters such as funding for advertising, slotting allowance, in-store promotions and tasting events. Suppliers may also want to consider trade fair participation to raise awareness of their products.

4. Exploration of the purchasing arrangements of the larger retail chains.

5. Consider using USDA's Supplier Credit Guarantee program to make credit terms more attractive to importers.

General Consumer Tastes and Preferences

Convenience: Swedes are embracing value-added products and convenience foods. In-store eating and take-away is growing. The ongoing socio-demographic changes with busier life styles and increasing single-person households are affecting food retailing to a high degree. Retailers are shifting their product ranges towards an increasing share of healthier, ready-to-eat foods and home meal replacements. Lifestyle changes also significantly influence the catering sector. In Sweden about 20 percent of meals are currently eaten outside of the home.

Health: Hand-in-hand with the demand for convenience goes the heightened consumer concern for food safety and healthy eating habits. Demand is rising for "natural" (organic) and "healthy" food and drink products. Also, products with nutritional advantages, such as added fiber, vitamins and minerals are gaining in popularity. The environmental or "green" philosophy is an important factor in consumer decisions. Swedes are willing and able to pay higher prices for food and drink products perceived to meet their environmental and health concerns.

Organic: Consumer interest in organic food products has been increasing rapidly in Sweden. While growing demand for healthier, "greener" and more convenient products is one of the major driving forces behind the evolution of the food industry, organic and health-oriented products still have a relatively small market share in Sweden. The variety and availability of processed organic products is still much more limited than that found in the United States.

Vegetarian: The trend towards vegetarian choices is a growing one. More processed products which link convenience to the vegetarian alternative are appearing in retail outlets but are still limited in variety.

Ethnic Foods: Swedish consumers are moving away from their culinary traditions as they become more open to new and exotic cuisine, including foods that are uniquely associated with the various regions of America. A growing immigrant population and extensive travel abroad are the main reasons behind this trend

Food Standards and Regulations

Sweden has been a member of the European Union since 1995 and has adopted EU practices related to imports of agricultural products. Agricultural products are subject to the standard EU import licensing system, quotas, import duties and other provisions. It is important to note that these markets are fully open to competitors within the EU, while U.S. exporters face EU import restrictions.

- Food safety standards in these markets are very strict and imported foodstuffs must meet specified requirements.

- Sweden is a member of the European Union (EU) and Swedish national food legislation is, to a large extent, harmonized with the EU's food legislation. In certain cases, however, there is room for national interpretation of the EU's legislation. Sweden applies more restrictive legislation with regard to pesticides and irradiation, under the umbrella of public health precautions. In addition, Sweden has received a derogation allowing it to apply stricter salmonella control and stricter border controls (quarantine on imports of live animals) than that of other EU member countries.

For more information regarding food standards and regulations, please refer to EU FAIRS Report (E47056) and Sweden FAIRS Report (SW7012) on the Foreign Agricultural Service web page at http://www.fas.usda.gov/.

Import and Inspection Procedures

Sweden has strict sanitary and phytosanitary requirements for foods. Laboratories have sophisticated capabilities to monitor product quality. Detailed regulations apply to the importation of agricultural products into these markets. It is therefore most important that the U.S. exporter work closely with the importer to make sure that the products destined for this market are in full conformity with the country's food safety, quality and labeling rules and regulations.

General Import Regulations

- Foodstuffs can only be brought into Sweden commercially through an importer registered by the National Food Administration (Livsmedelsverket).
- All foodstuffs sold in these markets must be labeled in Swedish.
- Imported foodstuffs may not contain certain types of additives, which are not allowed in Sweden.

Importers should be consulted for proper labeling information. Please note that many retail products intended for wide distribution in the region are labeled in multiple languages such as Swedish, Norwegian, Danish, Finnish and English.

Swedish pesticide regulation (LIVSFS 2006:22) is primarily based on EC directives but does also, to a limited extent, contain national maximum residue levels. If there is no EU/national maximum residue level for a certain pesticide or pesticide/commodity combination, the National Food Administration may decide which level shall apply.

For more information regarding import and inspection procedures, please refer to EU FAIRS Report (E47056) and Sweden FAIRS Report (SW7012) on the Foreign Agricultural Service web page at http://www.fas.usda.gov/.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

In the past few years, a Nordic consolidation and integration has clearly been seen as mergers between the Nordic retailers have been implemented. At the same time, the Nordic countries have increasingly become part of the European retail market as foreign companies and chains are moving in.

Retailers are facing stronger competition from fast food chains, lunch restaurants, and other service establishments. During the past decade, sales within the restaurant sector have increased faster than in the retail sector. Eating out has come to include both weekdays and weekends. Nevertheless, Swedes still spend the bulk of their food dollar in retail stores rather than eating out.

