Coffee and coffee products in Finland

Finnpartnership
2017

Image: William Reed Business Media Ltd

Finland (5.5 million inhabitants in 2017[1]) is among the highest coffee-consuming countries per capita with around 9.9kg per capita consumed in 2016[2]. This fact-sheet provides specifications for coffee products[3] in the Finnish market:

A. Product description

1. Language for coffee in Finland

Kahvi (in Finnish) / Kaffe (in Swedish)

2. Types of coffee imported to Finland

- Green coffee beans (not roasted, either decaffeinated or decaffeinated). There are two types of green coffee bean: Arabica and Robusta.

Arabica: Plantations are generally at altitudes of over 1000m, making it a "highland coffee". The average length of coffee beans of this variety is approximately 9mm and their color is greenish to blue-green. They have a strong and full flavor. Caffeine content is about 1.2%.

Robusta: This is a "lowland" coffee, as its plantations are, as a rule, below 1000m. The beans of this coffee variety are small, roundish and generally brownish to yellowy green. The coffee cherries ripen more quickly and their beans have a higher water content than the highland coffee and generally have a less powerful flavor. Caffeine content is about 2.3%.

- Roasted coffee
- Extracts, essences of coffee

Additional information

- In Finland, coffee is roasted lighter than in Southern and Central Europe and known to be the lightest-roasted in the world. The most popular coffee found in Finland is light-roasted, although a wide selection of (increasingly popular) medium- to dark-roasted coffee, from both Finnish and foreign brands, are also available at supermarkets and grocery stores.
- Consumers usually pay attention to the quality of the beans and purchase premium varieties

[1]According to Statistics Finland September 2017
[2]According to Finnish Coffee Roasters Association
[3]HS nomenclature 090111 Coffee, not roasted, not decaffeinated

such as single-origin coffee. Although light-roasted coffee is the dominant type in both the off-trade and on-trade, dark-roasted varieties are increasing in popularity each year. In the on-trade, the share of dark-roasted coffee already stood at 40% in 2016. Filter coffee has remained the most popular coffee preparation throughout the history of coffee, which naturally places fresh ground coffee as the leading coffee product. The most fashionable coffee preparation method in 2016 was cold brewing.

B. Finnish coffee market

1. Finnish coffee brands

Gustav Paulig Oy Ab accounts for 49%[4] of the value of all sales in Finland in 2016. The company's brands are well known and highly trusted throughout the country. Paulig imports 60 thousand tons of green coffee per year (which amounted to about 89% of the total Finnish imports in 2015). However, a large part of these green coffee imports is re-exported to Russia in green or roasted form.

Meira Oy (owned by Massimo Zanetti Beverage Group since 2002) ranks second in coffee sales.

Other small importers, who are especially interested in developing direct trade with exporters from developing countries: Cafetoria, Kaffa Roastery, Café Caracol, Mokkamestarit, Porvoon Paahtimo, Kaffiino Oy, Turun Kahvipaahtimo, Helsingin Kahvipaahtimo, Jyväskylän Tuorekahvipaahtimo, Kahiwa Coffee Roasters.

2. Retailers

Three largest retailers in Finland are S-Group, K-Group and Lidl, supplying over 90% of the Finnish food and beverage market (in 2016)[5]. Many Finnish buyers supply coffee products to these three retailers directly or indirectly.

Prisma (S-group)

Lidl

K-supermarket

Small-scale roasters with their specialty segments sell their coffee through Internet shops, local food shops, or the large retailers.

[4] According to Euromonitor Feb 2017
[5] According to Finnish Grocery Trade Association

[*Good Life Coffee shop*]

[*Kaffecentralen shop*]

[*Robert's coffee shop*]

The coffee market can also be segmented according to quality; e.g. the percentage of high-quality Arabica coffees in blends, single origins, micro-lots; marketing aspects, and related prices (see the section on "[Retail price]"). The Finnish market reflects the segments found on the European market: upper-end, mid-range and lower-end segments.

