Tea in Finland

Finnpartnership
2017

Image: WiseGEEK

Tea consumption in Finland (5.5 million inhabitants in 2017[1]) 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 fact-sheet will provide specifications of the Finnish market for tea products:

A. Product description

1. Language for tea in Finland

- Tee (in Finnish), Te (in Swedish)

2. Types of tea imported to Finland

Black tea and green tea: most important types

Oolong tea and white tea

They are all produced from the buds and leaves of the same species (Camellia sinensis). The difference is in processing method (fermented or not fermented).

Additional information

Finland imports mainly tea in bags not exceeding 3kg, meaning that the tea is usually imported as ready-for-retail consumer packages. The blending and packing have been done mostly in the UK by packagers who use loose tea from the producing countries.

B. Finnish tea market

Tea volumes witnessed positive growth in both retail and food-service in 2016. The 2% retail volume growth brought the category to 966 tons of tea, while retail value sales grew by 3% to reach EUR 49 million[2]. The growing interest in tea is due to health reasons. Tea's health benefits are rather well-known among health-conscious Finnish people and therefore tea has enjoyed an increasing popularity in the country.

[1] According to [Statistics Finland September 2017]

[2] According to [Euromonitor 2017]

1. Popular brands

R Twining & Co maintained its leading position in the Finnish tea category in 2016, accounting for a 28% share of off-trade value sales[3]. The company's lead is due to its popular and well-known Twinings brand, which enjoys excellent distribution and shelf positioning in stores. The company is also one of the few tea players in the Finnish market to enjoy excellent marketing visibility in newspapers and television.

Unilever Finland Oy is ranked second. 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 have committed to solely source tea with Rainforest Alliance certification. This makes Rainforest Alliance the leading certification.

The remaining market share is divided between Nordqvist (Finnish brand) and smaller tea suppliers and brands.

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[4].

There are high quality tea shops who sell teas from developing countries. Importers, e.g. Forsman, supply these shops.

Prisma (S-group)

K-supermarket

Lidl

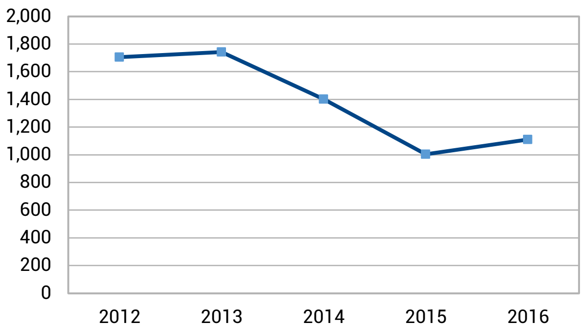
Kaffecentralen shop

Punnitse&Säästä shop

[3] According to Euromonitor 2017

[4] According to Finnish Grocery Trade Association

Figure 1: Apparent consumption[5] of tea in Finland (in tons)



Source: Intracen (2017)

Additional information

There is no growing of tea in Finland due to climate constraints. Blending and packing is mostly done by European tea companies, in the UK, Germany and Eastern Europe.

C. Retail price

Table 1: Consumer prices of (sustainable) tea in Finland[6]

	Product	Price		Product	Price
	Lipton (UK brand) Rich Earl Grey (black tea) Certified Rainforest Alliance	€32.81/ kg		Taylors of Harrogate (UK brand) – Earl Grey leaf tea Black China tea	€60.00/ kg
	Nordqvist (Finnish brand) Keisarin Morsian 'The Emperor's Bride' (black tea)	€25.27/ kg		Forsman (Finnish brand) White tea, vanilla	€73.17/ kg
	Clipper (UK brand) Organic green tea Fairtrade	€37.80/ kg		Lipton (UK brand) Green tea bright citrus Certified Rainforest Alliance	€109.6/ kg
	Forsman (Finnish brand) Lady Green (green tea)	€35.90/ kg		Forsman (Finnish brand) Oolong tea – Jade Superior	€70.83/ kg
	Twinings (UK brand) Caramelized apple Green tea	€134.7/ kg		Forsman (Finnish brand) Darjeeling first flush 2016	€224.1/ kg

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

[6] Based on retail price in 2017

Figure 2: Average price proportion breakdown for tea (tax excluded)

Raw material	Auction/broker	Blender	Packager & Retail
15%	1%	40%	40%

Source: Fairtrade Foundation

Additional information

Price mark-ups in the supply chain: As shown in figure 2, 15% of the final price of tea goes to the producer/exporter. Blending and processing offers most profit, but is usually not done in developing countries. A table of exemplary tea prices in Finnish retail is shown above to give an indication of consumer prices.

D. Channels to bring tea 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 tea, coffee, and other beverages. More information on the 2017 fair can be found here (in Finnish).

