CBI MARKET SURVEY

THE (ORGANIC) COFFEE, TEA AND COCOA MARKET IN FINLAND

Publication date: May 2007

Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the (organic) coffee, tea and cocoa market in Finland. The information is complementary to the information provided in the CBI market survey 'The (organic) coffee, tea and cocoa 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

Due to the interesting perspectives offered developing country exporters in organic and other certified markets for coffee, tea and cocoa these are given a particular focus in this survey. These markets grow faster, offer a premium, and traded volumes are smaller than in the conventional market. However, in Finland, the organic market is relatively less developed.

Coffee
- Finland is a relatively big consumer of coffee at 3% of total EU consumption in terms of quantity (ICO Coffee Market Report, 2006).
- Per capita consumption (13 kg) in Finland is the highest in Europe.
- A stable growth in consumption can be noticed in Finland with an average annual growth of 4% (ICO Coffee Market Report 2006).
- In 2001, the market for sustainable coffees in Finland was in its infancy. In Finland, organic coffees are often associated with low quality coffee. Industry prospects in 2001 therefore were not very optimistic and the expectation was modest growth in organic coffee segment and little change in Fair Trade coffees, with a total stagnant market share of 0.4% (The State of Sustainable Coffee, World Bank 2003).

Tea
- Finland is a medium to small tea consumer with an EU market share of 0.6% (ITO, 2006).
- Total Finnish tea consumption shows a strong annual average increase between 2001 and 2005 of 9.5% annually amounting to 1.3 thousand tonnes in 2005.
- Per capita tea consumption in Finland is one of the lowest in the EU but showed a stable increase over the period 2001-2005, (annually by 4.1%) amounting to 0.2 kg in 2005.

Cocoa
- According to FAO, cocoa beans consumption increased from 8.6 thousand tonnes to 9.8 thousand tonnes in 2005. No data is available on cocoa grinders in Finland.
- Per capita consumption of chocolate confectionery in Finland is moderate at 6.2 kg in 2004. Finland does not have a cocoa grinding industry. Tea and coffee processing also predominately takes place in the EU, and Finland itself has several players.

Production
- Because of climatic conditions, no production of coffee, tea and cocoa beans takes place within the EU. Finland is fully dependent on imports of these products from other countries.
- Finland does not have a cocoa grinding industry. Tea and coffee processing predominately takes place in the EU, and Finland itself has several players.

Trends

- The distribution channel of the organic food market is well-developed in Finland. The market share of organic food is estimated at approximately 1.5%. However, organic food has lost some of its novelty and consumer expectations regarding the price/quality ratio have risen.
- Tea has become more popular among young people, with special preference for green, herbal and health teas.
- Chocolate-based drinks are very popular in Finland.

Opportunities and threats

- Finland is the world's leading coffee drinking country, with a per capita consumption of 13 kg in 2005 (as a comparison, EU average was 4.8 kg per capita). This makes Finland an interesting market for developing country exporters of coffee.
- Per capita expenditure on organic products in Finland is among the lowest in the EU at about €17 per person per year (http://www.fibl.org/aktuell/termine/2007/documents/willer-2007-market-data.pdf).

Useful sources

- International Trade Centre's coffee guide http://www.thecoffeeguide.org
- International Coffee Organization's Coffee Market Reports, online available at http://www.ico.org/show_doc_category.asp?id=2
- International Tea Committee's Annual Bulletin of Statistics 2006, which can be purchased at http://www.inttea.com/publications.asp
- An interesting source for information on cocoa is http://r0.unctad.org/infocomm/anglais/cocoa/sitemap.htm
- International Cocoa Organization at http://www.icco.org
- Fairtrade Labelling Organizations International coffee, tea and cocoa information at http://www.fairtrade.net/coffee.html or tea.html or cocoa.html

2. Trade: imports and exports

Imports

- Finland is a medium importer of coffee, taking the 11th place in the EU and accounting for 2.4% of total EU imports. Imports amounted to € 126 million / 67 thousand tonnes in 2005, signifying an annual increase of 3.8% in value and of 1.2% in volume between 2001 and 2005.
- Finland mostly imports unroasted coffee, signifying a reliance on domestic roasters. Roasted coffee was imported worth € 10 million and unroasted coffee worth € 116 million in 2005.
- Finland largely relies on developing countries, especially Brazil and Colombia, for unroasted coffee. In total 91% of coffee comes from developing countries. However, as roasted coffee comes from EU countries, the increasing share of roasted coffee is causing a decrease in the share of developing countries in Finnish imports.
- According to ICO, Finland is a small importer of organic coffee, with import volume amounting to 127 tonnes in 2005. The leading developing country supplier was Ethiopia, accounting for 85% of total import volume in 2005.
- Finland is a small tea importer, accounting for a share of about 1.6% of black as well as green tea in EU imports. Imports decreased by 3% annually between 2001 and 2005, totalling 11 million / 1.5 thousand tonnes in 2005.
- Imports from developing countries increased by 9% annually between 2001 and 2005, however their share in imports remains limited at 13%.
- One third of total tea imports is sourced in Germany. Sri Lanka is the main developing country with a market share of 7.1%.
- Finland is a small importer of cocoa products. Only for cocoa paste does the country take a medium position. It does not import cocoa beans. Imports of coca paste amounted to € 7.1 million / 3.6 thousand tonnes, and of powder to € 2.1 million / 0.9 thousand tonnes.