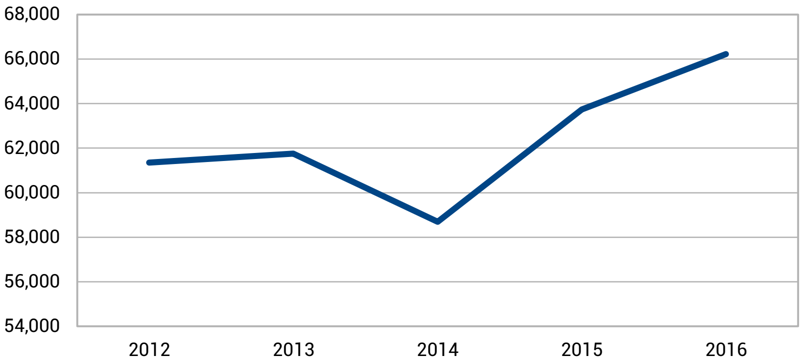
Detailed origins

Single origin, direct trade

Organic, fairtrade

Christmas coffee

Figure 1: Apparent consumption[6] in Finland of coffee and coffee products (in tons)



Source: Intracen (2017)

Additional information

- Green coffee beans are mainly imported into Finland via the Vuosaari harbor in Helsinki.
- As an exporter, entering the Finnish market depends on the coffee's quality, volume capacities (e.g., more or less than ten containers per year) and the strategy (e.g. supplying the market through intermediaries or directly to end-users).
- Mainstream Finnish market: most trading is done by roasters that source directly from the countries of origin. This market prefers large volumes (usually starting at ten containers), standard/consistent quality, competitive prices and the application of sustainability standards

[6]Apparent consumption is calculated as follows: Production plus imports minus exports. Note that variations in stock are not taken into account. It does not necessarily reflect the actual consumption, since importing countries may also export imported product again after an additional processing stage within another product group.

such as UTZ certified.

- Smaller, specialized market: focus on exporter's capacity to support sustainability and quality claims. Small roasters in Finland may source directly from farmers/cooperatives in countries of origin. Others purchase green coffee from international sourcing companies such as Collaborative Coffee Source, InterAmerican Coffee and Nordic Approach.
- It is likely that players will expand flavor range and specialty coffee types available in pod format.

C. Retail price

The retail price can be divided into 3 segments: upper-end, middle-end, and lower-end

- Upper-end: from about €30 per kg to €67.70 per kg
- Middle-end: from about €12 per kg to €29 per kg
- Lower-end: from about €6 per kg to €12 per kg

Figure 2: Price proportion breakdown for coffee (tax included)

Raw material

10%

Export

10%

Shipping & Roasting

55%

Retail

25%

Source: Oxfam International (2010)

Price mark-ups in the supply chain: As figure 2 shows, 20% of the final price of coffee goes to producers/exporters. The below table of exemplary coffee prices in Finnish retail provides indication of consumer prices.

Table 1: Example of consumer prices of coffee in Finland for Finnish brands[7]

	Product	Price
Upper-end		
	Kaffa Roastery - Kenya Ndumberi	€67.6/ kg
	Turun Kahvipaahtimo – Diima Natural Sun-dried, Ethiopia, whole bean. Fruity flavor.	€48.0/ kg
	The Cafetoria – Kenya AA Karimikui Sun-dried, 100% Arabica Red plums flavor	€48.0/ kg

	Product	Price
Upper-end		
	Kaffa Roastery India Monsoon Malabar AA Dark roast whole bean.	€32.8/ kg
	Mokkamestarit - Brasil Senhora de Fatima Organic, single origin	€42.2/ kg
	Papu – Colombia Organic coffee roastery Original	€42.0/ kg

[7]Based on retail prices in 2017

Middle-end		
	Paulig – Presidentti Origin blend, Colombia 100% Arabica	€12.3/ kg
	Meira – Reilu Fairtrade	€12.2/ kg
Lower-end		
	Paulig – Presidentti 100% Arabica	€9.90/ kg
	Meira – Kulta Katriina Organic Fairtrade	€7.76/ kg

Middle-end		
	Paulig – Mundo Dark roast, Colombia Organic certified, Fairtrade certified	€12.8/ kg
	Robert Paulig – Tom of Finland Medium roast	€27.8/ kg
Lower-end		
	Paulig – Juhla Vuosi Light roast	€7.98/ kg
	Pirkka – Costa Rica Dark roast	€5.98/ kg

Additional information

Export prices of green coffee only account for around 5 – 25% of the end market prices. More information in Export to Finland report, chapter 4.

