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Food and beverage industry in Finland: Market potential for Ukraine

Market research

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Content

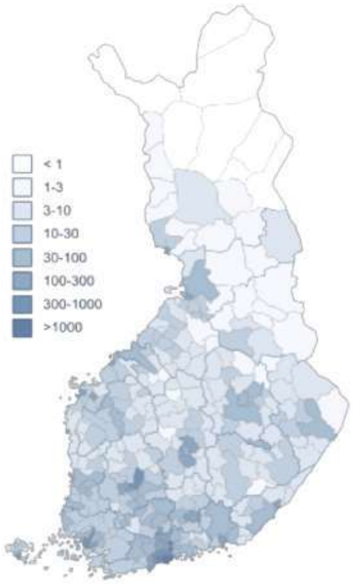
1. Country profile

1.1. Geography and population

Finland, officially the Republic of Finland, is one of the Nordic countries, bordered by Russia to the east, the Gulf of Bothnia and Sweden to the west and Norway to the north, while Estonia lies to its south across the Gulf of Finland. With a total area of 338 445 km², Finland is well known as a land of forests, lakes and islands, as 70% of country's land is covered by thick forests, includes around 168 000 lakes and around 187 000 islands off the coast[1]. Nature has become an integral part of the Finnish way of life because nature is everywhere.

Despite the vast land area of Finland, it has a relatively small population of around 5.5 million people, resulting also in a low population density of 18.2 persons per km^2. In fact, Finland is the most sparsely populated country in the European Union (EU), as Norway and Iceland, where population desnity is even lower, are not its members. Majority of Finland's population is concentrated in the southern region (Figure 1). The most densely populated area in Finland is the Greater Helsinki area (including Helsinki, as well as Espoo, Kauniainen and Vantaa), which held 1.55 million people and had a population density of 303 inhabitants per km^2 in 2018. The capital city Helsinki alone held 0.65 million people and had a population density of 3 025 inhabitants per km^2. Other larger cities include Tampere, Turku, Oulu, Jyväskylä, Lahti, Kuopio and Kouvola.[2]

Figure 1. Population distribution in Finland by regions, inhabitants per km^2, 2018



In total, Finland has 342 municipalities with each having a local government, and a central government based in Helsinki. Municipalities are respectively divided into 70 sub-regions and 19 regions for local administration. Finland is governed as a parliamentary republic, with its executive branch of government made up of a chief of state – the president, and a head of government – the prime minister. Finland's legislative branch is composed of a unicameral Parliament whose members are elected by popular vote.

As a state, Finland gained its independence relatively late – in 1917. Previously it was a grand duchy in the Russian empire for 108 years, and a part of Sweden for 600 years before that. Due to country's history and its geopolitical location as a neighbor of Russia, among other things, the Finnish culture has evolved slightly

[1] Statistics Finland. Environment and Natural Resources. Available at: https://www.stat.fi/tup/suoluk/suoluk_alue_en.html
[2] Statistics Finland. 11ra - Key figures on population by region, 1990-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__vrm__vaerak/statfin_vaerak_pxt_11ra.px/

more distinct form other Nordic countries with special features, even though it has always been part of the Western civilization.

The ethnic majority in Finland are the Finnish who are of Scandinavian origin. The Finnish and Swedish Finns account for 93% of the population and other ethnic minorities account for 7%, made up mostly of scattered groups of Russians, Estonians, as well as immigrants from Iraq, Somalia, etc.[3] In fact, Finland's population has been growing over the past few years particulary due to the rapidly increasing numbers of immigrants. The official languages are Finnish and Swedish with 88% of the population speaking Finnish, 5% speaking Swedish, and 7% speaking other languages, such as Russian and Estonian.[4]

1.2. Macroeconomic development

Finland is characterized by a relatively small, industrialized, free-market economy with a standard of living ranked among the leading countries in the world. Due to its increasing trade capabilities since joining the EU in 1995 and adopting the euro in 2002, Finland had become one of the best performing economies within the EU in 2000s. Even during the global economic crisis in 2008, and the Finnish banks and financial markets managed to avoid the worst of the downfall, as the local economy registered contraction only in 2009, improving afterwards. However, the global slowdown hit Finnish exports and domestic demand harder in the coming years, causing country's economy to shrink from 2012-2014, and negatively affecting general government finances and the debt ratio.

But, already in 2015, the Finnish economy began to recover with a real GDP growth of 0.5%, and continued to improve, in 2016 reaching growth of 2.8%. Nevertheless, due to lagging global demand in 2018, Finnish economy also slowed down the same year, registering moderate growth of 1.7%, slightly below the EU-28 average of 2.0%. In current prices, Finland's economy in 2018 equalled to EUR 232.1 billion, with GDP per capita reaching EUR 42.1 thousand, indicating on a high standard of living. Compared to its Nordic neighbours, however, Finland's ranks last by both the size of its economy and production volume per capita (Table 1).

Consumers' purchasing power parity in Finland is slightly higher than the EU-28 average. In 2018, purchasing power parity in Finland was 1.24, when measured against the EU-28 average level – 1.00, which signifies that price levels in Finland were inflated by around 24% in comparison to rest of the region (Table 1). However, this indicator in Finland is significantly lower than in its neighbouring Nordic countries – in 2018, in Norway it stood at 14.32, in Sweden - at 12.60, and in Denmark – at 9.83[5]. Nevertheless, this is due to the fact that Finland is the only Nordic country which has joined the Eurozone.

Finland's binding to the Euro also has the consequence of being directly impacted by region's inflation rates. Accordingly, Finland has followed a similar development trend, with deflation registered from 2014-2015, after which the rates have progressed, reaching an inflation of 1.1% in 2018 (Table 1). However, amid recent signs that the Eurozone's economy is losing momentum, region's core inflation in the second half of 2019 has rapidly dropped, and similar tendency is expected for Finland, too.

[3] Statistics Finlad. 11rv - Origin and background country by sex, by municipality, 1990-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__vrm__vaerak/statfin_vaerak_pxt_11rv.px/
[4] Statistics Finland. 11ra - Key figures on population by region, 1990-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__vrm__vaerak/statfin_vaerak_pxt_11ra.px/
[5] Eurostat database. Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

Table 1. Finland's key macroeconomic indicators, 2012-2018 [6] [7] [8] [9] [10] [11]

Indicator	2012	2013	2014	2015	2016	2017	2018
Population, thsd	5 426.7	5 451.3	5 471.8	5 487.3	5 503.3	5 513.1	5 517.9
Nominal GDP, EUR bln	199.8	203.3	205.5	210.0	216.1	223.9	232.1
Nominal GDP per capita, EUR	36 900	37 400	37 600	38 300	39 300	40 700	42 100
Annual real GDP growth, %	-1.4	-0.8	-0.6	0.5	2.8	3.0	1.7
Purchasing power parity, GDP (EU28=1)	1.20	1.23	1.23	1.21	1.24	1.24	1.24
Price level indices, GDP (EU28=100)	120.2	123.2	123.1	120.8	123.6	124.2	123.9
Annual inflation, %	2.8	1.5	1.0	-0.2	0.4	0.8	1.1
Unemployment, %	7.7	8.2	8.7	9.4	8.8	8.6	7.4

In line with other economic areas, Finland's labour market has also registered similar peaks and falls. With unemployment levels improving after the 2008 crisis and reaching 7.7% in 2012, the second crisis wave in Finland during 2014-2015 spiked the unemployment rate up to 9.4%. However, as the economy gradually rose in the following years, the unemployment rate fell down back to 7.4% in 2018 (Table 1). But the significant population aging trend is scewing the usefulness of labour market indicators in determining economic health, as Finland is largely a welfare state and designates a large portion of its financing to supporting population outside the labour force. A better insight is given by the economic dependency ratio, which in Finland has weakened over time. In 2017, the economic dependency ratio in Finland was 137, meaning that there were 137 non-employed persons per 100 employed persons. In contrast, in 2012, there were 132 non-employed persons per 100 employed persons.[12] The ratio is expected to decline, as the labour market will have to face consequences of economic contraction and increasing share of retirees, which will extend the strain on the Finnish economy in the long-term.

Related challenges that the Finnish economy will have to meet in the medium-term, are the high labor costs, relatively low productivity, and weakening demand for its exports, all of which is threatening Finland's competitiveness, fiscal sustainability, and economic growth. Overall, Finland's economic growth is expected to slow down in the next years, alongside the global economy, but it will remain slightly above the average of the EU-28 region, as well as Eurozone. GDP in Eurozone is projected to grow by 1.3% in 2019 and 1.6% in 2020[13], while in Finland GDP will grow by 1.6% in 2019 and 1.5% in 2020, slowing down to 1.3% in 2021.[14]

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6 Statistics Finland. 11ra - Key figures on population by region, 1990-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__vrm__vaerak/statfin_vaerak_pxt_11ra.px/

7 Eurostat database. Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

8 Eurostat database. Real GDP growth rate – volume (tec00115). Available at: https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1

9 Eurostat database. Gross domestic product at market prices (tec00001). Available at: https://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en

10 Statistics Finland. 11xe -- Consumer Price Index (2010=100), yearly data, 2010-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__hin__khi__vv/statfin_khi_pxt_11xe.px/

11 Statistics Finland. 11pm -- Population aged 15-74 by labour force status, sex and major region, 2012-2018. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__tym__tyti__vv/statfin_tyti_pxt_11pm.px/

12 Findicator. Economic dependency ratio. Available at: https://findikaattori.fi/en/32

13 European Commission. Commission Economic Forecast: Growth slows in Finland, inflation accelerates steadily. Available at: https://ec.europa.eu/finland/news/forecast_190207_fi

14 Eurojatalous. Hidastuvaa kasvua kansainvälisen epävarmuuden varjossa. Available at: https://www.eurojatalous.fi/fi/2019/3/hidastuvaa-kasvua-kansainvalisen-epavarmuuden-varjossa/

2. Production and foreign trade

2.1. Production

Finland has a modern industrialized economy. Manufacturing is one of the major industries in Finland and the country depends on trade with foreign nations. The main sectors of manufacturing in Finland are metals and metal products, electronics, machinery and scientific instruments, wood, pulp and paper, chemicals, as well as food and beverages. Agriculture plays a relatively small role in Finland's economy. This is largely because of the cold climate and the land's high latitude, which means that it has a short growing season in all but its southern areas. Summer frosts, excessive drought, or abundant rain bring their own challenges to farming. However, Finland is self-sufficienct in most major agricultural products, such as barley, wheat, sugar beets, potatoes, dairy cattle, and fish.

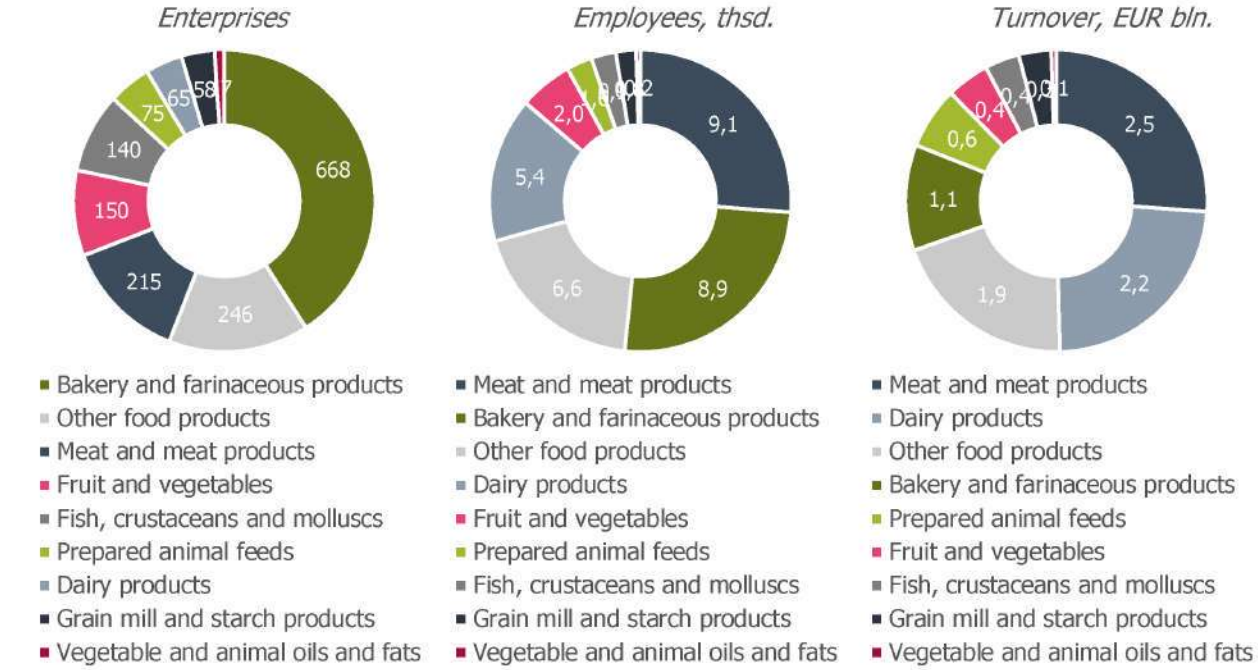
Overall, the food manufacturing industry in Finland has been very stable for the past couple of years, although it has experienced a slight decline since 2014. During the past 3 years, the turnover of the industry has fallen by 5.2% since 2014, standing at EUR 9.5 billion in 2017. The number of employees in Finland's food manufacturing industry also has decreased within this period, but only by 0.6%, registering 1.63 thousand employees in 2017 (Figure 2). The slight decline in the industry can be explained with increasing local demand preference for low cost products due to stagnating purchasing power, tight competition, as well as challenges in export demand, which began after Russia's import sanctions in 2014. This had a strong impact on Finnish manufacturers, as they have heavily relied on Russia as one of their key export markets. Exports to other countries have been increasing slowly.

Figure 2. Key indicators of Finland's food manufacturing industry, 2012-2017 [15]

By breaking down Finland's food manufacturing industry data by product sectors, it can be revealed that most of industry's turnover comes from traditionally significant sectors such as manufacture of meat and meat products, most notably represented by the leading meat processing companies HKScan Oyj and Atria Oyj, as well as manufacture of dairy products, led by dairy processing company Valio Oy, as well as bakery and farinaceous products, with the leading market players Karl Fazer Oy and Raisio Oyj. In 2017, turnover of meat and meat product manufacturing sector was EUR 2.5 billion or 26.1% of the total industry's turnover, followed by dairy product sector with EUR 2.2 billion or 23.5%, bakery and farinaceous product sector with EUR 1.1 billion or 11.3%, prepared animal feed sector with EUR 0.6 billion or 6.7%, and fruit and vegetable product sector with EUR 0.4 billion or 4.6% (Figure 3).

[15] Eurostat, Structural Business Statistics database. Annual detailed enterprise statistics for industry (NACE Rev. 2, B-E) [sbs_na_ind_r2]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs_na_ind_r2&lang=en

Figure 3. Breakdown of Finland's food manufacturing industry by product sectors, 2017 [16]



The beverage manufacturing industry in Finland is significantly smaller than food manufacturing. Also, its development in the past couple of years has faced some major challenges, as large part of the beverage industry in Finland has been based on the production of alcoholic drinks, especially beer, but the consumption of alcoholic drinks in Finland has been decreasing, especially in the foodservice industry due to high taxes. Nevertheless, the beverage manufacturing industry in Finland has remained relatively stable from 2012 to 2017, facing a slight decline in the middle of the period, but recovering in 2017, reaching a turnover of EUR 1.25 billion, the same as in 2012. However, the number of employees has decreased by 10.4% and has not regained the previous level, standing at 3.22 thousand in 2017 (Figure 4).

Figure 4. Key indicators of Finland's beverage manufacturing industry, 2012-2017 [17]

[16] Eurostat, Structural Business Statistics database. Annual detailed enterprise statistics for industry (NACE Rev. 2, B-E) [sbs_na_ind_r2]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs_na_ind_r2&lang=en

[17] Eurostat, Structural Business Statistics database. Annual detailed enterprise statistics for industry (NACE Rev. 2, B-E) [sbs_na_ind_r2]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs_na_ind_r2&lang=en

To sum up, Finland's food and beverages manufacturing industry has stayed relatively stable over the last couple of years, but the market challenges, such as stagnating purchasing power, tight competition, and decreased consumption of certain product groups, such as alcoholic drinks, has not allowed the industry to register positive development. In addition, Finland's traditionally significant food manufacturing sectors such as manufacture of meat and meat products, manufacture of dairy products, as well as bakery and farinaceous products, has had limited growth opportunities due to gradual changes in food consumption patterns of Finns.

2.2. Foreign trade

3.2.1. Foreign trade with the world

Finland is a small, open economy, where developments in foreign trade has played a major role in shaping its structure and growth. Finland joined the United Nations in 1955, the OECD in 1969, the EU in 1995, and has belonged to the eurozone since 1999, when it adopted the euro as its currency. Finland's most important trading partner is Germany, followed by Sweden, Russia, Netherlands and the United Kingdom. For imports, Finland also heavily relies on trade with China, and for exports – with United States.

Due to the severe Nordic winters and a relatively short growing season, Finland relies heavily on imported food and agricultural products. In 2018, Finland's imports of food and beverages comprised 7.1% of its total foreign trade in terms of value, while exports – just 2.2%.[18] The proportion of imports and exports in Finland's total foreign trade of food and beverages was 76.7% for imports against 23.3% for exports. Imports of food and beverages totalled to EUR 4.7 billion, while exports equalled to EUR 1.4 billion. Accordingly, with exports exceeding imports, Finland's trade balance in food and beverages is explicitly negative, constituing a trade deficit of EUR 3.3 billion. Moreover, the trade deficit has only deepened since 2012, when it was just 2.6 billion. This has occurred because of increasing imports, which have grown by 14.6% during this period, and decreasing exports, which have declined by 12.5%, mostly due to the crisis caused by the Russian import sanctions (Figure 5).