The retail distribution groups that dominate retail sales enjoy a majority share of food sales. ICA, COOP, Axfood, and Bergendahls together account for 60 percent of food expenditures, including alcoholic beverages.

General discount stores, hypermarkets and large supermarkets are experiencing rising sales volumes, while small and medium-sized stores lag behind. Elements of the restructuring of the sector include the on-going move toward vertical integration, the increasingly common use of exclusive contracts, consolidation of purchasing and deliveries and the growth of private labels. Supermarkets are responding to demands for an ever-widening list of products and product formats. Large supermarkets and hypermarkets account for about 75 percent of the Swedish retail food sales. There were 6,700 food retail outlets in Sweden in 2006 compared to 13,000 in 1970.

Distribution: The wholesale and retail food market in Sweden is dominated by three groups, ICA, COOP and Axfood AB, which together account for over 80 percent of the commodity retail market. These Nordic chains have closely knit wholesale and retail arrangements comprising a compact and efficient goods delivery system and a nationwide network of retail shops as well as department stores and supermarkets. Some also have hotel, restaurant, and catering services. This centralized system provides economies of scale, facilitating the distribution and import of larger volumes.

Independent importers and distributors: There are a number of importers and distributors in Sweden specialized in certain product segments, such as organic products or ethnic foods. These importers/distributors in turn sell to the large retail chains. These importers are ideal for exporters who cannot meet the high volumes required by the large retailers when dealing with them directly. Some specialized importers also supply the Hotel Restaurant and Institutional (HRI) sector.

Alcoholic Beverages: In Sweden, the government-owned Systembolaget retains a monopoly on retail sale of all wines, spirits, and strong beers. As a result of accession to the EU, Vin & Sprit lost its monopoly control of import and wholesale distribution channels, and is now working as a licensed importer along with 150 other independent licensed importers of wine and liquor. Also, restaurants may buy from importers or import directly provided that they have a license.

Trends

Store size: Smaller stores continue to lose market share to the larger supermarkets and hypermarkets.

Discount stores: In the past few years, there has been a dramatic increase in low-price food stores in Sweden. The large Nordic retail chains have developed discount store concepts in order to meet the increased competition from European discount chains such as German Lidl and Danish Netto which entered the market a few years ago.

Private Label: Retailers are aggressively promoting their own private label brands through TV commercials and newspaper ads. Two of the largest Swedish retailers have set a goal of 25 percent market share in each product segment for their private label products. This is especially true for far-away-imported products such as rice, cocoa, coffee etc. For some popular categories in retail stores the figure is 50 percent. This development portends good potential for suppliers with private label capacity.

Convenience shopping: As the consumers increasingly eat outside their homes, the large retailers find themselves not only to be competing with each other, but also with the HRI sector. To face this new competitor, supermarkets have developed deli sections in their stores with either ready-to-eat food products or partially cooked dishes. Menu suggestions next to the food products are also popular. The display of products has also become more consumer-oriented. For example, dressings and bread croutons can be found next to the pre-mixed salads, and coffee cakes may be placed next to the coffee section. Manufacturers with the capability to supply convenience foods may find interesting opportunities in this market.

Promotions/Marketing: Direct marketing in the form of newspaper-format advertisements is one of the most regularly used forms of communication in the Swedish retail market, and almost all the retail groups use this method as a means of conveying information to consumers. These are sent on a weekly basis to all the households in the immediate marketing area of the individual stores. The retailers also invest in advertising, primarily through their newspaper flyers, while producers and manufacturers spend most of their budgets on television advertising. Retail chains also promote their own private label products aggressively through TV commercials and advertisements.

Internet sales: Even though the computer/IT penetration in the Nordic countries is exceptionally high, retail food sales on the web have been very limited. The positive outlook that the large retailers had a few years ago regarding selling via Internet has changed. Retail chains Ica, Coop and Axfood have all terminated their Internet grocery web sites due to few customers and low profitability.

Please see the most recent GAIN Retail Report (SW6021) for Sweden for further information regarding the food retail sector http://www.fas.usda.gov/.

HRI/Food Service

In Sweden, the growth in disposable incomes boosted expenditures in many sectors and particularly in consumer foodservice. In 2006, the total turnover for the restaurant sector grew by 7.7% to SEK 50 billion (USD 8 billion).

Changes in lifestyles and tastes are having significant effects on the catering sector of the market. Although most types of foodservice outlets benefitted from the economic growth in 2006, the more premium types of restaurants benefitted most, including gourmet restaurants. The health trend continues to be important and restaurants are increasingly offering healthy alternatives on their menu. Fast food outlets often belong to national and international chains, while restaurants are most frequently family businesses. There are, however, some large international restaurant chains operating in this market including TGI Friday’s and Hard Rock Cafe. Also, there has been a significant expansion of coffee shop chains in the past few years. Institutions are mainly operated by municipalities, counties and government agencies.