D. Channels to bring coffee into the Finnish market

1. Direct contact with buyers through trade fairs

Wine, Food & Good Living is the leading exhibition in the field of food and beverages sector in Finland. Although the emphasis is on wine, there are also stands for coffee, tea and other beverages. More information of the 2017 fair could be found here (in Finnish).

Helsinki Coffee Festival is the biggest coffee festival in Northern Europe. This high-quality event brings together the most interesting coffee, roasteries, equipment manufacturers, and professionals. The coffee of the year (espresso and filter) and the best roastery and café in Finland will be awarded at the event.

Fastfood & Café & Ravintola, Helsinki offers visitors opportunities to find new trends, ideas, and concepts within the fastfood & café business gathered at one place. Plenty of exhibitors display provisions such as raw ingredients, fresh food, drinks, seasonings, packaging, decor, machines, utensils, clothing, check-out systems, and concepts.

SHOP 2017 HELSINKI

SHOP Helsinki is a major trade fair that offers two effective days full of innovations, inspiration, and information in the retail sector. It is a unique trade show combination that gathers retail professionals, decision makers, buyers and suppliers together for two effective days to meet face to face, find new products, services and attend to seminars.

- International European trade fairs is important for coffee:
  - Tea & Coffee World Cup - the only international trade show that brings together the entirety of the industry's supply chain – from bean and leaf to cup. Hosted in the UK.
  - World of coffee – Europe's largest coffee show (Amsterdam, 2018)
  - Anuga – leading trade fair for world-wide food and beverages. Hosted in Germany.
  - BioFach – fair for organic and natural products. Hosted in Germany.
  - Sial – Various food and beverage products. Hosted in France.

2. Information channels

- Finding buyers:

The following company databases could be of use when finding buyers: Finnish Coffee Roasters Association, Finnish chapter of the Speciality Coffee of Europe, Finnish Food and Drink Industries' Federation, The Food World, Europages and Organic Bio.

- Premium markets:

Finland provides good opportunities for premium markets such as on organic, fair trade, etc. For suppliers of organic coffee to go in to Finland, the EU, or ones' own country, go to the website of Utz, Rainforest Alliance or FLO and Organic Bio (see Chapter F, section 6). Multiple certification is a trend.

- Online/print information on trends:

Current consumer trends and industry developments can be found in the online magazine Coffee & Cocoa International. An annual subscription costs €215. Non-subscribers can view the cover and the first few pages for free. The Tea and Coffee Trade Journal is free of charge and offers valuable information on the coffee industry.

Additional information

- National coffee drinking culture

It can be helpful to approach Finnish buyers with little knowledge on local consumption customs. Finland is among the highest individual coffee-consumption globally. Coffee gives energy to Finnish people (Finns) at work, and also plays a center-stage role in events and festivities. Coffee breaks are often included in labor work agreements, illustrating how strongly Finns feel about it.

- Adapt to the Finnish business culture

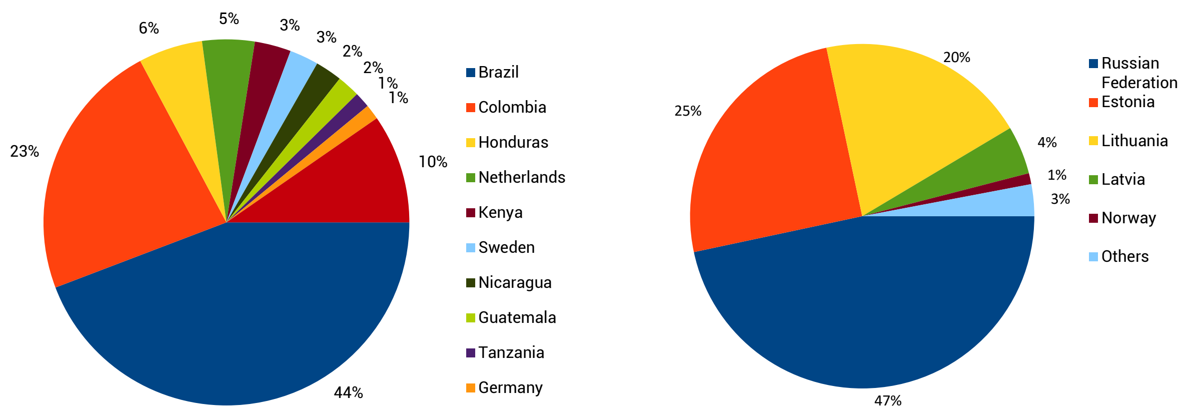
Finnish people consider punctuality as absolutely essential. Therefore, be consistent, punctual, reliable and honest. That means replying in time to inquiries (within 48 hours), being open and realistic, as well as not making promises that might not be fulfilled. Physical contacts such as back slapping or putting hands on shoulders are not generally done.