Figure 5. Finland's foreign trade of food and beverages with the world, 2012-2018 [19]

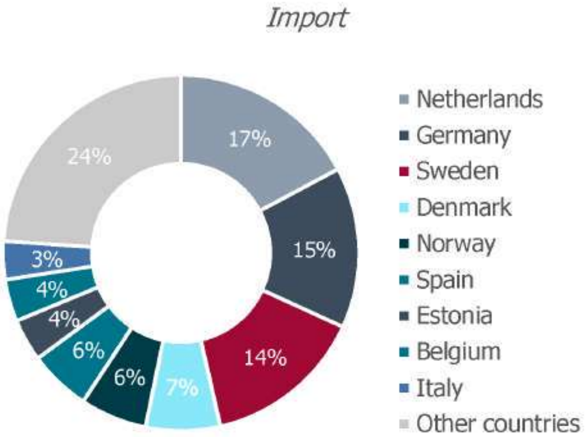
Most of Finland's foreign trade of food and beverages takes place within the boundaries of the EU. In 2018, 83.5% or EUR 3.9 billion of food and beverage imports in Finland came from EU countries, while just 16.5%

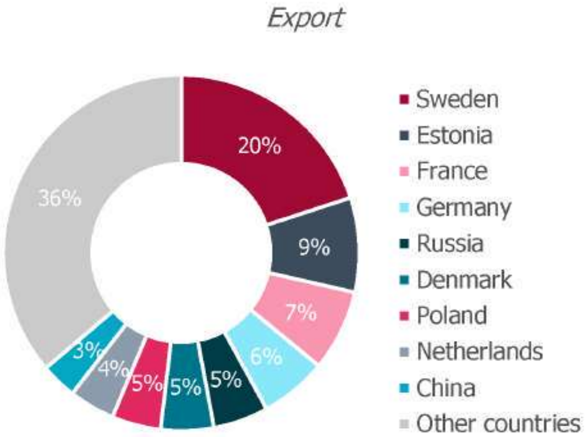
[18] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/
[19] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/

or EUR 0.8 billion came from countries outside the EU. This is also true for exports – in 2018, 74.5% or EUR 1.1 billion of food and beverage exports from Finland were sent to EU countries, and only 25.5% or EUR 0.4 billion were sent to countries outside the EU.

In 2018, Finland's main partner countries for import of food and beverages were the Netherlands with EUR 2.2 billion or 19.9% of total imports, Germany with EUR 1.5 billion or 13.6%, Sweden with EUR 1.3 billion or 11.3%, Denmark with 0.8 billion or 7.2%, as well as Norway with EUR 0.5 billion or 4.7% of total imports (Figure 6). Food and beverage imports from Ukraine comprised just EUR 7.4 million or 0.2% of all imports.

Figure 6. Breakdown of Finland's foreign trade of food and beverages by partner countries, 2018 [20]





The most important product groups in Finland's imports of food and beverages by import value in 2018 were beverages, spirits and vinegar with an import value of EUR 545.3 million or 11.6% of total imports, fruit and nuts with EUR 484.7 million or 10.3%, fish, crustaceans and molluscs with EUR 416.7 million or 8.8%, preparations of cereals and flour, and pastrycooks' products with EUR 414.3 million or 8.8%, and dairy produce, eggs, honey with EUR 376.9 million or 8.0% (Table 2).

In terms of trade balance, the largest trade deficit in 2018 was registered for fruit and nuts with EUR 458.5 million, beverages, spirits and vinegar with EUR 365.2 million, animal and vegetable fats and oils with EUR 325.9 million, preparations of cereals and flour, and pastrycooks' products with EUR 317.3 million, and preparations of vegetables, fruits and nuts with EUR 267.9 million (Table 2).

Table 2. Breakdown of Finland's trade of food and beverages with the world by product groups, 2018 [21]

Product group	Import, EUR mln.	Export, EUR mln.	Trade balance, EUR mln.
Fruit and nuts	484.7	26.2	-458.5
Beverages, spirits and vinegar	545.3	176.1	-369.2
Animal and vegetable fats and oils	355.2	29.3	-325.9
Preparations of cereals and flour, pastrycooks' products	414.3	97.0	-317.3
Preparations of vegetables, fruit and nuts	280.2	12.2	-267.9
Other edible preparations	384.3	122.9	-261.5
Vegetables, roots and tubers	269.3	10.8	-258.5
Fish and crustaceans, molluscs etc.	416.7	170.1	-246.6
Coffee, tea, mate and spices	254.0	43.1	-210.9
Preparations of meat, fish or crustaceans, molluscs, etc.	221.3	17.3	-204.0

[20] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/
[21] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/

Meat and meat offal	234.4	91.8	-142.6
Cocoa and cocoa preparations	163.9	60.5	-103.4
Oil seeds and oleaginous fruits	104.1	2.8	-101.3
Sugars and sugar confectionery	131.4	60.1	-71.3
Dairy produce, eggs, honey	376.9	385.6	8.7
Products of milling, malt, starches, gluten, etc.	32.5	49.3	16.8
Cereals	52.0	80.3	28.3
Foods and beverages, total	**4 720.5**	**1 435.4**	**-3 285.1**

Although there is no detailed trade data on organic foods and beverages, this product group also presents attractive opportunities for product import in Finland. Estimations reveal that the import share of organic foods and beverages in the Finnish market could be around 30%, with some of the key major import product groups being organic cereals and oats, vegetables, fruits and cheese. The reason for the large share of imported organic production is the scarcity of domestic supply, as well as consumer demand, which is growing. Also, organic foods and beverages of Finnish origin tend to be more expensive than imported products, which is why consumers do not mind buying imported products in this case. However, the best selling organic products – milk and eggs – are still predominantly of local origin.[22]

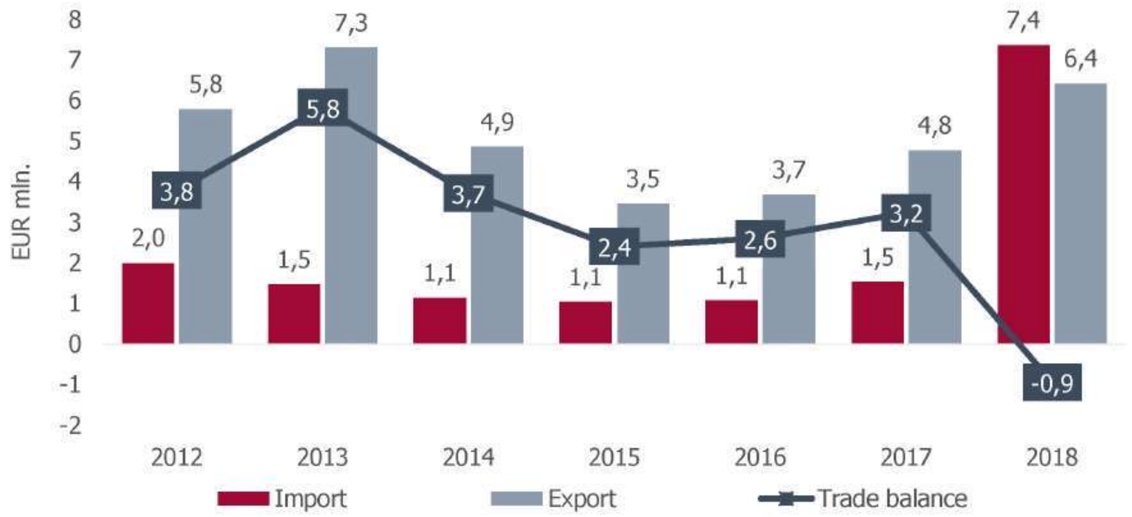
3.2.2. Foreign trade with Ukraine

From 2017, Finland's trade activities with Ukraine have began to increase, in particular in terms of import from Ukraine. This is largely an effect of the application of Deep and Comprehensive Free Trade Agreement (DCFTA) in 2016 between the EU and Ukraine, which has opened free trade between both markets and facilitated access of Ukrainian businesses to the EU market. The DCFTA has been especially valuable for Ukrainian food manufacturers, as most of the export growth has arised specifically from trade in food and beverage products. In addition, the AA/DCFTA has been supplemented with Autonomous Trade Measures (ATMs) regulation for several industrial goods and agricultural products from 2017, allowing duty-free exports to the EU for a large amount of wheat, corn, barley, oats and barley cereals and granules.

As a result, the introduction of AA/DCFTA, as well as ATMs between Ukraine and the EU, resulted in a rapid spike in imports of food and beverages from Ukraine in the EU countries, including Finland. In fact, food and beverage imports from Ukraine to Finland have grown nearly 4 times in terms of value from 2017 to 2018, increasing from a mere EUR 1.5 million up to EUR 7.4 million. At the same time, Finland's exports to Ukraine have grown just by 1/3 from 2017 to 2018, from EUR 4.8 million to EUR 6.4 million. Because the import growth has considerably exceed that of export growth between two countries, Finland's trade balance went from a positive EUR 3.2 million in 2017 to a negative EUR 0.9 million in 2018 (Figure 7). It can be projected that trade activity between both countries will continue to grow, but most of the growth will likely stem from Ukraine's exports.

[22] Yle.fi. Suomeen tulee yhä enemmän ulkomaista luomua. Available at: https://yle.fi/uutiset/3-6747168

Figure 7. Finland's foreign trade of food and beverages with Ukraine, 2012-2018 [23]



Because the ATMs and exclusion of duty applies mostly to trade with cereals, this product group has comprised the largest part of Finland's imports from Ukraine. The main import product groups flowing from Ukraine to Finland in 2018 were cereals with an import value of EUR 5.2 million or 70.1% of total Finland's food and beverage imports from Ukraine, followed by cocoa and cocoa preparations with EUR 1.0 million or 13.7%, fruit and nuts with EUR 0.26 million or 3.5%, oil seeds and oleaginous fruits with EUR 0.21 million or 2.8%, and preparations of vegetables, fruit and nuts with EUR 0.19 million and 2.6% (Table 3).

Table 3. Breakdown of Finland's trade of food and beverages with Ukraine by product groups, 2018 [24]

Product group	Import, EUR thsd.	Export, EUR thsd.	Trade balance, EUR thsd.
Cereals	5 160.3	0.0	-5 160.3
Cocoa and cocoa preparations	1 009.3	34.9	-974.3
Fruit and nuts	261.4	0.0	-261.4
Oil seeds and oleaginous fruits	206.4	0.0	-206.4
Preparations of vegetables, fruit and nuts	190.6	7.0	-183.6
Other edible preparations	481.1	441.6	-39.5
Vegetables, roots and tubers	0.0	0.0	0.0
Animal and vegetable fats and oils	0.0	0.7	0.7
Preparations of meat, fish or crustaceans, molluscs, etc.	0.0	8.4	8.4
Sugars and sugar confectionery	0.0	15.1	15.1
Meat and meat offal	27.7	451.2	423.5
Fish and crustaceans, molluscs etc.	0.0	648.1	648.1
Coffee, tea, mate and spices	0.0	723.7	723.7
Products of milling, malt, starches, gluten, etc.	0.0	815.4	815.4
Beverages, spirits and vinegar	0.0	971.5	971.5
Dairy produce, eggs, honey	0.0	1 023.7	1 023.7
Preparations of cereals and flour, pastrycooks' products	29.3	1 288.8	1 259.5
Foods and beverages, total	**7 366.2**	**6 430.2**	**-936.0**

[23] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/
[24] Eurostat, PRODCOM database. EU Trade Since 1988 By HS2-HS4 (DS-016894). Available at: https://ec.europa.eu/eurostat/web/prodcom/

3.2.3. High potential trade for Ukraine

For Ukraine, food and beverage products compose a significant portion of country's total exports, making it very important to find new trade partners in order to expand exports. In 2018, Ukraine's exports of food and beverages totalled to EUR 14.32 billion or 35.7% of country's total exports. Most of Ukraine's exports within the category in 2018 were comprised of cereals, which accounted for EUR 6.1 billion or 42.9% of total country's exports of food and beverages, followed by animal and vegetable fats and oils with EUR 3.8 billion or 26.6%, oil seeds and oleaginous fruits with EUR 1.7 billion or 11.6%, meat and meat offal with EUR 0.6 billion or 3.8%, dairy produce, eggs and honey with EUR 0.4 billion or 2.8% (Table 4).

Table 4. Breakdown of Ukraine's export of food and beverages to the world by product groups, 2018 [25] [26]

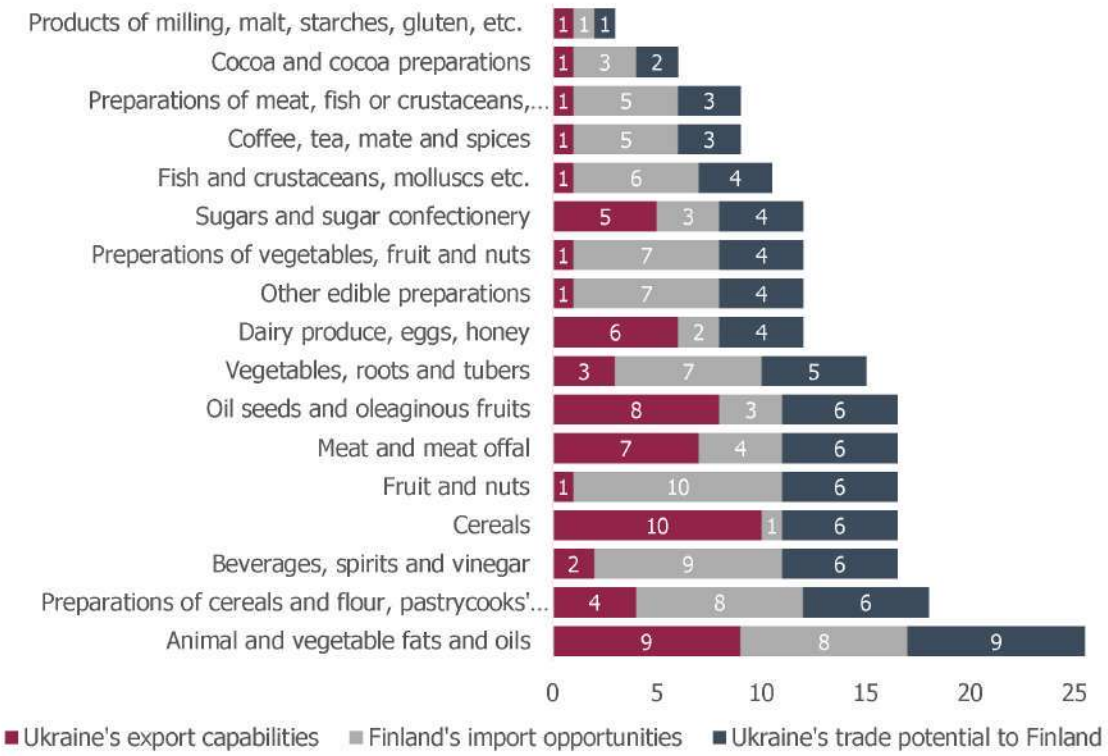
Product group	Export, EUR mln.	Export, % of total food and beverage export
Cereals	6 136.8	42.9%
Animal and vegetable fats and oils	3 811.1	26.6%
Oil seeds and oleaginous fruits	1 656.2	11.6%
Meat and meat offal	547.6	3.8%
Dairy produce, eggs, honey	407.9	2.8%
Sugars and sugar confectionery	310.9	2.2%
Preparations of cereals and flour, pastrycooks' products	227.4	1.6%
Vegetables, roots and tubers	199.8	1.4%
Beverages, spirits and vinegar	194.8	1.4%
Fruit and nuts	193.7	1.4%
Cocoa and cocoa preparations	173.0	1.2%
Products of milling, malt, starches, gluten, etc.	149.1	1.0%
Preperations of vegetables, fruit and nuts	146.0	1.0%
Other edible preparations	111.9	0.8%
Fish and crustaceans, molluscs etc.	21.2	0.1%
Preparations of meat, fish or crustaceans, molluscs, etc.	18.4	0.1%
Coffee, tea, mate and spices	10.2	0.1%
Food and beverages, total	**14 316.0**	**100.0%**

Generally, Ukraine is exploiting its export capabilities to Finland rather well, by focusing on its specialization – cereals, but export of animal and vegetable fats and oils could be significantly increased, taking into account Finland's high import amounts and trade deficit within this product category. Also, Ukraine has good potential of expanding its exports oil seeds and oleaginous fruits, meat and meat offal, preparations of cereals, flour and pastrycooks' products, as well as certain subgroups of beverages, spirits and vinegar, as Finland also has a strong demand of foreign products in these categories.

A more detailed rating of trade opportunities for Ukrainian food and beverages manufacturers in Finland is summarized in Figure 8, which reflects an evaluation by product categories based on Ukraine's export capabilities (ranking based on export value to the world) and Finland's import opportunities (ranking based on import/trade deficit value with the world).

