CBI Product Factsheet: Tea in Finland

'Practical market insights on your product'

Tea consumption in Finland (5.4 million inhabitants) is, in contrast to most European countries, not saturated, but growing. Specialty teas such as loose leaf teas, or single origin teas in particular are expected to increase in popularity. Sustainability labels are common as international tea brands mostly supply the Finnish tea consumers. This factsheet will provide you with the most important specifications of the Finnish market for tea products by looking at the four P's of the marketing mix: product, price, promotion and place.

Product

Product specifications	
Language for tea	Tee (Finnish) Te (Swedish; the second official language in Finland)
Form of sale	Finland imports mainly tea in bags not exceeding 3 kg, meaning that the tea is usually imported as a ready-for-retail consumer packages. The blending and packing has been done mostly in the UK by packers who use loose tea from producing countries.
Green vs black tea	The most important types of tea are black tea and green tea. Other types are Oolong tea and white tea. They are all produced from the buds and leaves of the same species (*Camellia sinensis*). The difference is in the processing (fermented of not fermented).
Weight classes	Classification by net weight: • Full chest 35 - 60 kg or 40 - 73 kg (Type 1: 16 x 20 x 24 inches) • ½ chest 20 - 40 kg or 30 - 40 kg (Type 2: 16 x 16 x 24 inches) • ¼ chest/box 9 kg • Paper and jute bags 25 - 60 kg
Quality	Grades of tea are classified by: • country of origin; • leaf size/shape. e.g. Darjeeling (district in Northern India), F.O.P. (flowery orange pekoe). Tea grading is not standardised internationally, so make sure you agree on specifications with your buyer. Exemplary specifications can be found on this website. See Codex Alimentarius for the codex general standard for food additives.
Labelling	1. Finland complies with EU general food labelling requirements applicable to all foodstuffs. In addition, it outlines requirements related to nutrition and allergens labelling. See for more information: Regulation (EU) No 1169/2011.The label should include the name of the product (type of tea), details of the producer (name and address), batch number, weight of contents, grade. 2. Sample chests are marked with a cross and a special stamp to

	indicate this status. Tea chests which have been additionally packaged and sealed in the country of origin are described as "country coopered packages", while those which are packaged on arrival at the port of destination are described as "dock coopered package. 3. Your Finnish importer may ask additional requirements. 4. Sustainability labels: see below non legal requirements
Packaging	**Common ways of shipping:** Common ways of shipping: Tea is packaged in light plywood chests which are lined with aluminium foil and one or two plies of parchment paper, so providing aroma-proof packaging. The corners are covered with sheet metal to reinforce the chests and protect the contents from humidity/moisture and foreign odors. Plywood chests from China and India are often additionally protected by bast mats or fabric. China tea is also shipped in tinplate containers which are sealed with solder and additionally wrapped with bast mats. **European standards:** • Minimum standards for packaging (see legislation). The objective of this legislation is on the one hand to provide for 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 published a list of frequent Q&A. • The EU has laid down rules for materials and articles coming into contact with food (including for example packaging) in order to prevent any unacceptable change in the composition of the foodstuffs and to protect human health (see legislation below). See the this Practical Guide of the Commission on the EU Food Contact Directives. • The Finnish New Waste Law (May 2012) obliges Finnish companies to attend to the recycling of the packaging of their tea products they place on 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 you as a supplier outside of Finland. However Finnish buyers might forward requirements regarding the type of material used for packaging on to you as a supplier. Products covered by producer responsibility include recyclable paper and other packaging materials. For more information, contact the Finnish Ministry of Environment.
Forms and packaging illustration	 

Legal requirements

For more information contact the Finland Food Safety Authority or your buyer.

Topic	**Brief description**	**More information**
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.	EU legislation: General food law
Contaminants in food	The EU has set maximum levels for certain contaminants. Beside pesticide residues (see below), monitoring may take place for: • Foreign matter: contamination by foreign matter like plastic and insects are a threat when food safety procedures are not carefully followed. • Microbiological: although tea is a low-risk commodity contamination with salmonella can be a serious threat. In the current EU	EU legislation: Contaminants in food

