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Sweden

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Report Highlights:
Due to severe Nordic winters and its relatively short growing season, Sweden 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
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[SW]

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SECTION I. MARKET OVERVIEW

The Swedish economy has been growing rapidly in the past few years, but in 2008 the growth has fallen off with weaker tendency in exports, consumption and investments. GDP grew 2.6% in 2007 and is expected to continue to slow down both in 2008 and 2009. The Swedish Government has adjusted the growth forecast to 1.5% and 1.3%, respectively and expects growth to pick up again in 2010. Sweden has been a member of the European Union (EU) since 1995, but has not joined the European Monetary Union (EMU).

Due to the severe Nordic winters and relatively short growing season, Sweden relies heavily on imported food and agricultural products. In 2007, imports of agricultural and food products totaled SEK 76 billion (USD 10 billion) and accounted for 7.5 percent of the Swedish total import value.

The demand for high-value, consumer-ready products remained strong in Sweden in 2007. Swedish food retail sales rose by 6% to SEK 170 billion (USD 24 billion). The increase in consumption reflected a 3.8% rise in value, and a 1.7% gain in volume. The per capita food expenditure was US$ 2,630 and food and non-alcoholic beverages accounted for about 11% percent of the Swede's total expenses. Even though volumes have remained high, the outlook for private consumption has become more negative and there are signs that the consumers are becoming more cautious.

Swedish consumers are gravitating towards fresher, more convenient and more nutritious foods. High demands are made on food quality, origin and environmental concerns. Quality is now associated with assurances or production conditions, which range from the use of fertilizers and pesticides to animal welfare and environmental concerns. Consumers are willing and able to pay higher prices for food and drink products that fall into these categories.

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.
Favorable dollar exchange rate.	

Trends in Imports from the United States of Consumer-Oriented Agricultural Fish & Seafood Products

Product Category	2007 US Exports to Sweden $1,000	Growth 2006-2007
Processed fruits & vegetables	31,728	-14.19
Tree Nuts	21,203	1.21
Hardwood lumber	16.757	-20.65
Wine & Beer	13.772	-32.96
Other consumer oriented	10,097	-31.64
Other seafood products	6,214	25.71
Other intermediate products	6,024	27.74
Logs and chips	5,793	182.04
Pet foods	5,188	-4.95
Other wood products	5,066	-40.05
Fresh fruit	4,642	24.08
Live animals	4,497	-17.24
Panel/plywood products	4,316	135.08
Salmon whole	3,426	310.30
Sugar, sweetner, bases	2,970	-16.69
Snack foods	1,780	-17.17
Other bulk	1,428	-84.47
Fruit & veg juices	1,302	-38.73

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Customs

Swedish 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 Swedish 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. Swedish 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.

General Consumer Tastes and Preferences

Convenience: Swedes 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 produce ranges towards an increasing share of healthier, ready-to-eat foods and home meal replacements. Lifestyle changes also significantly influence the catering sector. In Sweden about 20 percent of meals are currently eaten outside of the home.

Health: Hand-in-hand with the demand for convenience goes the heightened consumer concern for healthy eating habits. Also, products with nutritional advantages, such as added fiber, vitamins and minerals are gaining in popularity.

Green/Environmental: The environmental or "green" philosophy is an important factor in consumer decisions. High demands are made on food quality, origin and environmental concerns. Quality is now associated with assurances or production conditions, which range from the use of fertilizers and pesticides to animal welfare and environmental concerns. Swedes are willing and able to pay higher prices for food and drink products perceived to meet their environmental and health concerns.

Organic: Consumer interest in organic food products has been increasing rapidly in Sweden. While growing demand for healthier, "greener" and more convenient products is one of the major driving forces behind the evolution of the food industry, organic and health-oriented products still have a relatively small market share in Sweden. In 2007, the organic sector had a share of about 3-4% of the total food market. The variety and availability of processed organic products is still much more limited than that found in the United States.

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

Ethnic Foods: Swedish consumers are moving away from their culinary traditions as they become more open to new and exotic cuisine. A growing immigrant population and extensive travel abroad are the main reasons behind this trend.

Food Standards and Regulations

Sweden 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 these markets are very strict and imported foodstuffs must meet specified requirements.