[25] Ukraine State Statistics. Commodity Pattern of Foreign Trade of Ukraine, 2018. Available at: https://ukrstat.org/en/operativ/operativ2018/zd/tsztt/tsztt_e/tsztt1218_e.htm
[26] Currency exchange rate used: USD 1 = EUR 0.847541 (annual average of 2018) . Available at: https://www.ofx.com/en-au/forex-news/historical-exchange-rates/yearly-average-rates/

Figure 8. Evaluation of product groups by their export potential from Ukraine to Finland, sorted in a 10-point rating scale based on 2018 data on trade value (10 – highest potential, 1 – lowest potential)



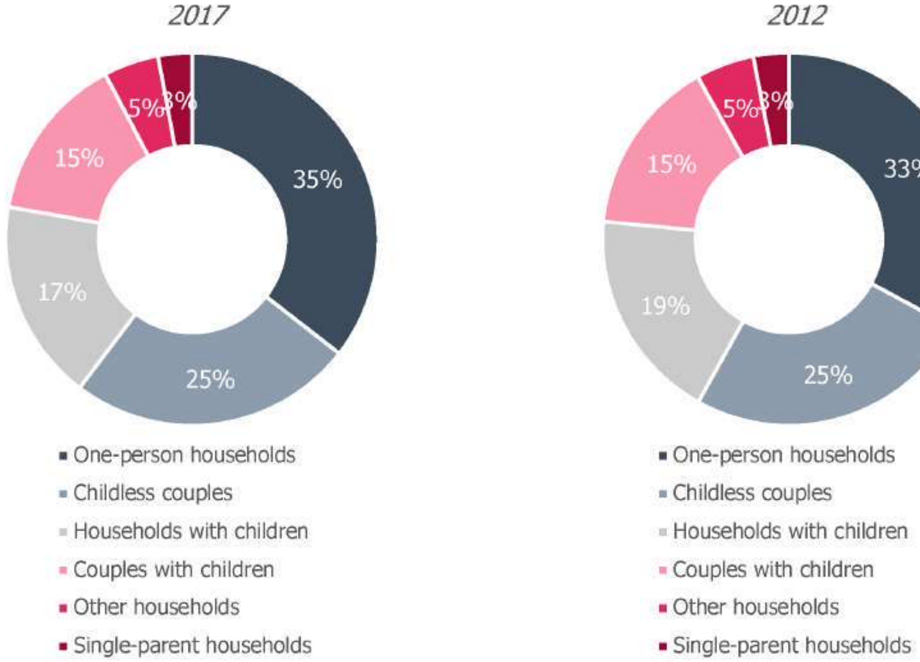
Even though the food consumption trends in Finland predict a gradual turning away from animal-based foods toward plant-based foods, which can already be seen in the rising consumption of vegetables, fruit and berries, both due to health, environmental and economical considerations, at the moment meat and dairy products still remain the major constituents of the Finnish diet. However, it has to be taken into account that in the meat category, poultry is being increasingly preferred over red meat. In addition, trade opportunities can be valued as very good in the category of organic foods, as they are highly valued in most categories, and could provide an added value to Ukraine's export of cereals.

3. Consumer profile analysis

3.1. Consumer profile

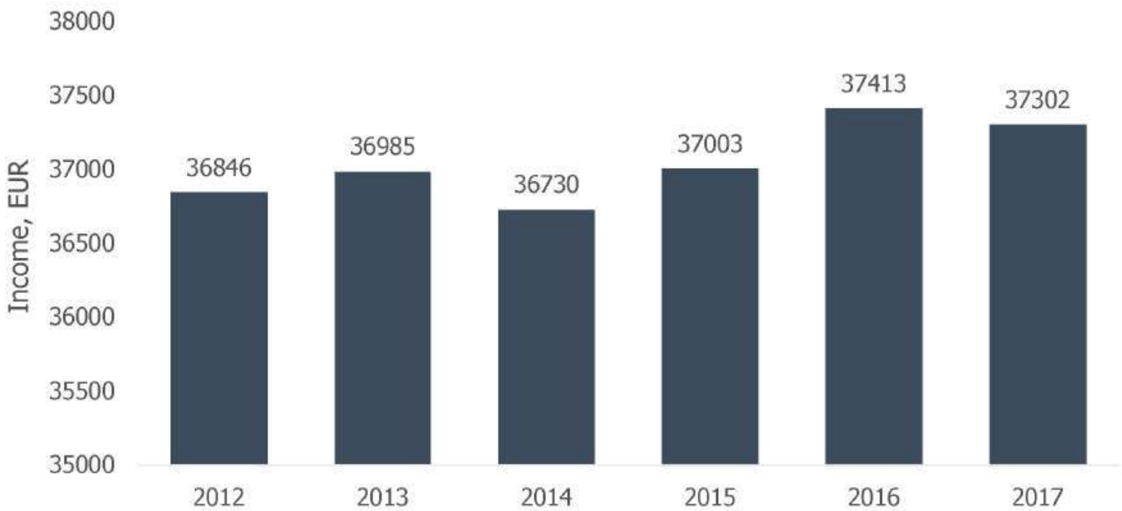
In 2019, there were a total of 3.3 million households in Finland, of which 1.5 were families or couples. The average household size in Finland is 1.7 persons, but the average family size is 2.8 persons. The most common types of household in Finland are one-person households, which comprised 35% of all households in 2017. The second most common household type was childless couples with 25%, followed by households with children with 17%, couples with children with 15%, while other households made up 5%, and single parent households – 3%. In comparison to 2012, the share of households with children decreased by 2 percentage points, while the share of one-person households increased by the same amount (Figure 9).

Figure 9. Households in Finland broken down by demographic type[27]



In 2017, the median level of annual disposable income (after deduction of income and social security taxes) per household reached EUR 37 302, marking an increase by a marginal 1.2% since 2012. It is worth noting, however, that the level of income varies significantly depending on household type and the number of children, as well as other sociodemographic characteristics, such as education level, citizen status etc (Figure 10).

Figure 10. Development of median disposable annual income per household in Finland [28]



In addition, it has to be taken into account that in Finland personal income, such as salary and employment benefits, self-employment, income, profit from renting out real estate, etc., is subject to various levels of applicable tax. In Finland, earned income received by residents is taxed at progressive tax rates for national

[27] Statistics Finland. Income of household by life-cycle 1989-2017. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__tul__tjt/statfin_tjt_pxt_002.px/
[28] Statistics Finland. Income of household by age of reference person 1966-2017. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__tul__tjt/statfin_tjt_pxt_003.px/

tax purposes and at a flat tax rate for municipal (and church and social security) tax purposes. National tax rates for 2019 applicable to earned income range from 6% to 21.25%. Municipal tax is levied at flat rates on taxable income determined for municipal taxation, with the rate for 2019 raging between 16.50% and 22.50%, depending on the municipality. Also, members of the Evangelic Lutheran, Orthodox, and Finnish German church in Finland pay the so called church tax at flat rates on the taxable income determined for municipal taxation, with rates varying between 1% and 2.2%, depending on the parish concerned.[29]

3.2. Consumer expenditure

Finland has among the highest expenditures on food and beverages per capita among the EU-28 countries, but its share within total individual consumption is relatively low. In 2018, total annual individual consumption expenditure in Finland was EUR 29 153, whereas the average in the EU-28 countries was EUR 21 075. At the same time, the annual individual consumption expenditure on food and non-alcoholic beverages in Finland comprised EUR 2 495 per capita, equalling to 8.6% of the total expenditure, while in the EU-28 countries the expenditure was lower at EUR 2 057, but made up a larger share of total expenditure – 9.8% (Table 5). This is because, even though price levels of food and beverages in Finland are slightly higher than on average in the EU-28 countries, the disposable income in Finland is larger as well, resulting in a greater freedom for consumption choices.

Of food and non-alcoholic beverages, the average Finnish consumer spends the most on fruits and vegetables, with the annual expenditure in 2018 standing at EUR 433 per capita or 1.5% of total individual expenditure. The second category on which Finns spend the most, were milk, cheese and eggs, with the annual expenditure of EUR 406 per capita or 1.4% of total individual expenditure. It was followed meat with the average annual expenditure of EUR 375 per capita or 1.3% of total individual expenditure. Alcoholic beverages also comprise a significant part of expenditure for Finns, with the average annual expenditure standing at EUR 611 per capita or 2.1% of total individual expenditure, significantly higher than on average in the EU-28 countries, mostly resulting from the high taxes on alcoholic drinks in Finland (Table 5).

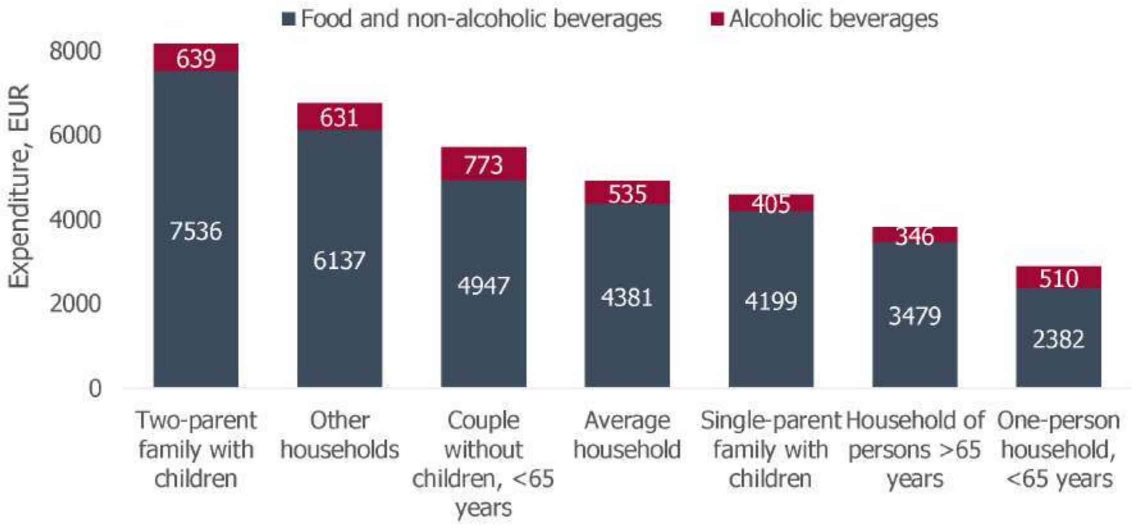
Table 5. Annual expenditure per capita in Finland and EU-28 by product group, current prices, 2018 [30]

Product group	**Finland**		**EU-28**	
Expenditure product group	*EUR per capita*	*Of total expenditure, %*	*EUR per capita*	*Of total expenditure, %*
Food and non-alcoholic beverages	*2 495*	*8.6%*	*2 057*	*9.8%*
Food	2 252	7.7%	1 861	8.8%
Bread and cereals	348	1.2%	337	1.6%
Meat	375	1.3%	440	2.1%
Fish	109	0.4%	115	0.5%
Milk, cheese and eggs	406	1.4%	269	1.3%
Oils and fats	54	0.2%	61	0.3%
Fruits, vegetables, potatoes	433	1.5%	394	1.9%
Non-alcoholic beverages	243	0.8%	196	0.9%
Alcoholic beverages	*611*	*2.1%*	*264*	*1.3%*
Total individual consumption	**29 153**	**100.0%**	**21 075**	**100.0%**

[29] PwC. Finland, Taxes on Personal income. Available at: http://taxsummaries.pwc.com/ID/Finland-Individual-Taxes-on-personal-income
[30] Eurostat database. Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

When analysing expenditure on food and beverages in terms of household types, it can be deduced that two-parent families with children are spending the most, followed by couples under the age of 65 without children, and single-parent families with children. The lowest expenditure levels are for households of persons over the age of 65, as well as for one-person household under the age of 65 years. For the average Finnish household, annual expenditure on food and beverages stands at EUR 4 916, of which 10.9% account to alcoholic beverages (Figure 10).

Figure 11. Average level of annual expenditure on food and beverages in Finland by household type, 2016 [31]



Overall, the expenditure on food and non-alcoholic beverages, as well as alcoholic beverages has been rising in Finland. When compared to 2012, the individual annual consumption expenditure of food and non-alcoholic beverages in Finland had risen by 5.3%, and on alcoholic beverages – by 3.2%[32]. Although growing disposable income has played a part in this, the key reason for this remain the rising price levels, even despite the fact that inflation level has significantly reduced since 2012.

4. Food price levels

Finland is a sparsely populated country with long transportation distances and high taxation, although VAT on food is reduced from the general VAT of 24% to a reduced tax of 14%. These factors have a significant effect on grocery prices in Finland. In 2018, price levels of food and non-alcoholic beverages in Finland were 19.6% above the average of the EU-28. Price levels of alcoholic beverages were 81.7% higher than on average in the EU-28 countries, generally due to high taxes. From food and non-alcoholic beverages, the product group with especially great divide from the EU-28 average prices, is fruits, vegetables, potatoes with price level 29.3% higher than in the EU-28. It was followed by bread and cereals, which had 27.3% higher prices than the EU-28 on average, and non-alcoholic beverages with the difference being 23.3% (Table 6).

Table 6. Price level indices in Finland by product group, as compared to EU-28 countries[33]

Product group	Price level indices, 2018 (EU28=100)

[31] Statistics Finland. Household consumption expenditure by type of household 1985-2016. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__tul__ktutk/statfin_ktutk_pxt_001.px/
[32] Eurostat database. Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en
[33] Eurostat database. Purchasing power parities (PPPs), price level indices and real expenditures for ESA 2010 aggregates [prc_ppp_ind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_ppp_ind&lang=en

	2018	2012
Food and non-alcoholic beverages	*119.6*	*120.1*
Food	119.3	120.1
Bread and cereals	127.3	135.0
Meat	122.0	122.1
Fish	112.9	110.6
Milk, cheese and eggs	115.7	117.2
Oils and fats	96.8	107.7
Fruits, vegetables, potatoes	129.3	120.5
Non-alcoholic beverages	123.3	121.3
Alcoholic beverages	181.7	174.6
Total individual consumption	**123.4**	**121.8**

A more detailed breakdown of the average prices of specific food and beverages in Finland, taking into account product volume, is summarised in Table 7.

Table 7. Average prices of food and beverages in Finland by products, 2019 [34]

Product group	Average price, EUR	Price range, EUR
Milk (regular), (1 liter)	0.93	0.70 - 1.10
Loaf of fresh white bread (500g)	1.82	1.00 - 3.00
Rice (white), (1kg)	1.72	0.80 - 2.79
Eggs (regular) (12)	1.85	1.50 - 3.00
Local cheese (1kg)	6.15	4.95 - 10.00
Chicken breasts (boneless, skinless), (1kg)	9.30	5.00 - 12.00
Beef round (1kg) (or equivalent back leg red meat)	12.68	7.00 - 20.00
Apples (1kg)	1.99	1.00 - 3.00
Banana (1kg)	1.56	1.29 - 2.00
Oranges (1kg)	1.77	1.00 - 2.50
Tomato (1kg)	2.84	2.00 - 4.00
Potato (1kg)	0.87	0.60 - 1.50
Onion (1kg)	1.27	1.00 - 2.00
Lettuce (1 head)	1.76	1.00 - 3.00
Water (1.5 liter bottle)	1.33	1.00 - 2.00
Bottle of wine (mid-range)	12.00	10.00 - 15.00
Domestic beer (0.5 liter bottle)	2.09	1.18 - 3.00
Imported beer (0.33 liter bottle)	2.59	1.90 - 3.20

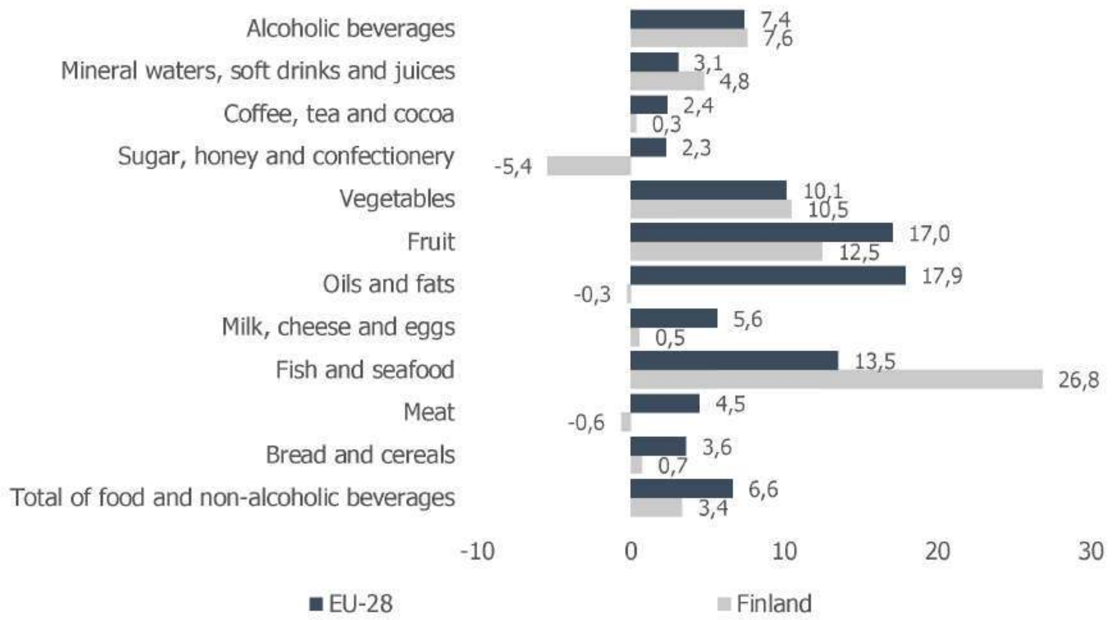
Even though inflation growth in Finland has slowed down over the past few years, price levels of food and beverages in Finland have been steadily increasing. Nevertheless, when compared to the EU-28 region, the total growth in prices of food and beverages from 2012 – 2018 has been slower in Finland, standing at 3.4% against 6.6% in the EU-28. From one side, this is because in the middle of the period a deflation was registered in Finland, but, form the other side, the less developed countries of the EU-28 have had a more rapid economic growth, which had a more significant effect on inflation in the region (Figure 12).

From 2012 – 2018, the greatest increase in price levels among food and beverage products in Finland has been registered for fish and other seafood with consumer prices rising by 26.8%. It was followed by rising prices of fruit, which increased by 12.5% in this period and prices of vegetables, which rose by 10.5%.

[34] Numbeo.com. Cost of living in Finland. Available at: https://www.numbeo.com/cost-of-living/country_result.jsp?country=Finland&displayCurrency=EUR

Prices of alcoholic beverages increased by 7.6% in this period. The largest decline in price levels in Finland occured for sugar, honey and confectionery, with consumer prices falling by 5.4% (Figure 12).

Figure 12. Change in consumer prices by product group in Finland and EU-28, 2012-2018, % [35]



Price level data on a year-by-year basis reveal that during the last years, price levels on food and non-alcoholic beverages rose most significantly in 2012 and 2013, but in 2014, when Finland's economy was hit by a severe development lag due to Russia's trade sanctions, inflation began to decline. However, as the economy bounced back again in 2017, price levels rose as well, registering an increase of 1.9%. It can also be seen that price developments in Finland have affected grocery sales as well, with the average shopping basket value fluctuating in correlation with price levels on food and beverages (Figure 13).