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 and services and attend to seminars.

- International European trade fairs is important for tea:
  - 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.
  - Anuga – a leading trade fair for world-wide food and beverages. Hosted in Germany.
  - BioFach – a 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 Food and Drink Industries' Federation, The Food World, Europages and Organic Bio.

- Premium markets

Finland provides good opportunities for premium market, such as organic or fair trade market. For suppliers of organic tea to go into 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 [The Tea and Coffee Trade Journal]() (free of charge).

Additional information

- National tea drinking culture

It can be helpful to approach Finnish buyers with little knowledge on local consumption customs. Finnish consumers are increasingly willing to try out new flavors and types of tea. It is likely to witness further 'premiumisation', with importance in increasing quality.

- Adapt to the Finnish business culture

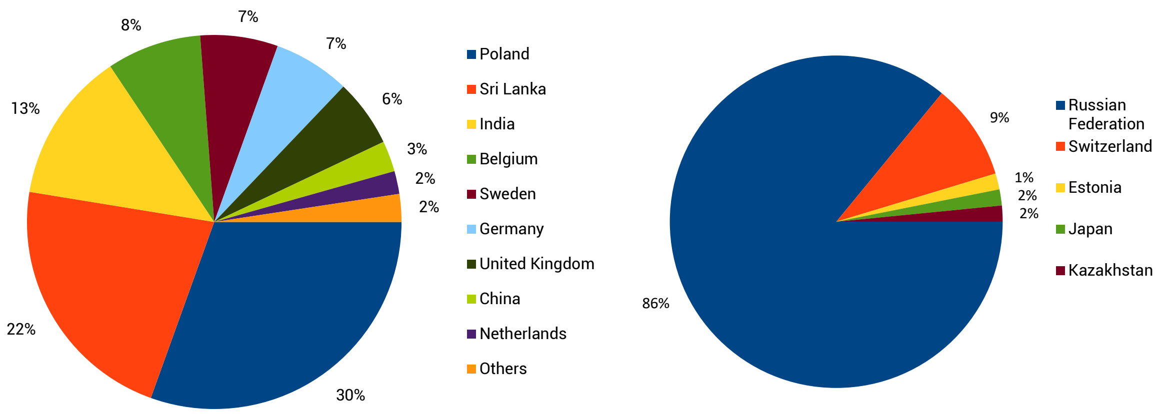
Finnish people consider punctuality as absolutely essential. Therefore, be consistent, punctual, reliable and honest. That means replying in time to inquiries (within 48 hours), being open and realistic, as well as not making promises that might not be fulfilled. Physical contacts such as back slapping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

- 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. Competition in the Finnish import and export tea market

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



Source: [Intracen]() (2017)

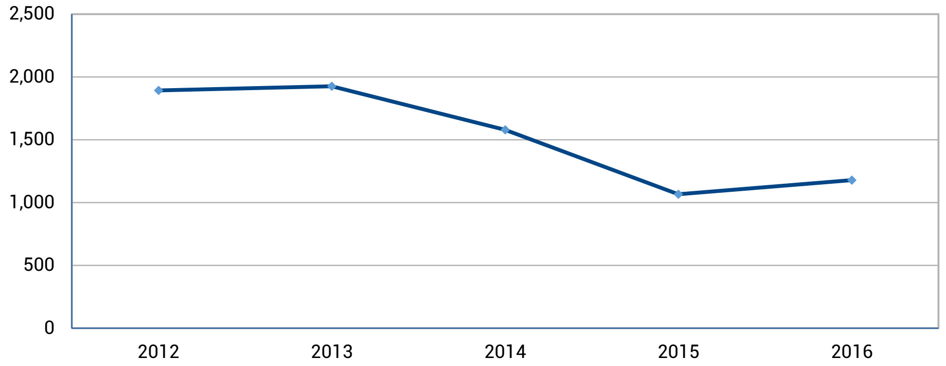
Supplying countries: A large share of tea imported to Finland is re-exported by European countries such as Poland, Belgium and Sweden. Poland and Sri Lanka took turns in taking the first place as tea exporters to Finland during the period of 2012-2016. In 2016, Poland and Sri Lanka exported 355 and 257 tons, respectively. Poland imports its tea mostly from Kenya (22.74% of all imports of tea to Poland in 2016), India (20.22%), China (13.54%), Indonesia (7.76%), and Sri Lanka (7.22%).

Sri Lanka and India have also increased their supply to Finland during this period.

Exports: Total exports from Finland have been declining, particularly in 2015 (about by 65% compared to 2014) but slightly increased in 2016 (by 9%). Finland mainly exported its tea to Russia

(86% in 2016, equivalent to 55 tons). Estonia, Switzerland and Japan are other main destinations. Finland has a strong position as a gateway to Russia, the Baltic States and Ukraine, and is likely to enforce that position.

