

## CBI MARKET SURVEY

THE NATURAL COLOURS, FLAVOURS AND THICKENERS  
MARKET IN SWEDEN

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**Report summary**

This CBI market survey discusses, amongst others, the following highlights for the natural colours, flavours and thickeners market in Sweden:

- Industrial demand for natural colours, flavours and thickeners in Sweden is small compared to other EU countries, as the Swedish food industry is relatively small.
- Sweden can be considered to be a small producer of raw material for natural colours, flavours and thickeners. This is for a great part due to climatic conditions.
- Sweden is a relatively small importer of natural colours, flavours and thickeners, accounting for 2% of total EU imports.
- Developing countries do not play an important role in Swedish imports, accounting for only 25% of total imports in 2005. However, the share of developing countries increased dramatically in the period between 2001 and 2005 (41% annually).

This survey provides exporters of natural colours, flavours and thickeners with sector-specific market information related to gaining access to Sweden. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The natural colours, flavours and thickeners market in the EU', which covers the EU market 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: industrial demand and production****Industrial demand*****Total market size***

Industrial demand for natural colours, flavours and thickeners is for a large part dependent on the presence of a food ingredient industry. Although there are production facilities located in Sweden, the food ingredient industry can not be compared to that of Denmark, Germany and the UK, for example.

***Product groups***

Sweden has a relatively small demand for raw materials for natural colours, because of the absence of production facilities of large (multinational) food ingredient companies.

According to industry sources, Sweden can be considered to have a medium- to small-sized industrial demand for essential oils. However, because of the presence of a processing facility of IFF, a multinational flavour manufacturer, demand for essential oils is larger than in the majority of EU countries.

With respect to the demand for natural flavours and essential oils, a distinction can be made between industrial demand and consumption. Industrial demand is described above and concerns the demand by manufacturing locations of mostly multinational food ingredient companies. Consumption, however, is related to the end consumer. Industry sources indicate that Swedish consumers are open to new flavours. These new flavours require more different ingredients, as simpler flavours are already on the market. This might increase demand for more exotic flavours.

Due to the absence of a large food industry in Sweden, industrial demand for thickeners such as gum Arabic, guar gum, locust bean gum, xanthan gum, carrageenan and agar-agar is negligible.

### **Production**

The production described here is limited to the production of raw materials, as the processing into end-products has already been described above.

#### ***Total production***

Sweden can be considered to be a relatively small producer of raw materials for natural colours, flavours and thickeners compared to other EU countries. This is for a great part due to the climatic conditions which prevail in Sweden and which do not allow for the cultivation of these raw materials.

#### ***Product groups***

Information on Swedish production of raw materials for other natural colours, flavours and thickeners was not encountered. However, the lack of information indicates that production is negligible as, apparently, it is of too little importance to document. Moreover, other sources describing EU production do not refer to Sweden, indicating the minor importance of Sweden compared to other EU countries.

#### ***Major players***

Refer to Chapter 3 for a list of companies with processing facilities.

### **Trends in industrial demand and production**

- Increased demand for low-energy, low-fat food.
- Increased demand for convenience food with longer shelf life, which often includes more food additives.
- Swedish consumers are becoming more label-oriented, thus stimulating demand for healthy, natural ingredients.

### **Opportunities and threats**

- Demand for natural food ingredients is increasing, offering opportunities for developing country suppliers of natural colours, flavours and thickeners.

## **2. Trade: imports and exports**

### **Imports**

#### ***Total imports***

Swedish imports of natural colours, flavours and thickeners amounted to € 33 million in 2005, representing 2% of total EU imports, and can therefore be considered as an importer of minor importance. However, in the period 2001 – 2005, import value increased by 13% annually which is far above the EU average of 4%. Imports sourced in developing countries accounted for 25% of total imports, but the annual increase in the period 2001 – 2005 was 41%.

Most Swedish imports are supplied by Norway, which is responsible for 34% of total Swedish imports. The leading developing country supplier of natural colours, flavours and thickeners was Sudan, supplying 16% of total Swedish imports.

