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# **Finland**

## **Organic Products**

### **Report**

### **2002**

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#### **Report Highlights:**

**The organic market in Finland has been increasing at a slow but steady rate over the past several years. Surveys indicate that 42 percent of the consumers purchase organic foods on an occasional basis. The number of regular buyers has risen from 11 to 19 percent since 1998. Although the outlook for the Finnish organic market is positive, U.S. exporters of organic food products face some significant challenges in the form of competition by local farmers and suppliers from European Union member countries.**

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## SECTION I. SUMMARY

Finland's organic food market has been expanding over the past several years at a slow, but steady rate. Surveys indicate that today 42% of consumers purchase organic foods on an occasional basis. Although that number has remained relatively constant since 1998, the percentage of consumers identified as regular buyers has risen from 11% to 19% during the same period. This trend is expected to continue.

The increase in consumption has led to an expansion in domestic production. Between 1999 and 2001, organic production area, or areas undergoing conversion to organic production, increased from 137,000 to 147,584 hectares. This represents approximately 6.7% of the total farm area. This increase in organic farming is certainly related to consumer demand, but government subsidies also play an important role. Finland's farm industry, in general, is strongly supported by subsidies. The total amount paid to farmers varies, and is dependent on many factors, including type of crop, and farm location. Organic farmers are paid an additional 147 euros per hectare per year for the first five years, and 102 euros per hectare thereafter. These additional subsidies certainly contribute to this increase in organic production.

The industry is also promoted through the aggressive marketing efforts of well established organizations like Luomuliitto Ry, (The Finnish Association for Organic Farming) and Finfood LUOMU, a private organization funded by the Ministry of Agriculture and Forestry. One of the primary goals of these organizations is an increase in awareness and appeal of organic products. Their focus is primarily on domestic production.

Despite the increase in domestic production, Finland continues to import various food groups, both organic and non-organic, to meet consumer demands. Because of its extreme Northern latitude, the climate conditions and brief growing season limit the variety of crops produced locally. Finland, therefore, must import those crops grown in more temperate climates, such as rice, coffee, tea, wine, nuts, and various fruits. It is worth noting, though, that many of the food items not produced domestically, are available from other EU Member States. Since these Member States enjoy the advantages of free trade with, and proximity to Finland, most of Finland's overall foreign trade occurs within the EU. On the other hand, there is room for ready-prepared meals, ethnic and uniquely American foods, and processed products from the U.S. if the importer can be interested.

So while the outlook for organic food products in Finland is positive, prospective exporters who look to Finland as a market face some significant challenges:

- C Competition with local farmers  
Most Finnish consumers perceive the quality and purity of locally produced foods (both organic and non-organic), as superior to imported foods, and many consumers are somewhat reluctant to accept imported foods.
- C Competition with the European Union  
Because of the free trade agreements between members of the EU, exporting to Finland is less costly and less complex for those EU Member States.

## SECTION II. REGULATION AND POLICY

### OVERVIEW

Finland joined the European Union in 1995, and has adopted the general trade regulations and policies of that body. As a Member State, it enjoys the benefits of relaxed trade agreements within the EU, and is, therefore, turning to other EU countries to meet consumer demands for many imported goods. Statistics published in June 2001 by Interdevelopment Oy, a consulting firm in Helsinki, indicate that, in the preceding year, 54.5% of Finnish imports came from EU Member States, compared to 7.1% from the U.S.

Although there is little data available specific to Finland's organic food imports, U.N. trade statistics indicate a steady decline in recent years in imports of U.S. consumer-oriented agricultural products. According to those statistics, in 1997, Finland imported \$44.59 million in such products from the U.S. In 1999, the dollar value decreased to \$44.25 million, and in 2001 again decreased to \$26.82 million. While this decline in U.S. agricultural imports tends to demonstrate Finland's shift to EU food imports, other factors should be considered:

1. The strong U.S. dollar has driven up the cost of importing American products.
2. Many American brand products are now being produced within the EU, from where they can be shipped to Finland relatively easily and inexpensively.
3. Finnish importers/retailers often source U.S.- made products from other EU countries, which serve as consolidators.

### INSPECTION

The organic food industry throughout the EU is regulated by Council Regulation (EEC) No. 2092/91, which details minimum guidelines for the production, labeling, and inspection of organic food products imported into the EU.

The regulations specify that, to be labeled as organic, all such food products imported into the EU must be certified as such by a recognized national authority of the Member State receiving the goods. A physical inspection is an integral part of the certification process. In Finland, the competent authority for the inspection and certification of organic food products is the National Food Agency (NFA), a department within the Ministry of Agriculture and Forestry.

NFA policy requires each Finnish importer of organic foods to be registered as an authorized importer with that agency. The application is not complicated, but processing takes about 30 days, and the fee charged to the importer is EUR 295. The import applicant must also furnish the NFA with sufficient evidence that the proposed food imports:

a. were produced according to the guidelines established in Article 6 of Council Regulation (EEC) No 2029/91

and

b. were subjected to inspection measures of equivalent effectiveness to those outlined in Council Regulation (EEC) No 2029/91 and that such inspection measures will be permanently and effectively applied.