Figure 13. Development of the average shopping basket value in grocery retailers in Finland [36] [37]

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[35] Eurostat database. HICP (2015 = 100) - annual data (average index and rate of change) [prc_hicp_aind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_aind&lang=en

[36] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf

[37] Eurostat database. HICP (2015 = 100) - annual data (average index and rate of change) [prc_hicp_aind]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=prc_hicp_aind&lang=en

Overall, it is expected that food price levels in Finland will continue to inflate during 2019, driven by higher food chain costs. Significant rise is projected for the price of meat, dairy products, as well as vegetables, as the supply of locally grown vegetables up until now has been limited due to challenging growth conditions, but at the same time demand for them increased.[38]

5. Food consumption

5.1. Traditional Finnish cuisine

Finland's geographical location between East and West has been the key influencing factor on the development of food culture in Finland, both through climate impact and cultural interactions. Being the northernmost agricultural country in the world, the short summer and low temperatures impose severe limitations to the variety crops that can be grown in Finland. However, these limitations has challenged Finns to develop their specific production methods, which have allowed to refine production capabilities on the fields and in greenhouses. In addition, the Finnish food culture has been influenced by neighboring countries, especially Sweden and Russia, bringing together a unique mix of traditions.

Since Finland was not a very rich country until the end of the Second World War, Finnish people had to use what they could produce locally because most of the population could not afford to pay a lot for fancy ingredients. The harsh climate and short summers did not leave many choices: people had to use what they could grow during the short spring and summer and store throughout the year. This is why potato is a main ingredient of many traditional Finnish main dishes. Local and organic has been a part of Finnish food culture for a long time. Even nowadays people pick berries in the forest in summer, collect mushrooms in autumn and fish from rivers or the sea. Meatballs with lingonberry jam and potato (*puolukkahillo ja lihapullat*) are, for example, a true Nordic dish, just as salmon soup (*lohikeitto*) or freshly smoked fish.

Due to Finland's history and its connections to Sweden and Russia, the Finnish food culture has divided into mainly Western and Eastern food traditions. In Western Finland, foods were often cooked by boiling. Western Finnish weekly bread was dry sourdough bread and was baked only twice a year in large quantities. The breads were stored on skewers on the ceiling or in a separate bread shed. The link with Western food streams is still evident today, for example, in salting fish, brewing techniques and cheese making. There are many common dishes with Sweden – pea soup, pancake, meatballs, meatballs, etc. Whereas in Eastern Finland, fermentation was a popular cooking method and was also used in making bread. Bread was baked weekly and boxes, pots, pies and roosters also ripened in the ovens. The Eastern influences in Finnish food include mushrooms and the traditional Easter serving, as well as Karelian roast and pies. It is these Eastern influences that has set Finland apart from the other Nordic countries. In addition to this rough divide, there are still regional, provincial and local specialties.[39]

However, in the recent years, the significance of the traditional national cuisine in Finland has diminished in the everyday life of Finns. The daily diet structure has undergone significant structural changes over the last decades, as highly refined products have gained popularity, including frozen potatoes and pastries, sweets, sugary drinks, light drinks, water and alcoholic beverages. At the same time, for the past few years, consumption of vegetables, fruits and berries and healthy fats has also risen. Food consumption has been affected by societal changes, such as urbanization, shrinking family size, growing single households, and busy lifestyles. Finns are depending less and less on home-cooked food from scratch, as meatballs have

[38] Kaleva.fi. Ruoan hinta jatkaa nousuaan tänä vuonna – eniten kallistuu liha. Available at: https://www.kaleva.fi/uutiset/talous/pttn-ennuste-ruoan-hinta-jatkaa-nousuaan-tana-vuonna-eniten-kallistuu-liha/817635/

[39] Ruokatieto. Maakuntien rikas ruokakulttuuri yhdistää perinteitä ja luovuutta. Available at: https://www.ruokatieto.fi/ruokakulttuuri/alueelliset-erot-ja-erikoisuudet/maakuntien-rikas-ruokakulttuuri-yhdistaa-perinteita-ja-luovuutta

been accompanied by microwave-cooked meals, pasta or burgers. At the end of the day, a family meal is no longer common. Instead, Finns are increasingly eating outside the home - at the workplace, restaurant, school or kindergarten. In fact, about half of Finns eat lunch outside their home. Eating outside of home has become a central part of Finnish food culture.[40]

Also, nowadays, what is the staple food of everyday life today varies from person to person more than ever before. Individual food choices and habits are impacted by lifestyles or ethical, religious or health considerations. Certain diet features, such as reduced consumption of fat, sugar and salt, have become more common in Finland, due to the increasing prevalence of health and environmental considerations, although there are still a lot of people who are not concerned with these considerations, and even are foreign to cooking.[41] The consumer segmentation regarding everyday food preferances is very wide in Finland, which is why it is important for food manufacturers to determine and target specific consumer groups for particular products, taking into account that food choices in highly developed countries, such as Finland, are often made as a means to communicate a person's ideology and position in society.

5.2. Daily food consumption

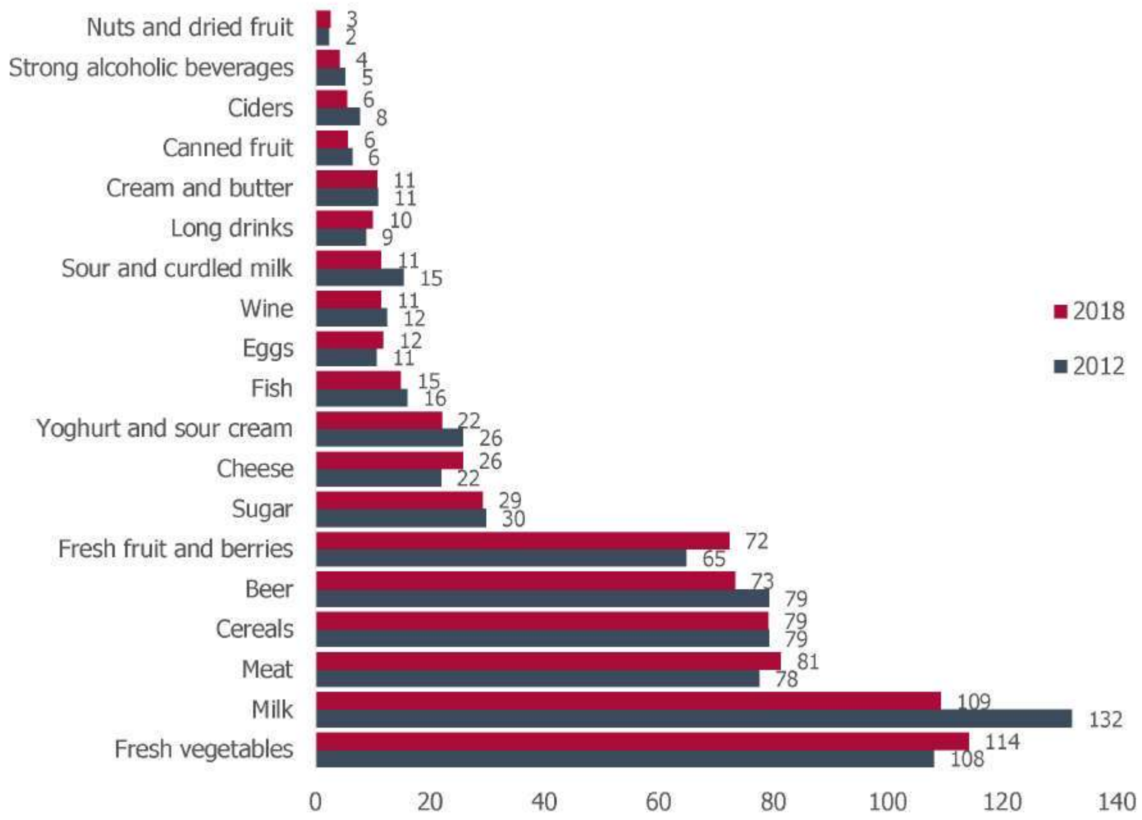
The daily diets of Finns are heavily influenced by the traditional Finnish cuisine, but nowadays it contains more processed foods and imported foods, and it also has been influenced by the global food consumption megatrends. However, major changes in food consumption takes place slowly. And, even though Finns are exhibiting the desire to adapt their diets to generally healthier consumption patterns, societal traditions and personal habits play a major role in this and act as a barrier to a more rapid shift. For example, in comparison to other Nordic countries, Finns have been very slow to implement a diet that is less based on animal proteins, even though in surveys they show the willingness to do so, and the retail offering certainly offers a lot of options.

However, in the last few years, certain slight changes have been observed, and together signify on a larger shift that is yet to come. Overall, in 2018, the product group that was the most consumed in Finland, was fresh vegetables with an average annual consumption per capita of 114 kg, of which 44.7% were potatoes. In comparison to 2012, the consumption of fresh vegetables has increased by 5.6%. The second most consumed product group was milk with 109 liters per capita, of which 57.8% was low-fat milk, 31.1% was skimmed milk, with whole milk accounting for the smallest share. Consumption of milk shows a decline by 17.4% since 2012, and the fall was the highest in the skimmed milk category. The third most consumed product group was meat, with pork accounting for nearly half or 46.5%, followed by poultry with 24.1%, and beef and veal with 24.4%. Consumption of meat has increased since 2012 by 4.9%, with the most of the growth in poultry category, while pork category declined. Other major product groups by annual consumption per capita are cereals with 79 kg, and fresh fuit and berries with 72 kg, which also have registered growth – by 11.6% (Figure 14).

Beer has been another major product group with annual consumption per capita of 73 liters, but this group, just like other alcohol groups – spirits and wine, is gradually registering a decline in consumption. However, drinking of beer has strong traditions in the Finnish culture, and the category is also gaining from a newly found appreciation for craft beers. It can be seen that this is slowly translating into an increasing consumption of non-alcoholic beers, especially made by small breweries. [42]

[40] Ruokatieto. Muutokset arkisyömisessämme. Available at: https://www.ruokatieto.fi/ruokakulttuuri/nykypaivan-ruoka-arki/muutokset-arkisyomisessamme
[41] Ruokatieto. Nykypäivän ruoka-arki. Available at: https://www.ruokatieto.fi/ruokakulttuuri/nykypaivan-ruoka-arki
[42] Flanders Investment and Trade. Hotels, restaurants and catering in Finland. Available at: https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Horeca-sector-Finland_2016.pdf

Figure 14. Average annual food consumption of Finns by key product groups, kg per capita[43]



The importance of staple foods beloved by Finns is also visible in the ranking of their favourite dishes. According to a survey on food eating habits of around 1 000 Finnish households, conducted every couple years, reveals that overall, Finns tend to consistently favour certain dishes over others. In the said survey, households are given a list of 50 dishes, among which they are asked to rank them according to their preferences. The survey results for the past 10 years show that Finns prefer the same dishes over and over again, although the ranking varies from year to year, which has some correlation to the overall economic situation in the country. For example, in 2009, when the economic crisis was at its worst, the favourite dish of Finns were meatballs, which can be made of relatively less expensive products. But in 2018, when the economy has recovered, the favourite dish of Finns was oven-baked salmon, which, due to high prices of salmon, can be evaluated as a more expensive dish. Other most favourited dishes of Finns include macaroni casserole, minced meat sauce, self-made pizza, lasagne, tortillas, other fried fish, fish soup and warm sandwiches (Table 8).

Table 8. Rank of the Top 10 favourite daily dishes of Finns according to a household survey [44] [45]

Rank	2007	2009	2013	2015	2018
1.	Steak or schnitzel	Meatballs	Fried fish	Fried fish	Baked salmon
2.	Meatballs	Steak or schnitzel	Pizza (self-made)	Pizza (self-made)	Macaroni casserole
3.	Pizza (self-made)	Fried fish	Steak or schnitzel	Steak or schnitzel	Meatballs
4.	Fried fish	Pizza (self-made)	Meatballs	Meatballs	Minced meat sauce
5.	Macaroni casserole	Macaroni casserole	Tuna fish	Lasagne	Pizza (self-made)

[43] Luke database. Food consumption per capita (kg / year). Available at: http://statdb.luke.fi/PXWeb/pxweb/fi/LUKE/LUKE__02%20Maatalous__08%20Muut__02%20Ravintotase/01_Elintarvikkeiden_kulutus.px/?rxid=31f8cfcf-8442-4f2e-bd2d-2a52a393d5b8
[44] Ruokatieto. Suomalaisten suosikkiruuat. Available at: https://www.ruokatieto.fi/ruokakulttuuri/nykypaivan-ruoka-arki/suomalaisten-suosikkiruuat
[45] Kotiliesi. Suomalaisten suosikkiruoat – pitäisikö huolestua? Kaksi ryhmää loistaa poissaolollaan. Available at: https://kotiliesi.fi/ruoka/ideoita-ruoanlaittoon/yksi-ryhma-loistaa-poisssolollaan-huolestuttaako-suomalaisten-suosikkiruokalistaus/

6.	Minced meat sauce	Minced meat sauce	Macaroni casserole	Tuna fish	Lasagne
7.	Lasagne	Tuna fish	Minced meat sauce	Macaroni casserole	Tortillas
8.	Warm sandwiches	Warm sandwiches	Lasagne	Other meat dish	Fried fish
9.	Tuna fish	Lasagne	Fish soup	Minced meat sauce	Fish soup
10.	Minced meat steak	Omelette	Warm sandwiches	Warm sandwiches	Warm sandwiches

Slightly less popular dishes among Finns are steak or schnitzel, omelette, Greek salad, game dishes, as well as cabbage casserole. Overall, the survey reveals a high prevalence of red meat dishes in the diet of Finns, as well as white carbohydrates, such as macaroni, lasagne and sandwiches, whereas white meat (poultry), salads and vegetable-only dishes are less common. [46]

When asked, what dishes the Finnish consumers are intending to eat more of in 2019, the Top 10 revealed that Finns are striving to eath healthier and have a greater variety in their daily diets – both in terms of ingredients and ethnic influences. In fact, the leading spot in the Top was taken by stews, followed by seasonal foods and Mediterranean foods, soups, game foods, Thai foods, ready-to-grill vegetables, modernised traditional foods, street foods, and, finally, Mexican foods.[47]

Overall, increased global influences, information on the healthiness of food, as well as environmental and ethical considerations will continue to influence Finnish consumer behaviour and change consumption patterns. It is predicted, that in 2019 and the coming years, consumption of meat in Finland will decrease, both due to rising price levels, as well as environmental and diet concerns. The exception is poultry, which will not suffer as much from increasing prices, and also is considered to be a better alternative for read meat. Even though prices of dairy products are increasing as well, the consumption levels are not expected to be negatively affected. This is also true for vegetables, fruit and berries, which are registering a considerable price increase, but consumption is on the rise.[48]

5.3. Food consumption trends

Certain megatrends, impacted by health considerations, ethics and ecology, such as organic food, slow food, fair trade and local food, have changed the global food consumption patterns permanently and are soon expected to be established as mainstream. These megatrends are the most visible in highly developed countries, including Finland, as a result gradually changing the daily diets of Finns, and therefore should be taken into account when planning entry into the Finnish market. From megatrends, the key tendencies that have evolved among Finnish consumers in recent years are consumption of locally produced food, consumption of more vegetables and fruit, consumption of more pro-biotic products, reduction of sugar, reduction of food wastage, consumption of reduced-price products close to the use-by date, and avoidance of plastic packaging.[49]

Clean eating

Food consumption characterized by a clean diet has become a trend among consumers all over the world brought on by increasing health and environmental concerns, strengthened by a greater power of consumers through wealth of easily available information. In Finland, too, consumers are becoming more demanding in regards to ingredient transparency, clear communication on product's attributes and origin. Consumers go

[46] Ruokatieto. Suomalaisten suosikkiruuat. Available at: https://www.ruokatieto.fi/ruokakulttuuri/nykypaivan-ruoka-arki/suomalaisten-suosikkiruuat
[47] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[48] Kaleva.fi. Ruoan hinta jatkaa nousuaan tänä vuonna – eniten kallistuu liha. Available at: https://www.kaleva.fi/uutiset/talous/pttn-ennuste-ruoan-hinta-jatkaa-nousuaan-tana-vuonna-eniten-kallistuu-liha/817635/
[49] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf

their own way in their search for healthy lifestyle, and use the internet, for example, to find their own individual understanding of healthy and clean diet.

Overall, this trend has an several underlying uniting features, such as an increasing popularity of products with reduced salt and sugar content, strong demand for natural, organic and functional foods, as well as diet adjustments to avoid certain products or product ingredients by replacing them with vegan and vegetarian products with high protein content, and othetr gluten-free, palm-oil- free, GMO-free and lactose-free products. However, it can be very individual how a clean diet is interpreted by individuals, especially with regard to which foods and consumption patterns contribute to health and which ones do not. Overall, in a 2018 survey of over 1 000 Finnish consumers, conducted by Finnish retail giant Kesko Group, it was revealed that around 33% of respondents admit buying only healthy food, and 47% of respondents are improving their food choices to strive for a better overall well-being. [50]

In Finland, the trend of clean eating has been strongly reflected in increasing sales of local food and organic products, as well as declining consumption of food with additives, even though the intake of additives among Finns is estimated to remain below acceptable daily levels. At the same time, the trend toward minimal use of additives in food manufacturing has raised concerns whether the same standard of quality could be achieved with lower levels of additives.[51] Finns also have reduced their consumption of fat, salt and sugar, and increased consumption of vegetables, such as cabbages, beans, herbs, buds and spinach leaves and fruits, with a recent popularity of exotic fruits, such as mangoes and pitayas.[52]

The clean eating trend sees Finnish consumers going back to the traditional roots in terms of food ingredients, at the same time modernising their diet. A survey of Finnish consumers about their shopping habits revealed that in 2019, Finns are expecting to buy more the following Top 10 products – pre-cleaned fish from the fish counter, followed by berries (fresh and frozen), herbs, wild mushrooms, potatoes, seeds and nuts, sweet potatoes, environmentally-friendly grown fish, braising meat, well as oat milk and oat milk products. [53]

Sustainability and organic foods

Sustainable consumption trend has gained a strong position in Finland and its impact on everyday food choices can be considered significant. Also strongly linked to this trend is a reduction of food wastage, as well as popularity of local food. According to the Kesko Group study of Finnish consumers, 55% of Finns strives to reduce food wastage, and 45% of Finns strongly favour food from local producers,[54] and 78% of Finns believe it is important to buy local food to support the Finnish industry and reduce the environmental impact by shortening the food chain.[55] But in the recent years, consciousness on sustainability has become wider and is not focusing only on consumption of local products. Instead, consumers have started to think more broadly and want to know the entire production chain and its environmental and social impact. This is reflected in organic food movement, which has impacted nearly all product groups in Finnish store shelves.