- Sweden is a member of the European Union (EU) and Swedish 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. Sweden applies more restrictive legislation with regard to pesticides and irradiation, under the umbrella of public health precautions. In addition, Sweden 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 (E48078) and Sweden FAIRS Report (SW8007) on the Foreign Agricultural Service web page at http://www.fas.usda.gov.

Import and Inspection Procedures

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

General Import Regulations

- Foodstuffs can only be brought into Sweden commercially through an importer registered by the National Food Administration (Livsmedelsverket).
- All foodstuffs sold in these markets must be labeled in Swedish.
- Imported foodstuffs may not contain certain types of additives, which are not allowed in Sweden.

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 Swedish, Norwegian, Danish, Finnish and English.

Swedish pesticide regulation (LIVSFS 2006:22) is primarily based on EC directives but does also, to a limited extent, contain national maximum residue levels. If there is no EU/national maximum residue level for a certain pesticide or pesticide/commodity combination, the National Food Administration may decide which level shall apply.

For more information regarding import and inspection procedures, please refer to EU FAIRS Report (E48078) and Sweden FAIRS Report (SW8007) on the Foreign Agricultural Service web page at http://www.fas.usda.gov.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

In the past few years, a Nordic consolidation and integration has clearly been seen as mergers between the Nordic retailers have been implemented. At the same time, the Nordic countries have increasingly become part of the European retail market as foreign companies and chains are moving in.

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. Eating out has come to include both weekdays and weekends. Nevertheless, Swedes still spend the bulk of their food dollar in retail stores rather than eating out.

General discount stores, hypermarkets and large supermarkets are experiencing rising sales volumes, 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. Large supermarkets and hypermarkets account for about 75 percent of the Swedish retail food sales.

Distribution: The wholesale and retail food market in Sweden is dominated by three groups, ICA, COOP and Axfood AB, which together account for over 80 percent of the commodity retail market. These Nordic 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. This centralized system provides economies of scale, facilitating the distribution and import of larger volumes.

Independent importers and distributors: There are a number of importers and distributors in Sweden specialized in certain product segments, such as organic products or ethnic foods. These importers/distributors in turn sell to the large retail chains. These importers are ideal for exporters who cannot meet the high volumes required by the large retailers when dealing with them directly. Some specialized importers also supply the Hotel Restaurant and Institutional (HRI) sector.

Alcoholic Beverages: In Sweden, the government-owned Systembolaget retains a monopoly on retail sale of all wines, spirits, and strong beers. As a result of accession to the EU, Vin & Sprit lost its monopoly control of import and wholesale distribution channels, and is now working as a licensed importer along with 150 other independent licensed importers of wine and liquor. Also, restaurants may buy from importers or import directly provided that they have a license.

Trends

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

Discount stores: In the past few years, there has been a dramatic increase in low-price food stores in Sweden. The large Nordic retail chains have developed discount store concepts in order to meet the increased competition from European discount chains such as German Lidl and Danish Netto which entered the market a few years ago.

Organic Products: Even though the market share for organic products in general is still a modest 3 percent in Sweden, organics have made important in-roads for certain commodities such as spices, eggs and milk. For these products, where organics enjoy a market share of around 40 percent, market gains are expected to continue but at a somewhat lower rate. The market share for milk is 5 percent. The major retailers in Sweden are actively promoting organic products. Their own organic labels have gained broad recognition.

Private Label: Retailers are aggressively promoting their own private label brands through TV commercials and newspaper ads. Two of the largest Swedish retailers have set a goal of 25 percent market share in each product segment for their private label products. This is especially true for far-away-imported products. For some popular categories in retail stores the figure is 50 percent. This development portends good potential for suppliers with private label capacity.

Convenience shopping: As the consumers increasingly eat outside their homes, 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 sections in their stores with either ready-to-eat food products or partially 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 this market.

Promotions/Marketing: Direct marketing in the form of newspaper-format advertisements is one of the most regularly used forms of communication in the Swedish retail market, 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 their newspaper flyers, while producers and manufacturers spend most of their budgets on television advertising. Retail chains are also promote 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 at the end of 1990's regarding selling food via Internet changed rather quickly. Retail chains Ica, Coop and Axfood all terminated their Internet grocery web sites due to few customers and low profitability, Axfood and Coop in 2001 and ICA in 2003. However, now the industry believes that customers have overcome earlier suspicions to online food purchases and retailers have again started to offer food online in certain cities around Sweden.

