OPPORTUNITIES FOR SRI LANKAN COCONUTS IN THE SWEDISH MARKET

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01 SUMMARY

Sweden had a population of about 9.8 million at the beginning of 2016. During the last ten years the population has increased to about 0.5 million, of which about 70% was through immigration. Sweden is a full member of the European Union (EU), and therefore could be described as a single, unified market. The five Nordic countries - Denmark, Norway, Iceland, Sweden and Finland – with more than 27 million inhabitants in 2016 are still considered as the "home market" for companies within the Swedish food trade and industry. Furthermore, an increasing demand for coconut based value added products is visible in the Swedish and Scandinavian/Nordic markets and therefore, Sri Lankan exporters have many opportunities to expand and increase their exports in coconut kernel based value added products to the Swedish and entire Scandinavian/Nordic markets in the future.

02 Market Description

DEMAND IN THE SWEDISH MARKET

90% of the foods consumed by the Swedish are processed foods, which internationally, is a very high figure. The remaining 10% is composed of non-processed products. Even though the consumption of ethnic food products account for a small amount in Sweden, it enjoys an increasing share of total food consumption. In general, domestic food manufacturers account for about 70-75% of the supply of food and beverages to the Swedish market, while imports account for the remaining 25-30%. However, regarding ethnic food items, the import share is substantially higher in Sweden.

A major development in the Swedish Food market is the introduction of certified scheme for organic foods, as well as the need for Fair Trade labelled products. For example, about 4-5% of all foods and beverages sold by the retail trade in Sweden were certified organic, when measured by value. An increase in awareness for a healthy lifestyle and the demand for natural products are some of the key factors for the market growth for coconut kernel based organic value added products in Sweden. The Domestic markets in Sweden and other Nordic countries for food therefore appear to play a major ecological role.

There is also a considerable high interest for food products from other countries, especially ‘ethnic foods’ which have shown a significant increase in sales in the Swedish market. During the last few years, ethnic food products have experienced a very positive market trend. This development is a reflection of both the increasing number of immigrants and increasing interest shown by indigenous Swedes towards ethnic foods. It is very important to note that even if immigrants still is an important target group, indigenous Swedish consumers are now more and more regarded as the main consumer groups for ethnic foods. Swedes have acquired the taste for ethnic foods both through travelling and curiosity to try something new that are exotic, nutritious and inexpensive.

Foodstuffs from countries in the Middle East, Africa, Asia and South America have increased in demand as the number of non-European immigrants has been increasing in the last few years in Sweden. As a result, all major retail groups in Sweden have introduced an “ethnic” assortment consisting of several hundred different products in their supermarkets, which has been a relatively big success during the last couple of years.

In this regard, demand for coconut kernel based value added products such as virgin coconut oil, coconut milk, coconut water etc. is relatively high as it is considered as one of the important product sectors within the ethnic food market as well as the organic/fair trade certified food market in Sweden.

IMPORT TRENDS FROM SRI LANKA

Sweden has shown an increasing demand for Virgin Coconut Oil under HS code 1513.11 in recent years. Sri Lanka was the leading supplier of this product to Sweden in 2015 followed by Netherlands, Germany & Philippines. Sri Lanka holds a 57.5% share in Sweden’s import of virgin coconut oil. Sri Lanka exported 334 Tons and US$ 2.55 Mn worth products under HS code 1513.11 to Sweden in 2015. Sri Lanka has shown a remarkable 147% export growth in virgin coconut oil to Sweden from 2011 to 2015. Almost all exports from Sri Lanka are included in the category of Crude Coconut Oil, in immediate packings of <= 1Kg (HS Code 1513.11.91).

The European market for virgin coconut oil started to stabilize in 2016, while the market is still increasing and expanding to industrial applications. This will allow Sri Lankan exporters to continue exploring opportunities in the EU market including Sweden. For example, direct trade with manufacturers in Sweden might be possible for some suppliers in Sri Lanka. Within Europe, Sweden is amongst the main importing markets for virgin coconut oil. Out of Sri Lankan exports of virgin coconut oil to Europe in 2015 3% were exported to Sweden.

