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Report Highlights:
Due to the severe Nordic winters and relatively short growing season, Finland 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. Major current impediments to U.S. sales include consumer resistance to products containing genetically modified (GM) ingredients.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW

Due to the severe Nordic winters and relatively short growing season, Finland relies heavily on imported food and agricultural products. In 2004, imports of agricultural, fish and forestry products totaled US$ 4,138 for Finland and accounted for 6.5 percent of the Finnish total import value.

The Finnish economy continued to expand at a rapid pace in 2004 and overall GDP grew by 3.7%. Strong private consumption has been one of the factors behind Finland's growth. Private consumption has benefited from strong real wages and was up slightly more than 3% in 2004. Finnish growth is expected to continue to be fairly strong in the next few years.

Finland joined the European Union (EU) in 1995. In 2002, Finland joined the European Monetary Union (EMU) and switched from the Finnish Mark to the Euro. Inflation in Finland has been very low and is expected to remain below the euro area average in 2005 and 2006. In 2004, average inflation in Finland was 0.2%. This is partly due to the strength of the euro, but also because of lower excise taxes on alcohol and tobacco.

In 2004, Finnish food retail sales rose by 1.7% to about US$ 12 billion. Growth was restrained by falling prices caused by strong competition. According to statistics, retail food prices decreased by 0.8% in 2004. Finnish retailers are meeting the stiff competition by centralizing purchases, forming international alliances, increasing the number of private label products and expanding operations within the Nordic/Baltic region.

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 demand for value-added products, convenience foods and functional foods. Proliferation of "healthy" and "greener" foods.	Strong reluctance with respect to genetically modified products.
Location gives access to a Nordic/Baltic market comprising 25 million consumers.	No access for U.S. hormone-treated beef or U.S. poultry processed using an antimicrobial treatment.
High standard of living, well educated workforce, growing incomes. English is widely spoken.	High distribution and shipping costs.

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Customs

Finnish 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 entry into this market and securing the confidence of commercial buyers. A Finnish 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. Finnish 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: The Finns are embracing value-added products and convenience foods. In-store eating and take-away is growing. As time is increasingly becoming a commodity that is in short supply, this affects food retailing to a high degree.

Hand-in-hand with the demand for convenience goes increased consumer awareness of food safety and healthy eating habits. Consumers are placing more and more emphasis on quality and there is considerable consumer awareness in the area of food safety and healthy eating habits. Assurance of production conditions, from animal welfare through the use of fertilizers and pesticides in plants, will remain in high focus. The three most important quality factors are freshness, nutritional value, and raw material content. Labeling is also a significant factor for Finnish consumers.

Lifestyle changes also significantly influence the catering sector. In Finland about 20 percent of meals are currently eaten outside of the home. Fast food establishments are benefiting most from these trends and are now becoming part of the traditional restaurant sector.

Health: Demand is rising for “healthy" and particularly “functional” food and drink products as Finnish consumers are increasingly interested in health issues. Finland is one of the world leaders in the development of health-enhancing foods. The cholesterol-lowering Benecol products and the anticaries Xylitol sweeteners are all examples of Finnish innovation.

Organic: Consumer interest in organic food products is increasing, although organic products still have a relatively small market share. The variety of processed organic products available is still much more limited than that found in the United States.

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

Ethnic Foods: Finnish consumers are moving away from their culinary traditions as they become more open to new and exotic cuisines. The market is responding to changes in demand with new ethnic shops popping up in many cities in Finland.

Food Standards and Regulations

Finland 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.

In general, the Finnish government conforms to EU regulations.

Food safety standards in this market are very strict and imported foodstuffs must meet particular requirements.

In negotiations with the EU, Finland received a derogation to maintain the right to continue certain domestic food safety standards for a transitional period following EU membership. In most respects, the Finnish national standards are tougher than those of the EU. For example, in the meat and livestock sectors, Finland maintains what is essentially a zero tolerance for salmonella. Moreover, Finland was granted transitional authority to maintain its own border inspection controls for salmonella for an unspecified period of time.

For more information, please refer to EU FAIRS Report (E35162) on the Foreign Agricultural Service web page at http://www.fas.usda.gov.