- Invest in communication

Finnish buyers will greatly appreciate if suppliers invest in professional communication, such as a good website, company brochure, product specifications and business cards. Modern (free of charge) methods of communication to stay in touch with their buyers, e.g. LinkedIn, Skype and Facebook, are widely known and increasingly accepted as (additional) promotional tools.

E. Competitions in the Finnish coffee market

Figure 3: Supplying countries of coffee to Finland and export from Finland (2016)

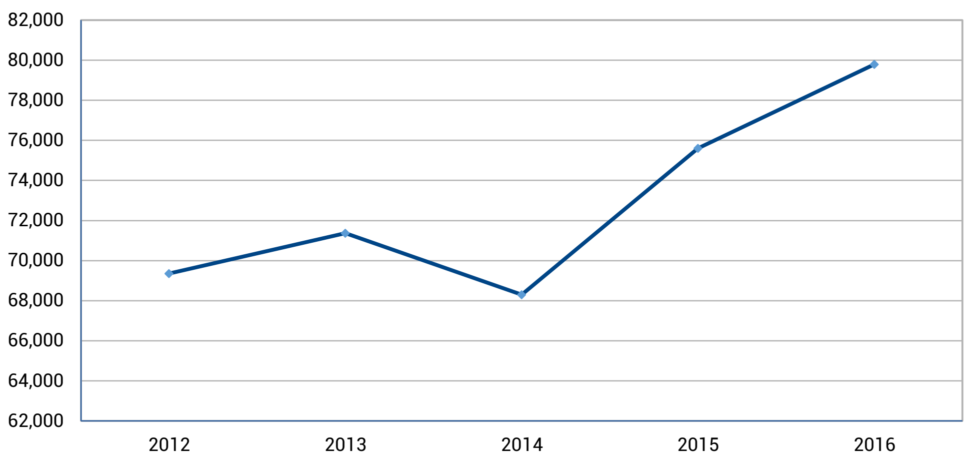


Source: Intracen (2017)

Import: Brazil's coffee supplying to Finland increased in volume at an annual average rate of 1.9% and decreased in value by 5.4%. Brazil remained the largest exporter of green coffee beans worldwide with over 30 million of 60kg bags in 2016. Coffee supplying from Colombia and Honduras increased significantly between 2011 and 2015, by 20% and 15%, respectively. In the same period, imports from Tanzania and Guatemala decreased sharply at an annual average rate of 12% and 20% in volume. Imports from Kenya increased by 5.9% in the same period.

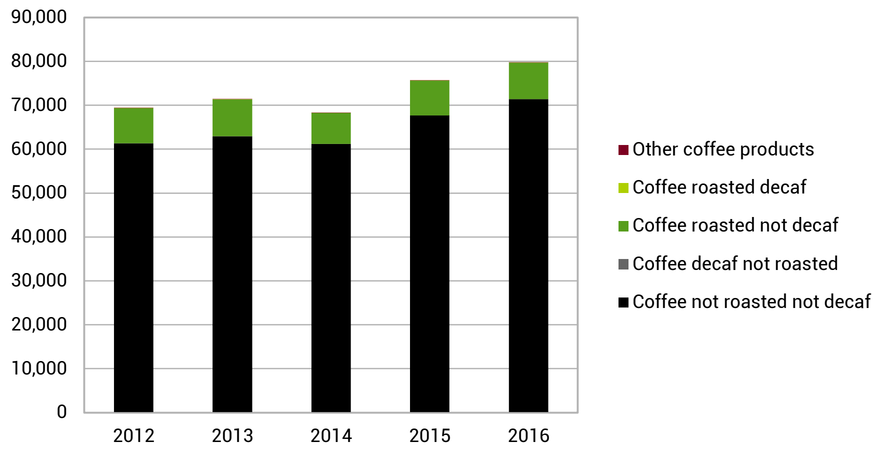
Export: Finland increased its exports of coffee (from about 8,000 kg in 2012 to over 13,000 kg in 2016), mainly to Russia, Estonia, Lithuania, and Latvia.

