CBI MARKET SURVEY

The spices and herbs market in Finland

Publication date: March, 2010

Introduction
This CBI market survey gives exporters in developing countries information on some main developments in the spices and herbs market in Finland. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption
To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Finland is a small consumer of spices and herbs, accounting for 0.6% of total EU consumption. In 2008, apparent consumption amounted to 1.9 thousand tonnes. Apart from an upswing in 2006, apparent consumption has remained more or less stable. However, the market has developed very differently for the various product groups described here.

Pepper is the largest consumed product group. In 2008, it amounted to 431 tonnes, indicating a decline, after a period of steady increases. Both, the second- and third-largest consumed product group, paprika, chillies & allspice and nutmeg, mace & cardamom experienced average annual decrease rates of 4.9% and 8.9% respectively.

In contrast, apparent consumption of spice seeds and mixtures both increased strongly and reached 183 tonnes and 168 tonnes in 2008. Of the smaller product groups, apparent consumption of cinnamon (150 tonnes), turmeric (22 tonnes) and saffron (0.2 tonnes) declined, while ginger (138 tonnes) and vanilla (3 tonnes) consumption remained stable. Demand for cloves (14 tonnes) fluctuated. Finally, apparent consumption of other spices (170 tonnes) decreased between 2004 and 2007, then increased again in 2008.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

Consumption trends
Finnish consumer tastes and trends follow the same path as the rest of Europe. Industry experts indicate that, due to increased internationalisation of Finnish tastes, the consumption of spices and herbs in the ethnic segment is increasing. The heavy focus on health-enhancing foods has made Finland an interesting market for so-called functional foods, which expands significantly faster than the market for conventional foods. The expanding food market in Finland is, however, to a large extent a result of higher food prices, which are in general higher than in the rest of Europe.

The organic food market is relatively well developed. Retail sales totalled around € 62 million in 2007 (nearly 1% of the total market), indicating a growth rate of 9% compared to 2006. However, since one major supermarket chain pulled out of organic products, the turnover of organic food was negatively influenced. Finland used to be one of the frontrunners in Europe in terms of organic food market development.

A fast growing market in Finland is the market for Fairtrade certified products. In 2008, it reached over € 54 million, indicating a growth of 57% since 2007. This means that Finland is the second fastest growing Fairtrade market in the EU, accounting for 3.1% of the total EU Fairtrade market.

The economic crisis did result in a scaling back in consumption; however, this does not immediately translate into a fall in apparent consumption of spices and herbs. Spices and herbs are also used in cheaper food products.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production
The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) does not report any production of spices in Finland. The statistical office of the EU, Eurostat, states that the production of officinal herbs, aromatic plants, plants for seasoning amounted to around 4.7 thousand tonnes in 2008. This mainly concerns the production of caraway.

The herb production culture in Finland is still young. The continued interest and the starting of the production on a real economic basis have made herb production to be a small, very specialized, but constant element of the Finnish economy. Besides caraway, dill and parsley are cultivated.

According to the Finnish Food and Drink Industries' Federation (ETL), the production of seasonings and stocks was valued at € 82.5 million in 2006, and this is increasing. Raw material purchases for this sector amounted to € 43 million.

Finland produces almost 90% of its own food and is thus nearly self-sufficient. Furthermore, it has become a world leader in the production of health-enhancing foods.

Production trends
Considering the high degree of R&D in herbal production by both the government and private firms, domestic production of herbs could expand in the near future.

In 2007, organically managed land constituted about 149 thousand hectares, of which 135 thousand hectares have been certified organic. The share of organic land in total agricultural land is approximately 7%, making Finland one of the more mature countries in the EU in terms of organic share. Furthermore, in recent years organic production increased by double-digit growth rates. However, the amount of locally produced organic officinal herbs, aromatic plants, plants for seasoning decreased, reaching 250 ha in 2008.

For more information on production trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Opportunities and threats
- The overall Finnish market for spices and herbs is small and not very dynamic. Furthermore, developments in the apparent consumption of the three largest product groups do not look very positive.
+ The only products which might offer some opportunities are spice seeds and mixtures, as demand for both increased considerably.
+ Developing country (DC) suppliers may find opportunities in the organic and Fairtrade market. Both have experienced positive growth rates.

For more information on opportunities for and threats to exporters in developing countries stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

2 Trade channels for market entry

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for developing country exporters to the EU are a small number of specialised key importers and brokers, but these are not located in Finland. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high quality volumes are relevant. However, it should be noted that a more substantial part of spices and herbs is imported into Finland from traders in other EU countries. The reason that spices are imported through other EU countries is that the Finnish companies are too small to directly import from the countries of origin. Importing via the EU is cheaper and easier for Finnish companies. The most important end-users are the retail sector and the catering sector, and especially the food-processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply to spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in Finland.

Companies which could be of particular interest for developing country exporters are:
- Meira Ltd. - http://www.meira.fi
- Paulig Ltd. - http://www.paulig.fi
- Gastronomi Expert Ltd. - http://www.gastronomiexpert.fi/
- Condite - http://www.condite.fi/en
- Maustepalvelu - http://www.maustepalvelu.com/portal/english/

Good Internet sources for encountering trade partners like importers, agents and processing industries in Finland are the following:
- Food World - http://www.thefoodworld.com - an extensive on-line food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - http://www.europages.com on-line business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - http://www.herbimporters.com - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US$15.
- SpiceImporters.com - http://www.spiceimporters.com - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US$20.