- Especially imports of cocoa powder showed strong growth of 9% annually between 2001 and 2005, while imports of cocoa paste were about the same in 2001 and 2005.
- Imports of cocoa paste and powder are completely supplied by EU countries (The Netherlands and Germany), which remained unchanged between 2001 and 2005.

Exports

- Finland is a small exporter of coffee, with exports amounting to € 16 million / 5.6 thousand tonnes in 2005. Moreover, exports decreased by 6% annually between 2001 and 2005.
- Tea exports are small, with Finland accounting for an EU export market share of 0.2%, totalling € 713 thousand / 198 tonnes in 2005. Furthermore, export decreased considerably by 22 % annually between 2001 and 2005.
- Finland does not export cocoa beans or cocoa paste. Exports of powder are negligible.

Opportunities and threats

- Finland is not an interesting market for developing country producers of roasted coffee, or cocoa products, as imports are small and completely supplied by EU countries.
- Unroasted coffee, tea and cocoa powder offer relatively the best opportunities for developing country suppliers.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int

3. Trade structure

- The three product groups discussed are each distributed in a different manner. The trade structures for coffee and tea share important characteristics, but also differ in, for example, the role of warehouses and auctions. Particularly the cocoa trade, with its three main products of cocoa beans, paste and powder and its industrial focus, has an entirely different trade structure.
- In general, traders are the most important trade channel for all three products for developing country producers, but in certain cases local agents of EU buyers, or EU processors can also be an interesting channel.
- Regarding organic products, the main organic traders, mostly located in Germany and The Netherlands are, probably the most important trade channel.
- Finland does not have major cocoa roasters. Key players in the coffee and tea markets in Finland are:
- Kraft Foods Finland Ab Oys (http://www.kraftfoodsnordic.com).
- Karl Fazer Finland (http://www.fazeramica.fi).
- *On-line company databases* for finding companies working in the coffee, tea and cocoa markets are: Food world: http://www.thefoodworld.com, and Europages: http://www.europages.com.
- *Business-to-business sources* include Agronetwork: http://www.agronetwork.com/global Organic Trade Services: http://www.organicts.com and IngridNet: http://www.ingridnet.com
- For additional sources, please refer to the EU survey.

4. Prices

- As the prices for coffee, tea and cocoa are world market prices, Finnish prices should show limited deviation from those prices (except in case of extra transport/re-export costs for example). However, prices of coffee, tea and cocoa (products) provided in the market survey covering the EU should be used as a reference point only because prices are to a large degree dependent on origin, buyer preferences regarding quality, order size etc. established during contract negotiations.

- Prices for coffee, tea and cocoa are volatile, but where for cocoa and coffee a (more) favourable market price is predicted, tea prices have declined in real terms and the outlook is not as favourable.
- Retail prices for coffee are low in Finland, at € 4.90 per kilo in 2005 (ICO, 2006). The reason for these low prices is probably the very large consumption and the extremely fierce competition on the retail coffee markets of Nordic countries.
- Premiums for organic coffee, tea and cocoa beans and cocoa products are still well above the conventional price. However, for coffee and tea they have been decreasing due to increasing supply. Furthermore, for tea, due to changes in tea consumption and trends, organic production is not always compatible with current demand.
- Fair Trade, with additional premiums above minimum prices for conventional and organic coffee, tea and cocoa also plays a role, especially for coffee.
- Important sources for price information are firstly the international commodity organisations such as the International Coffee Organisation (http://www.ico.org), the International Tea Committee (http://www.inttea.com), and the International Cocoa Organisation (http://www.icco.org).
- Furthermore, publications such as Public Ledger, International Coffee Report, and World Tea Markets Monthly (http://www.agra-net.com) are of importance.
- Lastly, the future markets LIFFE (http://www.liffecommodities.com) and New York Board of Trade (NYBT) (http://www.csce.com/) provide real-time future quotes.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information, go to 'Search CBI database' at http://www.cbi.eu/marketinfo
- Information on import tariffs, please refer to the Taric Homepage at http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm
- For more information on VAT rates please refer to the Directorate General XXI at http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm

6. Business practices

For information on business practices in Finland, please refer to the following sources.

Trade Associations
- Finnish Food and Drink Industries' Federation (ETL): http://www.etl.fi
- Finnish Coffee Roasters Association: http://www.kahvi.net

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

Trade fairs
- FoodTec: http://www.finnexpo.fi/pactec/?code_language=en

This survey was compiled for CBI by ProFound – Advisers in Development
in collaboration with Mr. Joost Pierrot.