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Approved by:
Margaret E. Thursland, Agricultural Counselor
U.S.Embassy

Prepared by:
Björn Engström, Marketing Assistant

Report Highlights:
Consolidation and restructuring of the Nordic food retail sector offers new and interesting opportunities in terms of volume and diversity of product demanded. Best prospects include seafood, convenience foods and beverages. Products that appeal to the health conscious have particularly good potential. The Swedish market is also expanding for ethnic cuisines, including American regional cuisines. A major impediment to expanded U.S. sales is consumer resistance to products of biotechnology. At present, the weak dollar has increased the attractiveness of U.S. products to Swedish importers.

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Stockholm [SW1]
[SW]

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SECTION I. MARKET OVERVIEW

Due to the severe Nordic winters and relatively short growing season, Sweden relies heavily on imported food and agricultural products. In 2003, imports of agricultural and food products accounted for 8 percent of the Swedish total import value. In 2003, imports of agricultural, fish and forestry products totaled US$ 7,659 million.

In 2003, Sweden's GDP growth was estimated at 1.7 percent. Despite high unemployment rates and raised taxes in 2003, household consumption increased by 4.5 percent. This was mainly due to low inflation and low interest rates. Swedish food retail sales rose by 3.2 % over the one-year period ending in December 2003 to SEK 146 billion (about USD 18 billion). The increase in consumption reflected a 0.3% rise in value, and a 2.9% gain in volume. Per capita food expenditure was US$ 2,012 and food and non-alcoholic beverages accounted for 11.9 percent of the Swede's total expenses.

Sweden has been a member of the European Union (EU) since 1995. As a result of the September 2003 referendum on joining the European Monetary Union (EMU), Sweden decided to stand outside the EMU and retain the Swedish Krona for the time being.

Advantages	Challenges
Sophisticated market. High acceptance of new products and concepts. U.S. products are considered high quality and trendy.	U.S. products are at a price disadvantage compared to competitors based in the European Union.
Growing consumer demands for value-added products, convenience foods and functional foods. Proliferation of "healthy" and "greener" foods.	Strong hesitations with respect to genetically modified products
Location gives access to a Nordic/Baltic market comprising 25 million consumers.	No access for hormone treated beef from the U.S.
High standard of living, well educated workforce, growing incomes. English is widely spoken.	High distribution and shipping costs.
Favorable dollar exchange rate	

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Customs

Swedish firms do not change suppliers readily, and many commercial relationships have been built up and maintained over decades. While this is beneficial to exporters who have a partner, newcomers must be willing to invest effort in developing entrée into this market and securing the confidence of commercial buyers. A Swedish buyer will expect total commitment to prompt deliveries, precision in filling of orders and high quality for all kinds of products. Being punctual is not only regarded as a sign of respect, but also efficiency. Swedish businessmen will have little understanding for cultural variation in punctuality.

Market entry strategies for U.S. food products should include:

1. Market research in order to assess product opportunities.

2. Advance calculation of the landed cost of a product in order to make price comparisons vis-à-vis competitors.

3. Identifying an experienced distributor or independent reliable agent with strategic distribution channels to advise on import duties, sanitary regulations, and labeling requirements. It is advisable to initiate personal contact in order to discuss marketing matters such as funding for advertising, slotting allowance, in-store promotions and tasting events. Suppliers may also want to consider trade fair participation to raise awareness of their products.

4. Exploration of the purchasing arrangements of the larger retail chains.

5. Consider using USDA's Supplier Credit Guarantee program to make credit terms more attractive to importers.

General Consumer Tastes and Preferences

Convenience: Swedes are embracing value-added products and convenience foods. In-store eating and take-away is growing. As time is increasingly becoming a commodity in short supply, this affects food retailing to a high degree. Lifestyle changes also significantly influence the catering sector. In Sweden about 20 percent of meals are currently eaten outside of the home. Fast food establishments benefit the most from these trends, and have become part of the traditional restaurant sector.

Health: Demand is rising for "natural" (organic) and "healthy" food and drink products. The environmental or "green" philosophy is an important factor in consumer decisions. Swedes are willing and able to pay higher prices for food and drink perceived to meet their environmental and health concerns.

Organic: Consumer interest in organic food products has been increasing rapidly in Sweden. While growing demand for healthier, "greener" and more convenient products is one of the major driving forces behind the evolution of the food industry, organic and health-oriented products still have a relatively small market share in Sweden. The variety and availability of processed organic products is still much more limited than that found in the United States.