The Swedes are paying more attention to the link between diet and health and this has led to a growth in demand for healthier foods, including virgin coconut oil. The health & wellness trend has led the Swedish food industry to start using virgin coconut oil in high-end products such as premium health snacks. Therefore, it is vital for Sri Lankan suppliers to learn about new industrial applications for virgin coconut oil and about the main manufacturers involved in the Swedish market.

Sri Lanka could promote the *lesser-processed* qualities of virgin coconut oil like cold pressed and extra virgin (having an oil from the first pressing can also contribute towards good health and high quality) and it’s important to mention the correct and true characteristics on the branding and labelling of the product. Also it is important not to claim health benefits which are not substantiated by scientific evidence; in Sweden this is not allowed by legislation.

Liquid coconut milk, coconut milk powder and coconut cream is imported to Sweden under HS Code 2008.19. Sri Lanka exported US$ 369,000 worth of goods under this category to Sweden in 2015 again showing a remarkable growth of 356% compared to 2014. Quantity wise 146 Tons of goods were imported to Sweden from Sri Lanka in these product categories compared to 29 Tons in year 2014.

Swedish imports of desiccated coconut under HS Code 0801.11 from Sri Lanka also have shown a growing trend. US$ 69,000 worth of desiccated coconut was imported by Sweden from Sri Lanka in year 2015 showing a 103% increase compared to 2014. Quantity wise, 15 Tons of desiccated coconut was exported to Sweden from Sri Lanka in 2015 compared to 8 Tons in 2014.

Swedish import of coconut flour under HS code 1106.30 from Sri Lanka has also recorded a 43% increase in year 2015 compared to 2014, even though the value is relatively small (US$ 10,000 in 2015).

CONSUMER BEHAVIOUR AND NON-PRICE FACTORS

Even though the income level in Sweden is relatively high, Swedish consumers are somewhat reluctant to spend much on purchasing consumer goods. They are very concerned about quality as well as the price of products in the retail market when it comes to the purchasing point. A small change in the price factor attracts Swedish people to purchase products. Therefore, Sri Lankan products have been facing a big price competition in the retail market in Sweden especially with the coconut based products which come from other countries such as Thailand.

On the other hand, the Swedish food market has been influenced by consumer awareness of health, environmental, and social issues for a number of years. Therefore, health, environmental and social issues have started to play a significant role in the food trade. Organic and Fair Trade labelled products have therefore achieved a relatively large share within a short period. At the same time, products that are seen as healthy and nutritious have also shown significant sales increases in recent years. For example, sales of ecological (organic farmed and produced) products increased by 18% in Sweden in 2016. The sales revenue for organic made food products was over SEK 25 billion (US$ 2.7 billion) representing close to 9% of the total food sales revenue in Sweden excluding hospitality and hotels. The estimated total figure for organic food products will be approximately somewhere between US$ 5.5- 6 billion for whole of Scandinavia but it will continue to grow and according to retailers, sales could be even greater in future.

Another force to drive sales is that government bids and tenders are demanding more ecological food in schools and homes for the elderly in Sweden. This is also helping organic food to grow in Sweden and in Scandinavia. All this means there is also good business opportunities if suppliers can solve the challenges with an effective and cost efficient supply chain of organic produced food products (including coconut products) to consumers in Scandinavia.

Another trend in the Swedish market is the interest for ethnic food with an authentic exotic taste. Several ethnic food items including coconut products have therefore been among the fastest growing product categories within the retail trade.

The positive trend for organic, fair trade, nutritious, and ethnic products including coconut based products is expected to remain over the next few years, which means that new suppliers are needed in the Swedish market, which will definitely be a door opening for more suppliers from developing countries, including Sri Lanka.

BUSINESS PRACTICES

There are three market segments for imported food products in Sweden, the retail sector, the food service sector (which comprises restaurants, hotels and catering establishments), and the domestic food manufacturers. At present, the retail sector accounts for about 70% of the consumers total food expenditure, while the foodservice sector accounts for 30%.