Please see the most recent GAIN Retail Report (SW7018) for Sweden further information regarding the food retail sector.

HRI/Food Service

In Sweden, the growth in disposable incomes boosted expenditures in many sectors and particularly in consumer foodservice. In 2007, the total turnover for the restaurant sector grew by 7.4% to SEK 54 billion (USD 7 billion).

Changes in lifestyles and tastes are having significant effects on the catering sector of the market. Although most types of foodservice outlets benefitted from the economic growth in 2007, the more premium types of restaurants benefitted most, including gourmet restaurants. The health trend continues to be important and restaurants are increasingly offering healthy alternatives on their menu. Fast food outlets often belong to national and international chains, while restaurants are most frequently family businesses. There are, however, some large international restaurant chains operating in this market including TGI Friday's and Hard Rock Cafe. Also, there has been a significant expansion of coffee shop chains in the past few years. Institutions are mainly operated by municipalities, counties and government agencies.

From 1993-2007 the number of restaurant businesses in Sweden has increased by around 4,060 outlets from 13,600 to about 17,660. At the same time, the number of stores in the retail sector has been decreasing.

Distribution: Distribution within the HRI sector is dominated by a few large wholesalers specialized in supplying this sector. The dominant wholesalers are: Servera, Menigo Foodservice, Martin Olsson, Servicegrossisterna and Axfood Närlivs.

Trends:

- Outside the home, restaurants continue to attract a significant proportion of consumers.
- American trends remain popular in Sweden.
- Informal, less expensive, “fast food” outlets continue to be popular. McDonald’s, Burger King, and Pizza Hut all have strong positions in this market.
- Increase interest in gourmet restaurants.
- Other U.S. chains such as Subway, TGI Friday’s and Hard Rock Cafe can be found in Sweden.
- There are opportunities for U.S. fast food restaurant and coffee shop chains in this market.

Food Processing

The small populations of the Nordic countries provide 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 cheese, candy, snack food and various jams and preserves. Since EU membership, there has been a move toward mutual investment and consolidation among Swedish food industries and joint Nordic cooperation in general. Several companies own and operate food manufacturing firms abroad.

The food processing industry in Sweden is large-scale and dominated by a few large private and cooperatively owned companies. Five large suppliers account for about 50 percent of the retail food store purchases. One or two suppliers control close to 100 percent of the market within some food segments. Farm cooperatives are powerful in Sweden's food industry. They have a virtual monopoly on domestically produced dairy products and are market leaders in the meat, milling, and bakery sectors. However, the majority of food industry companies are privately owned. These companies are active in the brewing, prepared fish, frozen food, sugar and tobacco sectors. The domestic food processing industry accounts for 80 percent of the food consumed within Sweden, which makes this an important sector for ingredient and raw product suppliers. Food processors either source their raw materials or ingredients directly from their suppliers or through wholesalers.

In 2007, imports of agricultural products and foodstuffs to Sweden totaled SEK 76 billion (USD 10 billion), an increase by 6.6 percent from 2006. Sweden’s foodstuff exports totaled SEK 41 billion (USD 5).

Imports destined for the food processing sector include vegetables, fruit, juice, coffee, and cocoa as well as seafood. About 40 percent of all imports are products that cannot be grown in Sweden.

Dominant companies by sector are: Arla Foods (dairy), Swedish Meats (meat processing), Paagens (bakery), Cerealia (milling and bakery), Findus (fish processing), Löfbergs Lila (coffee roasting).

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Authentic barbeque sauces and seasonings
- Beer
- Confectionery
- Convenience foods
- Dried fruit
- Ethnic food
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- Pet food
- Processed fruits & vegetables
- Rice and rice mixes
- Sauces
- Seafood
- Snack food
- Sugar-free products
- Tree Nuts
- Vegetarian processed products
- Wines

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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Swedish Board of Agriculture
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National Food Administration
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National Board of Fisheries
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National Board of Forestry
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Swedish Federation of Trade
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A. KEY TRADE & DEMOGRAPHIC INFORMATION