From 1993-2006 the number of restaurant businesses in Sweden has increased by around 3,400 outlets from 13,600 to about 17,000. At the same time, the number of stores in the retail sector has been decreasing.

Distribution: Distribution within the HRI sector is dominated by a few large wholesalers specialized in supplying this sector. The dominant wholesalers are: Servera, Menigo Foodservice, Martin Olsson, Servicegrossisterna and Axfood Närlivs.

Trends:

- Outside the home, restaurants continue to attract a significant proportion of consumers.
- American trends remain popular in Sweden.
- Informal, less expensive, “fast food” outlets continue to be popular. McDonald’s, Burger King, and Pizza Hut all have strong positions in this market.
- Increase interest in gourmet restaurants.
- Other U.S. chains such as Subway, TGI Friday’s and Hard Rock Cafe can be found in Sweden.
- There are opportunities for U.S. fast food restaurant and coffee shop chains in this market.

Food Processing

The small populations of the Nordic countries provide somewhat limited foundations for a highly diversified food processing industry with sufficient economies of scale. Consequently, there have been consolidations of several companies and an increasing emphasis on exports of processed food items - especially cheese, candy, snack food and various jams and preserves. Since EU membership, there has been a move toward mutual investment and consolidation among Swedish food industries and joint Nordic cooperation in general. Several companies own and operate food manufacturing firms abroad.

The food processing industry in Sweden is large-scale and dominated by a few large private and cooperatively owned companies. Five large suppliers account for about 50 percent of the retail food store purchases. One or two suppliers control close to 100 percent of the market within some food segments. Farm cooperatives are powerful in Sweden's food industry. They have a virtual monopoly on domestically produced dairy products and are market leaders in the meat, milling, and bakery sectors. However, the majority of food industry companies are privately owned. These companies are active in the brewing, prepared fish, frozen food, sugar and tobacco sectors. The domestic food processing industry accounts for 80 percent of the food consumed within Sweden, which makes this an important sector for ingredient and raw product suppliers. Food processors either source their raw materials or ingredients directly from their suppliers or through wholesalers.

In 2006, imports of agricultural products and foodstuffs to Sweden totaled SEK 71 billion (USD 11 billion), an increase by 12 percent from 2005. Sweden’s foodstuff exports totaled SEK 39 billion (USD 6).

Imports destined for the food processing sector include vegetables, fruit, juice, coffee, and cocoa as well as seafood. About 40 percent of all imports are products that cannot be grown in Sweden.

Dominant companies by sector are: Arla Foods (dairy), Swedish Meats (meat processing), Paagens (bakery), Cerealia (milling and bakery), Findus (fish processing), Löfbergs Lila (coffee roasting).

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Authentic barbeque sauces and seasonings
- Beer
- Confectionery
- Convenience foods
- Dried fruit
- Ethnic food
- Fresh fruit
- Frozen vegetables
- Organic products
- Pancake/cake mixes
- Pet food
- Processed fruits & vegetables
- Rice and rice mixes
- Sauces
- Seafood
- Snack food
- Tree Nuts
- Vegetarian processed products
- Wines

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service
American Embassy
Dag Hammarskjolds Vag 31
S-115 89 STOCKHOLM, Sweden
Tel: (46-8) 783 5392/5470
Fax: (46-8) 662 8495
E-mail: agstockholm@usda.gov
www.usemb.se/Agriculture

Swedish Board of Agriculture
S-551 82 JONKOPING, Sweden
Tel: (46-36) 15 50 00
Fax: (46-36) 19 05 46
E-mail: jordbruksverket@sjv.se
www.sjv.se

National Food Administration
Box 622
S-751 26 UPPSALA, Sweden
Tel: (46-18) 17 55 00
Fax: (46-18) 10 58 48
www.slv.se

National Board of Fisheries
Box 423
S-401 26 GOTEBORG, Sweden
Tel: (46-31) 743 0300
Fax: (46-31) 743 0444
www.fiskeriverket.se

National Board of Forestry
S-551 83 JONKOPING, Sweden
Tel: (46-36) 35 93 00
Fax: (46-36) 16 61 70
Email: skogsstyrelsen@svo.se
www.svo.se

Swedish Customs
Box 12854
S-112 98 STOCKHOLM, Sweden
Tel: (46-771) 23 23 23
Fax: (46-8) 20 80 12
www.tullverket.se