Import and Inspection Procedures

Finland has strict sanitary and phytosanitary requirements for food. Laboratories have sophisticated capabilities to monitor product quality. Detailed regulations apply to the importation of agricultural products into this market. 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 Finland's food safety, quality and labeling rules and regulations.

General Import Regulations

- Foodstuffs can only be brought into Finland commercially through an importer registered by the National Food Agency (Elintarvikevirasto).
- All foodstuffs sold in this market must be labeled in Finnish.
- Imported foodstuffs may not contain certain types of additives, which are not allowed in Finland.

A retail-size food package must show:

- The name of the manufacturer, packer or importer.
- The commercial name of the product, net metric weights or volume.
- Ingredients in descending order of weight.
- "Best before" date for consumption.
- Storage instructions if perishable or intended for infants.

Importers should be consulted for proper labeling information. (Note: Many retail products intended for wide distribution in the region are labeled in multiple languages such as Finnish, Swedish, Norwegian, Danish and English.)

The documents required from the exporter include:

- A commercial invoice.
- A bill of lading and such special certifications as may be necessary.
- Sanitary or phytosanitary certificates indicating the country of origin are required for certain animals and plant products.
- A sanitary certification of origin signed by an official authority in the country of production or export.

Finland applies maximum residue levels established by the EU. The Finnish National Food Agency oversees the control of pesticide residues in fruit, vegetables and cereals. Samples are collected at ports of entry or wholesale markets. The NFA also oversees the control of veterinary drug residues in foods of animal origin, mainly meat. Samples of imported meat are collected at ports of entry.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

In the past few years, a Nordic concentration and integration has taken place as mergers and alliances between the Nordic retailers have been implemented. At the same time, the Nordic countries are increasingly becoming part of the European retail market as foreign companies and chains are moving in.

In Finland, the three largest import/wholesale groups (K-Group, S-Group and Tradeka/Wihuri) together dominate the retail food sector with an aggregate market share of over 80%. Significant changes have affected the retail food market in Finland over the past few years. The entry of the German hard discounter Lidl in 2002 has had a considerable effect on the Finnish food retail market. The arrival of Lidl has boosted competition and pushed down prices. Finnish retailers are responding by opening up their own discount units and increasing the number of private label items to match Lidl's low prices.

The trend of fewer but larger players continues in Finland. The general discount stores, hypermarkets and large supermarkets are increasing in sales volume, 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.

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. Nevertheless, Finns still spend bulk of their food dollar in retail stores rather than eating out.

Distribution: The Finnish 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. The centralized system provides economies of scale, enabling distribution and imports in larger quantities.

Independent importers and distributors: There are a number of importers and distributors in Finland who specialize in certain product segments, such as organic products or ethnic foods. These importers/distributors in turn sell to the large retail chains in the markets. These importers are ideal for exporters who do not feel that they can meet the volume requirements of the large retailers when dealing with them directly. Some of these importers also supply the Hotel Restaurant and Institutional (HRI) sector.

Alcoholic Beverages: In Finland, the state-owned Alko Oy retains a monopoly on retail sales of all wines, spirits, and strong beers. According to the current Finnish legislation, grocery shops are allowed to sell brewed beverages with a maximum alcohol content of 4.7 percent. There has been a long debate in Finland over allowing the sale of ordinary-strength wine in food shops.

Licensed independent companies can import and produce alcoholic beverages. However, the sale of alcoholic beverages remains government-controlled by Alko shops. Thus far, no change in this regard has taken effect. Finland justifies the retention of its alcohol monopoly on health and social concerns.

Trends

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

Discount stores: There has been a dramatic increase in low-price food stores in Finland. Finnish retail chains have developed discount store concepts in order to meet the increased competition from the German discount chain Lidl, which has recently entered the market.

Private Label: Retailers aggressively promote their own private label brands through TV commercials and newspaper ads. The annual increase in the number of private label products has been approximately 20%. This development spells good potential for suppliers with private label capability.

Convenience shopping: As consumers increasingly eat outside the home, 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-like sections in their stores with either ready-to-eat food products or half-cooked dishes. Menu suggestions next to the food products are also popular. The display of products has 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 these markets.