The Swedish food distribution is concentrated on four large retail groups- ICA, Coop, Axfood and Bergendahls, and to about 400-500 small and medium-sized wholesalers. In recent years, two international discount chains have also been established in Sweden namely; Lidl (with headquarters in Germany) and Netto (owned by Dansk Supermarket in Denmark). With regard to the convenience stores and the foodservice sector (hotels, restaurants and catering establishments), distribution is dominated by a few specialized importing wholesalers: Menigo, Servera, Axfood Närlivs, Martin Olsson, Service Grossisterna & Privab in Sweden.

Four trade groups, ICA, Coop, Axfood and Bergendahls, with both retail and wholesale activities, dominate the Swedish distribution of food and beverages to the retail sector. All four groups have also built up their own buying and import departments. These trade groups import some of their general food supplies by themselves, especially items bought in high volumes, and some through independent wholesalers acting as importers or agents. Apart from that, there are more than 2,500 food stores with a full line of food and grocery items, established in the Swedish market which do not belong to any one of the leading retail groups. Most of these stores are convenience stores, small neighbourhood stores, or food departments in petrol stations.

A relatively large amount of smaller importers in Sweden are engaged in importing ethnic foods, both for specialized ethnic stores and ethnic oriented restaurants. Among the larger importers of ethnic food in Sweden is Sevan, followed by Laroc and Risberg Import, Larsa Foods and Namco Food/Göteborgs Orienthus, Arno Holm and Saigon Food. Among the largest Swedish manufacturers and packers of ethnic food items are Santa Maria Param Para, Dafgårds, Friggs and Risenta in Sweden.

Imports of raw materials and food ingredients to food manufacturers are conducted either by importers and agents specialized in selling to this sector, or in the case of large manufacturers, by the companies themselves. Considering the many different kind of food materials and ingredients involved, there are a large number of importers and agents involved in this field in Sweden.

IMPORT TARIFFS

As a full member of the European Union (EU), Sweden is also a part of the EU customs union. This means that there are no trade barriers between Sweden and other EU-countries. All imports from countries outside the EU are subject to import tariffs, which vary from 0 to 25%. However, at present, Sri Lanka enjoys preferential treatment under the Generalized System of Preferences (GSP), which grants tariff reductions for the coconut based value added products at the point of importation to Sweden. Furthermore, countries that are beneficiaries of the special incentive arrangement for sustainable development and good governance (EU GSP+) enjoy duty free access to all these products. Therefore, as a beneficiary country under normal EU GSP Scheme, Sri Lanka has an added advantage of exporting these coconut based value added products to the Swedish market. As Sri Lanka is working hard to get re-qualification for EU GSP+ scheme, Swedish buyers could obtain more tariff benefits under the EU GSP+ scheme which will come into effect in the future, which is currently under negotiation with EU.

The rules of origin state that all food products are considered as “wholly obtained” in a country, if they also have been produced or harvested there. To prove that the rules of origin are fulfilled, Sri Lankan exporters have to provide a “Certificate of Origin Form A” for the general GSP scheme. However, if the total consignment contains products whose total value does not exceed € 6,000, an invoice declaration given by the exporter is accepted, provided appropriate documents showing the originating status are submitted. It is the responsibility of the exporter to ensure, that the requirements regarding origin is met. It is very important to have finalized all documents, prior to the importation the customs.

STANDARDS

The EU has set up marketing standards for quality and grading of a number of food products. These standards include provisions concerning minimum quality, classification, sizing, packaging, and marking. Products that do not comply with these standards are not entitled to entry into the EU market including Sweden. In addition, a Certificate of Conformity, issued by an officially recognised inspection body, is required. For those products, which are not covered by the EU marketing standards, UN standards apply. Even if they are not mandatory, they can be seen as a guide to what is considered minimum requirements.

Imports of both fresh and packaged food into the EU must comply with both general and specific provisions designed to prevent risk to public health. A basic food law includes general procedures regarding food safety and the traceability of food. Other food regulations concern hygiene and contaminants in food. There are also specific provisions regarding genetically modified (GM) food and novel food. Certain products have to be tested before admittance to the market.