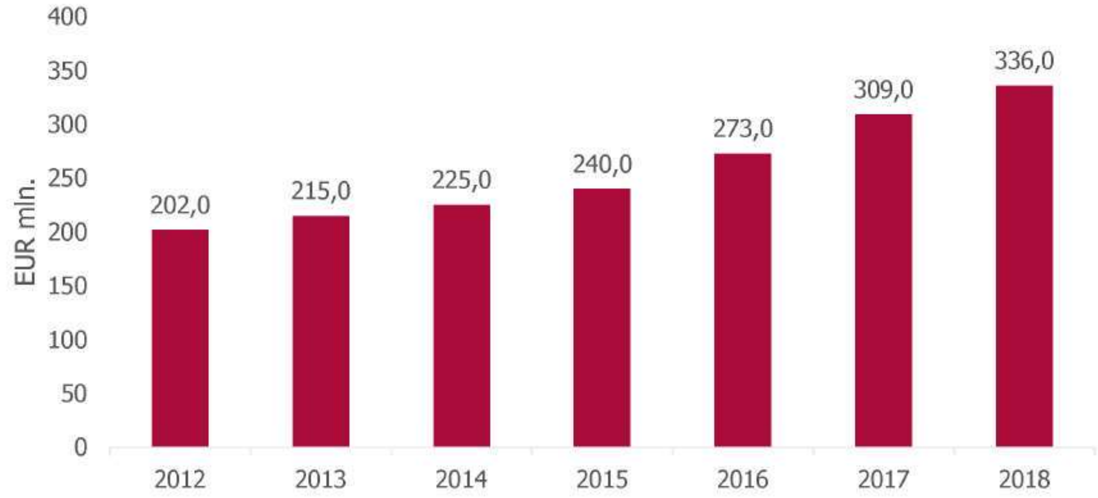
The consumption of organic food has become more common in Finland during the past decade. In 2017, more than half or 52% of Finns said they buy organic food and beverages frequently (at least once a month), of which 28% said they buy organics weekly. A major group, 38% of Finns, said they buy organic food and beverages occasionally. Only 10% of Finns are not buying organics at all. The strongest consumption of

[50] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[51] Evira. Intake of food additives mostly at safe levels. Available at: http://aineisto.ruokavirasto.fi/evira20181231/www/en/about-evira/news/2018/intake-of-food-additives-mostly-at-safe-levels/index.html
[52] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[53] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[54] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[55] Elintarviketeollisuusliitto. Tutkimus: Suomalaiset haluavat syödä kotimaista ruokaa. Available at: https://www.etl.fi/ajankohtaista/tiedotteet/tutkimus-suomalaiset-haluavat-syoda-kotimaista-ruokaa.html

organics is among women in the age group 30-49 and families with children. The share of men that buy organics has also risen in the past years.[56]

Even though consumption of organic food in Finland is rapidly growing, the overall market share is still comparatively moderate, in comparison to other Nordic countries, such as Denmark, which is one of the world's leading eco-nations. In Finland, the market share of organic food and beverages in the retail was 2.4%, equalling to a sales value of EUR 336 million[57], when, in contrast, the share in Denmark is roughly 11.5% with a sales value of EUR 1 726 million[58]. Overall, from 2012 – 2018, turnover of organic foods and beverages in grocery retail stores in Finland has grown by 66% in terms of value. (Figure 15).

Figure 15. Turnover of organic foods and beverages in grocery retailers in Finland [59]



The largest product groups in the organics niche are fruit, milk and other dairy beverages, as well as vegetables, with these product categories combined representing about one third of all organic sales. These product groups are followed by coffee and tea, and eggs. Most of organic sales in Finland come from grocery retail stores, as 86% of consumers are buying organic foods and beverages through this channel. It was followed by markets with 26%, specialty stores with 15%, farms with 13% and online stores with 2% of consumers.[60] In stores, consumers most commonly identify organic foods by their respective certifications, of which the most recognized ones are the Luomu label and the EU organic logo, which is why it is very important for manufacturers to obtain these cettifications to market organic foods in Finland.

Foodservice also comprises a significant share of organic sales in Finland, with organics representing some 12% of the raw material volume used in the public professional kitchens. Approximately 41% of professional kitchens in Finland use some organic ingredients weekly, of which 18% use them daily. Nearly half or 47% of kitchens use organic ingredients less frequently, and only 11% do not use them at all. The most commonly used organic products in professional kitchens are cereal products, vegetables and fruits and berries. [61] Generally, large commercial kitchens are interested in using more organic ingredients, but the supply of this ingredients is limited in the Finnish wholesale sector. The reason for this is that these ingredients are not as pre-processed as the restaurants would like and the package sizes for these kitchens are too small and also

[56] Pro Luomu. Organics in Finland 2017. Available at: https://proluomu.fi/wp-content/uploads/sites/11/2018/05/organics_in_finland_2017-1.pdf
[57] Pro Luomu. Organics in Finland. Available at: https://proluomu.fi/en/organics-in-finland/
[58] Statistics Denmark. LIGELB1, Level of earnings by work/residence, region, age, sex and family type (2009-2017). Available at: www.statistikbanken.dk/LIGELB1
[59] Pro Luomu. Organics in Finland 2018. Available at: https://proluomu.fi/wp-content/uploads/sites/11/2019/05/organics_in_finland_2018-1.pdf
[60] Pro Luomu. Organics in Finland 2018. Available at: https://proluomu.fi/wp-content/uploads/sites/11/2019/05/organics_in_finland_2018-1.pdf
[61] Pro Luomu. Organics in Finland 2018. Available at: https://proluomu.fi/wp-content/uploads/sites/11/2019/05/organics_in_finland_2018-1.pdf

the price and quality is an important factor. This has resulted in willingness amongst the commercial kitchens to purchase products even from small local manufacturers, and even foreign producers.[62]

In addition to sustainable products and their ingredients, materials of food packaging also has become more important for Finnish consumers to, placing a pressure on manufacturers to find sustainable alternatives to plastic-based packaging. Sustainable packaging initiatives are also encouraged from the government and even grocery retailers, which encourage customers to bring their own bags or containers for, for example, fruits and vegetables. In Finland, the use of plastic bags and packaging has been widely discussed and plastic products have received a lot of negative public attention, which is why avoiding plastic packaging is advisable for food manufacturers, when possible. According to the Keskoe Group study of Finnish consumers, 31% of consumers avoid the used of plastic packaging, and plastic products in general. [63] Sustainability has also become a focus area for cafes and restaurants that have begun to drop straws and disposable take-away packaging. All of these factors together promote the increasing importance of sustainability factor in the Finnish food industry.

Animal welfare, flexican food and plant-based proteins

In Finland, just like in other Nordic countries, meat has traditionally been a major constituent of the daily diet and has remained as such nowadays as well. However, also just like in its neighbours, the share of population that are reducing their meat consumption, is increasing year by year, mainly moved by animal welfare, environmental, as well as health considerations. Even though animal rights are not highly developed in Finland, the Finnish consumers are concerned with animal welfare – around 90% of Finns think that animal welfare should be improved in the country.[64] A consumer survey conducted by Finland Statistics revealed that in 2016, the share of households in Finland that followed meat-free diets, was 8.0%, while back in 2012 the share was just 5.3%.[65]

Although the estimated share of vegans among the total population of Finns is very small, equalling to just 0.5%, and the share of vegetarians is around 4.0%,[66] the majority of the movement stems from people who consider themselves flexitarians, following a mostly plant-based food diet, while allowing meat and other animal products in moderation. It is difficult to estimate the share of this consumer group, because it unites many types of diets, but a survey on Finnish consumer food shopping habits, conducted by Ksko Group, suggests that around 37% of Finns follow a flexitarian diet. [67] Popularity of meat-free dishes has also increased in the public catering sector, with novel vaegan and vegetarian foods from oats, beans or soy registering great success. [68]

Interestingly, the total consumption of meat per capita in Finland has not yet declined. On the contrary, it has been only increasing – from 2012 to 2018, the total annual meat consumption in Finland rose by 4.9%, from 77.5 kg to 81.3 kg per capita. Even though the movement has not yet been reflected in the total volume of meat consumption, the structure of it has already changed. Specifically, consumption of red meat, such as pork, is decreasing, while the consumption of white meat, such as poultry, is increasing and is forecasted to continue to rise. [69]

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[62] Flanders Investment and Trade. Hotels, restaurants and catering
in Finland. Available at: https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Horeca-sector-Finland_2016.pdf
[63] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[64] Helsinki Times. Finland is a developing country when it comes to animal rights, slams Niinistö. Available at:
https://www.helsinkitimes.fi/finland/finland-news/domestic/15223-finland-is-a-developing-country-when-it-comes-to-animal-rights-slams-niinistoe.html
[65] Tieto Trendit. Lihasta luovutaan pikkuhiljaa – myös muualla kuin pääkaupunki-seudulla. Available at:
https://www.stat.fi/tietotrendit/artikkelit/2018/lihasta-luovutaan-pikkuhiljaa-myos-muualla-kuin-paakaupunkiseudulla/
[66] Puolikiloa. Aloita tästä. Available at: http://puolikiloa.fi/yleistietoa-kasvisruokavaliosta/
[67] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[68] Talouselama. Ruoka 2018: Mikä on tämän vuoden kuumin ruokatrendi? Available at: https://www.talouselama.fi/uutiset/ruoka-2018-mika-on-taman-vuoden-kuumin-ruokatrendi/ade0808b-2108-35a1-96be-0208991eda6b
[69] Luke database. Food consumption per capita (kg / year). Available at:
http://statdb.luke.fi/PXWeb/pxweb/fi/LUKE/LUKE__02%20Maatalous__08%20Muut__02%20Ravintotase/01_Elintarvikkeiden_kulutus.px/?rxid=31f8cfcf-8442-4f2e-bd2d-2a52a393d5b8

The data on total consumption of meat in Finland has not yet declined because the tradition of eating meat is very strongly embedded in its culture, and meat-free diet movement is merely at the beginning stage among Finns. The number of vegans, vegetarians and flexitarians in Finland is still very small and does not make a significant impact on total meat consumption data. However, it is projected that the meat consumption will begin to go down as soon as in 2019-2020, both because of the growth of the movement, as well as due to rising price levels of meat and meat products.[70] In addition, the government of Helsinki, Finland's capital, in 2019 agreed to cut down consumption of meat and dairy by 50% in the city by 2025, based on the argument that the Finnish consumption of animal products is among the highest in the EU, and change is said to be needed in the face of rising environmental and halth concerns. City's plan is to introduce more vegetarian alternatives in public sector, following the already successful example of Helsinki's schools since 2007.[71]

With this movement, the popularity of foods high in plant-based protein in Finland is rising, and these foods are consumed not only as an alternative to animal based protein, but alongside it as well. As consumer demand has grown, the product range on the store shelves has also been extended. The most popular plant-based protein foods in Finland include legumes, nuts, whole grains and seeds, as well as easy-to-use products such as plant based milks, tofu and other soy products, often combined with, seitani, quorn, oatmeal and steers, kale beans, falafel steaks and protein bars.[72]

Convenience foods and foodservice

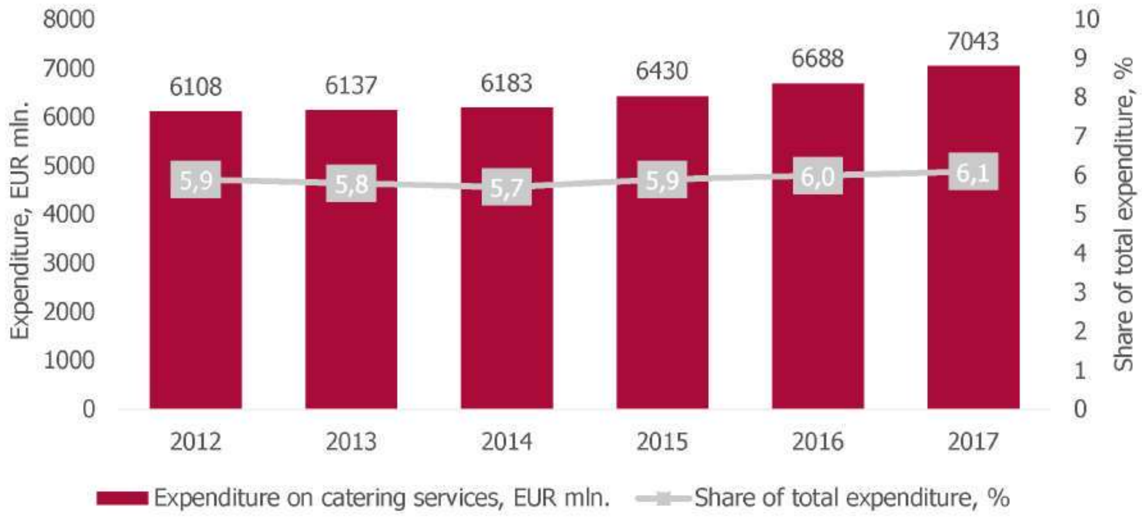
For Finns, time spent on cooking has been on the decline for the past 2 decades, resulting from the changing lifestyles and meal culture. This, accordingly, has boosted consumption of easy-to-use and ready-to-use foods that can be prepared quickly, as well as increased demand for food deliveries, and supported growth of the foodservice industry. Around 37% of Finnish consumers would be willing to pay more for food solutions that would make everyday life quicker and easier, as found out in a survey of Finnish consumers by Kesko Group.[73]

The desire for convenience, however, has not resulted in an increased consumption of unhealthy fast foods, but, on the contraty, recently has shifted the demand toward healthy and high-quality ready-made foods. Popular versions of healthy take away foods and snacks for eating on-the-go include pre-packaged, portioned salad, oat, lentil or chickpea crisps, fruit snacks, snack bars, packs of dried fruits and nuts, superseeds, healthy biscuits, as well as liquid snacks, such as smoothies, health shots, juices and yoghurts. [74]

Foodservice industry has also gained from this trend, as meal deliveries and eating out are on the rise, especially with younger consumer groups. The share of Finnish consumers who regularly have meals at cafes and restaurants have grown, and the average expenditure is has risen as well. In 2017, the total expenditure on catering services of households in Finland reached EUR 7.0 billion, increasing by 15.3% since 2012. Also, expenditure of households on catering services in Finland has grown as a share of total expenditure – from 5.9% in 2012 to 6.1% in 2017. During the same period, when measured per capita, the annual expenditure on catering services of an average Finnish household had increased from EUR 1 100 to EUR 1 300, which is slighlty above the average expenditure in the EU countries in 2017 (Figure 16).

[70] Helsinki Times. Meat prices to go up, consumption to go down in Finland, predicts PTT. Available at: https://www.helsinkitimes.fi/finland/finland-news/domestic/16299-meat-prices-to-go-up-consumption-to-go-down-in-finland-predicts-ptt.html
[71] Helsinki to cut meat consumption in half by 2025. Available at: https://www.meatfreemondays.com/helsinki-to-cut-meat-consumption-in-half-by-2025/
[72] Ruokatieto. Ilmioita ja trendeja. Available at: https://www.ruokatieto.fi/ruokakulttuuri/uutta-omasta-maasta/ilmioita-ja-trendeja
[73] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf
[74] Kesko. Food trends 2019. Available at: https://www.kesko.fi/globalassets/pdf-tiedostot/ruokailmiot_2019_english_final.pdf

Figure 16. Consumption expenditure of households on catering services in Finland, 2012-2017 [75]



The desire for healthy and fast food also has transferred to Finnish foodservice industry, where one of the most significant trends recently has been eating fresh and light meals. Finns want their food to be made on the spot with local, fresh and good quality ingredients, often using organic products. For this, they are willing to pay more. Caterers are often asked to prepare vegetarian dishes and, also, the use of alcohol has decreased slightly, largely due to the high alcohol tax for catering service providers in Finland. Consumers are also more interested in ethicality of the ingredients used to make the dishes. Simultaneously, street food is also on the rise, as, much like fast casual food in restaurants, it can be made on the spot with fresh ingredients. Light snacking in cafes is another tendency which has been more prominent in recent years, supported by the strong coffee drinking culture of Finns.[76]

Other changes impacting the foodservice industry in Finland are meal delivery services based on mobile technology, such as Wolt and Foodora, which allow the customer to get food delivered from any restaurants, even the ones that do not traditionally offer take-away options. This allows the restaurants to sell their food to customers who cannot come to the location and has boosted industry's growth.[77]

E-commerce sales

Finland has one of the highest percentages in the world of population with access to the internet – 97%, of which 70% shops online regularly, at least once a year. [78] E-commerce of groceries is growing the most in countries and regions where traditional distribution channels are not strong, availability is low and human consumption capacity is increasing. Although Finland does not represent these areas and therefore does not have a high potential, the appearing market changes indicate on significant market structure shifts in the long-term.