Promotions/Marketing: Direct marketing in the form of "newspaper format advertisements" is one of the most regularly used forms of communication in the Finnish retail markets, 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 the newspapers, while the producers and manufacturers spend most of their budgets on television advertising. The retail chains are also promoting their own private label products aggressively through TV commercials and advertisements.

Internet sales: Even though 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.

Hotel, Restaurant and Institutional (HRI) Food Service

As in the retail sector, mergers and acquisitions continue in the Finnish hotel and restaurant sector. The trend throughout is towards fewer but larger players. While domestic companies dominate, more and more foreign companies are entering the Finnish market. Finland has a long history of cooperative societies in this sector, in addition to foreign-owned hotel and restaurant chains. The S-Group, for example, is one of the largest cooperatives. The group's businesses include food and groceries, specialty goods, department stores, hotels and restaurants, hardware and agriculture, automobiles and service stations.

Finland's HRI sector has enjoyed positive developments in the past few years. In 2004, total sales by the hotel and restaurant industry in Finland was about US$ 5.9 billion, of which restaurants accounted for US$ 2.2 billion, and hotels for some US$ 1.8 billion. This was an increase of 1% compared to 2003.

As in the other Nordic countries, there is a growing trend of eating out in Finland. This is especially true among the younger generation who are spending more on eating out as well as home delivery and takeaway services. Changes in lifestyles and tastes are having significant effects on the catering sector of the market. Fast food is the area benefiting most from these trends. American-style fast food chains and coffee shops are becoming more and more popular in this market. Institutions are mainly operated by municipalities, counties or government agencies.

Distribution: A few large wholesalers, specializing in HRI, dominate distribution to this sector.

Trends:
- Outside the home, restaurants continue to attract a significant proportion of consumers.
- American trends remain popular in Finland.
- The popularity of more informal, less expensive "fast food" outlets continues.
- Ethnic foods and healthy fast food alternatives are becoming popular.
- Opportunities exist for U.S. fast food restaurants and coffee shop chains in this market.

Food Processing

The small population base of Finland provides limited opportunity for a highly diversified food processing industry requiring sufficient economies of scale. Consequently, companies have been consolidating. In addition, there is increased emphasis on exporting processed food items - especially cheese, candy, snack food and a variety of jams and preserves. Following EU membership, there has been a move toward mutual investment and consolidation among Finnish food industries and joint Nordic cooperation in general. Several Finnish companies own and operate food processing firms outside of Finland.

Food processing is the fourth largest industrial category in Finland. In 2004, the value of Finnish food exports was approximately US$ 913 million and the value of food imports US$ 2.2 billion. The gross value of production was US$ 8.3 billion and the value added US$ 2.0 billion. The main sectors of the industry are meat processing, dairy and bakery. The food industry employs more than 37,000 people.

The Finnish food industry's primary market is domestic. The market share of Finnish food products in Finland is 83 percent. However, with EU membership in 1995, Finland was required to eliminate its import licensing system. This opened Finland's food industry to more competition from other EU member countries. This, in turn, has forced changes in the form of mergers and acquisitions, as well as international expansion. For example, the Finnish baking industry (primarily Fazer Oy) has grown into an international group of companies. The dairy industry (Valio) is also exporting to Sweden and the Baltics.

In 2004, imports of foodstuffs into Finland from the U.S. accounted for 2.3 percent, while the EU countries had a combined share of 74.8 percent. The industry processes both domestic agricultural products and imported raw materials. However, 85 percent of the raw material used by the Finnish food industry is domestic.

Major companies dominate certain sectors including Atria (meat and meat products), Fazer (chocolate and bakery products), Raisio (margarine, starch, and bakery products), Hartwall (soft drinks, beer), Marli (liquors, fruit juices) and Valio (dairy).