Imports of fresh produce also have to comply with the regulations for Maximum Residue Levels (MRLs) of a large number of pesticides. Special attention should also be given to the regulations concerning the metal content of canned products. Most agricultural products may be imported into the EU only on the condition that a phytosanitary certificate, issued by a plant protection authority of the country of cultivation, is presented upon importation at the point of entry. Upon the arrival, a national plant protection body is authorized to conduct an inspection to ensure that the consignment is free from quarantine pests and conforms to the current regulations of Sweden. The plant inspection procedure is covered by a special plant protection fee, paid for by the importer.

It is mandatory for Sri Lankan suppliers to comply with the legal regulations on the following issues Traceability, Hygiene and Control, Contamination (applies to fungus contamination and other sources during the production process), Erucic acid content (if applied), Extraction solvents (if applied), product composition, labelling, including allergens and nutrition & health claims, food contact materials, when they export coconut based valued added products to Sweden. More information on quality and safety regulations and issues, can be found at the websites of the National Food Agency Sweden, EU Export Helpdesk, EU Food Safety, or FAO.

Furthermore, complying with the standards such as Food Safety Certifications (for example IFS or BRC certificates) and Organic & Fair-Trade Certifications will definitely be an essential requirement to be fulfilled by Sri Lankan suppliers of coconut based value added products when accessing specific market segments and buyers in Sweden.

ADDITIVES, LABELLING, TRANSPORTS AND PACKAGING

Since Sweden is a full member of the European Union, EU import regulations regarding quality, packaging, marking, food labelling, nutritional information, additives and food safety control apply. These importing regulations are mandatory for all exporters to sell their products in the EU markets including Sweden. In addition, importers, retailers and manufacturers often have set up their own specific standards regarding quality, transport, packaging, etc. A list of regulations for food imports can be obtained from the National Food Administration, which is usually made available to the foreign supplier by the Swedish importer. The Swedish importers also want to be guaranteed that the supplier can meet the demands of the National Food Agency Sweden before he signs a contract.

Only food additives, such as sweeteners, colouring, preservatives, antioxidants, emulsifiers, thickening agents, and stabilizers that have been approved by the EU are allowed. A list of approved food additives is published by the National Food Agency Sweden annually. All food products must contain the following information: labels in Swedish, estimated shelf life, storage instructions, a list of ingredients in the order of weight, about additives (if they are used only in the product), net weight or net volume, the name and location of the importer or packer. Shipments are subjected to testing by the authorities according to general international requirements. When it comes to packing and transport, there are no official regulations. It is the importer’s responsibility to ensure that the products are transported in such a way that they arrive in Sweden without damage.

Buyers in the Swedish market have strict requirements for food & beverages, and therefore suppliers of coconut products in Sri Lanka will be able to successfully market their product in Sweden only if they comply with these requirements.

PRICES, PAYMENT AND DELIVERY TIME

The value of imports is calculated on the price paid by the importer including expenses for insurance and transport at the Swedish border. At the border, a value-added tax (VAT) of 12% is added to the price of all food products including coconut products. VAT is imposed on the value added at each stage during the manufacturing and distribution process. The Swedish importers usually pay when the shipment has arrived and acceptance has been signed. If the Swedish buyer is dealing with a new supplier they might want to pay cash against document. Where important food and raw materials are concerned, there are usually contracts drawn up between the manufacturer and the agent/importer. The terms of these contracts are renegotiated once or twice a year. The imported goods are delivered in a constant flow during the year. If the goods are not entitled to preferential treatment, the importer becomes liable for payment of custom duty in full at the Swedish border.

PRICE COMPETITION IN THE RETAIL MARKET (SEK 1 = RS. 16)[1]

The biggest challenge for the Sri Lankan value added coconut based products in the Swedish market is very high price competition. Thailand, Vietnam, Malaysia, Philippines, Indonesia etc are the main competitors in the Swedish market for value added coconut products from Sri Lanka. Among them, Thailand is the biggest competitor. The increasing number of Thai immigrants, Thai restaurants & Thai market stalls, increasing trend for Thai food in Sweden and weekly direct flights from Thailand to Stockholm have been made products from Thailand dominate the authentic food sector in Sweden. There are number of authentic market stalls available in Sweden which sell products only from Thailand.