Vegetarian: The trend towards vegetarian choices is a growing one. More processed products which link convenience to the vegetarian alternative are appearing in retail outlets but are still limited in variety.

Ethnic Foods: Swedish consumers are moving away from their culinary traditions as they become more open to new and exotic cuisines. A growing immigrant population and extensive travel abroad are the main forces behind this trend.

Food Standards and Regulations

Sweden has been a member of the European Union since 1995 and has adopted EU practices related to imports of agricultural products. Agricultural products are subject to the standard EU import licensing system, quotas, import duties and other provisions. It is important to note that these markets are fully open to competitors within the EU, while U.S. exporters face EU import restrictions.

- In general, the Swedish government conforms to EU regulations.

- Food safety standards in these markets are very strict and imported foodstuffs must meet specified requirements.

- In negotiations with the EU, Sweden maintained the right to continue the application of some of their own food safety standards for a transitional period following membership. In most respects, the Swedish standards are tougher than those of the EU. As an example, Sweden maintains what is essentially a zero tolerance for salmonella within the meat and livestock sector. Moreover, Sweden was granted transitional authority to maintain their own border inspection controls for salmonella for an unspecified period of time.

For more information, please refer to the EU FAIRS Report (E20145) on the Foreign Agricultural Service web page at http://www.fas.usda.gov.

Import and Inspection Procedures

Sweden has strict sanitary and phytosanitary requirements for food. Laboratories have sophisticated capabilities to monitor product quality. Detailed regulations apply to the importation of agricultural products into these markets. It is therefore most important that U.S. exporters work closely with their importer to ensure that product destined for this market is in full conformity with Sweden’s food safety, quality and labeling rules and regulations.

General import regulations:

- Foodstuffs can only be brought into Sweden commercially through an importer registered by the National Food Administration (Livsmedelsverket).
- All foodstuffs sold in Sweden must be labeled in Swedish.
- Imported foodstuffs may not contain certain additives that are not allowed in Sweden.

A retail-size food package must show:

- The name of the manufacturer, packer or importer
- The commercial name of the product, net metric weights or volume
- Ingredients in descending order of weight
- "Best before" date for consumption
- Storage instructions if perishable or intended for infants

Importers should be consulted for proper labeling information. (Note: Many retail products intended for wide distribution in the region are labeled in multiple languages such as Swedish, Norwegian, Danish, Finnish and English.)

The documents required from the exporter include:

- A commercial invoice
- A bill of lading and such special certifications as may be necessary
- Sanitary or phytosanitary certificates indicating the country of origin are required for certain animal and plant products
- A sanitary certification of origin signed by an official authority in the country of production or export

Sweden applies the maximum residue levels established by the EU. For chemicals not registered by the EU, Sweden sets its own standard.

The Swedish National Food Administration (NFA) oversees the control of pesticide residue in fruit, vegetables and cereals. Samples are collected at ports of entry or wholesale markets. The NFA also oversees the control of veterinary drug residue in foods of animal origin, mainly meat. Samples of imported meat are collected at ports of entry.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Retail

A Nordic consolidation and integration can clearly be seen in the region as new mergers among Nordic retailers are implemented. At the same time, the Nordics are increasingly becoming part of the European retail market as foreign companies and chains are moving in.

Retailers are facing stronger competition from fast food chains, lunch restaurants, and other service establishments. During the past decade, sales within the restaurant sector have increased faster than in the retail sector. Eating out has come to include both weekdays and weekends. Nevertheless, Swedes still spend the bulk of their food dollar in retail stores rather than eating out.

The retail distribution groups that dominate retail sales enjoy a majority share of food sales. ICA, COOP, Axfood, and Bergendahls together account for 60 percent of food expenditures, including alcoholic beverages.

General discount stores, hypermarkets and large supermarkets are experiencing rising sales volumes, while small and medium-sized stores lag behind. Elements of the restructuring of the sector include the on-going move toward vertical integration, the increasingly common use of exclusive contracts, consolidation of purchasing and deliveries and the growth of private labels. Supermarkets are responding to demands for an ever-widening list of products and product formats. Large supermarkets and hypermarkets account for about 75 percent of Swedish retail food sales. There were 6,060 food retail outlets in Sweden in 2003, compared to 13,000 in 1970.