	legislation on microbiological criteria for tea has been set. EU authorities however can withdraw imported food products from the market or prevent them from entering the EU when salmonella is found present	
Food contact materials	The European Union has laid down rules for materials and articles coming into contact with food (including for example packaging) in order to prevent any unacceptable change in the composition of the foodstuffs and to protect human health.	EU legislation: Food contact materials
Food control	All food products entering the EU are subject to official controls to check whether they are in compliance with the relevant food legislation.	EU legislation: Food control
Food labelling	The EU provides general food labelling requirements applicable to all foodstuffs. In addition, it outlines requirements related to nutrition and allergens labelling. Informal guidelines on how to describe the nutrition information are published by the EU.	EU legislation: Food labelling
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 foodstuff. It is not directly applicable to producers outside the EU. However, it may be relevant, because of 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)	EU legislation: Good manufacturing practice (GMP) for food contact materials
Hygiene of foodstuffs (HACCP)	The EU legislation on hygiene of foodstuffs (HACCP) is legally binding for food processors, and is recommended for farmers (primary production).	EU legislation: Hygiene of foodstuffs (HACCP)
Maximum Residue Levels (MRLs) of pesticides in food	EU legislation has been laid down to regulate the presence of pesticide residues (MRLs) in food products. Most common MRLs in tea are: dicofol, ethion, quinalphos, hexaconazole, fenpropathrin, fenvalerate and propargite. See the European Tea Committee's code of practice: pesticide residues in tea.	EU legislation: Maximum Residue Levels (MRLs) of pesticides in food
Microbiological contamination of food	The EU has set microbiological criteria for food borne micro-organisms, their toxins and metabolites.	EU legislation: Microbiological contamination of food
Organic production and labelling	The EU has established requirements on the production and labelling requirements with which an organic product of agricultural origin must comply, in order to be marketed in the EU as "organic".	EU legislation: Organic production and labelling

Non-legal requirements The responsibility policies of importers and retailers most often incorporate the following standards:		
Quality		
	ISO9000 family provides guidance and tools for ensuring that products and services consistently meet customer's requirements, and that quality is consistently improved.	International Standard Organisation
Health & safety A large share of buyers in Finland has implemented a food safety management system and will ask of you to do the same. These systems often go beyond legal requirements. Listed below are three systems that can be important in the Finnish market. For additional food safety systems and more information about the topic refer to CBI's document Food Safety Management Systems.		
	ISO22000 addresses various aspects of environmental management. It provides practical tools to identify and control environmental impact and constantly improve their environmental performance.	International Standard Organisation
	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.	EU legislation: Hygiene of Food (HACCP)
	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.	International Food Standard
	GlobalG.A.P. supports good agricultural practices that helps to provide safe and traceable products. It is becoming a minimum requirements demanded by Finnish retailers (as most European retailers).	GlobalG.A.P.
Sustainability		
Sustainable sourcing	The most important label is Rainforest Alliance which is found on Lipton, and Twinings tea products. Other relevant labels are Organic, Fairtrade and UTZ. Both Twinings and Unilever committed to solely sourcing tea with Rainforest Alliance certification. This makes Rainforest Alliance the leading certification in Finland.	Labels and Standards: Sustainability in Coffee, Tea and Cocoa Organic labelling of food products European buyer requirements: coffee, tea and cocoa Etiqueta Internacional de Sostenibilidad: Rainforest Alliance
Sector Initiative	The Ethical Tea Partnership (ETP) is an alliance of UK tea packers who are working together to improve the sustainability of the tea sector. Since Twinings is so relevant in Finland, this initiative is relevant for the Finnish market important	http://www.ethicalteapartnership.org
Management system	**ISO22000** addresses various aspects of environmental management. It provides practical tools to identify and control environmental impact and constantly improve their environmental performance.	International Standard Organisation

Box 1. Example of sustainability policies of retailers
In Finland the three largest import/wholesale groups (i.e. S-Group, K-Group, Suomen Lähikauppa) supply over 80% of the market. These groups often go beyond pure legislative requirements requirement on food safety, quality and environmental issues. Most of your buyers will supply these retailers directly or indirectly and will therefore forward those stricter requirements on to their suppliers. They communicate it to their consumers in policy statements. See their policy statements and criteria below:

- S-Group responsibility policy
- K-Group responsibility policy
- Lähikauppa responsibility policy (only available in Finnish language)

Price trends to watch

Figure 1: Trends in average price of the 3 largest auctions (in US -dollars)