When it comes to the prices with regard to coconut milk in the Swedish retail market, a coconut milk 400ml can from Sri Lanka sells between ranges of SEK 15-20 (Rs. 240-300). Meanwhile, coconut milk 400ml can from Thailand sells between ranges of SEK 13-17 (Rs. 208-272). Coconut milk from Thailand is also available in 1L and 250ml tetra packets for SEK 35 (Rs. 560) and SEK 13 (Rs. 208) respectively. Thai coconut milk is also available in 165 ml cans for SEK 10 (Rs. 160). Organic coconut milk from Sri Lanka in 400ml can sells around SEK 16 (Rs. 256) and Thailand organic coconut milk in 400ml can sell between ranges of SEK 17-19 (Rs. 272-304) in Swedish retail shops. One notable thing

[1] Price details were collected through a market survey in December 2016.

regarding Thai coconut milk is that Thai suppliers are producing customized products for Supermarket chains under their brand name. Thai coconut milk in 400ml can is also available for a budget price around SEK 11 (Rs. 176) in Swedish retail shops. Furthermore, coconut milk in 400ml cans produced in Vietnam and Malaysia are also available at price ranges between SEK 13 -16 (Rs. 208 – 256) in the Swedish retail market.

When it comes to prices of coconut oil in the Swedish retail market, 500 ml plastic coconut oil jar from Sri Lanka sells at SEK 50 (Rs. 800) and organic coconut oil 675ml and 500ml glass jar from Sri Lanka sell at price of SEK 89 (Rs. 1,424) and SEK 70 (Rs.1,120) respectively. Sri Lankan Organic coconut oil in 630ml jar is also available for SEK 70 (Rs. 1,120) in the retail market in Sweden. Meanwhile, 500ml plastic coconut oil jar from Thailand sells at a much cheaper price of SEK 40 (Rs. 640) in Swedish retail shops.

Organic coconut cream in 400ml can from Sri Lanka is available at SEK 22 (Rs. 352) in the retail market. But normal coconut cream in 200ml and 400ml tetra packets from Thailand sells at a higher price of SEK 23 (Rs. 368) and SEK 26 (Rs. 416) respectively in the Swedish retail market.

Coconut water as beverages mainly comes from Thailand to Sweden. A normal coconut juice in 350ml can from Thailand sells at 13 SEK (Rs. 208) and coconut water in 500ml tetra pack bottle from Thailand sells at SEK 20 (Rs.320). Meanwhile organic coconut juice in 330ml plastic bottle from Austria sells at SEK 28 (Rs. 448) in the Swedish retail market.

Coconut milk as a ready to drink beverage is also available in small quantities in the Swedish retail market. The famous brand “alpro” from Netherlands provides all products in this category. Original coconut milk in 1L tetra pack bottle sells at SEK 25 (Rs. 400), chocolate flavored coconut milk in 1L tetra pack bottle sells at SEK 27 (Rs. 432) and coconut milk with almond sells at SEK 26 (Rs.416) in Swedish retail shops.

A coconut chip (not fried) in 40g packet from Thailand sells in the Swedish retail market at a price of SEK 13 (Rs. 208). Meanwhile 100g packet of natural and roasted organic coconut chips from Thailand is sold at a price of SEK 18 (Rs. 288) and SEK 25 (Rs. 400) respectively in Swedish retail shops.

Organic desiccated coconut from Sri Lanka in 250g packet sells at a price of SEK 29 (Rs. 464) & SEK 40 (Rs. 640) in two supermarket chains in Sweden. However, organic desiccated coconut in 200g packets are available at price ranges between SEK 14-20 (Rs. 224-320) in the Swedish retail market, in which the countries of origin are not specified. Furthermore, normal desiccated coconut in 200g packets are also available at cheaper prices between SEK 7-8 (Rs. 112-128) in Swedish retail shops, where countries of origin are not mentioned either.

Moreover, organic coconut milk powder in 200g packets from Sri Lanka sells at a price of SEK 27 (Rs.432) in the retail market in Sweden.