Figure 4: Coffee import quantities to Finland (in tons)



Source: Intracen (2017)

Figure 5: Import of various coffee products to Finland (in tons)



Source: Intracen (2017)

Proportions of decaf (either roasted or not) coffee and other coffee products (coffee husks and skins, coffee substitutes) imported to Finland are very small (from 0 to 50 tons in 2016).

Additional information

Roasting is mostly done in Germany, Italy, France, Sweden and Spain by European coffee companies. The green beans are imported from the producing countries (figure 3) and further processed and roasted close to the consumers based on their preferences.

F. Requirements for importing coffee products in Finland

The EU Directive 1999/4/EC defines sales names, definitions, characteristics, and labeling requirements relating to coffee intended for human consumption. For more information, contact the Finland Food Safety Authority or the buyer.

1. Weight classes

The screen size[8] is an indicator for bean size and thus weight class. The screen size is usually reported as, e.g., 17/18, 15/16, 13/14, respectively meaning 17/64 of an inch, 18/64 of an inch. Click here for an overview of bean size classification.

2. Quality

Grading and classification is usually based on the following criteria:

- Altitude and/or region
- Botanical variety
- Preparation (wet or dry process, washed or natural)
- Bean size (screen size), sometimes also bean shape and color
- Number of defects (imperfections)
- Roast appearance and cup quality (flavor, characteristics, cleanliness)
- Density of the beans

See Codex Alimentarius for the codex general standard for food additives.

[8]Coffee is graded by size using rotating or shaking screens (replaceable metal sheets) that have round holes in them to allow the retain of beans over a certain size and smaller beans to pass.

3. Labeling

- Finland complies with the EU general food labeling requirements applicable to all foodstuffs. The label should include e.g. the name of the product (coffee variety), details of producers (name and address), batch number, weight of contents, grade.
- For coffee extract, soluble, or instant coffee (except for café torrefacto soluble), specific label requirements are applied:
  - Markings, such as “coffee extract”, “soluble coffee extract”, “soluble coffee” or “instant coffee”, mean that the package contains concentrated products obtained by extraction from roasted coffee beans using only water as medium of extraction and excluding any process of hydrolysis involving the addition of an acid or a base.
- Finnish importers may ask for additional requirements. For sustainability labels, see section 7 (Non-legal requirements) below.

4. Packaging

4.1. Common ways of shipping

Coffee is transported from its country of origin to its final destination by loaded into 20-feet containers. The containers can be loaded with either approximately 250–275 bags of tightly stacked bags made of woven natural materials (e.g. jute or sisal, with or without a plastic inner bag) or a bulk bag that holds the equivalent of 300 bags (approximately 20 metric tons). The containers are then loaded onto large cargo ships bound for a specific destination.

4.2. European standards

- Minimum standards for packaging

The objective of this legislation is, on one hand, to provide environmental protection and, on the other hand, to ensure free trade within the single market of the European Union (EU). The Alliance for Beverage Cartons and the Environment has published a list of frequent Q&As.

- The EU has laid down rules for materials and articles coming into contact with food (including, e.g., packaging) in order to prevent any unacceptable change in the composition of the foodstuffs and to protect human health (see Legislation below). More information could be found in the Practical Guide of the Commission on the EU Food Contact Directives.
- The Finnish Waste Law (2011, updated in October 2017) obliges Finnish companies to recycle the packaging of their coffee products placed in the Finnish market. It is largely based on the EU packaging legislation, but incorporates some stricter national requirements. This legislation is not directly applicable to a supplier outside Finland. However, Finnish buyers might forward requirements regarding the type of material used for packaging on to the supplier.
- Products for which producers are responsible include recyclable papers and other packaging materials. For more information, contact the Finnish Ministry of Environment.

