



The Impact of Direct Trade on Coffee Farmers' Revenue

Jorge Serrano Zamora

Haaga-Helia University of Applied Sciences

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Abstract

Author(s) Jorge Daniel Serrano Zamora
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<p>This study conducts a financial analysis for the commissioned company, a Honduran coffee producer, as they analyze the opportunity to enter the Finnish coffee market. Coffee is one of the most consumed beverages in the world and Finland leads the market in per capita consumption. Green coffee, which is the coffee beans before roasting, is the focus of this study. Honduran coffee is known for exquisite flavour and top quality, but it has a high-level competition against Colombia and Brazil in the South American region. To have a better grasp of the Finnish coffee market, this study investigates the exportation requirements, cost structure, green coffee price and expected profit. By researching these topics, the study aims to aid the commissioned company in deciding if aiming for the Finnish market is the best step into the future of the company.</p> <p>The study approaches a mix of qualitative and quantitative methods, the qualitative data is collected from interviews to coffee experts and the quantitative data is collected from reliable sources that show green coffee price history and exportation costs and requirements. The interviews consisted of five Finnish roasteries varying between small, medium and large in the Helsinki area. All roasteries that open their doors to the research had a deep understanding of the coffee market and share their experiences on coffee purchasing from South American countries. The interviews were held on-site giving the researcher the chance to experience the roasting of coffee in Finland. The data for exportation requirements and organic coffee was gathered from the European Commission and various companies were contacted to ask about the exportation cost. Also, information about price was collected from public data available in the roasteries websites and online platforms from which the roasteries buy green coffee.</p> <p>The results showed that the average roasteries does not engage in direct trade with coffee producers but always use a middleman to buy South American coffee. This helps the roasteries to have a more flexible relationship with producers being able to have a bigger variety of coffee. It also demonstrated the high importance of sustainability for the roasteries, there is a big need for the producers to have the Fairtrade and organic certifications. And demonstrated that there might be better options on how to enter the Finnish coffee market.</p>
Key words Exportation cost, Coffee market, Roasteries, Profit

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1 Introduction

This thesis is written as a part of bachelor's degree programme in international business. It will discuss the possibility for a Honduran coffee producer to sell green beans in Finland and how profitable it may or may not be. It is important to note that my colleague, Julissa Flores Romero, is writing her thesis with the same company and objective but focusing on the marketing side of the international trade.

In the first chapter the topic and objectives will be introduced. It will also present the research questions and investigative questions and how they are going to be investigated. And it will present the importance of the research and demarcation of the topic.

In the second chapter the theoretical framework relevant to the thesis topic is explained. It presents the international trade theory, more specifically the rules and regulations from tullit (customs in Finland) for trade on green beans. It also defines the ratios that will be used to analyse the data collected for the research.

In the third chapter the methodology is presented. This part of the thesis consists of explanations of the research implementation and results.

In the fourth chapter the results are presented objectively. And then with the theory presented in second chapter the results are analysed.

In the last chapter the discussion takes place. This chapter includes a summary of the results, and a conclusion based on said results. It also includes reflections from the author and proposals for further research.

1.1 Background

The author of this thesis specializes in accounting and finance. This thesis is focused on a coffee production business in Honduras called "Tierra de Leyendas" and more specifically analyses the opportunity revenue the Finnish market upholds. Then, the results can be used to decide if an expansion is profitable.

Tierra de Leyendas is a coffee producing company owned by Arturo Serrano Villanueva, the author's uncle. In recent years, the company has become big enough to start selling coffee in the USA and now is looking at the possibility to expand to Finland.

This topic is being researched because it is important for the company to understand the market it is aiming for and make some preliminary contact with possible buyers. The results may give the company a starting point for starting an expansion to Finland.

1.2 Thesis topic

The thesis focuses on analyzing the financial aspects of the Finnish market for Honduran green coffee beans. The research question and investigative question are as follows.

Research question (RQ):

“Is it economically profitable to enter the Finnish market?”

Investigative question (IQ):

- IQ 1: What is the price and demand expectation for green coffee in the Finnish market for Honduran coffee?
- IQ 2: What additional costs need to be considered?
- IQ 3: What are the practicalities when importing green coffee beans to Finland?

The overlay matrix (Table 1) shows the investigative questions, theoretical framework, method and results for each question. The theoretical framework for the first investigative question is ratios analysis. The research methods are secondary data and interviews. And the results are the hard data from the interviews and secondary sources.

The theoretical framework for the second investigative question is the international trade theory. The research methods are secondary data and interviews. And the results are the hard data from the interviews and secondary sources.

The theoretical framework for the third investigative question is the international trade theory: rules and regulations. Methods are the same as the previous two. And the results are the hard data and conclusions from secondary sources and interviews.

Table 1. Overlay matrix

Investigative questions	Theoretical framework	Method	Results
IQ 1: What is the price and demand expectation for green coffee in the Finnish market for Honduran coffee?	Ratios analysis	Secondary data and interviews	Data
IQ 2: What additional costs need to be considered?	International trade theory	Secondary data and interviews	Data
IQ 3: What are the practicalities when importing green coffee beans to Finland?	International trade theory: Regulations and rules from tullit.	Secondary data and interviews	Data and conclusions

1.3 Demarcation

In this thesis, the main objective is to find out if it is economically profitable for Tierra de Leyendas to enter Finland. The company sells other coffee products, but we will focus on the green beans that they produce. Also, the focus will be in Honduras and Finland more specifically Helsinki since it is where the author lives. There will be reference to the company's international experience in selling to the USA. The research aims to find a profitable selling price, investigate additional cost and understand the practicalities when importing green coffee beans to Finland. The research does not aim to provide a final sales agreement for any product and does not include an extensive market analysis.