Coconut products from Thailand dominate even the Swedish wholesale market. A coconut milk in 2.9L tin from Thailand sells at a price range between SEK 73–78 (Rs. 1,248- 1,168) while coconut cream in 250 ml and 1L tetra pack from Thailand sells at a price of SEK 10 (Rs.160) and SEK 27 (Rs.432) respectively in the wholesale market in Sweden.

It is advisable for Sri Lankan exporters to compare the price of their product with other products in the Swedish market to assess their competitors and their pricing strategy. Justifying the value of their product also would be beneficial for Sri Lankan suppliers, as buyers and consumers in Sweden and other Scandinavian countries might be willing to pay a higher price for products which convey quality, sustainability, organic certification and smart marketing.

03 POSITION OF SRI LANKAN GOODS

BRIEF REVIEW OF SRI LANKAN EXPORT PERFORMANCE TO SWEDEN (NON-STATISTICAL)

As clearly pointed out in this market brief, there is high potential for Sri Lankan exporters to expand and increase exports of coconut kernel based value added products to the Swedish and entire Scandinavian/Nordic markets as the demand for coconut based products is gradually increasing within the Swedish market especially for products which are both organic and sustainable. On the other hand, coconut based value added products such as coconut milk, coconut chips, coconut oil etc produced in Sri Lanka are visible in the Swedish market frequently as products made by the competitors such as Thailand. It's also a notable factor that some of these products have not been imported by Swedish buyers directly from Sri Lanka, but imported via from nearby countries such as Netherlands, Germany, UK or Denmark. The main reason behind this market factor is, as the business relations of Sweden with Nordic and EU countries are relatively high, Swedish buyers naturally prefer to import from nearby countries due to high reliability on suppliers, lack of transport time & cost, trust kept on the EU standards & quality of products etc.

REASONS BEHIND SUCCESS OR FAILURE TO PENETRATE SWEDISH MARKET

Even though, Sri Lankan products are positioned very high in quality, packaging is one of the main reasons behind the failure to penetrate Swedish and other Nordic markets. Therefore, Sri Lankan companies should do more improvements in packaging if to be successful when compared with competitors. It should be noted that Swedish buyers prefer to import these products from other EU countries such as Netherlands, Germany, UK etc as products packaged in these countries comply with Swedish preferences. On the other hand, there are no direct flights from Colombo either to Stockholm or at least to capitals of other Nordic countries, which makes it a real disadvantage for suppliers in Sri Lanka when compared to suppliers in countries like Thailand, which is one of the main suppliers of coconut based products to the Swedish market.

04 ACTIVITIES OF COMPETITION

MAJOR COMPETITIVE COUNTRIES

Thailand, Vietnam, Malaysia, Philippines, Indonesia etc are the main competitors in the Swedish market for value added coconut products from Sri Lanka.

COMPETITIVE ADVANTAGE OVER SRI LANKAN PRODUCTS

Sri Lanka has a competitive advantage with regard to coconut based value added products in the Swedish market over its competitors obviously in quality and Sri Lanka is a beneficiary country from Sweden under normal EU GSP scheme which brings preferential market access to Sweden. Moreover, when EU GSP+ facility will come into force again hopefully in near future, Sri Lankan exporters will no doubt get more opportunities to penetrate the Swedish market. It also should be noted by Sri Lankan suppliers that being one of the main suppliers of coconut based value added products to the Swedish market, Thailand does not enjoy any tariff concessions in Sweden as it hasn’t signed any trade agreements with Sweden at the moment.

SPECIAL MARKET ACCESS TOOLS

Importing companies are the main point of entry for valued added coconut products into Sweden. Also, there are number of companies in Sweden which import coconut products from other main coconut products importing countries in EU such as Germany, the Netherlands and the UK. Some of these importers in Sweden also supply the product directly to the consumer market. Other importers in Sweden play an intermediary role between exporters and end buyers, also providing services such as storage, financing and quality control. However, with the expansion of the industrial market for valued added coconut products in Scandinavia, it is expected that direct contact between manufacturers and producers/exporters will increase in the future.