SWEDEN	2007
Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)	10,069/1.4% *
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	9,703/1% *
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	2,202/1% *
Total Population (Millions)/Annual Growth Rate (%)	9.1/ 0.16%
Urban Population (Millions)/Annual Growth Rate (%) (2000)	7.5/ N/A
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	37,500
Unemployment Rate (%)	6.1%
Per Capita Food Expenditures (U.S. Dollars)	2,316
Percent of Female Population Employed	73.4%**
Average Exchange Rate US$ 1 for 2007	6.76

* Source: World Trade Atlas
** Between ages 16 and 64, Source: SCB-AKU

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

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Sweden Imports	Imports from the World			Imports from the U.S.			U.S Market Share		
(In Millions of Dollars)	2005	2006	2007	2005	2006	2007	2005	2005	2007
CONSUMER-ORIENTED AGRICULTURAL TOTAL	7,371	8,300	9,703	115	122	135	2	1	1
Baking Related, incl. mixes	473	490	574	1	0	0	0	0	0
Red Meats, Fresh/Chilled/Frozen	293	392	467	0	0	1	0	0	0
Red Meats, Prepared/Preserved	121	142	181	0	0	0	0	0	0
Poultry Meat	127	146	160	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	180	196	234	0	0	1	0	0	0
Cheese	250	322	389	0	0	0	0	0	0
Eggs	14	20	28	0	0	1	0	0	4
Edible Fruits and Nuts	803	885	976	44	43	40	5	5	4
Vegetables	541	599	692	6	6	6	1	1	1
Preserved Food, incl. Nut/Fruit/Veg	466	548	657	9	10	11	2	2	2
Fruit & Vegetable Juices	100	137	179	2	2	1	2	1	1
Wine	672	765	982	15	14	19	2	2	2
Beer	76	82	97	1	1	3	1	1	3
Cut Flowers	73	99	111	0	0	0	0	0	0
Pet Foods (Dog & Cat Food)	100	118	130	6	6	6	6	5	5
Other Consumer-Oriented Products	3,082	3,359	3,846	31	40	46	1	1	1
FISH & SEAFOOD PRODUCTS	1,360	1,792	2,202	9	9	12	1	1	1
Fresh Fish, Not Fillet	681	969	1,127	6	5	6	1	1	1
Frozen fish, Not fillets	22	30	36	1	2	3	5	7	8
Fillet, Other Fish Meat	309	394	478	6	5	6	2	1	1
Fish, Dried, Salted	226	279	421	0	0	0	0	0	0
Crustaceans	89	101	120	0	1	2	0	1	2
Other Seafood	9	11	12	0	0	1	0	0	8
AGRICULTURAL PRODUCTS TOTAL	7,786	8,644	10,069	121	134	145	2	2	1.4
AGRICULTURAL, FISH & FORESTRY TOTAL	10,816	12,158	14,616	159	175	193	1.5	1.4	1.3

Source: World Trade Atlas

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

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Sweden – Top 15 Suppliers

CONSUMER-ORIENTED AG IMPORTS

$1,000	2005	2006	2007
Denmark	1330867	1597785	1852123
Netherlands	1105665	1313964	1550762
Germany	971061	1083684	1260418
Italy	374092	451728	519497
France	333301	383236	474817
Spain	335302	380588	440929
Belgium	286015	332073	363377
United Kingdom	251913	284340	360281
Norway	250345	278210	312784
Finland	201350	224958	297556
Ireland	199352	250625	270365
Brazil	203638	215485	258275
Poland	108187	150176	188395
United States	115747	123185	137384
Malaysia	26482	74941	102922
Other	1275368	1126292	1313561
World	7,368.685	8,271.270	9,703.446

FISH & SEAFOOD PRODUCT IMPORTS

$1,000	2005	2006	2007
Norway	1091011	1479957	1816320
Denmark	110350	127483	154258
China	23543	28536	47145
Netherlands	23459	35709	40387
Thailand	5867	11858	18057
Germany	11690	13450	15324
United States	8510	8710	12231
Vietnam	3730	6534	10433
Canada	7346	8335	10073
Finland	1841	6404	7907
Iceland	6832	6634	7466
United Kingdom	1971	2942	7332
Russia	5997	9395	6119
New Zealand	3360	4846	5404
Chile	4508	4913	4930
Other	50166	36123	39084
World	1,360.181	1,791.829	2,202.470

Source: World Trade Atlas

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