The Swedish import market is highly concentrated, with a few suppliers accounting for the lion's share of imports. Norway (34%), Denmark (20%) and Sudan (16%) together accounted for 70% of total import value in 2005.

*Imports by product group*

**Table 2.1 Leading suppliers of natural colours, flavours and thickeners to Sweden  
(share in imported value, 2005)**

Product	2001 € million	2003 € million	2005 € million		Leading suppliers in 2005 (share in %)	Share in Swedish imports (%)
<b>Total</b>	20.5	24.0	33.0	Intra-EU:	Denmark (20), Germany (7), United Kingdom (2), Spain (2), France (2)	38
				Extra-EU excl DC*:	Norway (34), USA (2)	38
				DC*:	Sudan (16), China (4), Thailand (3), India (1)	25
Natural Colours	3.8	3.3	2.0	Intra-EU:	Germany (26), Denmark (25), Spain (20), United Kingdom (12), France (4)	95
				Extra-EU excl DC*:	USA (2)	3
				DC*:	Peru (1), India (1)	2
Flavours	6.2	5.4	7.0	Intra-EU:	Germany (3), The Netherlands (1), United Kingdom (1)	5
				Extra-EU excl DC*:	Norway (77)	77
				DC*:	China (19)	19
Manioc starch	0.6	0.7	1.1	Intra-EU:	Denmark (2), United Kingdom (1), Germany (1)	4
				Extra-EU excl DC*:	Singapore (12)	12
				DC*:	Thailand (84)	85
Natural gums, resins and balsams	1.6	1.4	5.9	Intra-EU:	Germany (4), Finland (2), France (1), United Kingdom (1)	8
				Extra-EU excl DC*:	-	0
				DC*:	Sudan (90), Nigeria (1)	92
Pectates, agar-agar, mucilages and thickeners	5.0	9.6	14.0	Intra-EU:	Denmark (43), Germany (9), Spain (2), United Kingdom (1), Italy (1)	57
				Extra-EU excl DC*:	Norway (41), Switzerland (1)	42
				DC*:	Thailand (1)	1
Essential oils	3.3	3.6	2.9	Intra-EU:	France (15), The Netherlands (14), United Kingdom (9), Germany (8), Denmark (6)	60
				Extra-EU excl DC*:	USA (24), Australia (3), Norway (2), Canada (1)	30
				DC*:	India (8), Lebanon (1)	11

Source: Eurostat (2006)

\*DCs: Developing countries

In 2005, pectates, agar-agar, mucilages and thickeners accounted for the largest share of total imports with a value of € 14 million, representing 42% of total imports. Besides being the most important in absolute terms, pectates, agar-agar, mucilages and thickeners also demonstrated the strongest growth in the period 2001 – 2005, amounting to 30% annually. Developing countries play a minor role in the supply of pectates, agar-agar, mucilages and thickeners to Sweden. Thailand was the leading supplier in 2005 with a share of 1% in total imports. It must be noted that, within the product group pectates, agar-agar, mucilages and thickeners, 'other mucilages and thickeners' are most important, accounting for 54% of total imports. Moreover, it is this product group which demonstrated an average annual growth of 91% in the period 2001 – 2005.

## Exports

Sweden is the eleventh largest EU exporter of natural colours, flavours and thickeners. Therefore Sweden can be considered as a small to medium-sized exporter. In 2005, total export amounted to 1.6 thousand tonnes with a value of € 14 million, representing 1% of total EU export value. In the period 2001 – 2005 Swedish exports increased by 68% (in terms of value). In 2005 Swedish exports of natural colours, flavours and thickeners consisted of pectates, agar-agar, mucilages and thickeners (55%), flavours (37%), essential oils (5%), natural colours (3%) and manioc starch and natural gums, resins and balsams (both 0%).

## Opportunities and threats

- Although Swedish imports are small and the share of developing countries in Swedish imports is below the EU average, developing countries gained increased importance in the period 2001 – 2005. This positive development indicates good opportunities for developing countries to supply the Swedish market.

## Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>  
Go to: trade statistics.
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>  
Go to: 'themes' on the left side of the home page - 'external trade' - 'data – full view' - 'external trade - detailed data'.

## 3. Trade structure

### Trade channels

Sweden is covered by the EU distribution network for natural colours, flavours and thickeners which consists of a relatively small number of multinational processors, traders and agents. Therefore, the trade structure in Sweden cannot be described separately from the trade structure given in the survey covering the EU market.

The market for colours and flavours is dominated by compounders, which supply the largest food manufacturers. These multinational processors are often vertically integrated including import, production/processing, marketing and sales. Moreover, they are often integrated horizontally as well to include many different, but related products (i.e. colours and flavours). Although production facilities are located in just one or a few locations, sales offices of these multinationals are spread out more widely. They are located in many different countries in order to cover specific countries or regions. IFF, for example, has sales offices in 11 EU countries. Although larger markets such as France are generally covered by one office dedicated solely to that market, smaller markets such as Sweden are often covered by sales offices located in other countries. The reasons for the multinationals to have offices in many different countries are market coverage and knowledge of customer requirements. By having offices in different countries, they can reach more buyers and gather more specific information about country, regional and company specific requirements. This enables them to compete better with other suppliers.

Smaller food manufacturers in Sweden are in many cases supplied by independent traders and agents. Similar to the compounders, some traders have set up local offices in different countries from where they sell their products. Sometimes, local sales offices have their own purchasing department. They basically operate independently, but under the same flag.

The EU-wide scope of the multinational processors, traders and agents requires that developing country exporters assess carefully the channels through which country and company products reach end-users. The location of end-users is often different from where the products are imported. Products sold by the sales office of IFF in Sweden for example, might come from a production facility in Sweden or from a facility in The Netherlands, France or the

UK. This means that products from a developing country exporter aiming to supply large food manufacturers in Sweden might have to go to The Netherlands, France or the UK first.

Major compounders, traders and agents active in the Swedish market for colours, flavours and thickeners are listed below. Many of the major players are multinational companies which are mentioned in the survey covering the EU market. For each company an indication is given of the location of the headquarters, production facilities or sales offices. Note that only those offices and facilities are mentioned which are active in the markets for colours, flavours or thickeners:

- International Flavours & Fragrances (<http://www.iff.com>): supplier of flavours. Has a manufacturing plant, a creative laboratory and a sales office in Sweden.
- AB Norrvea (<http://www.norrvea.se>): Swedish manufacturer of flavours and colours.
- Aromatic (<http://www.aromatic.se>): Sweden-based manufacturer of bakery ingredients.
- CP Kelco (<http://www.cpkelco.com>): manufacturer of pectins. Has a manufacturing plant in Sweden and a sales office.
- Broste (<http://www.broste.com/>): Distributor of food additives in Northern Europe.

Other companies active in the Swedish market for natural colours, flavours and thickeners are: Givaudan (creative office and sales office), Sensient Food Colors Europe (sales office for flavours and sales of colours through distributor AB R. Lundberg), Firmenich (through agent Nordic flavours AB), Chr. Hansen, Danisco, Döhler (through sales office in Denmark).

### Trends

- The consolidation in the EU market for colours, flavours and thickeners is also applicable to the Swedish market.
- Another trend is the increasing production scale. Particularly the large companies invest in upgrading the capacity of their production facilities.

### Useful sources

- LI (<http://www.li.se>): Swedish Food Manufacturing Industry

For more suppliers of colours, flavours and thickeners: <http://www.thomasglobal.com>.

## 4. Prices and margins

### Prices and margins

Please refer to the CBI market survey covering the EU market for prices of natural colours, flavours and thickeners. The price indications given there are the best reference point for prices in Sweden. If any price differences exist, they are the result of differences in transport costs and individual buyer preferences for product origin, quality, packaging, etc. These differences are considerable both between countries and within countries. Nonetheless, global market prices as mentioned in the survey covering the EU market are the basis for price calculations in every country. Actual prices are dependent on negotiation with partner companies.