4.3. Form and packing illustration

5. Legal requirements

General food law	Food safety is a key issue in EU food legislation. The General Food Law is the framework regulation in EU food safety legislation. The legislation also introduces requirements on traceability.
Contaminants in food	The EU food safety policy has set maximum levels for certain contaminants in specified products or product groups. • mycotoxins - produced by fungi (which are usually orders of magnitude more toxic than pesticides and can therefore be regarded as a failure in pest management) • poly-aromatic hydrocarbons (PAH) – which can result from coffee beans coming into direct contact with smoke, e.g. during artificial drying using badly designed or poorly maintained driers • heavy metals (rare and usually associated with coffee grown on volcanic soil) • specific limits of Ochratoxin A are set for coffee and the limits vary depending on whether the coffee is roasted or soluble Research by CIRAD shows that beans with agronomic defects are much more contaminated than healthy beans. Beans damaged by insects (coffee berry borers, antestia bugs or fruit flies) or by other fungal attacks, such as anthracnose, play a role in the contamination of coffee. Removing these damaged beans greatly reduces ochratoxin A contamination.
Food contact materials	The European Union has laid down rules for materials and articles coming into contact with food (including, e.g., packaging) in order to prevent any unacceptable change in the composition of the foodstuffs and to protect human health. More information could be found in the EU legislation - Food Contact Materials.
Food control	All food products entering the EU are subject to be checked whether they are in compliance with the relevant food legislation by official controls.
Food labeling	The EU provides general food labeling requirements applicable to all foodstuffs. In addition, it outlines requirements related to nutrition and allergens labeling.
Good manufacturing practice (GMP) for food contact materials	The EU has developed Good Manufacturing Practice (GMP) for manufacturers of materials and articles intended to come into contact with foodstuffs. It is not directly applicable to producers outside the EU. However, it may be relevant since buyers can demand a quality system. Common quality requirements of Finnish companies include: • employee hygiene • hand washing • proper use and storage of clothing • regulated traffic flow throughout the farm and/or fabric • chemical usage (kept to a minimum), identification of allergens and related controls and procedures (where appropriate)
Hygiene of foodstuffs	The EU legislation on hygiene of foodstuffs (HACCP) is legally binding for food processors, and is recommended for farmers (primary production).
Maximum	EU legislation has been laid down to regulate the presence of pesticide

Residue Levels of pesticides in food	residues (MRLs) in food products. See more specific information on MRLS from ICC or the Coffee Guide by ITC.
Microbiological contamination of food	The EU has set microbiological criteria for food borne micro-organisms, their toxins and metabolites.
Organic production and labeling	The EU has established requirements on the production and labeling with which an organic product of agricultural origin must comply, in order to be marketed in the EU as "organic".

6. Non-legal requirements

The responsibility policies of importers and retailers often incorporate the following standards:

6.1. Quality

The ISO9000 family provides guidance and tools for ensuring that products and services consistently meet customer's requirements, and that quality is consistently improved.

6.2. Health & safety

A large share of buyers in Finland has implemented a food safety management system and will ask suppliers to do the same. These systems often go beyond legal requirements. Listed below are systems that could be important in the Finnish market. More information could be found in the CBI's document Food Safety Management Systems.

The ISO22000 addresses various aspects of environmental management. It provides practical tools to identify and control environmental impact and constantly improve their environmental performance.

The Hazard Analysis Critical Control Point is a methodology, based on seven principles, which food processors, packagers and distributors must use to identify the potential hazards that can be introduced while the food is under their care.

The IFS Food is standard for auditing food safety and quality of processes and products of food manufacturers. It concerns food processing companies or companies that pack loose food products.

The GlobalG.A.P. supports good agricultural practices that helps to provide safe and traceable products. It has been becoming a minimum requirements demanded by Finnish retailers (as most European retailers).

6.3. Sustainability

Sustainability will become even more important in the future. It covers environmental, economic and social aspects, including health and safety issues. Relevant consumer labels on the Finnish market are UTZ, Organic, Fairtrade and Rainforest Alliance.

National coffee brands have not yet largely picked up sustainability targets as in other EU countries. Paulig, Finland's largest coffee brand, has limited targets for 4C (sector Initiatives below) and Meira Oy also has its own fair-trade brand: Meiran Reilu kahvi.