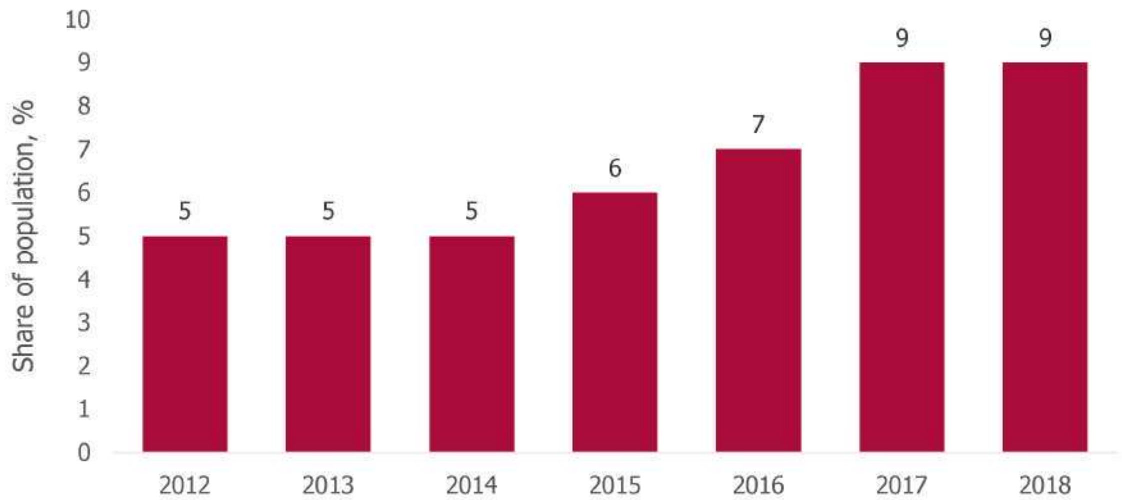
For Finnish consumers, food delivery at home has become an increasingly attractive option with the busy work schedules and desire for convenience. And with that, the niche is slowly taken over by some of the largest grocery retail groups in Finland, despite e-commerce being, in many ways, a challenging

[75] Eurostat database. Final consumption expenditure of households by consumption purpose [nama_10_co3_p3]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_co3_p3&lang=en
[76] Flanders Investment and Trade. Hotels, restaurants and catering in Finland. Available at: https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Horeca-sector-Finland_2016.pdf
[77] Flanders Investment and Trade. Hotels, restaurants and catering in Finland. Available at: https://www.flandersinvestmentandtrade.com/export/sites/trade/files/market_studies/Horeca-sector-Finland_2016.pdf
[78] Eurostat database. Internet purchases by individuals [isoc_ec_ibuy]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ec_ibuy&lang=en

environment, compared to traditional distribution channels. At the moment, however, e-commerce sales make up a very modest proportion of all grocery sales in Finland, in comparison to other product groups. But Finland's relatively low level of e-commerce experience means that the country is an market with perhaps the greatest growth potential among Nordic countries. [79] In fact, the amount spent on e-commerce purchases has climbed by around 48% from 2008 to 2018, reaching the average estimated purchase amount per person of EUR 158. [80] Also, one of the leading grocery retailers in Finland, Kesko Group, which recenty launched its e-commerce services, expects sales growth of 100% trhough this channel.[81]

The estimated share of Finnish population that have bought groceries online during the year was 9% in 2018, which has grown from 5% in 2012 (Figure 17). Although this is one of the lowest numbers in the EU, interestingly, when looking at the more frequent buyers of groceries online, the picture is slightly different. If ranked by those consumers who shop online at least once per month, Finland ranks much higher, revealing that there is a stable consumer group which prefer to buy groceries online regularly. [82] But, overall, food is less popular as an e-commerce category due to desire of Finns to see the product online, as well as due to concerns over payment security online.

Figure 17. Share of Finland's population that have bought groceries online during the year, %[83]



The leading market players in Finland's grocery e-commerce niche are the Finnish grocery retail giants Kesko Group with e-commerce services available for K-Citymarket and K-Market, and S Group with its Alepa brand, as well as smaller players, such as Kauppahalli24, Ruoka and Ekamarket.

Overall, it should be noted that it is not only the e-commerce market players that have to develop their online presence. Even for purchases made in physical retail stores, many Finnish consumers tend to research products online beforehand or even via smartphone while visiting the store. Also, consumers in Finland have checked in to a store via social media 71% more other than Nordic consumers in general. [84] Therefore, for a brand to become popular in Finland, it must have a strong online presence with all of the relevant information about the product available, such as ingredients, country of origin, measures of sustainability etc.

[79] Postnord. E-commerce in the Nordics 2019. Available at: https://www.postnord.fi/siteassets/raportit/verkkokauppa-pohjoismaissa/ecommerce-in-the-nordics-2019.pdf
[80] Postnord. E-commerce in the Nordics 2019. Available at: https://www.postnord.fi/siteassets/raportit/verkkokauppa-pohjoismaissa/ecommerce-in-the-nordics-2019.pdf
[81] Kesko. Ruoan verkkokauppa on enemmän maraton kuin pikaspurtti. Available at: https://www.kesko.fi/media/uutiset-ja-tiedotteet/uutiset/2018/ruoan-verkkokauppa-on-enemman-maraton-kuin-pikaspurtti/
[82] Postnord. E-commerce in the Nordics 2019. Available at: https://www.postnord.fi/siteassets/raportit/verkkokauppa-pohjoismaissa/ecommerce-in-the-nordics-2019.pdf
[83] Eurostat database. Internet purchases by individuals [isoc_ec_ibuy]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ec_ibuy&lang=en
[84] Postnord. E-commerce in the Nordics 2019. Available at: https://www.postnord.fi/siteassets/raportit/verkkokauppa-pohjoismaissa/ecommerce-in-the-nordics-2019.pdf

6. Food retail industry analysis

6.1. Industry development

The Finnish grocery trade is characterised by the dominance of large retail chains and the centralisation of procurement and logistics. Self-service stores account for almost all of the business, and the importance of specialized food service stores is limited. This, however, is a mark of all Nordic countries, because without large volumes it is impossible to be as efficient as necessary in vast, sparsely populated countries. Without sufficient cost-efficiency, prices would escalate, product range would shrink, and customers would have a poorer service and reduced accessibility. The structure of the Finnish grocery trade has also been changed by the migration to urban centres, the increased use of cars, which has resulted in a demand based shift from a numerous small local stores to a limited number of large, centrally located stores. As a result, in the last 2 decades, the number of stores in Finland has reduced by half, going down from nearly 10 000 stores to approximately 4 500 stores. However, the small local stores still play an important role in the supply of goods, ensuring the habitability of sparsely populated areas.

In Finland, grocery retailers can be divided into several different segments based on their formats, which stems from retail space, location, range and prices. It can be difficult to make a clear segmentation based on these factors, as there is a continuous development of store concepts. However, certain categories can be distinguished, namely, hypermarkets (e.g. K Citymarket, Prisma, Minimani), department stores (e.g. Food Market Herkku), supermarkets (e.g. K-Supermarket, S-Market), markets (e.g. K-Market, M-Ketju, Sale), convenience stores (e.g. R-kioski, Alepa), specialist stores (e.g. Alko), market halls (e.g. Hakaniemi Market Hall), low cost stores (e.g. Tokmanni, Lidl), and gas station stores (e.g. Neste, ABC, Teboil, St1, Shell) (Table 9).

Table 9. Breakdown of grocery retailers in Finland by categories and key indicators [85]

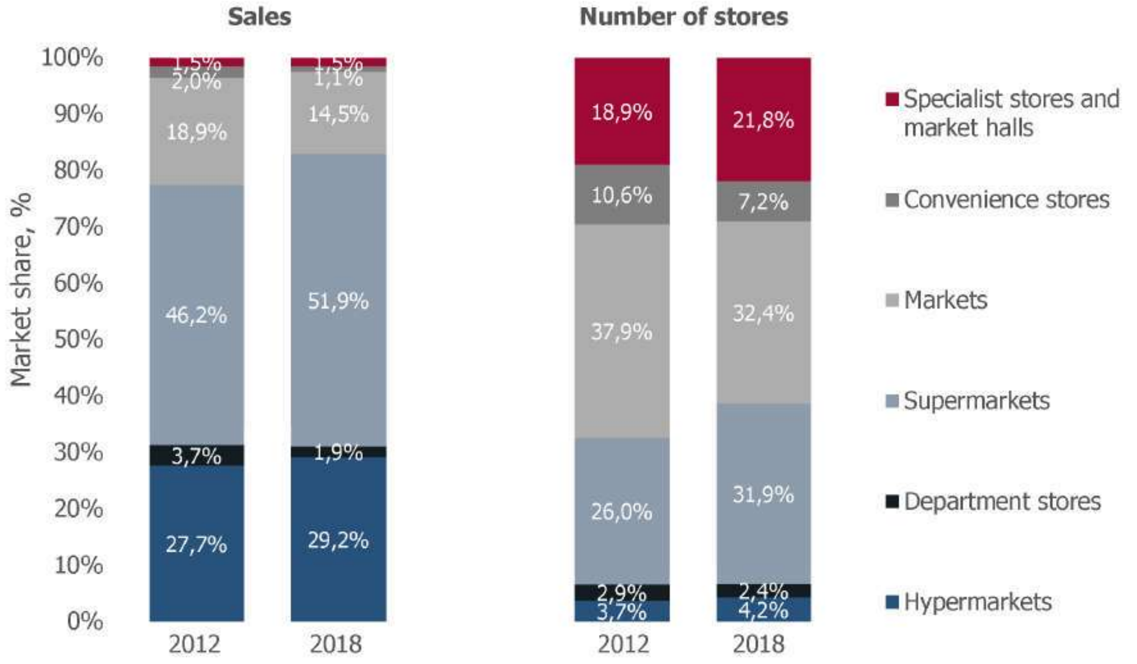
Category	Store area	Examples	Number of stores	Sales in 2018, EUR mln
Hypermarkets	>2 500 m^2	K Citymarket, Prisma, Minimani	152	5 122
Department stores	>1 000 m^2	Food Market Herkku	86	330
Supermarkets (large)	>1 000 m^2	K-Supermarket, S-Market	689	7 002
Supermarkets (small)	400 – 999 m^2	K-Supermarket, S-Market	456	2 074
Markets (large)	200 – 399 m^2	K-Market, M-Ketju	864	2 172
Markets (small)	100 – 199 m^2	K-Market, M-Ketju, Sale	299	360
Convenience stores	<100 m^2	R-kioski, Alepa	258	185
Specialist stores	Varies	Alko	749	225
Market halls	Varies	Hakaniemi Market Hall	32	33
Low cost stores	Varies	Tokmanni, Lidl	352	397
Gas station stores	Varies	Neste, ABC, Teboil, St1, Shell	613	190
TOTAL			**4 550**	**18 078**

From 2012 to 2018, both the number of stores and grocery trade sales in Finland has reduced significantly for markets, i.e. small stores, and convenience stores, whereas it has increased greatly for supermarkets. By the number of stores, the leading store category in Finland are markets, which accounted for 32.4% of all stores in 2018, followed by supermarkets with 31.9%, specialist stores and market halls with 21.8%.

[85] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf

Convenience stores made up 7.2% of all stores, followed by hypermarkets with 4.2%, and department stores with 2.4%. However, a different picture emerges when looking at grocery trade sales value. In 2018, the largest stores by area – hypermarkets, department stores and supermarkets – accounted for 83.0% of all grocery sales, despite having a summed market share of just 38.5% in terms of the number of stores. Supermarkets made up the largest share of sales with 51.9%, followed by hypermarkets with 29.2%, markets with 14.5%, department stores with 1.9%, specialist stores and market halls with 1.5% and convenience stores with 1.1% (Figure 18).

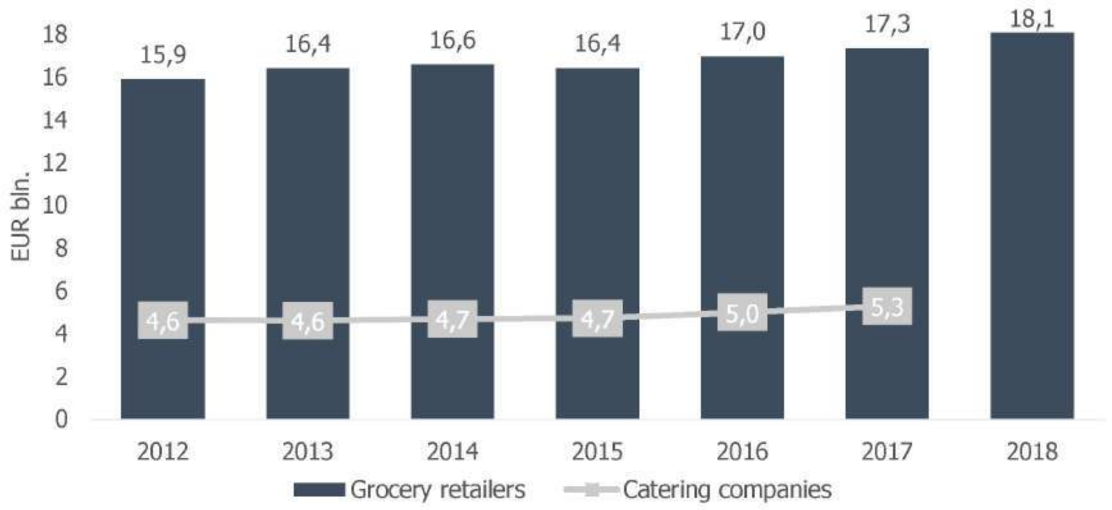
Figure 18. Development of grocery store categories in Finland by sales and the number of stores [86]



Besides structural market changes, the overall sales development in grocery retail trade as a whole has been very stable over the last couple of years in Finland. From 2012 to 2018, grocery sales value has been increasing each year in Finlnad, except 2015, when food and beverage category suffered from deflation by 1.9%. But overall, within this period, the combined turnover of grocery retailers in Finland has grown by 13.8%, rising up to EUR 18.1 billion. Besides grocery retail trade, foodservice industry has also been steadily developing, reaching an even more rapid growth. Turnover in foodservice industry in Sweden has grown by 15.2% from 2012 to 2017, reaching a sales value of EUR 5.3 billion (Figure 19). However, both in grocery retail trade and the foodservice sector, growth is expected to slow down in the coming years due to changes in purchasing power and declining consumer confidence indicator.

[86] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf

Figure 19. Sales development of Finland's grocery retail and foodservice industries [87] [88]



Because of the increasing dominance of the large retail chains, the market share of private labels is also rapidly growing in Finland, as they mostly ensure lower prices for consumers. Whereas for the retail chains, private labels offer increasing customer loyalty, strengthening of the market position and the chain brand, increasing retail trade's profit, improving the quality of products and ensuring the control of the supply chain. In 2018, the share of of private labels in terms of sales reached 25%, whereas back in 2012, the share was just 21%.[89] Nevertheless, in a geographically wider comparison, this is still relatively low, as the share of private labels in countries such as Switzerland, Spain the UK is over 40%. In Finland, the largest players in the niche of private labels are Kesko Food, SOK Corporation, Tuko Group (which includes Wihuri Group, Stockmann Group, Suomen Lähikauppa and M-Ketju), as well as Lidl.

However, the increasing share of private labels presents major challenges for manufacturers of branded products, as private labels drive down the competitiveness through impacting consumer-driven choices and narrowing the brand offering, and, through increasing the price for retail, as as there is less available shelve space. At the same time, this trend also provides great opportunities for smaller and medium-sized food manufacturers to supply private label products for the leading grocery retailers.

In Finland, all of the large retail chains have strict store concepts, with store space planning, buying, logistics, basic assortment, marketing and even pricing decisions are made in the central organisation. This makes life easier for the suppliers as the negotiation partners are thus few and the buying volumes in each chain can be centralized. On the other hand, getting a product chosen to a chain's basic assortment requires larger volumes than selling to one or a few stores only, which puts small suppliers at a disadvantage.

The Finnish retail chains are characterized by vertically integrated procurement markets. Procurement is centralized within each chain not only nationally, but in many cases also at the European or even international level, of which the most largest are international procurement alliances such as AMS Sourcing, Coop Trading, United Nordic, and EMD. For example, Kesko Food is a member of Associated Marketing Services (AMS), a strategic procurement alliance based in the Netherlands, and the S-Group has its own channels through CoopNorden.[90]

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[87] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf
[88] Eurostat database. Annual detailed enterprise statistics for services (NACE Rev. 2 H-N and S95)[sbs_na_1a_se_r2]. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=sbs_na_1a_se_r2&lang=en
[89] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf
[90] The Ministry for Foreign Affairs of Finland. Exporting to Finland. Available at: https://um.fi/documents/35732/48132/exporting_to_finland

For many buyers, being part of procurement associations presents more bargaining power than individual buyers have, and, as a result, can ensure lower prices through negotiations and exclusive agreements. However, the downside of such associations is that external purchasers may face disadvantages due to lower buing power, potentially resulting in higher prices and limited product selections. Also, the negative aspect for members of procurement associations is that a single member does not always have the influence on which products to purchase.

Some of the retail chains also operate as wholesalers for smaller retailers and the foodservice industry, such as Kesko Food, Tuko Group's Tuko Logistics, as well as SOK Corporation's Inex Partners. Other wholesale procurement channels for the small retailers and the foodservice industry are Heinon Tuku, Metro, Kespro and Meira Nova, among others.

When dealing with imported products, the large retail chains in Finland generally buy at least half of the goods directly from their foreign suppliers and take care of the forwarding of goods and all import bureaucracy. They can also buy from foreign trading houses, which represent various small and medium-sized suppliers. In addition, there are also many import companies and agents specialising in certain product groups, based in Finland, which import and sell products both to retail and foodservice industry clients. Most of them are relatively small companies and therefore are used to working with smaller suppliers. In the negotiations with suppliers, not only the export price, but also the terms of delivery, transport and payment are discussed. The decisions then taken will determine, which party carries responsibility for the costs arising from loading and unloading, transport, duty payments, insurance etc., and which costs the supplier needs to add to the export price. Alternatively, all charges on the way to the final destination may be born by the seller. Whichever party takes responsibility for the transport, it is advisable to use the services of a forwarding agent or a shipping agency.[91]

6.2. Leading food retailers

Finnish grocery retail market is highly concentrated, which has been a characteristic of the industry nearly for a century. In 2018, nearly 82.6% of the total grocery sales were made by two of the leading market players, namely, S-Group and Kesko. Moreover, both of these major players have significantly grown their market share since 2009, and accordingly, the market share of other market players has dropped. From one side, it has been argued that the high market concentration has been necessary due to Finland's vast geography and sparse population, as it has allowed to ensure largel procurement volumes for the retail chains, thus ensuring lower prices, accessibility and a wide product selection for consumers. On the other side, it is possible that the high concentration has worsened the position of consumers by reducing freedom of choice and limiting price competition, as well as weakened the power of producers.