On line market places such as those below are also useful:
- Agronetwork.com - http://www.agronetwork.com/global
- Organic-market.info - http://www.organic-market.info – on-line magazine for organic trade.
- Spices Trade world - http://spices.tradeworlds.com
- IngrIDnet - http://www.ingridnet.com - for ingredient suppliers.

For more information on *prospects* for the spices and herbs market in Finland:
- FAO's statistical database FAOSTAT, available at http://faostat.fao.org – is a valuable source.
- Furthermore, Finnish trade associations mentioned in section 6 of this survey, and the Finnish statistics agency can be a source of information - http://www.stat.fi/index_en.html

- The 2004 IENICA report is somewhat outdated but still offers relevant information. It describes the situation for the spices and herbs market in Finland and other EU member countries - http://www.ienica.net

3 Trade: imports and exports

Imports

Finland ranks among the smaller importers of spices and herbs in the EU, taking the 19th place in the EU and accounting for close to 1% of total EU imports. In 2008, Finnish imports of spices and herbs amounted to € 8.9 million/ 1.9 thousand tonnes, signifying an annual average increase of 4.2% in value and a decrease of 2.3% in volume between 2004 and 2008. Finland is among the few EU countries which show a decrease in the volume of its imports of spices and herbs in the period reviewed.

Imports increased in terms of value as a result of higher EU imports, indicated by an annual average growth of 4.2% in the period 2004-2008. During the same period, imports from DCs increased strongly on average by 24% annually in terms of value, accounting for 15% of total imports in 2008. The share in imports from DCs is below the EU average. Imports are increasingly supplied by EU countries, 83% of total imports in 2008.

Sweden was the leading supplier of spices and herbs to Finland, accounting for 38% of total imports, followed by Germany (18%) and The Netherlands (14%). Imports from Guatemala, the fourth-largest supplier to Finland, increased significantly in terms of value, indicated by an annual average increase of 21% during the review period. Guatemala is closely trailed by Vietnam in terms of supplies, but the latter is a new supplier to Finland. As ninth-largest supplier, South Africa was able to achieve a considerable annual average growth of 62% in the period 2004-2008.

Nutmeg, mace and cardamom was the largest product group imported (26%), followed by pepper (23%), paprika, chillies & allspice (14%) and mixtures (11%). Nutmeg, mace and cardamom showed an annual average increase of 13% in terms of value, but a decrease of 8.2% in terms of volume. Pepper showed an increase of 5.7% annually in terms of value, but remained stable in terms of volume. Paprika, chillies & allspice showed a decrease in terms of value as well as volume (-4.3%/-4.8%). Imports of mixtures increased in both value and volume. Although imported in smaller quantities, spice seeds increased the strongest in terms of both value and volume, 15% and 9.1% per annum respectively.

Exports

Total exports were estimated at € 0.2 million, amounting to 25 tonnes in 2008. Having a market share of less than 1%, Finland is among the smallest exporters of spices and herbs in the EU. The average annual change in exports decreased considerably, by 36% in value and 60% in volume during the review period. More than half, 51%, of the total exports concerned the re-exporting of nutmeg, mace & cardamom.

Most exports go to other EU countries (99%). In 2008, about 50% of total exports was directed to its neighbouring country Estonia, followed by 41% to Sweden.

Opportunities and threats

- Finland does not seem to be an interesting market for DC suppliers of spices and herbs, as its imports and (re-)exports of spices and herbs are among the lowest in the EU and the consumption market is relatively small.

\+ However, between 2004 and 2008, Finnish imports from developing countries increased considerably, resulting in a small but increasing share for these countries.

- Uncertainties on the markets, due to the recent economic crisis, give rise to developments in consumption and production which are not entirely foreseeable. It is not clear how and to what extent this can affect the trade in spices and herbs to and within the EU.

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

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

4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Finland. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:
- ITC Market News Service (MNS) - http://www.intracen.org/mas/mns.htm
- Public Ledger - http://www.agra-net.com
- International Pepper Community - http://www.ipcnet.org
- Indian Spices Board - http://www.indianspices.com

5 Market access requirements

As a manufacturer/ supplier in a developing country preparing to access Finland, you should be aware of the market access requirements of your trading partners and the Finnish government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select spices and herbs and Finland in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

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

Tariffs and quota applicable in Finland are the same as for the EU. Information regarding these market requirements can be found in the survey covering the EU market.

The standard VAT rate in Finland is 22%. This will increase to 23% as from July 2010. The VAT rate generally applied to food products is 17%.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Finland, visit the following websites:

Trade associations
- Finnish Food and Drink Industries' Federation (ETL) - http://www.etl.fi

Trade press
- Maku - http://www.maku.fi - Food ingredients and preparation.
- Pirkka - http://www.pirkka.fi - Food innovation and Health.

Trade fairs
- FoodTec - http://www.eventseye.com/fairs/f-pactec-foodtec-9526-1.html - Trade Fair for the Food Industry. The next event will be held 21-24 October 2010 in Helsinki, Finland.

Other
- A possible source of cultural specifics of Finland could be: http://www.kwintessential.co.uk/resources/global-etiquette/finland-country-profile.html
- Information on Finnish business culture can be found at: http://www.infopankki.fi/en-GB/Business_culture_in_Finland, or: http://www.businessculture.com/finland/index.html

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