The margins charged by different intermediaries in the trade of natural colours, flavours and thickeners are influenced by many different factors. These include the product type, the current and expected future harvest situation, the availability or number of sources for the particular product, the level of demand and the trend in prices.

### Useful sources

- The Public Ledger (<http://www.public-ledger.com>): Prices for selected colours, flavours and thickeners
- MCX India (<http://www.mcxindia.com/>): Prices for menthol and guar
- Chemical Marketing Reporter
- Quarterly Review of Food Hydrocolloids: Prices for hydrocolloids
- Organic Trade Services (<http://www.organicts.com/>): Prices for organic products



## 5. Market access requirements

As a manufacturer in a developing country preparing to access Sweden, you should be aware of the market access requirements of your trading partners and the Swedish 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.

### Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. Therefore, as an exporter in a developing country you have to comply with the legislative requirements which are applicable to your products. For information on legislation, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

### Non-legislative requirements

Social, environmental and quality-related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and the EU country of your interest in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned in your country of interest.

### Packaging, marking and labelling

For general information on packaging, refer to the survey covering the EU. You can download information on requirements on packaging, marking and labelling in specific EU markets from <http://www.cbi.eu/marketinfo>.

### Tariffs and quota

Tariffs and quota are set by the European Commission and are the same for all EU countries. Refer to the survey covering the EU for more information.

### Useful sources

- CBI Database <http://www.cbi.eu/marketinfo>
- Taric Homepage [http://europa.eu.int/comm/taxation\\_customs/dds/en/tarhome.htm](http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm)
- Directorate General XXI [http://europa.eu.int/comm/taxation\\_customs/common/publications/info\\_docs/taxation/index\\_en.htm](http://europa.eu.int/comm/taxation_customs/common/publications/info_docs/taxation/index_en.htm)

## 6. Business practices

### Selecting a suitable trading partner

New suppliers of natural colours, flavours and thickeners are likely to meet with resistance from buyers as this is a very conservative market depending to a great extent on trust regarding supply and quality. Producers and buyers also closely guard information and "secrets". Once stable trading relationships have been established, however, reliable markets can be gained.

Due to the restraints of buyers of natural colours, flavours and essential oils regarding new suppliers, a common procedure in this market is for buyers to send an agent to the producing country, to visit potential suppliers. However, it is also common for exporters to contact buyers. In many cases, first contact is preferably made by e-mail. This e-mail should include a quotation with a material safety data sheet and a technical data sheet, quantities, prices, delivery times, etc.

As in many other industries, price/quality ratio is the main criterion which importers use to select their supplier. Other important criteria are related to reliability. Food manufacturers like Cargill need constant supplies of basic raw materials. They check the financial stability of potential suppliers and what kind of measures the companies take to deal with disappointing harvests and shortages. Large companies like Cargill also spread risks by sourcing from multiple suppliers.

A major trader in natural ingredients for food products, Danisco, performs a commercial, technical and qualitative audit of a potential supplier of raw materials, before selecting a new supplier. They will look into documents such as the annual report, the banker's credit report and product range information.

Note that processing of the raw material is not always preferred by importers. Some of them have their own processing facilities which add value to the product and increase their margins.

### Reaching an agreement with your trade partner

Buyers will often request a sample for approval before actual shipment takes place. The sample should be accompanied by some of the following documents, depending on the requirements of the buyer:

- Material safety data sheet
- Technical data sheet
- Pesticide residue analysis
- GMO-free declaration
- Declaration of non-animal product derivatives
- Kosher and Halal certificates
- Organic certificate
- Fairtrade certificate

(ITC's marketing manual for organic spices, herbs and essential oils, 2004).

The buyer will carefully analyse the sample and test its physico-chemical quality. Samples should be representative of the complete shipment to prevent procedural problems. Reliability of delivery in terms of product specifications is mentioned by importers as a critical condition for a good trade relationship.

Natural ingredients are agricultural products which depend on weather conditions for their production. The quality of these products is difficult to control. Large buyers, such as Nielsen Massey (vanilla), often send inspectors to audit their suppliers with the objective of controlling quality as much as possible.