Source: http://www.mongabay.com/images/commodities/charts/chart-tea-3.html

- ***Prices are dictated by auction system***: Unlike the coffee and cocoa trade, there is no single indicator price for tea. Instead, pricing is dominated by the auction system, where the price of tea from each estate is determined on a day-to-day basis, according to the quality and supply and demand on the day. This is because tea quality will vary considerably even from the same factory and region on a weekly or monthly basis. The average prices at the three most important auction centres (Kolkata, India; Colombo, Sri Lanka; and Mombasa, Kenya) are a reference for the world market price. They show an increase of prices. See for example http://siliguriteaauction.com/yearly-average-price.html
- ***Price trends and indicators for fluctuations***: The auctions are facilitated by brokers. Brokers communicate information regarding supply and demand, and indirectly determine the price of tea. An untypical example is Ceylon tea from Sri Lanka that is processed in Sri Lanka itself. Usually, the market growth for fair trade tea slows down, when tea prices rise in the conventional market, reducing the advantage of the Fairtrade certification for tea producers.

Figure 1: Price breakdown for tea (excluding taxes)

Source: Fairtrade Labelling Organisation: http://www.fairtrade.org.uk/includes/documents/cm_docs/2010/f/1_ft_tea_report_artworkfinal_for_web.pdf

- ***Price mark-ups in the supply chain***: As figure 2 shows, 15% of the final price of tea goes to the producer/exporter. Blending and processing offers the most profit, but is usually not done in developing countries. To give you an indication of consumer prices, a table of exemplary tea prices in Finnish retail is shown below.
- ***Premiums for fairtrade certified teas:*** There is usually a premium for sustainable certified tea. FLO guarantees a price premium, whereas Rainforest Alliance and Utz Certified labels do not (in stead, they focus on increasing sustainable yields, by which quality and output/yield increases by other may lead to indirect price increases). The Fairtrade Premium for India - Darjeeling is $ 0.5 per kilo. For other teas (also herbal teas), see the Pricing Database of Fairtrade. The premium is an added value price that is supposedly transferred from the producer to the consumer. The premium is an added value price that is supposedly transferred from the producer to the consumer.

Table 2: Consumer prices of (sustainable) tea in Finland

Product	Price	Photo example
Lipton black tea Certified Rainforest Alliance (UK brand sold in Finland)	€ 52.67 /kg	
Nordqvist Keisarin Morsian 'The Emperor's Bride' (Finnish brand)	€ 105.14 /kg	
Lipton Green Tea Certified Rainforest Alliance (UK brand sold in Finland)	€ 106.36 /kg	
Twinings Organic Green Tea & lemon Certified Rainforest Alliance (UK brand sold in Finland)	€ 123.51 /kg	
Forsman Loose leaf tea Certfied Fairtrade Tea	€ 234 / kg	

*Based on retail prices in 2013

Key promotional assets and skills

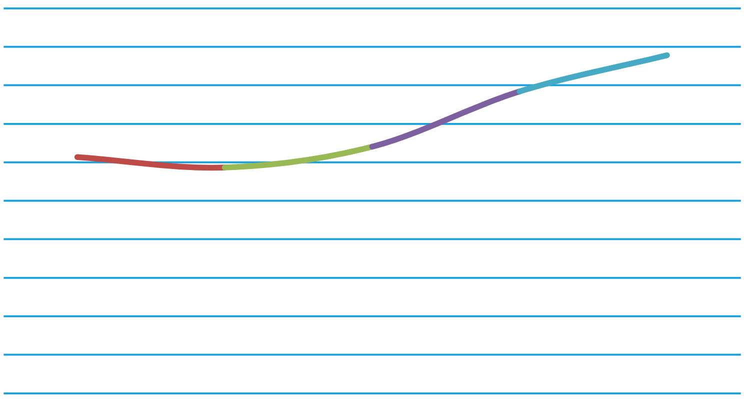
- ***Adapt to the Finnish business culture***: Finns consider punctuality as absolutely essential. Therefore, be consistent, punctual, reliable and honest. That means reply in time to enquiries by possible buyers (within 48 hours) and be open and realistic and do not make promises that you might not be able to fulfill. Physical contact such as back slapping or putting hands on shoulders is not generally done.
- ***Invest in communication*:** Finnish buyers will greatly appreciate if you have invested in additional professional communication, such as a good website, company brochure, product specifications and business cards. Modern (free of cost) methods of communication to stay in touch with their buyers like LinkedIn, Skype and Facebook are widely known and increasingly accepted as (additional) promotional tools.
- ***National tea drinking culture:*** It can be helpful to approach Finnish buyers with a little knowledge on local consumption customs. Did you know that the people of Finland are among the biggest coffee consumers in the world? Therefore, the tea market is rather underdeveloped, compared with other European countries such as the UK. However, Finnish consumers are increasingly willing to try out new flavours and types of tea. Furthermore, tea is likely to witness further 'premiumisation', with quality increasing in importance.
- ***Direct contact with buyers through trade Fairs.*** The best way to get in touch with Finnish buyers is to visit 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.
    - Myymälä is the major trade event in event in Finland, dedicated to the retail sector. In 2013, Myymälä 2013 (Retail) was co-located with Fastfood & Café 2013 and Ravintola 2013 (Restaurant) at the Helsinki Exhibition Centre. Information on these fairs can be found at the website of Easyfairs.