Hence, it is advisable for Sri Lankan manufacturers/exporters in valued added coconut products to invest in long-term relationship with their buyers in Sweden and other Scandinavian countries. Furthermore, it will be beneficial for Sri Lankan suppliers together with buyers in these markets to investigate value-addition possibilities and industrial uses for coconut based products which have a demand in the Scandinavian market as these can contribute towards improving the quality of the product, engage in consumer packaging, certification(s) or other strategies and marketing channels.

05 CONCLUSION AND RECOMMENDATIONS

MARKET PROGRESS & RECOMMENDED APPROACH

The Swedish market for ethnic foods has shown a steady increase in recent years as a result of immigration, travels and international food trends. Even if immigrants constitute an important target group, indigenous Swedish consumers are becoming more important as the main consumer group of ethnic foods. This indicates that the Swedish market offers a good potential for new exporters of ethnic oriented food products including coconut based value added products. Also ethnic ready-to-eat dishes are becoming popular. A new trend is that domestic manufacturers have also started to offer popular ethnic food products, even though volumes are still relatively small. An important market factor to consider is that general food stores, as well as most restaurants and food manufacturers generally do their purchases through their ordinary import channels, which favours suppliers with well-known brands produced within the EU or the USA. Nevertheless, there is still a growing demand for authentic ethnic foods in Sweden.

The retail sector in Sweden absorbs most of the imports, both general grocery stores as well as specialized ethnic food stores. However, the foodservice sector is becoming more and more important, which will further enhance the ethnic food market, since a relatively large share of the Swedish restaurants and fast food outlets serve dishes with a distinct ethnic character. Ethnic stores in Sweden, on the other hand, are focused on authentic products imported through specialised companies directly from countries of origin.

Private labelled articles (that carry the logo of the retailer), including coconut products, have achieved a large market share within the retail stores in Sweden. As a rule, almost all private label articles are manufactured by well established companies within the EU. But the large retail groups in

Sweden sometimes also import products under their own private label directly from the manufacturer, which promise new business opportunities for large scale food manufacturers also outside Europe including countries like Sri Lanka. Furthermore, the largest retail groups in Sweden have started to market a special assortment of genuine ethnic foods, intended for immigrants mainly from the Balkans, the Middle East and Asia, which constitute one of the largest immigrant groups in Sweden. A positive trend in sales indicates that imports of ethnic foods from these parts of the world, including Sri Lanka, will definitely increase in future.

It should be noted, that the retail chains generally prefer to import ethnic foods through specialised importers of ethnic foods. Taking into account the increased market for ethnic food in Sweden, the specialised importers of ethnic foods in the Swedish market offer the best market prospects for new suppliers in Asia, Africa and Latin America. It is very important to note that retail groups or ordinary importers in Sweden are specifically considered, prospective suppliers for food & beverages in countries like Sri Lanka who must be able to meet very high expectations on quality standards, fast and reliable deliveries, as well as export experience and capacity.

Even though, traditionally, the Swedish food industry has been geared towards the domestic market and only 10-15% has been exported, the Swedish exports have increased since 1995, since joining the EU. Swedish exports in food & beverages have shown a large increase during the last few years, which means that the domestic food industry is a growing importer of raw food materials and food ingredients. Specifically, coconut based value added products such as coconut milk, coconut cream, coconut butter etc are considered important raw materials, ingredients for food manufacturing sectors such as bakery products, yoghurt, ice-cream, chocolate and confectionary etc. which have a high demand in the Swedish market. Virgin coconut oil is considered an important raw material for pharmaceuticals and cosmetic manufacturing sectors etc. as currently, the Swedish customers are looking for products in these ranges with more natural/herbal touch.

On the other hand, coconut water is marketed as a natural energy or sports drink that have low levels of carbohydrates, fat, and calories, along with the considerable amount of electrolyte content. They are available in packaged form in bottles or tetra packs in Sweden. Factors such as its health benefits, antioxidants capacity, micronutrients content, better taste and others are driving the growth of the organic coconut water market in Sweden. Increasing awareness for a healthy lifestyle is one of the key factors anticipated to boost the organic coconut water market growth in Sweden in the future.