Buyer and supplier should agree on terms of payment in advance. The most commonly used terms of payment are the *Letter of Credit* (L/C) and *Cash Against Documents* (CAD). When using an L/C, risks are divided between buyer and supplier. The supplier only receives payment after the goods are consigned to a carrier and the buyer only receives the goods after payment. CAD carries the greatest risk for the exporter as the exporter will only receive payment when the buyer picks up the goods. Other payment terms which carry even more risk for the exporter are bank transfers after 30 days and consignment. In case of co-operation agreements with overseas companies, payment terms could also include periodical payments. Once trading relationships are established, clean payments are often used. The selected payment method often depends on the degree of trust between buyer and supplier.

Export terms of sale determine which costs are covered in the price of the cargo, at which point ownership transfers to the buyer and at which point responsibility for the cargo is transferred. The most commonly used terms of sale are FOB (Free on Board), CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). It is recommended that quotations to European buyers of natural colours, flavours and thickeners should be made on a CIF basis. However, supplier and importer are free to negotiate and agree whether quotations and subsequent trade are based on CIF or FOB prices. Special attention should also be given to contract

fulfilment in reference to contingencies that might occur while the sale order is being processed, shipped etc.

### Cultural differences

Knowledge of Swedish business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often decides a durable co-operation. Some general remarks on business culture in Sweden are described below.

- Swedish are rather reserved in communication, tone of voice and body language and hardly engage in physical contact except for shaking hands when meeting. They should set the stage for how to address each other.
- Swedish are people of their word. Once an agreement has been signed, you can be certain that the project will move forward.
- Swedish society is very equalizing for women and men.
- A Swedish manager tends to think of himself as a coach rather than a commander, and he often delegates tasks and authority to his staff.
- The power distance in Swedish companies is among the smallest in the world, and problem solving is pragmatic and informal. Swedish companies usually have a flat and team-oriented structure. In Swedish organizations, employees on all levels have the freedom to make decisions and solve unexpected problems without asking superiors for permission.
- Be matter of fact, avoid excessive gift giving, and do not spend too much time with small-talk. Swedish ascribe much value to facts and figures.
- Make appointments and always be punctual. Business is not often discussed during dinners.
- Be careful with culture related jokes unless they are self-deprecating.
- Dress conservatively. When your business partner is more relaxed, you can follow.
- Business cards can be exchanged after brief small talk.

Internet provides many sources on business practices and culture, such as

<http://www.cba.uni.edu/buscomm/InternationalBusComm/world/europe/scandinavia/scandinavia.html> and

<http://www.sverigeturism.se/smorgasbord/smorgasbord/industry/business/culture.html>.

Please keep in mind that the above concerns general remarks. Therefore, when conducting business, use your intuition and an understanding attitude.

### Sales promotion

Common practices of trade promotion in Sweden should not differ considerably from other European countries. Most inhabitants of Sweden speak English (and sometimes German), especially when they are in the trade business. In general, good care should be taken of existing contacts, by using prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Please refer to CBI's *Export planner* and *Your image builder* for more information on this subject.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focussing on the food additives or food ingredients sector. Interesting *trade associations* in Sweden are:

- LI (<http://www.li.se>): Swedish Food Manufacturing Industry
- KRAV – Organic Certification: <http://www.krav.se/>

For companies in developing countries trade fairs offer the opportunity to establish contacts, promote their products and conduct EU market orientation. Major fairs of EU-wide significance are mentioned in the CBI document 'From survey to success: guidelines for exporting natural colours, flavours and thickeners to the EU'. There are no *Trade fairs* of interest for entrance to the Swedish market in particular.



Trade press can function as a means for gaining insight into market developments and competition, but can also have a promotional function. This concerns finding potentially interesting companies, as well as promotion of your own activities and products. Major trade press of EU-wide significance is mentioned in the CBI document 'From survey to success: guidelines for exporting natural colours, flavours and thickeners to the EU'.

This survey was compiled for CBI by ProFound.

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