USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/20/2007

GAIN Report Number: FI7005

Finland

Exporter Guide

Annual

2007

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

Prepared by:
Bettina Dahlbacka, Agricultural Specialist

Report Highlights:
Due to severe Nordic winters and its 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.

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

TABLE OF CONTENTS

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 2006, imports of agricultural, fish and forestry products totaled US$ 5,725 million for Finland and accounted for about 6 percent of the Finnish total import value.

The Finnish economy continued to expand at rapid pace in 2006 and overall GDP grew by 5.5%. Strong economic growth was boosted mainly by exports. Growth in consumption weakened in 2006 despite a rapid improvement in employment and an increase in household wealth. Finland's economic growth is considered to have peaked in 2006 and is expected to gradually slow down in the next few years.

Finland has been a member of the European Union (EU) since 1995. In 2002, Finland joined the European Monetary Union (EMU) and switched from the Finnish Mark to the Euro. The inflation in Finland has been very low in the past couple of years and is expected to remain below the euro area average in 2007. This is partly due to the strength of the euro.

In 2006, Finnish food retail sales rose by 4.2% to about US$ 12.4 billion. Growth was restrained by falling prices caused by strong competition. 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.

The standard of living in Finland continues to be high. Indicators of consumer confidence are currently at an all-time high, and this points to increased spending. The demand for consumer-ready products will remain strong because of busier lifestyles, increasing single-person households and the very high proportion of two income families. Finnish 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.

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.

Trends in U.S. Exports of Agricultural, Fish & Forestry Products to Finland

Product Category	2006 US Exports to Finland $1,000	Growth 2005-2006
Pet foods	7,720	0.99
Processed foods and vegetables	7,566	-5.73
Wine & Beer	5,129	-7.62
Hardwood Lumber	4,461	14.83
Sugar, Sweetener, bases	3,773	-28.78
Tree Nuts	3,651	-14.46
Other consumer oriented	3,199	62.39
Fresh Fruit	1,742	-13.59
Live animals	1,588	243.72
Feeds & Fodders	1,312	86.89
Panel/plywood products	947	23.79
Eggs & products	841	102.16
Other seafood	801	73.38
Vegetable oils (ex soy)	479	444.32
Snack foods	432	-20.44
Hides & Skins	222	2,120
Fruits & vegetable juices	67	81.08
Red meats, fr/ch/fr	57	-91.14

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 an 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-à-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.

General Consumer Tastes and Preferences

Convenience: The Finns 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.

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 "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 innovations.

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 cuisine. 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.

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

- Finland is a member of the European Union (EU) and Finnish 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. For example, Finland 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 (E7056) and Finland FAIRS Report (FI6005) 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.

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 Finnish, Swedish, Norwegian, Danish and English.

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.

For more information regarding import and inspection procedures, please refer to EU FAIRS Report (E7056) and Finland FAIRS Report (FI6005) on the Foreign Agricultural Service web page at http://www.fas.usda.gov.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

The Finnish grocery trade is characterized by a strong presence of chains as well as by centralized purchasing and logistics. The three largest import/wholesale groups (K-Group, S-Group and Tradeka OY) together dominate the retail food sector with an aggregate market share of 85.3%. Looming international competition has increased the role of volume dynamics in the Nordic food retail sector. All major players are seeking to minimize costs by coordinating central purchasing and taking advantage of economies of scale.

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. The 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 the 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 the economies of scale which make distribution and imports in larger quantities possible.

Independent importers and distributors: There are a number of importers and distributors in Finland specialized 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 putting ordinary-strength wines into food shops. Imports and production of alcoholic beverages are open to licensed independent companies, whereas the sale of alcoholic beverages remains government controlled by Alko shops, but thus far no change in this regard has been effected. Finland has been justifying the retention of its alcohol monopoly based 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 of low-price food stores in Finland. The Finnish retail chains have developed discount store concepts in order to meet the increased competition from the German discount chain Lidl, which recently established itself in the markets.

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

Convenience shopping: As consumers increasingly eat outside their homes, 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 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 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 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.

Hotel, Restaurant, and Institutional (HRI) Food Service

As in the retail sector, mergers and acquisitions are on-going in the Finnish hotel and restaurant sector. The trend throughout is towards fewer but larger players. Although 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 existent here. The S-Group, for example, is one of the largest cooperatives. The group's businesses include food and groceries, specialty goods, department stores, hotel and restaurants, hardware and agriculture, automobiles and service stations.

Finland's HRI sector has enjoyed positive developments in the past few years, mostly due to the growth in consumers' purchasing power. In 2006, 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, which is 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: The distribution to the HRI sector is dominated by a few large wholesalers specialized in supplying 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 restaurant and coffee shop chains in this market.

Food Processing

The small population base of Finland provides 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 of cheeses, candies, snack foods and various jams and preserves. Since the 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 manufacturing firms abroad.

The food processing industry is the fourth largest branch of Finland's industry. In 2006, the value of Finnish food exports was approximately US$ 1.7 billion and the value of food imports US$ 3.9 billion. The gross value of production was US$ 12.9 billion and the value added US$ 3.0 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 the domestic market, and the market share of Finnish food products in Finland is 83 percent. However, with the EU membership in 1995, Finland had to eliminate its import licensing system. This opened Finland's food industry to more competition from other EU member countries, which in turn has forced changes in the form of mergers and acquisitions, as well as international expansion. This includes the Finnish baking industry (primarily Fazer Oy), which has grown into an international group of companies. The dairy industry (Valio) is also exporting to Sweden and the Baltics.

In 2006, imports of food stuffs to Finland from the U.S. accounted for 1.7 percent, while the EU countries had a combined share of 74.2 percent. The industry processes 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 such as 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), to give several examples.

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
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

Ministry of Agriculture & Forestry
Food and Health Department
P.O. Box 30
FIN-00230 GOVERNMENT
Finland
Tel: +358 9 1601
Fax: +358 9 160 54202
www.mmm.fi

National Board of Customs
P.O. Box 512
FI-00530 Helsinki
Finland
Tel: +358 9 6141
Fax: +358 20 492 2852
www.tulli.fi

Finnish Food Safety Authority
Mustialankatu 3
FIN-00790 HELSINKI
Finland
Tel: +358 20 77 2003
Fax: +358 20 77 24350
www.evira.fi

Finnish Food and Drink Industries' Federation
PL 115
FIN-00241 HELSINKI
Finland
Tel: +358 9 148 871
Fax: +358 9 1488 7201
Email: info@etl.fi
www.etl.fi

Statistics Finland
FIN-00022 STATISTICS FINLAND
Tel: +358 9 17341 2220
Fax: +358 9 1734 2279
www.stat.fi

The American Chamber of Commerce in Finland
Vilhonkatu 6 A

FIN-00100 HELSINKI
Finland
Tel: +358 45 136 6303
Fax: +358 9 675 387
www.amcham.fi

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

FINLAND	2006
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 ($Mil)/U.S. Market Share (%)	179/ 0.13% *
Total Population (Millions)/Annual Growth Rate (%)	5.2/0.1%
Urban Population (Millions)/Annual Growth Rate (%)	3.2/ N/A
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	33,500
Unemployment Rate (%)	7%
Per Capita Food Expenditures (U.S. Dollars)	4,087
Percent of Female Population Employed	64%
Average Exchange Rate US$ 1 for 2006	0.80

* Source: U.N. Trade Statistics 2004

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 AG 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 IMPORTS IMPORTS

$1,000	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