S-Group, the largest grocery retail trade market player in Finland, held a market share of 46.4% in terms of sales value in 2018. With a turnover of EUR 8 450 million and 1 048 stores in 2018, it is the leading grocery retailing cooperative organization in Finland. S-Group's brands include market stores Prisma, S-market, Sale, and Alepa, department store Food Market Herku, as well as convenience store and petrol stations ABC and ABC-Deli. S-Group operates not only in grocery retail trade, but also in agricultural trade, hotel and restaurant industry, car accessory trade, as well as banking industry. S-Group consists of the SOK Corporation and its subsidiaries, along with regional and local cooperatives.

Kesko, the second largest grocery retail chain in the country, accounted for 36.1% of the sales value in 2018. The chain had a turnover of EUR 6 568 million and 1 256 stores in Finland in 2018. Kesko's store brands in Finland are K-Citymarket, K-Supermarket and K-Market. Together with K-Retailers, Kesko forms the K-Group, which operates in several European countries. Besides grocery retail trade, the Group also is

[91] The Ministry for Foreign Affairs of Finland. Exporting to Finland. Available at: https://um.fi/documents/35732/48132/exporting_to_finland

actively involved in trade of other consumer goods, hardware, car and machinery trade, as well as foodservice and catering trade through its brand Kespro.

Lidl, the German discounter chain, which operates in some 30 countries, ranks as the third largest grocery retailer in Finland. However, its market share is significantly smaller than that of S-Group and Kesko, making up just 9.6% of total grocery sales value in Finland in 2018. This equalled to a turnover of EUR 1 754 million, combined from 179 stores located throughout the country. Being a discounter chain, Lidl's general strategy is to offer high-quality groceries and consumer goods at an affordable price, with most of the offering based on Lidl's own carefully monitored trademarks.

Tokmanni is Finland's fourth largest grocery retailer, which, similarly to Lidl, is also positioned as a discounter chain. In 2018, Tokmanni's market share was 3.0% of country's total grocery sales value or a turnover of EUR 553 million. Tokmanni store network is comprised of 186 stores in Finland, and it is planned to continue to expand it. Tokmanni's product range on store shelves includes both Tokmanni's own labels, as well as domestic and international brands to its customers.

Minimani, a Finnish family-owned hypermarket chain, is the fifth largest grocery retailer in Finland in terms of sales. However, due to the high market concentration, its market share is very small – Minimani accounted just for 0.5% of Finland's grocery sales in 2018, equalling to EUR 97.3 million. The chain has 5 hypermarkets, renowned for affordable prices and versatile selection. Minimani's competitive edge is based on cost-efficiency, multi-channelled procurement and logistics operations model, and innovative operations.

M-Ketju, is the sixth largest grocery retailer in Finland with market share of 0.5% and a turnover of EUR 84.5 million. M-Ketju nationwide chain of independent grocers, representing 65 stores. The chain was was created as a result of cooperation between traders who opposed the sale of Spar Finland to SOK and who resigned from the chain. The chain's main operating partner in imported and industrial food is Wihuri, while most of its logistics services are provided by Tuko Logistics.

In terms of the leading retail chain brands, the largest market share in terms of sales value in 2018 was taken by S-Market (owned by S-Group), which accounted for 22.0% of sales. It was followed by PRISMA (owned by S-Group) with 15.7% of sales, K-Citymarket (owned by Kesko) with 12.3% of sales, K-Supermarket (owned by Kesko) with 11.8% of sales, and K-Market (owned by Kesko) with 11.8% of sales (Table 10).

Table 10. Finland's leading grocery retail groups by market share and other key characteristics in 2018 [92]

No.	Retail group/brand	Market share, %	Turnover, EUR mln	Number of stores	Website
1.	S	**46.4**	**8 450**	**1 048**	**www.s-kanava.fi**
	S MARKET	22.0	4 005	435	www.s-kanava.fi
	PRISMA	15.7	2 864	66	www.prisma.fi
	alepa Sale	7.5	1 365	458	www.alepa.fi www.foodie.fi
	FOOD HERKKU MARKET	0.6	110	6	www.foodmarketherkku.fi
	Other stores	0.6	105	83	-
2.	KESKO	**36.1**	**6 568**	**1 256**	**www.kesko.fi**

[92] Pty. Finnish Grocery Trade 2019. Available at:
https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf

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	K CITYMARKET	12.3	2 233	244	www.k-ruoka.fi/k-citymarket
	K Supermarket	11.8	2 151	81	www.k-ruoka.fi/k-supermarket
	K Market	11.4	2 065	784	www.k-ruoka.fi/k-market
	Other stores	0.6	118	147	-
3.	LIDL	**9.6**	**1 754**	**179**	**www.lidl.fi**
4.	TOKMANNI	**3.0**	**553**	**186**	**www.tokmanni.fi**
5.	minimani	**0.5**	**97.3**	**5**	**www.minimani.fi**
6.	M	**0.5**	**84.9**	**65**	**www.m-ketju.fi**
	Other retailers	3.8	686	1 811	-
	TOTAL	**100.0**	**18 193**	**4 550**	-

Other than the major grocery retailers, an important part of the Finnish retail arena are also taken by kiosks and convenience stores, as well as gas station retailers, especially for products such as coffee, snack foods, confectionery, soft drinks, as well as ready-to-eat foods. Within the retail subcategory of kiosks and convenience stores, the leading chain in Finland is R-kioski chain, which is part of the Reitan Convenience and owned by the Reitan Group. In 2018, R-kioski chain had a turnover of EUR 311.9 million and operated a network of 545 stores. [93] Within the gas station retailer subcategory, the leading market player is Neste with 465 gas stations and a market share of 24.6%. Other major players are ABC, Teboil (Lukoil), St1 and Shell (St1).[94]

7. Industry events

The annual food trade events in Finland are focused more on the domestic market, using it as a platform for their own company representation. More often, Finnish buyers who are interested in procuring foreign products, visit the major European food shows, most commonly – ANUGA (Germany), SIAL (Paris) and BIOFACH (Germany). Therefore, long term exhibition at one of these shows is an excellent route to making a product known to Finnish buyers, as a personal visit to the market afterwards is essential to sell the product. Nevertheless, local food trade events also should not be dismissed and can present better opportunities to connect with smaller local buyers. The most important industry events in Finland, as well as other Nordic countries, are summarized in Table 11.

Table 11. Major food and beverage industry events in Finland and other Nordic countries, 2019-2020

Event	Place	Date	Specialization	Website

[93] Pty. Finnish Grocery Trade 2019. Available at: https://www.pty.fi/fileadmin/user_upload/tiedostot/Julkaisut/Vuosijulkaisut/EN_2019_vuosijulkaisu_lr.pdf
[94] Mtv Uutiset. Kuka tienaa tankatessasi? MTV selvitti huoltoasemien omistajat. Available at: https://www.mtvuutiset.fi/artikkeli/kuka-tienaa-tankatessasi-mtv-selvitti-huoltoasemien-omistustajat/5191542#gs.w0ee6z

Bite Copenhagen 3 000 visitors 120 exhibitors		Bella Center, Copenhagen, Denmark	28.08.2019.-29.08.2019.	Trends in food, technology and innovation	www.bitecopenhagen.dk
Fastfood & Café Goteborg 200 exhibitors		Abymassan, Goteborg, Sweden	11.09.2019.-12.09.2019.	Food and beverages for HoReCa industry	www.easyfairs.com/fastfood-cafe-restaurangexpo-goeteborg-2019/fastfood-cafe-goeteborg-2019
Turku Food and Wine Fair/Ruoka ja Viinimessut		Turku, Finland	04.10.2019.-06.10.2019.	Food, wine, foodservice	www.turunruokamessut.fi
DanFish International 14 000 visitors 400 exhibitors		Aalborg, Denmark	09.10.2019.-11.10.2019.	Fishing industry	www.danfish.com
Food Proteins Europe		Copenhagen Towers, Copenhagen, Denmark	17.10.2019.-28.10.2019.	Protein ingredients	www.cmtevents.com/aboutevent.aspx?ev=191028&
Wine & Food/Viini ja ruoka		Messukeskus, Helsinki, Finland	24.10.2019.-27.10.2019.	Food, wine, foodservice	www.viinilehti.fi/tapahtumat/viini-ja-ruoka-tapahtuma
VeggieWorld		Halmtorvet, Copenhagen, Denmark	02.11.2019.-03.11.2019.	Vegan, vegetarian foods	www.veggieworld.de/en/event/copenhagen
Sthlm Food & Wine 30 000 visitors 250 exhibitors		Stockholmsmassan, Stockholm, Sweden	08.11.2019.-10.11.2019.	Food, wine, foodservice, equipment	www.sthlmfoodandwine.se
Nordic Organic Food Fair 5 000 visitors 500 exhibitors		MalmoMassen, Sweden	13.11.2019.-14.11.2019.	Organic, vegan and "free from" food and beverages	www.nordicorganicexpo.com
Smak 30 000 visitors		Norges Varemesse, Lillsetrom, Norway	03.03.2020.-06.03.2020.	Food, beverages, foodservice, equipment	www.smakmessen.no
Gastro 16 000 visitors 300 exhibitors		Messukeskus, Helsinki, Finland	11.03.2020.-13.03.2020.	Food and beverages for HoReCa industry	www.gastro.messukeskus.com
FoodExpo 26 000 visitors 300 exhibitors		MCH Messecenter, Herning, Denmark	22.03.2020.-24.03.2020.	Food, beverages, wine, foodservice, grocery retail, sustainability	www.foodexpo.dk
Lakeus Kokkaa 1 000 visitors 100 exhibitors		Seinäjoki, Finland	12.05.2020.	Food and beverages for HoReCa industry	www.lakeuskokkaa.fi
FoodTech 9 000 visitors 300 exhibitors		MCH Messecenter, Herning, Denmark	29.09.2020.-01.10.2020.	Food processing, ingredients and technology	www.foodtech.dk
Worlds Leading Wines Copenhagen 1 000 – 5 000 visitors 100 – 500 exhibitors		Copenhagen, Denmark	31.01.2020.	Wine production, distribution	www.worldsleadingwines.com

8. Trade regulations

8.1. EU-Ukraine trade relations

Finland, being part of the EU, has a harmonized legislation with the EU, and, overall, trade with Finland must comply with the rules and regulations set in the region. The EU and Ukraine have provisionally applied their Deep and Comprehensive Free Trade Agreement (DCFTA) since 2016. This agreement means both sides will mutually open their markets for goods and services based on predictable and enforceable trade rules. This is part of the broader Association Agreement (AA), which came into force in 2014.[95]

The key role of the AA/DCFTA is a facilitated access of Ukrainian food business operators to the EU market. Overall, the AA/DCFTA is bringing Ukraine's rules in line with the EU's in certain industrial sectors and agricultural products, as well as eliminating all existing tariffs for agricultural goods. On one hand, this access is based on the conditions of compliance with stringent EU requirements, which result in high costs of reforms for Ukraine and its food industry. On the other hand, compliance with the EU rules could help Ukrainian manufacturers gain other international markets.

In addition, the AA/DCFTA has been topped off with Autonomous Trade Measures (ATMs) regulation for several industrial goods and agricultural products, which entered into force in 2017. The EU Regulation on ATMs is set to increase the volume of agricultural products that Ukraine can export to the EU under the AA, without paying customs duties. In addition, from 2018, Ukraine has been allowed duty-free exports to the EU for a large amount of wheat, corn, barley, oats and barley cereals and granules.

8.2. Regulations and duties

As being a member of the EU, Finland is bounded to comply with EU rules and regulations, therefore imports from outside the EU must meet the requirements of both the EU and Finnish legislation. While the EU has a rather liberal foreign trade policy, there are a certain number of restrictions, especially on farm products, following the implementation of the Common Agricultural Policy. Restrictions apply to certain items, for example, it is forbidded to import beef cattle bred on hormones. The key legislation documents at the EU level are EC Regulation No. 178/2002 on the general principles and requirements of food law, and EC Regulation No. 852/2004 on the hygiene of foodstuffs.

In Finland, food industry is mainly regulated by the Food Act No. 23/2006[96]. The Food Act concerns all foodstuffs and all food operators in the food chain. According to the Food Act, every food operator is obliged to provide food suitable for human consumption complying with the food safety legislation. Food operators are also obliged to prevent the spreading of food borne diseases and eliminate other food related health hazards. The ultimate responsibility for product safety always lies with the food operator. In addition to the Food Act, there are several different acts and decrees that regulate food handling, storage, transportation, sale and serving.

Generally, in Finland, just like in the EU, legislation distinguishes between animal and non-animal foods, and the conditions for importation and the procedures to be followed for importation are different for animal and non-animal foods. Non-animal foods (plant based foodstuffs) imported from third countries or imported through trade must, as a general rule, comply with the same manufacturing and safety requirements imposed on similar products made for free circulation. In contrast to animal foodstuffs, there are generally no stipulations that non-animal foodstuffs be imported via special channels or control locations. Such requirements may be made in connection with specific restrictions. Non-animal foodstuffs can thus normally be imported directly to the receiving business, from which they can be turned over. However, animal foods (meat, milk, eggs, fish, honey, etc.) imported from third countries is subjected to stricter rules and must meet a number of additional animal health, public health and production hygiene requirements. Animal foodstuffs from third countries must enter the EU via an authorized border control post at the EU's outer borders. The border control post must always be notified in advance of the import, as the products are checked by the veterinary border control at the border inspection post where the lots are imported into the trade.

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[95] European Commission. Countries and regions: Ukraine. Available at: http://ec.europa.eu/trade/policy/countries-and-regions/countries/ukraine/
[96] Ministry of Agriculture and Forestry. Food Act 23/2006. Available at: https://www.finlex.fi/en/laki/kaannokset/2006/en20060023.pdf

Agricultural and food industries in Finland are governed by the Ministry of Agriculture and Forestry, which is responsible for the preparation of legislation concerning food and agriculture and is also responsible for the monitoring of its implementation. The Ministry of Agriculture and Forestry has thirteen agencies and institutes within its administrative sector. The most important one concerning enforcement practices and import policies for agricultural products is the Finnish Food Safety Authority (Ruokavirasto)[97], previously known as Evira. The Food Safety Authority controls the imports of foods derived from animals, implements control duties and steers control, carries out research and risk assessment, provides communication services and engages in international cooperation, in order to ensure the quality and safety of food products, as well as of the production input of agriculture and forestry, the health and well being of animals, and plant health. The Food Safety Authority also serves as the registry point for first destination operators or agents of food business before starting and closing down operations. In addition, summary of imported foods derived from animals must be reported monthly to the Finnish Food Authority monthly.

The import of food products and plants from outside the EU to Finland is also governed by the Finnish Customs (Suomen Tulli)[98]. The Finnish Customs is a central state agency supervised by the Ministry of Finance through performance management. The agency cooperates with the trade community as well as with domestic and foreign authorities. The Finnish Customs carries out controls of imports, exports and foreign traffic in addition to other customs measures, collects customs duties as well as excise duties and import VAT, and it also compiles foreign trade statistics and to investigates customs offences. It is the responsibility of the importer or the authorised agent to declare imported goods to Finnish Customs. This can be done through the Single Administrative Document (SAD), which is an import declaration form for all EU Member States. The document may be presented either by physically lodging it at the designated customs office or via submitting it electronically on the customs authority website.

There are no additional import duties for agricultural imports from Ukraine, since the introduction of DCFTA in 2016 and ATMs in 2017. The new trade regime has removed all import duties on agricultural products, as well as allowed Ukrainian companies to set up a subsidiary or a branch office in the EU on a non-discriminatory basis and enjoy the same benefits as domestic companies do.

8.3. Food safety and hygiene

Requirements of food safety and hygience in Finland are based on the EU standards, such as the EC Regulation No. 178/2002 on general principles of food law, EC Regulation No. 882/2004 on food controls, EC Regulation No. 852/2004 on the hygience of foodstuffs, EC Regulation No. 853/2004 on animal food, and EC Regulation on animal food control. All food hygiene standards in Finland have been harmonized with the EU, including phytosanitary standards in order to avoid diseases and pests. For plants, fresh fruits and vegetables, as well as raw and unprocessed nuts, a phytosanitary certificate is also required. Overall, the food business itself is responsible for the food safety of its food. It is the responsibility of the company to ensure that there is no health risk to consumers by using or eating the food.

Based on the EU legislation, Finland has created a national hygiene proficiency system, which assesses the level of food hygiene proficiency through a special proficiency test. Proficiency tests are arranged and hygiene passports issued by proficiency examiners approved by the Finnish Food Authority. In Finland, this obligation to demonstrate proficiency by way of the hygiene passport is statutory and applies to food industry employees who deal with easily perishable unpacked foodstuffs on food premises, including food factories in the area of Finland. Food industry operators are responsible for fulfilling this requirement, at their own expense, with regard to their employees as part of self-supervision. Food control authorities supervise

[97] Finnish Food Safety Authority. Available at: https://www.ruokavirasto.fi/en
[98] Suomen Tulli. Available at: https://www.tulli.fi

operators' compliance with the procedure and the relevant documentation. Overall, more than 1.1 million hygiene passports have been issued in Finland. This is well above the number for whom legislation would require a hygiene passport due to employment. Many food companies have expanded the requirement for hygiene passports on their own accord, to apply to all food employees within the company. This reflects the keen interest among Finns in clean and safe food and is a clear indication of the solid food hygiene proficiency of Finnish food industry employees.[99]

8.4. Marketing and labelling

Food trade operators exporting products to Finland must follow EU marketing and labelling standards, especially those regarding health claims, as well as labelling and packaging requirements which emphasize consumer safety and environmental friendliness. Even though the responsibility for compliance with marking and labeling regulations falls on the importer, exporters, however, should carefully follow importers' instructions. Products that already are in conformity with any standards adopted by the United Nations Economic Commission for Europe (UNECE), are considered as conforming to the general marketing standard in the EU, regarding such criteria as quality, size, labelling, packaging and presentation. The compliance with food marketing standards at the national level is controlled by the Finnish Food Authority, whereas the municipality is responsible for the control of food labelling in respect of the operators in its area. The control exercised by municipal authorities covers not only package labelling but also the information given about the foodstuff in marketing materials.