The interest in coconut oil, in particular, has grown in popularity in the last few years in the snack food industry. New products like potato chips etc. meet the growing fascination that healthy consumers have with this coconut super-food. The popularity of coconut oil is being seen throughout the natural foods industry, and it's likely that the consumer demand for coconut oil isn't going to drop in the near future.

There is an impressive increase in organic products in the Swedish market which continue to push demand in the sector, which is true for coconut based value added products as well. As the demand for organic continues to increase, the more organic production is required. The growth in demand for organic food products is an obvious factor not only in the Swedish market but also in the whole Scandinavian/Nordic region. For example, the Danish import of organic products increased significantly by 24 per cent during 2014-2015 periods. Also, sales of organic produce have increased by 12% in Finland between July 2015 and June 2016.

Corporate responsibility and sustainable sourcing plays an important role in the Swedish market. Sustainability projects dealing with coconut-producing communities and ecological aspects of the coconut products can serve as a competitive advantage for Sri Lankan suppliers. Organic certification for coconut products will definitely be an extra selling point for Sri Lankan companies as request for organic products is very common among the Swedish buyers. Swedish consumers are increasingly aware of social responsibility and want to know how and where their product is produced which has had a positive impact on the sales of fair trade-certified products in the Swedish market. Therefore, Fair trade certification may also complement the sustainability package of coconut products from Sri Lanka, but it is not a common request compared to the request for organic certification by Swedish buyers.

Sri Lankan suppliers could follow Swedish/Scandinavian trends by visiting/participating trade fairs such as Nordic Organic Food Fair & Natural Products Scandinavia trade fair in Sweden and Danish Food Fair in Denmark etc or checking their websites for new product launches and exhibitor lists relevant to value added coconut products.

ASSESSMENT OF OPPORTUNITIES FOR SRI LANKAN EXPORTERS

Sweden imports almost twice as much food products as it exports. Imports of food and beverages have shown a steady increase during the last few years in Sweden. About 70% of all food imports are normally imported from the European continent. However, it should be noted that some imports from the EU in the statistics actually have their origin in countries outside of the EU. For example, a lot of Sri Lankan originated food products, including coconut based value added products, could be found in Swedish supermarkets which have not been exported directly from Sri Lanka but imported via UK, Germany or Netherlands.

Obviously, there will be a continued demand for value added coconut based products in the Swedish market in the future. On the other hand, Sri Lankan exporters who have to compete with suppliers within the EU or outside EU can only expect a successful entry into the Swedish market if superior quality and/or favourable prices can be offered. In conclusion, it could be mentioned that interesting prospects exist in Sweden and Scandinavian/Nordic markets for exporters in Sri Lanka who can supply quality value added coconut based products at competitive prices.

06. REFERENCES

ITC Trade MAP: www.trademap.org
HS Codes of Coconut kernel based products: http://www.cda.lk

INFORMATION ABOUT THE SWEDISH MARKET:
Sweden's official website: www.sweden.se

Open Trade Gate Sweden: www.opentradegate.se

Business Sweden: www.business-sweden.se

Statistics Sweden: www.scb.se

Swedish Trade Federation: www.svenskhandel.se

Chamber Trade Sweden: http://chambertradesweden.se/

National Board of Trade: www.kommers.se

Swedish Associations of Agents: www.agenturforetagen.se

TRADE RULES AND REQUIREMENTS
National Food Agency Sweden: www.livsmedelsverket.se

FOOD SAFETY AND REGULATIONS
Swedish Board of Agriculture: www.jordbruksverket.se

NETWORK FOR AGENTS AND BROKERS
Swedish Food Federation: www.livsmedelsforetagen.se

OTHER USEFUL LINKS

E-market Services Online business directory: www.emarketservices.com

FAO - Food and Agriculture Org: www.fao.org

EU Export Helpdesk for Developing Countries: http://exporthelp.europa.eu

EU Food Safety Issues: http://ec.europa.eu/food/index_en.htm

CBI: https://www.cbi.eu/

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