  International European trade fairs on important for tea:
    - Anuga - leading trade fair for world-wide food and beverages, Germany.
    - BioFach - fair for organic and natural products, Germany.
    - Sial - Various food and beverage products, France
- ***Online/print information on trends:*** Current consumer trends and industry developments can be found in the online magazine The Tea and Coffee Trade Journal (free of charge).

- ***Targeting your buyers***: Use the following company databases to find buyers: Finnish Food and Drink Industries' Federation, The Food World, Europages and Organic Bio.
- ***Premium markets***: Finland provides good opportunities for the premium market (e.g. organic, fair trade). The over-all market share of organic food in Finland is less than 2%, but has grown annually with approximately 40% in the last two years. For suppliers of organic tea in Finland, the EU or your own country go to the website of Utz, Rainforest Alliance or FLO and Organic Bio (see non-legislation). Multiple certification is a trend as well.

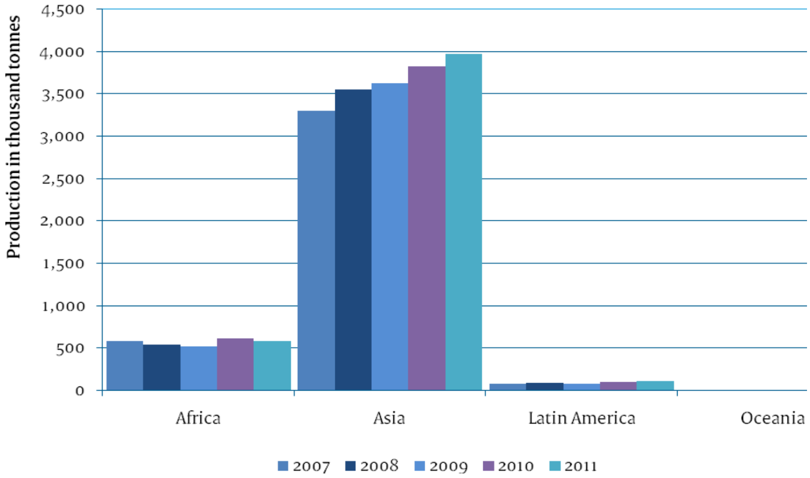
Place: trade statistics

Figure 1: Apparent consumption[1] in Finland of tea (in tonnes)



Source: Intracen (2013)

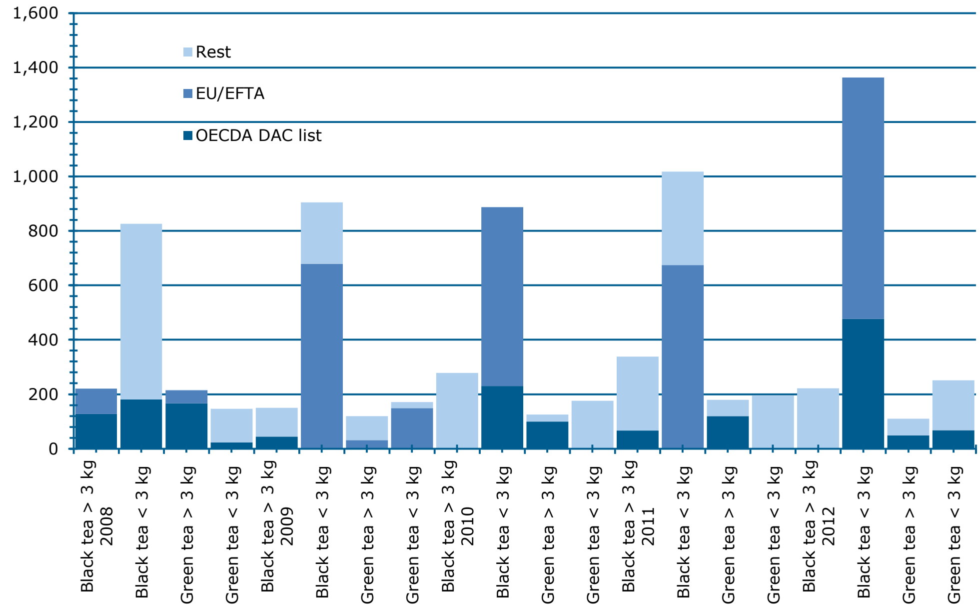
Figure 2: Production of tea (in thousand tonnes)