Distribution: The wholesale and retail food market in Sweden is dominated by three groups, ICA, COOP and Axfood AB, which together account for over 70 percent of the commodity retail market. These Nordic chains have closely knit wholesale and retail arrangements comprising a compact and efficient goods delivery system and a nationwide network of retail shops as well as department stores and supermarkets. Some also have hotel, restaurant, and catering services. This centralized system provides economies of scale, facilitating the distribution and import of larger volumes.

Independent importers and distributors: There are a number of importers and distributors in Sweden who specialize in particular product segments, such as organic products or ethnic foods. These importers/distributors, in turn, sell to the large retail chains. These importers are ideal for exporters who cannot meet the high volumes required by the large retailers when dealing with them directly. Some specialized importers also supply the Hotel Restaurant and Institutional (HRI) sector.

Alcoholic Beverages: In Sweden, the government-owned Systembolaget retains a monopoly on the retail sale of all wines, spirits, and strong beers. As a result of accession to the EU, Vin & Sprit lost its monopoly control of import and wholesale distribution channels, and is now working as a licensed importer along with 150 other independent licensed importers of wine and liquor. Also, restaurants may buy from importers or import directly, provided that they have a license. Recently, Systembolaget introduced more liberal opening hours for its retail outlets and has added self-service shops and Saturday opening hours in response to public demand.

Trends

Store size: Smaller stores continue to lose market share to larger supermarkets and hypermarkets.

Discount stores: Recently, there has been a dramatic increase in low-price food stores in Sweden. The large Nordic retail chains have developed discount store concepts in order to meet the increased competition from European discount chains such as German Lidl and Danish Netto, which have recently established in these markets.

Private Label: Retailers are aggressively promoting their own private label brands through TV commercials and newspaper ads. Two of the largest Swedish retailers have set a goal of 25 percent market share in each product segment for their private label products. This is especially true for far-away-imported products. For some popular categories in retail stores the figure is 50 percent. This development portends good potential for suppliers with private label capacity.

Convenience shopping: As consumers increasingly eat outside their homes, the large retailers find themselves not only to be competing with each other, but also with the HRI sector. To face this new competitor, supermarkets have developed deli sections in their stores with either ready-to-eat food products or partially cooked dishes. Menu suggestions next to the food products are also popular. The display of products has also become more consumer-oriented. For example, dressings and bread croutons can be found next to pre-mixed salads, and coffee cakes may be placed next to the coffee section. Manufacturers with the capability to supply convenience foods may find interesting opportunities in these markets.

Promotions/Marketing: Direct marketing in the form of newspaper-format advertisements is one of the most regularly used forms of communication in the Swedish retail market, and almost all the retail groups use this method as a means of conveying information to consumers. These are sent on a weekly basis to all the households in the immediate marketing area of the individual stores. The retailers also invest in advertising, primarily through their newspaper flyers, while producers and manufacturers spend most of their budgets on television advertising. Retail chains also promote their own private label products aggressively through TV commercials and advertisements.

Internet sales: Even though the computer/IT penetration in the Nordic countries is exceptionally high, retail food sales on the web have been very limited. The positive outlook that the large retailers had a few years ago regarding selling via Internet has changed. Retail chains Coop, Axfood and Bergendahls have all terminated their Internet grocery web sites due to a lack of interest and low profitability. Recently, ICA followed suit by closing down their Internet services.

Please see the most recent GAIN Retail Report for Sweden for further information regarding the food retail sector.

HRI / Food Service

Of total food consumption in Sweden, the HRI sector accounts for about 20 percent. This sector consists of about 37,000 entities, of which 10,000 are coffee shops, restaurants, fast food outlets and hotels and 27,000 are large kitchens at institutions such as schools, kindergartens, nursing homes and hospitals. Fast food outlets often belong to national and international chains, while restaurants and cafes are most frequently family businesses. There are, however, some large international restaurant chains operating in this market including TGI Friday's and Hard Rock Cafe. Institutions are mainly operated by municipalities, counties and government agencies.

Distribution: Distribution within the HRI sector is dominated by a few large wholesalers specialized in supplying this sector. The dominant wholesalers are: Servera, ICA Meny, Martin Olsson, Service Grossisterna and Axfood Närlivs.

In 2003, total turnover for the hotel and restaurant industry in Sweden was about SEK 58 billion (approximately USD 6 billion), of which restaurants accounted for USD 3.9 billion, and hotels for some USD 2.1 billion. This is an increase of USD 1.2 billion since the mid-1990's. Institutional food sales accounted for about USD 720 million in 2000.