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Beer
- Confectionery
- Convenience Foods/Meals
- Dried Fruit
- Ethnic Foods
- Fish and Seafood
- Fresh Fruit
- Frozen Vegetables
- Nuts
- Organic products
- Pancake/Cake mixes
- Pet food
- Processed Fruits & Vegetables
- Rice and Rice Mixes
- Sauces and seasonings
- Snack Foods
- Vegetarian processed products
- Wines

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Office of Agricultural Affairs
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National Board of Customs
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Email: info@etl.fi
www.etl.fi

Statistics Finland
FIN-00022 STATISTICS FINLAND
Tel: (358-9) 17341
Fax: (358-9) 1734 2750
www.stat.fi

Plant Production Inspection Centre
P.O. Box 42
FIN-00501 HELSINKI
Finland
Tel: (358) 2077 2003
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www.kttk.fi

Finnish-American Chamber of Commerce

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Tel: 358-9 228 28311
Fax: 358-9 228 28328
www.finlandtrade.com

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

FINLAND	2004
Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)	2,830/2%
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	2,033/2%
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	179/ -
Total Population (Millions)/Annual Growth Rate (%)	5.2/-0.3%
Urban Population (Millions)/Annual Growth Rate (%)	3.2/N/A
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	30,925
Unemployment Rate (%)	8.9%
Per Capita Food Expenditures (U.S. Dollars)	4,087
Percent of Female Population Employed	64%
Average Exchange Rate US$ 1 for 2004	1.06

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

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

FINLAND 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 TOT.	1,424	1,771	2,033	24	32	37	2	2	2
Snack Foods (Excl. Nuts)	118	155	175	1	1	1	0	0	0
Breakfas t Cereals & Pancake Mix	29	30	31	1	0	1	0	0	0
Red Meats, Fresh/Chilled/Frozen	50	62	82	1	1	1	0	0	0
Red Meats, Prepared/Preserved	25	43	56	1	0	0	0	0	0
Poultry Meat	9	16	19	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	32	46	60	1	1	1	0	0	0
Cheese	82	108	138	1	0	1	0	0	0
Eggs & Products	3	3	3	1	1	1	14	6	5
Fresh Fruit	198	245	266	2	2	3	1	1	1
Fresh Vegetables	93	121	128	1	1	1	0	0	0
Processed Fruit & Vegetables	126	158	188	7	7	8	6	5	4
Fruit & Vegetable Juices	41	54	58	1	1	1	1	1	1
Tree Nuts	4	5	7	2	3	3	50	52	47
Wine & Beer	114	152	176	2	4	5	2	2	3
Nursery Products & Cut Flowers	56	72	89	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	48	57	60	4	6	4	9	10	7
Other Consumer-Oriented Products	397	445	497	4	8	12	1	2	2
FISH & SEAFOOD PRODUCTS	123	158	179	1	1	1	0	0	0
Salmon	29	39	54	1	1	1	0	0	0
Surimi	1	1	1	0	0	0	0	0	0
Crustaceans	14	17	19	1	1	1	0	0	0
Groundfish & Flatfish	20	23	25	0	0	1	0	0	0
Molluscs	1	1	1	1	1	1	0	0	1
Other Fishery Products	59	78	79	1	1	1	0	0	0
AGRICULTURAL PRODUCTS TOTAL	2,045	2,471	2,830	61	73	71	3	3	2
AGRICULTURAL, FISH & FORESTRY TOTAL	2,910	3,567	4,138	67	79	78	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

FINLAND – TOP 15 SUPPLIERS

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

$1,000	2002	2003	2004
Netherlands	154521	191058	224842
France	135713	150922	172046
Denmark	111474	129267	163973
Spain	126506	154215	151527
Belgium	61460	74948	86322
Italy	61452	74413	80294
Costa Rica	43518	57059	60482
United Kingdom	48432	51216	55031
Brazil	25678	30567	41930
United States	23778	31744	36524
Poland	13860	20702	33388
South Africa	18027	27352	33364
Chile	15378	20840	24245
Other	231745	276266	294662
World	1,424,325	1,771,493	2,033,483

FISH & SEAFOOD PRODUCTS

	2002	2003	2004
Norway	53728	76158	77974
Sweden	21385	24482	30249
Denmark	10584	15165	18253
Thailand	8073	8896	12601
Germany	5183	5670	7835
Estonia	2875	3804	5247
Philippines	2612	3721	3829
Spain	2030	2106	3148
Iceland	4012	3760	2956
Canada	2320	2326	2618
France	568	770	2558
Netherlands	1930	2444	2109
Faroe Islands	1472	1803	1720
Ghana	0	0	1265
Indonesia	518	478	1228
Other	5717	6543	5435
World	123,012	158,135	179,029

Source: United Nations Statistics Division