Source: FAOSTAT (2013)

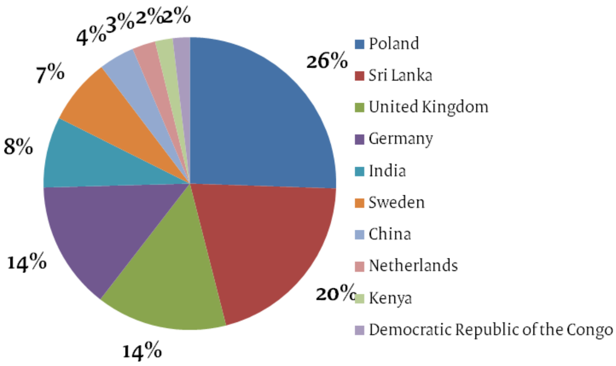
[1] Apparent consumption is calculated as follows: Production plus imports minus exports. Note that Variations in stock are not taken into the account. It does not necessarily reflect the actual consumption, since importing countries may also export imported product again after an additional processing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

Figure 3: Import of various tea products to Finland (in tonnes)



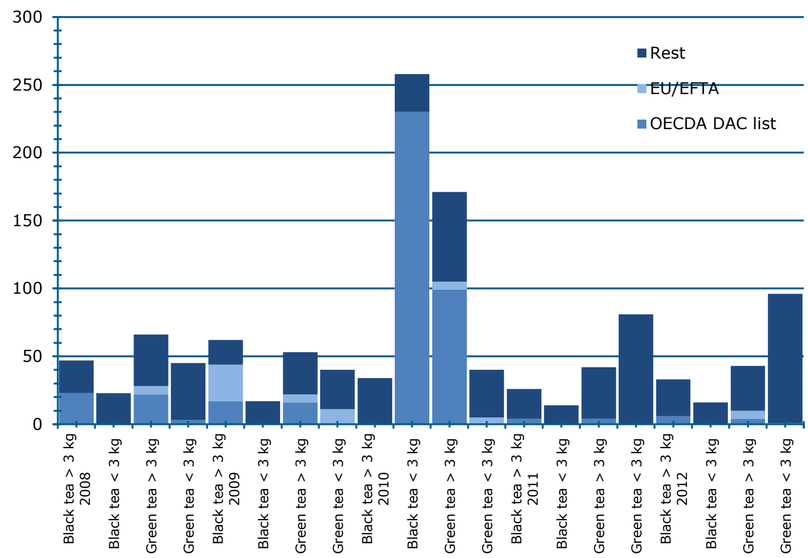
Source: Intracen (2013)

Figure 4: Supplying countries of tea to Finland



Source: Intracen (2013)

Figure 5: Export of various tea products from Finland to other countries



Source: Intracen (2013)