Changes in lifestyles and tastes are having significant effects on the catering sector of the market. Fast food is the area benefiting most from these trends, as fast food outlets are now starting to become part of the traditional restaurant sector. From 1993-2003 the number of restaurants in Sweden has increased by around 4,000 outlets from 13,600 to about 17,600. At the same time, the number of stores in the retail sector has been decreasing.

Trends:

- Outside the home, restaurants continue to attract a significant proportion of consumers.
- American trends remain popular in Sweden.
- The popularity of more informal, less expensive "fast food" outlets continues. McDonald's, Burger King, and Pizza Hut all have strong positions in these markets.
- Other U.S. chains such as Subway and TGI Friday's and Hard Rock Cafe can be found in Sweden.
- There are opportunities for U.S. fast food restaurants and coffee shop chains in this market.

For further information about the Swedish HRI sector, please see the most recent GAIN HRI sector report.

Food Processing

The small populations of the Nordic countries provide somewhat limited foundations for a highly diversified food processing industry with sufficient economies of scale. Consequently, there have been consolidations of several companies and an increasing emphasis on exports of processed food items - especially cheese, candy, snack food and various jams and preserves. Since EU membership, there has been a move toward mutual investment and consolidation among Swedish food industries and joint Nordic cooperation in general. Several companies own and operate food-processing firms abroad.

The food-processing sector in Sweden is large-scale and dominated by a few large private and cooperatively owned companies. Five large suppliers account for about 50 percent of retail food store purchases. One or two suppliers control close to 100 percent of the market within some food segments. Farm cooperatives are powerful in Sweden's food industry. They have a virtual monopoly on domestically produced dairy products and are market leaders in the meat, milling, and bakery sectors. However, the majority of food industry companies are privately owned. These companies are active in the brewing, prepared fish, frozen food, sugar, and tobacco sectors. The domestic food processing industry accounts for 80 percent of the food consumed within Sweden, which makes this an important sector for ingredient and raw product suppliers. Food processors either source their raw materials or ingredients directly from their suppliers or through wholesalers.

In 2003, Swedish imports of foodstuffs totaled SEK 53.5 billion, an increase of 8 percent from 2001. Imports from the United States accounted for SEK 916 million. Sweden’s foodstuffs exports totaled SEK 26.7 billion.

Imports destined for the food-processing sector include vegetables, fruit, juice, coffee, and cocoa as well as seafood. About 40 percent of all imports are products that cannot be grown in Sweden.

Dominant companies by sector are: Arla Foods (dairy), Swedish Meats (meat processing), Paagens (bakery), Cerealia (milling and bakery), Findus (fish processing), Löfbergs Lila (coffee roasting).

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Beer
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- Sauces
- Convenience foods
- Vegetarian Processed Products
- Organic Products
- Authentic Barbecue Sauces and Seasonings

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Foreign Agricultural Service
American Embassy
Dag Hammarskjolds Vag 31
S-115 89 STOCKHOLM
Sweden
Tel: (46-8) 783 5390
Fax: (46-8) 662 8495
E-mail: agstockholm@usda.gov
www.usemb.se/Agriculture

Swedish Board of Agriculture
S-551 82 JONKOPING
Sweden
Tel: (46-36) 15 50 00
Fax: (46-36) 19 05 46
E-mail: jordbruksverket@sjv.se
www.sjv.se

National Food Administration
Box 622
S-751 26 UPPSALA
Sweden
Tel: (46-18) 17 55 00
Fax: (46-18) 10 58 48
www.slv.se

National Board of Fisheries
Box 423
S-401 26 GOTEBORG
Sweden
Tel: (46-31) 743 0300
Fax: (46-31) 743 0444
www.fiskeriverket.se

National Board of Forestry
S-551 83 JONKOPING
Sweden
Tel: (46-36) 15 56 00
Fax: (46-36) 16 61 70
Email: skogsstyrelsen@svo.se
www.svo.se

Swedish Customs
Box 12854
S-112 98 STOCKHOLM
Sweden
Tel: (46-771) 23 23 23
Fax: (46-8) 20 80 12
www.tullverket.se

Statistics Sweden
Box 24300

S-104 51 STOCKHOLM
Sweden
Tel: (46-8) 506 940 00
Fax: (46-8) 661 5261
E-mail: scb@scb.se
www.scb.se

Association of Swedish Chambers of Commerce
Box 16050
S-103 21 STOCKHOLM
Sweden
Tel: (46-8) 555 100 00
Fax: (46-8) 566 316 35
www.cci.se