The authorization to import organic food products is valid for a maximum of one and a half years. Barring any changes, renewal of the authorization is little more than a formality, but it may be rescinded at any time if either of the above stipulations are breached.

At the time the food products are brought into the country, they are subject to inspection by Finnish Customs and the NFA, which is the sole authority for certifying the products as organic. This procedure is mandated for all organic foods imported from outside the EU; however, once received in any EU member state, these products may be transhipped without restriction..

There are, however at this time, six countries which the EU permanently recognizes as having organic food programs equivalent to Regulation (EEC) No 2092/91. Those six countries identified below, are exempt from the preceding application process:

Argentina	Switzerland
Australia	Czech Republic
Israel	Hungary

Exporters should also know that Finnish consumers can differentiate between domestic and imported organic foods by way of a unique label (the lady bug seal), which is affixed only to domestic organic products.

#### DUTY/TARIFF

The tariff, or TARIC (Integrated Tariff of the European Communities) is the same for organic and non-organic foods of the same type. The organic nature of food imports, therefore, has no relevance to duty charged. The EU has established uniform TARIC fees for all Member States imported from so-called third countries (those outside the EU). Specific rates for all food products can be found on the EU website.

In addition to the standardized TARIC for all EU Member States, the Value Added Tax (VAT) for food items imported to Finland is generally 17%.

### LABELING

Guidelines for labeling organic food products are delineated in Article 5 of the regulation, which specifically outlines the conditions under which processed and unprocessed foods can be labeled organic. Generally, it stipulates, that the term “organic” may only be applied to foods that meet the production standards outlined in Article 6 of the regulation or that are imported from third countries under the provisions of Article 11.

Further, the references to “organic” must clearly indicate that they relate to a method of agricultural production. The inspection body that certified the product as organic must also be identified.

Additionally, specific guidelines for the labeling of conventional foods are outlined in Directive 2000/13/EC of the European Parliament and the Council of the European Union. They require all food labels to include:

- |                   |                              |
|-------------------|------------------------------|
| - Name of Product | - List of Ingredients        |
| - Place of Origin | - “Use by” Date              |
| - Net Quantity    | - Special Storage Conditions |

Directive 2000/13/EC should be consulted for more specific information.

### FOOD ADDITIVES

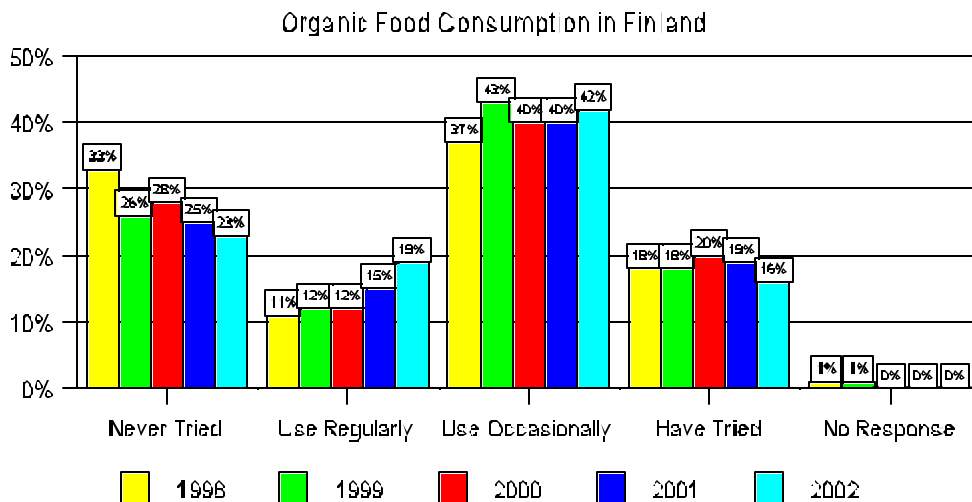
A wide array of food additives, flavorings, minerals, and processing aids are permitted under the regulations. A list of specifically permitted ingredients can be found in Annex VI of the regulation.

## **SECTION III. CONSUMPTION AND MARKET SECTORS**

### CONSUMPTION

Fueled by the promotion efforts of organizations like Finfood LUOMU and Luomuliito Ry, and aided by government subsidies, Finland’s Organic food industry shows great promise. Overall, consumer demand for organic foods has risen at a steady, but moderate rate over the past several years, and there is no evidence to suggest a change in the trend. Studies conducted by FinFood-Luomu indicate that currently, 19% of Finnish consumers “regularly” purchase organic foods, up from the 11% figure in 1998. Conversely, the number of consumers who have never tried organic products has declined from 33% to 23% during the same period. The percentage who “occasionally” use organic has increased slightly since 1998, and is currently estimated at 42%.

The trend towards organic foods, however, is clearly illustrated in the following chart by the dramatic increase in regular users and decrease in non-users from 1998 to 2002.