- ***Consumption:*** Finland (5.4 million inhabitants) is only a small consuming nation of tea in Europe. Consumption rates have risen over the past years (on average 7.4% each year since 2008). The dip in 2009 is allegedly explained by a decrease in sales of high quality teas due to the economic recession. Long-term prospects are that Finnish consumers will increasingly turn to new flavours and types of tea (loose leaves and herbal teas).
- ***Imports*****:** Imports of tea have risen by 7.6% each year on average since 2008. Black tea (fermented) & partly fermented tea in packages not exceeding 3 kg is mostly imported (70% of all imports to Finland). 19% of total import is green tea. Consumer packages seem to rise at the cost of the import of bulk packaging. Figure 3 shows that Finland is increasinlgy importing from EU countries.
- ***Blending:*** There is no growing of tea in Finland due to climate constraints. Blending and packing is mostly done in the by European tea companies (Twinings, Unilever) in the UK, Germany and Eastern Europe.
- ***Threat of global supply shortage*****:** With many European importers, manufacturers and retailers committing to source 50- 100% of tea as certified in the near future, this represents a considerable challenge for exporters to manage their position and supply in the chain of custody (from production to processing toretail industry in Europe). Also related to requirements of certification schemes, increasing yields and securing supply will be an important challenge for farmers and exporters in producing countries.
- ***Shifts in production countries:*** Traditionally Asia is responsible for the larger share of global production (figure 2). India and China are the world's largest producing countries, and major EU tea companies are investing heavily to increase their presence in those supplying markets. The UK acquires 50% of its imports from those countries. However, supplies are getting tight as, for example India's annual tea consumption is currently around 800 thousand tonnes and production last year was close to 980 thousand tonnes. Tea consumption in India is increasing at the rate of 5% whereas production by 2%. Presumably Finland needs new supplying countries in the future.
- ***Supplying countries:*** A large share of the tea import of Finland is re-exported by European countries such as Sweden and Poland. Sweden and China have lost share of supply to the Finnish importing market (both 17% on average per year since 2008). Poland, on the other hand, has increased its supply with 162%, to 487 tonnes in 2012. Poland imports its tea from Kenya (14% of all imports of tea to Poland), Vietnam (12%), India (12%), Indonesia (10%), the UK (10%) and China (9.2%). Sri Lanka and India have also increased their supply to Finland (+14% and +20% respectively).
- ***Yields vary between production countries:*** Stakeholders (companies and/or governments in importing and production countries) are investing in Good Manufacturing Practices (GMP). This has lead to variety in production yields. For example, FAOSTAT data show that China has increased tea production by 6.8% since 2007. Still, with nearly half the world's total tea gardens in production hectares, China produces only 35% of the world's tea output. One of the causes is that the Chinese government continues to contract to buy most of the tea harvest. Contracts are often far shorter than the ideal time for cultivating a tea plant and provide farmers incentive to raid their tea plants before the plants have fully matured, giving the best tea. Concluding: yields can vary between countries. This does not necessarily mean that higher yield countries are more reliable importing partners for Europe, but it is good to know that yields can be improved. GMP criteria are also incorporated in sustainability labels such as UTz Certified. In case you are not involved in a large-scale programme by your goverment or importer, sustainability certfication may be an opportunity for you to receive support on GMP.
- ***Exports:*** Total exports from Finland are growing slightly (+4.3% each year). Finland mostly exports its tea to Russia (76%). Ukraine, Switzerland and Estonia are other destinations (7.5%, 5.0%, 4.4% respectively). In particular, the tea in packages exceeding 3 kg grew in export: black tea by 22% and green tea by 8.1%. In contrast, large packages declined in export: black by -7.7% and green tea by -12%. Finland has a strong position as a gateway to Russia, the Baltic States and Ukraine and is likely to enforce that position.
- ***Industry:*** Twining & Co leads tea sales in Finland, accounting for 31% of the value in 2012. Unilever Finland Oy is ranked second with a value share of 29% in 2012. This was mainly due to the popularity of the Lipton brand which, like Twinings, is very strong in the most important categories of tea in Finland. Both Twinings and Unilever committed to solely sourcing tea with Rainforest Alliance certification. This makes Rainforest Alliance the leading certification. The remaining 40% market share is divided between Nordqvist (a popular tea brand from Finland) and smaller tea suppliers and brands. Next

to the larger brands, there are high quality tea shops who sell teas from developing countries. Importers such as Forsman supply these shops.

Useful sources

- Finnish Food and Drink Industries' Federation - Finnish Food and Drink Industries' Federation - http://www.etl.fi/www/en/index.php; Finland business culture http://www.kwintessential.co.uk/resources/global-etiquette/finland-country-profile.html;
- International Tea Committee - http://inttea.com - Non-profit provider of global tea statistics (based in UK);
- EU Organic Farming - http://ec.europa.eu/agriculture/organic ;
- Faitrade Labelling Organisations International (FLO) - http://www.fairtrade.net;
- UTZ certified - http://www.utzcertified.org;
- Rainforest Alliance - http://www.rainforest-alliance.org;
- Ethical Tea Partnership - http://www.ethicalteapartnership.org - NGO supports farmers in sustainable farming and trade;
- Information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/itc/exporters/packaging/.

This survey was compiled for CBI by CREM B.V.
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