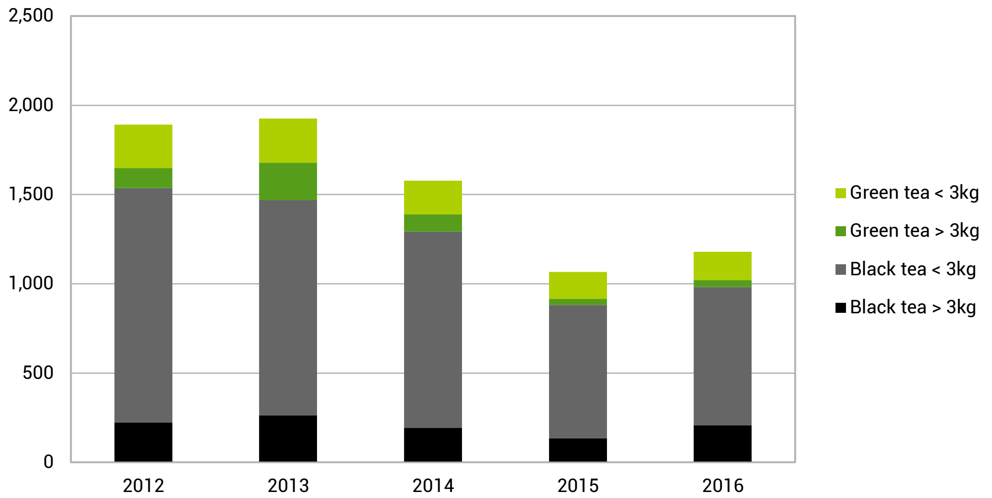
Figure 4: Tea import quantities in Finland (in tons)



Source: Intracen (2017)

Imports of tea have decreased in the period of 2013-2015 (about 350 tons per year) but slightly increased in 2016 (over 100 tons).

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



Source: Intracen (2017)

Black tea (fermented) & partly fermented tea in packages not exceeding 3kg are mostly imported (about 66% of all imports to Finland in 2016). The second place belongs to green tea (both over and under 3kg packages), with around 17% of all imports in 2016. Consumer packages seem to rise at the cost of the import of bulk packaging.

F. Requirements for importing tea products in Finland

1. Weight classes (net)

- Full chest 35kg - 60kg or 40 - 73kg (Type 1: 16 x 20 x 24 inches)
- 1⁄2 chest 20kg - 40kg or 30 - 40kg (Type 2: 16 x 16 x 24 inches)
- 1⁄4 chest/box 9 kg
- Paper and jute bags 25kg - 60kg

2. 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 standardized internationally, so make sure specifications are agreed with the buyers. Exemplary specifications can be found on this website. See Codex Alimentarius for the codex general standard for food additives.

3. Labeling

- Finland complies with EU general food labeling requirements applicable to all foodstuffs. For more information, see 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, and grade.
- 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 packages".
- Finnish importers may ask for additional requirements. For sustainability labels, see section 6 Non-legal requirements below.

4. Packaging

4.1. Common ways of shipping

- Tea is packaged in light plywood chests which are lined with aluminum foil and one or two plies of parchment paper, in order to provide 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.
- Tea from China is also shipped in tinplate containers which are sealed with solders and additionally wrapped with bast mats.

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, for example, packaging) in order to prevent any unacceptable change in the composition of the foodstuffs and to protect human health (see legislation below). More information 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 tea 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 types of material used for packaging to the supplier.
- Products that producers are responsible for 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. Beside pesticide residues (see below), monitoring may be conducted for:

- Foreign matters: contamination by foreign matters, such as plastic and insects, is 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. The EU has set microbiological criteria for food borne micro-organisms, their toxins and metabolites. EU authorities, however, can withdraw imported food products from the markets 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, 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 (HACCP)	The EU legislation on hygiene of foodstuffs (HACCP) is legally binding for food processors, and is recommended for farmers (primary production).
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. More information can be found in the European Tea Committee's code of practice: pesticide residues in tea.
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 can be found in the CBI's document Buyer Requirements.

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 help to provide safe and traceable products. It has been becoming a minimum requirements demanded by Finnish retailers (as most European retailers).

6.3. Sustainability

The most important label is Rainforest Alliance which is found on Lipton, and Twinings and other 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.

Sector initiatives: 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 popular in Finland, this initiative is relevant for the Finnish market.