The statistics were compiled through consumer surveys. The data used is collected every four months, and the figures indicated for 2002 are as of April 2002. Source: FinFood LUOMU

The trend toward organic foods is expected to continue, and consumer surveys have identified the following primary reasons for the appeal of organic food products:

- C Taste
- C Purity
- C Freshness
- C Animal Welfare/Environmental Considerations

The feature of purity has become more important in recent years, due in part, to widely publicized news reports on contaminated beef and other food products appearing in other EU countries and other parts of the world. The Finnish consumer has long trusted the quality of domestic food products, and these incidents have contributed to the general perception that domestically produced foods are superior to imported foods, and that domestic organic foods are among the highest quality. Market surveys confirm this preference for domestic products, and this may pose a challenge to prospective exporters. It is important to note, however, that actual buying habits of the Finnish consumer, as observed at retail outlets, often reflect a more liberal attitude toward food imports.

Among the factors that do inhibit consumer interest in organic foods are the following:

- C Price/Quality Relationship
- C Short Shelf Life
- C Unattractive Packaging

Of particular significance is the price/quality relationship. The cost of organic foods in Finland can be up to 300% higher than similar conventional foods, depending on the food group. While high cost may not discourage all buyers, research by the Finnish Association for Organic Farming shows that demand

for organic foods falls rapidly when the premium reaches 15%.

Overall, however, the outlook for organic foods is positive, and significant numbers of consumers have expressed a willingness to try organic foods in the future. In market surveys conducted by Finfood LUOMU, consumers were asked to identify which organic products they intended to buy in the future. The percentage of customers planning to purchase specific food groups is indicated in the following table:

<b>Consumers who Plan to Buy Organic</b>	
Potatoes and Vegetables	43%
Bread	34%
Meat and Meat Produce	30%
Dairy Produce	29%
Cereals and Flour	28%
Berries and Fruits	28%
Frozen and Cooked Foods	16%
Children's Foods	14%

#### MARKET SECTORS

Most organic foods (more than 90%) are marketed through the major supermarket chains such as Kesko Food Ltd. and S-Group. Kesko, one of the largest, operates nearly 1,200 small outlets and more than 45 major retail stores in Finland. S-Group, a division of SOK Corporation, is major retailer of various goods and services with nearly half of its revenues generated by food and grocery sales. It operates more than 800 food outlets and restaurants throughout Finland.

Other less significant outlets include farmers' markets, direct sales to consumers, co-ops, restaurants, and health food stores.

#### **SECTION IV. APPENDIX AND POST CONTACTS**

##### ORGANIC FOOD IMPORTERS

According to the NFA, as of this reporting date, there are no entities registered to import organic foods directly from the U.S. Any of the major distributors listed below may import organic products by properly completing the registration process outlined on page three of this report.



MAJOR FOOD RETAILERS

Kesko Food Ltd.....	Telephone: 358-10-53030
Satamakatu 3	FAX : 358-1053-23486
00016 Helsinki	Website :www.kesko.fi
S-Group.....	Telephone: 358-9-188-1881
SOK	FAX : 358-9-188-2332
Fleminginkatu 34	Website : www.s-kanava.net
P.O. Box 171	
SF-00510 Helsinki	
Elanto Retail Ltd.....	Telephone: 358-9-7341
Paasivuorenkatu 2A	Fax : 358-9-734-2903
00530 Helsinki	Website : www.elanto.fi
Suomen Spar.....	Telephone: 358-205-321
Tiilenpolttajankuja 5	FAX : 358-205-326-023
01720 Vantaa	Website : www.spar.fi
Valio International.....	Telephone: 358-0-50661
P.O. Box 390	FAX : 358-0-5066-2417
00101 Helsinki	Website : www.randburg.com/fi/valioint

REGULATORY AGENCIES

Finnish National Food Agency.....	Telephone: 358-9-393-1529
P.O. Box 28	FAX : 358-9-393-1590
00581 Helsinki	Website : www.nfa.fi
Finnish Customs Office.....	Telephone: 358-9-6141
Tullihallitus	FAX : 358-20-492-1812
Hameentie 3	Website : www.tulli.fi/english
00530 Helsinki	
The European Union on Line.....	Website : www.europa.eu.net

OTHER RESOURCES

Finfood LUOMU..... Telephone: 358-9-6155-4574  
Vernissakatu 8A FAX : 358-9-6155-4505  
P.O. Box 309 Website : [www.finfood.fi/luomu](http://www.finfood.fi/luomu)  
01301 Vantaa

Finfood LUOMU is a state-funded private organization which promotes the use of organic foods, particularly those produced domestically, through advertising and educational programs. It also conducts market research on Finland's organic food industry.

Luomuliito Ry.....Telephone: 358-9-8570-6600  
PL48 FAX : 358-9-8570-6601  
Urheilutie 6D Website : [www.luomu-liito.fi](http://www.luomu-liito.fi) (Finnish only)  
01301 Vantaa

Luomuliito Ry is the Finnish Association for Organic Farming.

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FAS/U.S. Department of Agriculture  
American Embassy, Stockholm..... Telephone: 468-783-5390  
FAX : 468-662-8495