Nature of the Market

Historic and cultural ties have given rise to extensive and close relationships between the Nordic countries, Norway, Sweden, Finland, Denmark and Iceland. Co-operation takes place within the framework of the Nordic Council of Ministers with its Secretariat in Copenhagen, Denmark. Economic issues, trade, energy, consumer policy and legislative matters are among the matters covered. As a result the Nordic block has a common labour market, a passport union and reciprocal social security benefits.

There are many features common to all Nordic countries. Each has a relatively small but wealthy population mostly concentrated in or near the capital city and other major towns. Per capita GDP, much the same in each country, is higher only in Switzerland and Japan. Consumption of fresh fruit and vegetables is relatively high and growing in response to consumer preference for healthy eating. This particularly applies to fruit, per capita data for which are: Denmark 69 kg; Sweden 66 kg; Norway 57 kg and Finland 51 kg. An increasing proportion of fresh produce is imported. Access to the wide range of tropical and off-season fruit and vegetables that is presently available is relatively recent but, for most such exotic produce, only small quantities are consumed and prices are high, principally due to the high unit costs of transport and distribution associated with low volume trade. Produce has to travel greater distances compared with other West European nations and, in winter, exotic produce needs heated containers. However, there is a potential for steady growth in demand for exotics as marketing campaigns for specific products lift sales through 'threshold' levels and facilitate reductions in retail prices.

For the exotics exporter, markets in all of the Nordic countries are not easy to enter because the importation of fruit and vegetables is highly concentrated. The centralised buying organisations that dominate importing prefer to deal with major brand suppliers for established products or exotic specialists in Holland and Germany for low volume products. Quality requirements, specifications with regard to packaging and delivery schedules are demanding. Complex technical regulations and import procedures inhibit one-off or speculative shipments. Exporters, therefore, need to service the markets through a well developed marketing partnership with Nordic companies. However, being an established exporter can bring advantages in the form of large orders for regular deliveries at agreed prices.

Tropical and Off-Season Fruit and Vegetables

Within the trade in each Nordic country a distinction is made between 'first generation' and 'second generation' produce. First generation exotics have become main products available year-round in supermarkets at competitive prices. Second generation are lower volume products often with limited availability and at comparatively high prices. Within this category some products are regarded as ‘marginal’, because current sales volumes are very small and consumer awareness low. Such products are usually available only at larger or specialised retail outlets. Typically, exotic products are classified as follows in Nordic countries:

First Generation	Second Generation	Marginal
Avocados	Papaya	Carambola
Peach/Nectarine	Mangoes	Lychees
Pineapples	Passion Fruit	Physalis
Kiwi	Persimmon	Kumquat
Sweet Melons	Asparagus	Sugar Peas
Aubergine		Bobby Beans
Cherry Tomatoes		

Nordic Purchasing Organisations

Two purchasing organisations have been established to make bulk purchases on behalf of their members, who are large distributive trade companies in individual Nordic countries. The major items of fresh produce sourced through these joint purchasing organisations are the high volume fruits such as citrus, apples, bananas, pears and grapes, and mainstream vegetables - tomatoes and peppers - from southern Europe during the main import season. Economies of scale and joint freighting arrangements can be cost effective, thereby securing top quality supplies for members at modest prices.

Nordisk Andelsforbund (NAF) is a long established co-operative society with its head office in Copenhagen, which purchases a wide range of products on behalf of its members, who are the central organisations of the following consumer co-operatives:

Company	Country
Kooperativa Forbundet (KF)	Sweden
Foellesforeningen tor Danmark Brugsforeninger (FDB)	Denmark
Inex Partners Oy	Finland
Norges Ko-operative Landsforening (NKL)	Norway
Samband Isl. Samuinnutelaga (SIS)	Iceland
Coop Italia	Italy
Co-op Wholesale Society Ltd (CWS)	UK
Konsum Osterreich	Austria

Through its member companies NAF serves 14,000 consumer co-operative stores which have 16 million members. It has a network of buying offices in Spain, Italy, Germany, the USA, Central and South America, and South Asia. NAF imports a high proportion of fruit sold in member co-op retail outlets.

Viking Frukt AB was established in 1990 as a central purchasing organistaion for the import of fruit on behalf of its four member shareholder companies, each of which is a major distribution group in its own country.

Company	Country	Estimated share of national fruit and vegetable import (%)
ICA Foretagen AB	Sweden	33
Kesko Oy	Finland	40
Bama-Gruppen A/S	Norway	30
Brdr-Lembeke A/S	Denmark	25

The head office in Gothenburg, Sweden, transacts business with individual suppliers, who are mainly leading world brands. Viking has experienced initial teething troubles, having largely failed to realise the expected cost savings for its members, who continue to directly import much fresh produce.

Produce Retailing

Since the 1960s significant changes have occurred, both in the structure of distributive trades and the type of service provided, throughout the Nordic region. Traditional greengrocers have largely been replaced by fresh produce sections of supermarkets and hypermarkets at which self-service has replaced counter service. Through a process of both voluntary amalgamation and of acquisition to reap economies of scale in centralised purchasing and distribution, the trade has become vertically integrated and highly concentrated in the hands of a small number of import/wholesale/retail groups. In some cases the centralised purchasing company, both for the Nordic region and nationally, is a separate organisation providing its clients with a service in the form of procurement or procurement plus distribution.

The main types of retail outlet are:

Supermarkets, hypermarkets and discount stores: These usually offer a wide range of goods such as personal care products and household goods in addition to food. They are almost all self-service and fresh fruit and vegetables are offered either pre-packed or for customers' own selection from bulk displays. Hypermarkets tend to have a wider range of consumer items and varieties within each category of product. Discount stores are similarly organised but the emphasis is on low prices for a narrower range of products and varieties. In all Nordic countries co-operatives are strong in this sector.

Independent greengrocers and delicatessens: These generally continue to provide a counter service, often offering especially high quality produce. Many are linked either through ownership or by trading arrangements with an importer/wholesaler group.

Department stores: These mostly have food departments offering either, or both, self-service of pre-packed fruit and vegetables, and counter service.

Market stalls: Although now less common, these are found in major cities, often at weekly or periodic markets. Most sell mainly temperate produce but some offer exotics obtained from independent importers and wholesalers.

Marketing Channels

In all Nordic countries both importing and wholesaling have become highly centralised, while the wholesale trade has taken on additional functions of packaging and distribution as well as storage. Typically the organisations involved in importing are:

- Nordic purchasing organisations on behalf of wholesale/retail groups;
- central buying organisations of wholesale/retail groups;
- independent importer/wholesalers;
- specialist importers in Holland and Germany; and
- agents.

The typical structure of distribution is shown in the following diagram.