Statistics Sweden
Box 24300
S-104 51 STOCKHOLM, Sweden
Tel: (46-8) 506 940 00
Fax: (46-8) 661 5261
E-mail: scb@scb.se
www.scb.se

Association of Swedish Chambers of Commerce
Box 16050
S-103 21 STOCKHOLM, Sweden
Tel: (46-8) 555 100 00
Fax: (46-8) 566 316 35
www.cci.se

Swedish Federation of Trade
S-103 29 STOCKHOLM, Sweden
Tel: (46-8) 767 7700
Fax: (46-8)767 7777
www.svenskhandel.se

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

SWEDEN	**2006**
Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)	6,350/2% *
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	5,157/1% *
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	1,283/ 2% *
Total Population (Millions)/Annual Growth Rate (%)	9.1/ 0.16%
Urban Population (Millions)/Annual Growth Rate (%) (2000)	7.5/ N/A
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	32,200
Unemployment Rate (%)	5.6%
Per Capita Food Expenditures (U.S. Dollars)	2,705
Percent of Female Population Employed	73.4%**
Average Exchange Rate US$ 1 for 2006	7.38

* Source: U.N. Trade Statistics 2004
** Between ages 16 and 64, Source: SCB-AKU

Note: Above data on U.S. trade do not include substantial imports of U.S. products which are transshipped to Sweden via other EU countries.

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Sweden Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,680	4,407	5,157	73	72	75	2	2	1
Snack Foods (Excl. Nuts)	340	400	454	1	1	1	0	0	0
Breakfast Cereals & Pancake Mix	63	78	89	1	1	1	0	0	0
Red Meats, Fresh/Chilled/Frozen	293	392	467	0	0	0	0	0	0
Red Meats, Prepared/Preserved	121	142	181	1	0	1	0	0	0
Poultry Meat	71	89	122	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	106	124	170	1	1	1	0	0	0
Cheese	167	209	256	0	0	0	0	0	0
Eggs & Products	17	21	22	2	1	1	9	1	0
Fresh Fruit	450	559	647	5	7	7	1	1	1
Fresh Vegetables	285	362	402	1	1	1	0	0	0
Processed Fruit & Vegetables	331	375	455	23	21	21	7	6	5
Fruit & Vegetable Juices	93	103	103	3	2	2	3	2	2
Tree Nuts	21	26	38	7	9	13	34	33	34
Wine & Beer	354	437	489	5	7	8	1	2	2
Nursery Products & Cut Flowers	185	232	256	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	75	93	100	5	5	5	7	6	5
Other Consumer-Oriented Products	707	764	905	22	19	18	3	3	2
FISH & SEAFOOD PRODUCTS	799	1,013	1,283	8	7	10	1	1	1
Salmon	204	288	416	2	1	1	1	1	1
Surimi	6	5	5	1	1	1	3	2	1
Crustaceans	130	160	177	1	1	1	1	1	1
Groundfish & Flatfish	200	266	352	3	2	6	1	1	2
Molluscs	4	5	7	1	1	1	2	5	4
Other Fishery Products	255	290	327	1	2	2	1	1	1
AGRICULTURAL PRODUCTS TOTAL	4,521	5,375	6,350	111	104	104	2	2	2
AGRICULTURAL, FISH & FORESTRY TOTAL	6,375	7,659	9,172	141	135	145	2	2	2

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Sweden – Top 15 Suppliers

CONSUMER-ORIENTED AG IMPORTS

$1,000	2002	2003	2004
Denmark	738040	901888	1067108
Netherlands	629321	767653	879260
Germany	413701	492231	666195
Italy	226162	281446	302649
Spain	227202	278904	296109
France	211078	251851	266249
Belgium	147272	162872	204777
Finland	143900	172508	196628
Ireland	125099	164659	183427
United Kingdom	141599	147137	168720
Norway	81446	81522	97708
Poland	35774	59779	76062
United States	73247	72326	75475
Costa Rica	30213	44499	66169
Austria	40,064	45,335	53,649
Other	415320	482192	556923
World	3679515	4406854	5157091

FISH & SEAFOOD PRODUCT IMPORTS

$1,000	2002	2003	2004
Norway	537404	693624	907593
Denmark	118974	143326	162605
China	8033	24337	30509
Netherlands	19708	23300	28667
Canada	10790	16084	23568
Germany	11781	18191	22735
France	7153	9437	13401
Iceland	16159	13570	12505
Thailand	9258	9190	10715
United States	7871	6952	10338
Estonia	4626	6886	7396
Poland	2643	3234	6011
Turkey	4159	4480	4472
Ireland	3281	4582	4458
Spain	2220	3794	4019
Other	34714	32424	34179
World	798,786	1,013,412	1,283,171

Source: United Nations Statistics Division