Industry codes	Coffee companies often have their own codes of conduct that deal with social and environmental issues. The most progressive strategies come from Starbucks and Nespresso. Starbucks has its own private standard for quality and sustainable coffee production, termed Starbucks' Coffee and Farmer Equity Practices (CAFE Practices). Nespresso's private AAA guidelines have a similar approach and focus on quality aspects like origin and taste. For information on Finnish brands, see the corporate responsibility strategy by Paulig and the quality statement by Meira (only in Finnish).
Sector initiatives	The International Coffee Organisation is the forum that brings coffee producing and consuming countries together to address problems facing the coffee sector. Together they compose agreements that serve as a basis for national legislation and company codes.
	The Common Code for the Coffee Community (4C), now Global Coffee Platform, is an important Business-to-Business label. Paulig joined 4C recently and will use 4C coffee at least for the minimum amount required by 4C. Paulig has several certified coffees both Utz Certified (e.g. Brazil, Paulig Kenya) and double certified Fair Trade+ Organic products such as Paulig Mundo, Paulig Mexico, Paulig Colombia and Paulig Espresso Originale. Paulig has a target of 5% share of all coffees by 2020 in 4C. International brands such as Kraft (USA), which have (a marginal) market share in Finland have higher targets.

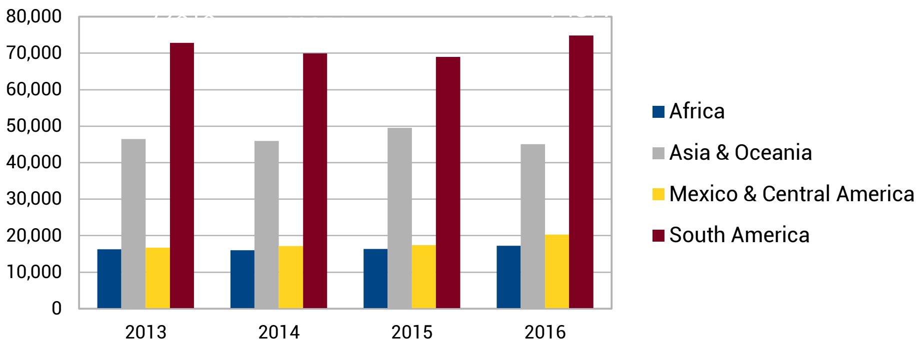
Additional information

Sustainability policies of retailers in Finland: Three largest retailers (i.e. S-Group, K-Group, Lidl) supply over 90% of the market. These groups often go beyond pure legislative requirements on food safety, quality and environmental issues. Most of the buyers will supply these retailers directly or indirectly and will therefore forward those stricter requirements on to their suppliers. They communicate to their consumers in policy statements. See their policy statements and criteria below for further information:

- S-Group responsibility policy
- K-Group responsibility policy
- Lidl Finland responsibility statement (only available in Finnish)

G. Key figures of coffee products affecting Finnish market

Figure 6: Estimated global coffee production by region (in thousand 60kg bags)



Source: International Coffee Organization (2017)

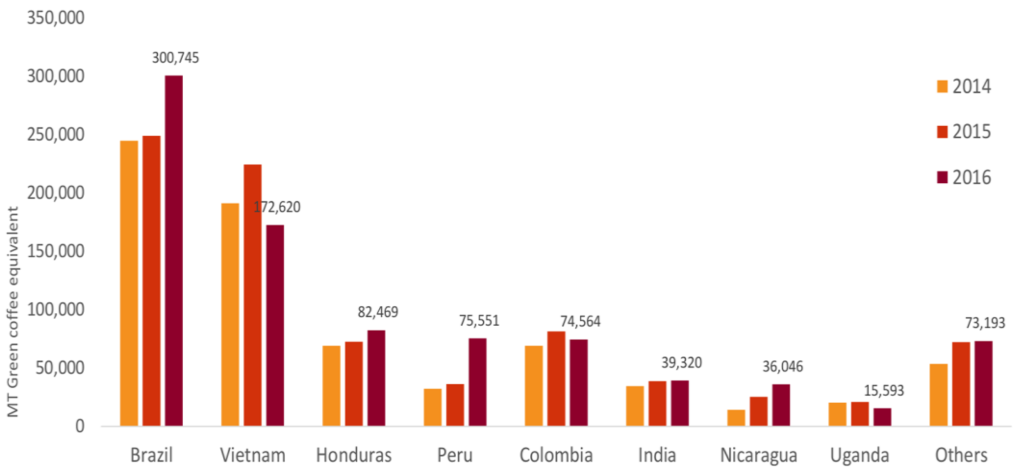
- ***Threat of global supply shortage***

With many European importers, manufacturers, and retailers committing to source 50–100% of coffee as certified in the near future, a considerable challenge for exporters is addressed in order to manage their positions and supply in the chain of custody (from production to processing to retail industries in Europe). Also related to requirements of certification schemes, increasing yields and securing of supply will be a big challenge for farmers and exporters in the producing countries.