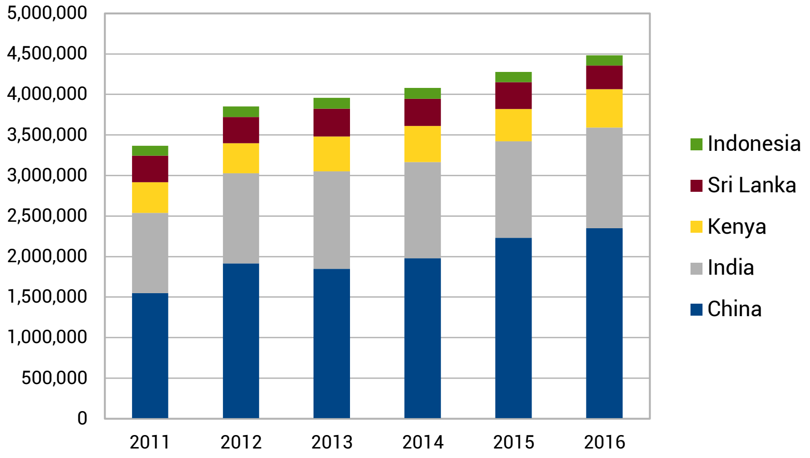
Additional information

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 tea products affecting Finnish market

Figure 6: Global tea production by countries leading in tea growth (in metric tons)



Source: Statista (2017)

- ***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 positions and supply in the chain of custody (from production, processing to retail industries in Europe). Also related to requirements of certification schemes, increasing yields and securing of supply will be an important challenge for farmers and exporters in producing countries.

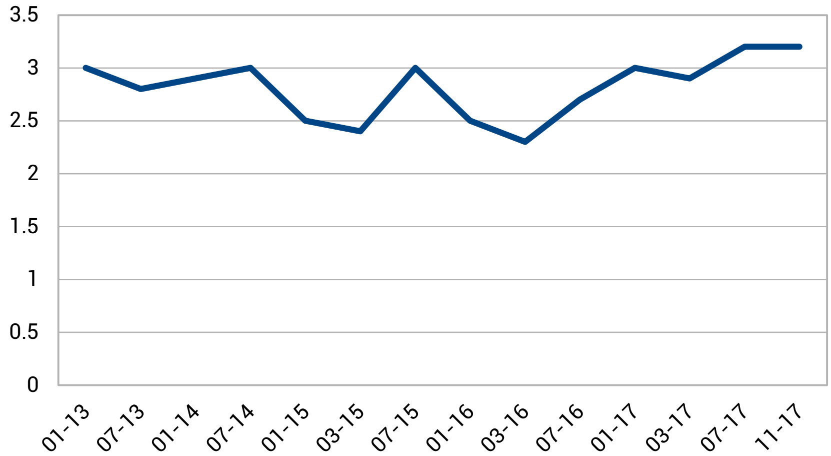
- ***Shifts in production countries***

Traditionally, Asia is responsible for a large share of global production (figure 6 above). China and India are the world's largest tea producing countries, and major EU tea companies are investing heavily to increase their presence in those supplying markets. The UK acquires about 50% of its imports from those countries. However, supplies are getting tight. For example, India's annual tea consumption is currently around 800 thousand tons and production in 2016 was close to 980 thousand tons. Tea consumption in India is increasing at the rate of 5% whereas production by 2%.

- ***Yields vary between production countries***

Stakeholders (companies and/or governments in importing and producing countries) are investing in Good Manufacturing Practices (GMP). This has led to variation in production yields. For example, FAOSTAT data shows 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 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. GMP criteria are 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.

Figure 7: Price trends – Average auctioned tea price (per kilo, in US dollars)



Source: Ycharts (2017)

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.

- ***Premiums for fair-trade certified tea***

There is usually a premium for sustainable certified tea. FLO 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 increase, that may lead to indirect price increases). For more information (also herbal teas), see the Pricing Database of Fairtrade. The premium is an added value price that is supposedly transferred from producers to consumers.

Additional information

- Prices are dictated by auction system. Unlike the coffee and cocoa trades, 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 varies considerably even from the same factory and region on a weekly or monthly basis. The average prices at the three most important auction centers (Kolkata, India; Colombo, Sri Lanka; and Mombasa, Kenya) are a reference for the world market price. They show an increase of prices. See here as an example.
- Yields can vary between countries. This does not necessarily mean that higher yield countries are more reliable importing partners for Europe, but yields can be improved.

References and useful sources

- CBI
- Finnish Food and Drink Industries' Federation and Finland business culture
- Finland Food Safety Authority
- EU Organic Farming
- International Tea Committee – Non-profit provider of global tea statistics (based in UK)
- Ethical Tea Partnership – NGO supports farmers in sustainable farming and trade
- Faitrade Labelling Organisations International (FLO)
- UTZ certified
- Rainforest Alliance
- 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.