The importer's packaging can be inspected for the conformance of its labelling following the same procedure as prescribed for Finnish producers. When the correctness of the labelling is inspected, special emphasis is placed on the importer's inhouse control, i.e. on the determination of the work procedures by means of which the importer ensures the correctness of the labelling. If the control officer is of the opinion that a specific area needs to be examined in greater detail, the importer is obligated to provide the necessary assistance for carrying out the control and inspection.

The specific requirements for Finland is that the contents of the labelling must be in Finnish or Swedish. Particular emphasis is also on the provision of proper and well visible food information to consumers, such as all food ingredients, allergens, precise nutritional value and instructions for use. Labels and marking must accurately describe the contents of packages. Traceability of food products is also of utmost importance. For example, the country of origin must always be listed on food labels and all intermediaries, such as suppliers and distributors, must be included as well. In some cases, the importer may do the marking following arrival of the goods in Finland. A detailed guideline food labelling can be found in the website of the Finnish Food Authority[100].

Food labels in Finnish supermarkets

Food labelling in Finland is very common, both in supermarkets and food service industry. Food labels are seen not only a useful marketing tool for companies, but ialso an effective tool for the government to educate consumers on important health and environmental issues and promote certain types of products, as well as as an aid for consumers to quickly identify high quality products made by companies whose values they wish to support. Some of the most widespread labels for food and beverages in Finland are summarized in Table 12.

[99]Ruokavirasto. Hygiene Passport. Available at: https://www.ruokavirasto.fi/en/private-persons/hygiene-passport/
[100] Finnish Food Authority. Guidelines for controlling food labelling. Available at: https://www.ruokavirasto.fi/globalassets/tietoa-meista/asiointi/oppaat-ja-lomakkeet/yritykset/elintarvikeala/pakkausmerkinnat/en/en-pakkausmerkintojen_valvontaohje-17055_1.pdf

Table 12. The most common lables used for food and beverages in Finland[101]

Label/Logo	Description
Hyvaa Suomesta[102]	Hyvaa Suomesta is a mark of origin for packaged food of Finnish origin, which indicates that 75-100% of the raw materials used are coming from Finland, and that the final product is always manufactured and packed in Finland as well. The label is used by some 300 different food manufacturers, with a total of nearly 11 000 products. The label is voluntary and product specific.
Avainlippu (The Key Flag Symbol)[103]	Avainlippu (The Key Flag Symbol) demonstrates that the product has been manufactured in Finland, thus aiding consumers in choosing products that support the local economy. The domestic content of a product or service must be at least 50%, however, the average domestic content of products that use this label is more than 80%. Key Flag Symbol has been awarded to thousands of products and services.
Sirkkalehtilippu[104]	Sirkkalehtilippu is a label that allows consumers to identify Finnish-grown vegetables. The label is used by approximately 400 companies. The label also guarantees high wuality of products, since it only can be used on Extra or First Class products.
Kotimaista (SOK)[105]	Kotimaista is label created by the leading grocery retail chain S-Group (SOK), which is used to mark affordable products made in Finland, of locally sourced raw materials. The label gathers around 400 domestic products, and is available only for products sold in S-Group's stores.
Aurinkomerkki[106]	Aurinkomerkki is Finland's own national organic label, which meets the requirements of the EU regulation on organic products. In addition, the product bearing the label must be under the supervision of the Finnish Food Safety Authority, which grants the right to use the badge. Aurinkomerkki can be obtained by both Finnish and imported organic products. The mark may be applied for by an operator who produces, produces, produces, packages or imports organic products and is subject to the organic production control system.
Nordic Swan Ecolabel[107]	The Nordic Swan Ecolabel is a voluntary ecolabelling scheme for the Nordic countries - Denmark, Finland, Iceland, Norway and Sweden, established in 1989. The label aims to reduce the environmental impact from production and consumption of goods, and to make it easy for consumers to choose the environmentally best goods and services. Although the label is not applicable to foods and beverages, it is often used to indicate environmentally friendly liquid food packaging and food disposables.
The EU organic logo[108]	The EU organic logo is a sign of recognition to organic products. The logo can only be used on products if they contain at least 95% of organic ingredients. This makes it easier for the consumers to identify organic products and helps farmers to market them across the entirety of the EU. The logo can also be used on organic foods imported from third countries, however, if they have been certified as organic by an authorised control agency or body in the EU. This means that they have fulfilled strict conditions on how they must be produced, processed, transported and stored.

[101] Hyvaa Suomestaa. Apua merkkiviidakkoon. Available at: https://www.hyvaasuomesta.fi/suomalainen-ruoka/apua-merkkiviidakkoon
[102] Hyvaa Suomestaa. Lyhyesti Merkista. Available at: https://www.hyvaasuomesta.fi/lyhyesti-merkista
[103] Suomalainentyo. Aivanlippu. Available at: https://suomalainentyo.fi/yrityksille/avainlippu/
[104] Puhtaasti Kotimainen. Sirkkalehtimerkki kertoo kotimaisuudesta. Available at: https://www.puhtaastikotimainen.fi/sirkkalehtimerkki/sirkkalehtimerkki-kertoo-kotimaisuudesta/
[105] Patarumpu.fi. Suomalaista ruokaa suomalaisesta kaupasta: S-ryhmältä uusi Kotimaista-tuotesarja. Available at: https://www.patarumpu.fi/2014/03/12/s-ryhma-tuo-markkinoille-uuden-kotimaista-merkin/
[106] Ruokavirasto. Aurinkomerkki eli Luomu - valvottua tuotantoa –merkki. Available at: https://www.ruokavirasto.fi/yritykset/elintarvikeala/luomutuotteet/markkinointi-ja-merkinnat/aurinkomerkki/
[107] Nordic Ecolabel. The Nordic Swan. Available at: http://www.nordic-ecolabel.org/the-nordic-swan-ecolabel/
[108] European Commission. The organic logo. Available at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance/organic-logo_en

MSC label[109]	MSC is an international label of the Marine Stewardship Council, which is an independent organization that works to preserve the natural marine environment and ensure the wild fish stocks. The label can be used by fish producers when the catch meets the label's rules for environmentally friendly and sustainable fishing. The MSC scheme is based on three principles – firstly, fishing must be at a level that is sustainable for fish stocks, secondly, fishing must be regulated in a way that preserves the marine ecosystems, and, thirdly, fisheries must comply with all local, national and international laws and have a management system that maintains sustainability. In addition to MSC, which certifies wild-caught fish, there is also an ASC label, which certifies environmentally sustainable breeding practices.

All of these labels are voluntary, but many companies find that most Finnish consumers have a high awareness of schemes available on the market, and are increasingly choosing to adopt at least one label. For organic foods and beverages, labelling is especially important, because nearly all organic products in Finland are labelled. Beside the local Finnish labelling schemes mentioned, international labels are also used, of which the most popular are the Swedish KRAV label, the German BioSiegel label, as well as international Fairtrade label, etc.

9. Conclusions and recommendations

Finland is characterized by a relatively small, industrialized, free-market economy with a standard of living ranked among the leading countries in the world. Because of its increasing trade capabilities, Finland has become one of the best performing economies within the EU. However, for such an open economy, which is financially integrated and deeply dependent on trade with other countries, it is very vulnerable to external environment. This was well seen in 2014, when the Finnish economy was massively hit by Russia's trade sanctions, and managed to recover only in 2017. Because of its vulnerability to trade, the predicted fall of global demand in the coming years are expected to negatively impact country's growth.

In the Finnish economy, agriculture plays a relatively small role because of the cold climate and the land's high latitude, although Finland is self-sufficienct in major agricultural products, such as barley, wheat, sugar beets, potatoes, dairy cattle, and fish. For most of the other product groups, Finland is highly dependent on foreign imports, as it cannot meet the domestic demand with its own production. With imports of food and beverages in Finland significantly exceeding exports, country's trade balance remains explicitly negative, with the trade balance gap continuing to increase for the last years.

The role of imported food and beverages in Finland has grown even greater in the last couple of years, as Finland's food and beverage manufacturing industries have faced challenges, such as stagnating purchasing power, tight competition, high market share of low-cost private labels, and decreased consumption of certain product groups, such as alcoholic drinks. This has influenced even Finland's most significant food manufacturing sectors, such as manufacture of meat and meat products, manufacture of dairy products, as well as bakery and farinaceous products, all of which have had limited growth opportunities.

Finland has a trade deficit in most food and beverage product groups, but it is highest for fruit and nuts, certain beverages, spirits and vinegar, animal and vegetable fats and oils, preparations of cereals, flour and pastrycooks' products, as well as preparations of vegetables, fruit and nuts. Overall, Ukraine is exploiting its export capabilities to Finland rather well, by focusing on its specialization – cereals, but export of animal and vegetable fats and oils could be significantly increased, taking into account Finland's high import amounts and trade deficit within this product category. Also, Ukraine has good potential of expanding its exports oil seeds and oleaginous fruits, meat and meat offal, preparations of cereals, flour and pastrycooks' products, as well as certain subgroups of beverages, spirits and vinegar, as Finland also has a strong demand of

[109] Marine Stewardship Council. Mikä ihmeen MSC? Available at: https://www.msc.org/fi/tietoa-meista/tietoa-msc-sta

foreign products in these categories. Even though domestic origin of food and beverage products is highly important for Finnish consumers, the role of product origin decreases, as the domestic supply cannot meet the demand, as well as because the economy has tightened over the past years, with low-cost imported products holding their market share.

However, taking into account the high value placed upon locally produced foods among consumers, it is not uncommon for Finnish manufacturers to import raw materials from foreign countries, while maintaining the capability to produce a product that can be marketed as of Finnish origin. Also, it is even more common for Finnish retail giants to use this scheme when developing own private labels, the market share of which are rapidly growing due to involvement of the leading retailers such as S-Group and Kesko. The development of private labels of the leading grocery retail chains, has tightened the competition in store shelves, but, for foreign importers, his presents a market opportunity to manufacture for private labels, which can be more profitable in the niche of higher quality private labels in the so-called premium segment, which mostly consists of organic products.

In addition to trends revealed by trade data, Ukrainian exporter of any food product group must take into account that the Finnish market is also strongly driven mainly health, sustainability and ethical considerations of consumers, with the key consumption trends being organic and natural products, foods free from additives, healthy snacks and convenience foods. Also, even though the daily diets of Finns are heavily influenced by the traditional Finnish cuisine and still consume great amounts of meat and meat products, as well as dairy products, gradual changes in food consumption are taking place, characterised by the consumers' desire to adapt their diets to generally healthier consumption patterns. However, in comparison to other Nordic countries, Finns have been very slow to implement a diet that is less based on animal proteins.

In general, there are several strategies for small and medium Ukraine manufcturers to enter the Finnish market. But, at first, it can be suggested to search for potential cooperation partners which reside in the country locally. This is one of the cheapest possible cooperation options, as in this scheme the partner will largely be responsible for selling the product in the export market. The partner will have more extensive knowledge of consumer preferences and specific consumption habits, allowing manufacturers to focus on product development and production quality. Also, the recommended path for most small to medium sized manufacturers would be to trade in bulk with the target consumer being retailers with own private-labels, food service industry, as well as in food processing industry.

The most efficient trade channels could be specialized importers and wholesalers, which have good knowledge of the legal requirements and the local market, as well as offer a wider contact network. A particularly attractive trade channel are those importers which also are processors and marketers of their own branded products or offer private-label development services for major retailers. However, several key entry models for Ukrainian food exporters have been described and compared in Table 13, such as direct export to retailers, food producers and food service industry, as well as indirect export via importers and wholesalers.

Table 13. Key market entry models for Ukrainian food exporters targeting Finland

	Entry Model	Advantages	Disadvantages	Suitability
Bulk products	Indirect export via importers/ wholesalers	• Good accessibility • Local knowledge and contact network • Assistance with trade requirements • Many importers also act as processors/ private label developers	• Must mainly compete with mainly price	High

Bulk products	Direct export to food processors, producers and food service providers	• Ability to compete with lower prices due to cutting out middlemen • Full control over the supply process • An in-depth knowledge of the client needs	• Difficult to establish connections • Must ensure fulfilment of specific purchase requirements • Must mainly compete with either the price or be able to offer special foodstuffs • Specific purchase requirements	High
Bulk products	Direct export to retailers	• Ability to compete with lower prices due to cutting out middlemen • Good opportunities for supplying foodstuffs for private-label development • An in-depth knowledge of the client needs	• Difficult to establish connections • Must have good knowledge of Swedish consumers and trade requirements • Must mainly compete with either the price or be able to offer specialty foodstuffs • Specific purchase and delivery requirements	Medium
Branded products	Indirect export via importers/ wholesalers	• Good accessibility for foreign importers • Local knowledge and contact network • Assistance with marketing, promotion and trade requirements • Good opportunities for specialty foodstuff suppliers	• Must have good knowledge of Swedish consumers and trade requirements • Need to have a strong brand to compete • Consumers prefer local brands • Packaging and marketing related costs	Medium to low
Branded products	Direct export to retailers	• Ability to compete with lower prices due to cutting out middlemen • Full control over the supply process • An in-depth knowledge of the client needs • Good opportunities for specialty food suppliers	• Difficult to establish connections • Must have good knowledge of Swedish consumers and trade requirements • Need to have a strong brand to compete • Consumers prefer local brands • Packaging and marketing related costs • Specific purchase and delivery requirements	Low

By comparing main advantages and disadvantages of each model for Ukrainian food businesses, it can be determined that the most suitable models are either indirect export models based on trade in bulk, particularly – indirect export via importers and wholesalers, or direct export to food processors, producers and food service providers, or via developing relationship with grocery retailers that have a major focus on private-labels, and act as their subcontractor. The indirect export trade model is recommended most for small to medium sized manufacturers, as it has more advantages and present less barriers than others. Also, in this model there are no additional costs associated with marketing and the competition is based more on the price. For exporting and distributing food products in bulk, traditional trade partnerships are recommended, but for high quality, organic and other specialty foods, specialist operators should be contracted.

APPENDIX

Table 14. Detailed breakdown of average household annual expenditure on food and beverages by product group in Finland, 2016[110]

Product group	Expenditure	
Expenditure product group	*EUR, current prices*	*Share of total food and alcoholic beverages, %*
Total household expenditure	37 551	-
Food and non-alcoholic beverages	4 381	100.0%
Rice and rice products	31	0.7%
Bread, rusks and biscuits	317	7.2%
Pasta products	40	0.9%
Pizzas, hamburgers, crepes	45	1.0%
Savoury pies, pasties and sandwiches	74	1.7%
Cakes and pastries	102	2.3%
Other bakery products	8	0.2%
Flour, groats, cereals and grain snacks	76	1.7%
Other grain products	16	0.4%
Fresh, chilled or frozen meat of bovine animals	39	0.9%
Fresh, chilled or frozen meat of swine	81	1.8%
Fresh, chilled or frozen meat of sheep and goat	8	0.2%
Fresh, chilled or frozen poultry	113	2.6%
Sausages	135	3.1%
Cooked, smoked or grilled meat	131	3.0%
Other meat preparations	76	1.7%
Other fresh, chilled or frozen meat	139	3.2%
Fresh, chilled or frozen fish	106	2.4%
Fresh, chilled or frozen seafood	1	0.0%
Dried, smoked or salted fish and seafood	51	1.2%
Other preserved or processed fish and seafood and fish and seafood preparations	62	1.4%
Whole milk	16	0.4%
Low-fat, semi-skimmed and skimmed milk	168	3.8%
Preserved milk	1	0.0%
Yoghurt and curdled milk	111	2.5%
Cheese and curd	296	6.8%
Cream, sour milk and other milk products	88	2.0%
Eggs	41	0.9%
Butter	52	1.2%
Margarine and other edible fats	31	0.7%
Edible oils	15	0.3%

[110] Statistics Finland. Household consumption expenditure by type of household 1985-2016. Available at: http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin__tul__ktutk/statfin_ktutk_pxt_001.px/

Citrus fruits (fresh, chilled or frozen)	41	0.9%
Bananas (fresh, chilled or frozen)	41	0.9%
Apples (fresh, chilled or frozen)	31	0.7%
Berries (fresh, chilled or frozen)	112	2.6%
Other fresh, chilled or frozen fruits	49	1.1%
Dried fruit	57	1.3%
Preserved fruit and fruit-based products	36	0.8%
Leaf and stem vegetables (fresh, chilled or frozen)	63	1.4%
Cabbages (fresh, chilled or frozen)	17	0.4%
Tomatoes, cucumbers, peppers, peas, etc.	129	2.9%
Root crops, onions and mushrooms	69	1.6%
Dried vegetables	2	0.0%
Other preserved or processed vegetables	105	2.4%
Potatoes	35	0.8%
Potato products and other tubers	45	1.0%
Sugar	12	0.3%
Jams, marmalades and honey	23	0.5%
Chocolate	113	2.6%
Confectionery products	134	3.1%
Ice cream and edible ices	79	1.8%
Syrup	1	0.0%
Sauces and condiments, etc.	57	1.3%
Salt, spices and culinary herbs	25	0.6%
Baker's yeast, dessers, soup mixes, etc.	30	0.7%
Other food products	272	6.2%
Coffee and coffee drinks	96	2.2%
Tea, herbal tea and tea drinks, etc.	13	0.3%
Cocoa and ready-to-drink chocolate	6	0.1%
Mineral waters	39	0.9%
Soft drinks	72	1.6%
Fruit juices	77	1.8%
Other non-alcoholic beverages	31	0.7%
Alcoholic beverages	535	100.0%
Spirits	88	16.4%
Wine from grapes or other fruit	187	35.0%
Other wine-based beverages	32	6.0%
Beer	227	42.4%

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