- ***Shifts in producing countries***

Latin America is still the largest producing continent so far (see figure 6). However, in Vietnam, the government, supported by development agencies, launched a vast coffee-growing program to support their coffee industry with spectacular success: in just two decades, Vietnam became the second biggest exporter in the world after Brazil, and the number one exporter for Robusta beans in particular. Note that in the future, changes between supplying countries may occur due to more large-scale sector interventions (mostly by the national governments in the producing countries).

Figure 7: Estimated coffee production per origin country



Source: UTZ (2017)

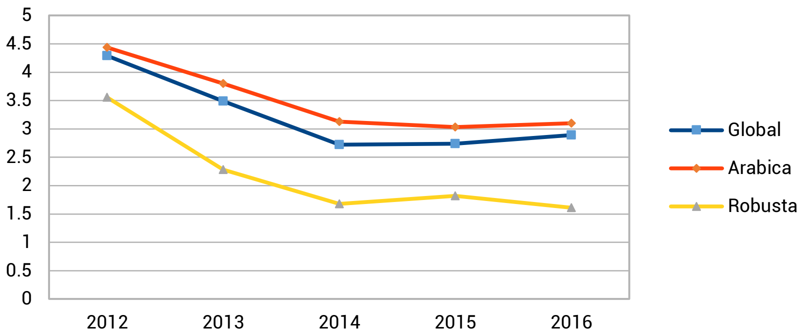
- ***Yields vary between producing countries***

Stakeholders (companies and/or governments in importing and producing countries) are investing in Good Manufacturing Practices (GMP). This has led to variations in production yields e.g. Brazil produces 2.14 tons/ha, Vietnam produces 1.27 tons/ha, Ethiopia 0.79 tons/ha. It does not necessarily mean that higher yield countries are more reliable import partners for Europe, but it is good to know that yields can be improved. GMP is also incorporated in sustainability labels such as UTZ Certified. In case the supplier is not involved in a large-scale program by the government or an importer, sustainability certification may be an opportunity to receive support on GMP.

- ***Price trends to watch***

Prices are dictated by the world market. The coffee (reference) price is determined by the world market. A first indicator to follow the market price developments is to watch the price trends (see figure 8 below). More information on price could be found here.

Figure 8: Price trends of Robusta and Arabica coffee



Source: *UTZ* *(2017)*

The high price in 2012 reflects successful harvests and full stocks all over the world.

- ***Quality segments vary in price***

Quality differences can vary as much as 40% between quality grades and between Arabica and Robusta. Quality grades of beans are important. See an example of the grading on this website.

- ***Price premiums for fair-trade certified coffees***

Fairtrade Labeling Organization guarantees a price premium, whereas Rainforest Alliance and UTZ Certified labels do not (instead, they focus on increasing sustainable yields, by which quality and output/yield increases, that may lead to indirect price increases). For example, the current Freight-On-Board (FOB) Fairtrade minimum price for conventional Arabica was set at $1.40 per pound and the premium was set at $0.20 (in December 2017). For more information see the Pricing Database of Fairtrade. The premium is an added value price that is supposedly transferred from producers to consumers.

References and useful sources

- CBI's coffee report (2017)
- Coffee Market Report (global, November 2017)
- Coffee Statistics Report (2016) - UTZ
- The Finnish Coffee Roasters Association – contact them for their members (only in Finnish)
- Finnish Food and Drink Industries' Federation and Finland business culture
- Finland Food Safety Authority
- EU Organic Farming
- Faitrade Labelling Organisations International (FLO)
- UTZ certified
- Rainforest Alliance
- Find a profile sheet of the Finnish market for coffee here on the website of the International Coffee Organisation (ICO)
- Information on packaging can be found at the website of ITC on export packaging
- The EU Trade Helpdesk

This report was compiled and updated by Finnpartnership based on CBI's marketing reports.