Swedish Federation of Trade
S-103 29 STOCKHOLM
Sweden
Tel: (46-8) 767 7700
Fax: (46-8)767 7777
www.svenskhandel.se

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

SWEDEN	2003
Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)	5,375/2%
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	4,407/2%
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	1,013/ 0.69%
Total Population (Millions)/Annual Growth Rate (%)	9.0/ 0.39
Urban Population (Millions)/Annual Growth Rate (%) (2000)	7.5/ N/A
Number of Major Metropolitan Areas	4
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	26,800*
Unemployment Rate (%)	4.9%
Per Capita Food Expenditures (U.S. Dollars)	2,012
Percent of Female Population Employed	73.4%**
Average Exchange Rate US$ 1 for 2003	8.09

* 2003 est., Source: CIA World Fact Book
** Between ages 16 and 64, Source: SCB-AKU

Note: Above data on U.S. trade do not include substantial imports of U.S. products, which are transshipped to Sweden via other EU countries.

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Sweden Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,062	3,680	4,407	82	73	72	3	2	2
Snack Foods (Excl. Nuts)	277	340	400	1	1	1	1	0	0
Breakfast Cereals & Pancake Mix	55	63	78	1	1	1	0	0	0
Red Meats, Fresh/Chilled/Frozen	241	293	392	1	0	0	0	0	0
Red Meats, Prepared/Preserved	97	121	142	0	1	0	0	0	0
Poultry Meat	65	71	89	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	61	106	124	1	1	1	0	0	0
Cheese	144	167	209	0	0	0	0	0	0
Eggs & Products	13	17	21	1	2	1	2	9	1
Fresh Fruit	387	450	559	5	5	7	1	1	1
Fresh Vegetables	257	285	362	1	1	1	0	0	0
Processed Fruit & Vegetables	287	331	375	25	23	21	9	7	6
Fruit & Vegetable Juices	78	93	103	3	3	2	4	3	2
Tree Nuts	20	21	26	8	7	9	41	34	33
Wine & Beer	290	354	437	11	5	7	4	1	2
Nursery Products & Cut Flowers	145	185	232	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	60	75	93	4	5	5	8	7	6
Other Consumer-Oriented Products	584	707	764	22	22	19	4	3	3
FISH & SEAFOOD PRODUCTS	733	799	1,013	6	8	7	1	1	1
Salmon	184	204	288	2	2	1	1	1	1
Surimi	3	6	5	1	1	1	1	3	2
Crustaceans	131	130	160	1	1	1	0	1	1
Groundfish & Flatfish	169	200	266	2	3	2	1	1	1
Molluscs	3	4	5	1	1	1	7	2	5
Other Fishery Products	243	255	290	2	1	2	1	1	1
AGRICULTURAL PRODUCTS TOTAL	3,912	4,521	5,375	129	111	104	3	2	2
AG, FISH & FORESTRY TOTAL	5,295	6,375	7,659	158	141	135	3	2	2

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Sweden - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

$1,000	2001	2002	2003
Denmark	597,536	738,040	901,888
Netherlands	533,425	629,321	767,653
Germany	331,001	413,701	492,231
Italy	190,881	226,162	281,446
Spain	179,905	227,202	278,904
France	192,152	211,078	251,851
Finland	112,677	143,900	172,508
Ireland	103,777	125,099	164,659
Belgium	114,798	147,272	162,872
United Kingdom	123,190	141,599	147,137
Norway	61,020	81,446	81,522
United States	81,781	73,247	72,326
Poland	27,417	35,774	59,779
Panama	27,390	57,391	51,540
Austria	29,593	40,064	45,335
Other	355,392	388,142	475,151
World	3,062,007	3,679,515	4,406,854

FISH & SEAFOOD PRODUCTS

	2001	2002	2003
Norway	491,783	537,404	693,624
Denmark	109,712	118,974	143,326
China	16,797	8,033	24,337
Netherlands	17,913	19,708	23,300
Germany	5,929	11,781	18,191
Canada	9,641	10,790	16,084
Iceland	13,475	16,159	13,570
France	5,569	7,153	9,437
Thailand	8,770	9,258	9,190
United States	5,974	7,871	6,952
Estonia	4,041	4,626	6,886
Ireland	2,752	3,281	4,582
Turkey	2,369	4,159	4,480
Finland	1,967	3,089	3,840
Spain	1,722	2,220	3,794
Other	34,714	34,268	31,818
World	733,143	798,786	1,013,412

Source: United Nations Statistics Division