1.4 Case Company

Tierra de Leyendas is a coffee producing company based in Honduras. The founder of the company is Arturo Serrano Villanueva, the author's uncle. He started his coffee career in 1988 and has been growing ever since. The company owns 120 "manzanas" of land or (in ha: 83,7 hectares) in which most of it is used for coffee plants. The company is in the whole process of coffee from planting and collecting the beans to roasting and selling the finished product. During the collecting season the company hires 80 to 90 employees but only 15 are all year round. Last year Tierra de Leyendas produced 181,000 kg of green coffee.

In the sustainability aspect Tierra de Leyendas is a leading company. One of their sustainable projects is a partnership for constructing houses for underprivileged families. Another important partnership they have is with the evangelic church "Gran Comision" in which they donate to different social projects that help children from different communities. They had also reforested the land in which the coffee beans are planted, making the environment and ecosystem alive again.

One of the things that the company is proud of is their reforestation projects. By planting trees and nurturing the ecosystem the plantation has become more colorful, full of plants and wildlife. Another sustainable project is their organic fertilizer that is made by their own formula. Making the coffee organic and reusing the waste from other products. Lastly one of the company's goal is minimizing the use of pesticides because of the harm it may cause.

1.5 International aspect

Since the company in this research is in Honduras it already has an international aspect. But also, in this thesis we will greatly look into the international trade theory to enter the Finnish market from a American country. The interviews with the owner and other Hondurean related part will be conducted in Spanish and some of the Finnish parts will have their original source in Finnish. The results will need to be translated to Spanish since the owner doesn't speak English or Finnish.

1.6 Results and benefits

The main result of this thesis is to give understandable data for the company that answers if it is or not profitable to sell coffee to Finland. With this information the company will decide their next

steps on their journey. One benefit is the preliminary contact with the possible roasteries which have the purchasing power to buy a container of coffee. Creating a relationship and having a contact person will be useful for the company in any further step.

The author will benefit by studying the regulation of Finland for importing products, which will help him if the business proceeds with selling coffee. Also, the author will be able to network with different roasteries that may become business partners in the future.

2 Theoretical Framework

In this chapter, the author will present the theories relevant to the thesis topic. This chapter includes the international trade theory, regulations and rules from Tulli and financial ratios to measure profitability. The chapter will include different information about Finnish regulations and taxes for coffee beans. Also, it will contain information about financial ratios such as ROI and profitability ratios.

As a company becomes bigger it eventually reaches a point in which it needs to develop to continue existing. Tierra de Leyendas has reached this point in which it needs to expand for its further development. The problem is that there is not enough demand in Honduras for the quantity of coffee that they produce. This is why the company need to evaluate different options and scenarios that can bring profit.

2.1 International trade theory

The world we live in is highly interconnected with complex economic transactions, social and environmental problems and international collaboration and conflicts. Decisions made in one country does not only affect that country but all our connected society. For example, as large technological companies such as Microsoft, Intel and Toyota have expanded their presence in many nations through the world, they have built global production networks that share knowledge to build complex goods and sold them anywhere in the world. (Markusen, J. & Maskus, K. 2011).

Going back all the way to when Adam Smith praised the virtues of labour division and David Ricardo explained the comparative advantage of trading to other nations, the world has become more economically interconnected (Johnston, M. 2021).

International trade is the purchase and sale of goods and services by companies in different countries. Consumer goods, raw materials, food, and machinery all are bought and sold in the international marketplace. This allows companies to expand their market and have access to goods and services that might not be available in their home country. This can result in competition from foreign markets, making pricing and cheaper products more competitive. (Heakal, R. 2024).

As an example for understanding international trade, if you walk into a supermarket in Finland and find Colombian coffee, American soda and Costa Rican bananas then you have experience international trade. Political change in Asia could increase labor costs. This could increase the manufacturing costs for an American phones manufacturing company based in China, which would then increase the price charged for a phone that an American consumer might purchase at their local mall. (Heakal, R. 2024).

Two important words in the international market are import and export. Imports are the goods and services that are purchased from the rest of the world by a country's residents, rather than buying domestically produced items. And exports are goods and services that are produced domestically, but then sold to customers residing in other countries. (CFI 2024).

In the core of international trade theory, we find the **comparative advantage** theory written in Adam Smith's "The wealth of Nations 1776". In which he illustrates how two countries can mutually benefit by specializing and trading according to their own comparative advantage. In the book Portugal and England were used as examples of the theory of comparative advantage, explaining how Portugal with its abundance in vineyards can make wine at a low cost and England with its pastures full of sheep can manufacture cloth more efficiently. (Heakal, R. 2024).

These two countries will realize this comparative advantage and start focusing on their respective products. Then each country could produce a specialized output of 30 units per year and trade equal proportions of the products. Because of this both countries can access the products at a lower cost. Making the statement that for both countries opportunity cost of producing both products is greater than the cost of specializing. (Heakal, R. 2024).

Looking into the thesis we can see that there exists a comparative advantage when considering Honduras and Finland. The source of Honduran comparative advantage is their climate and geography when looking into the coffee production requirements. For a coffee plant to grow properly it first needs a tropical climate which Honduras has the perfect climate for the growth of the plant. Then the plant needs to be to a certain altitude for it to grow around 1200 to 1500 meters above sea level. As for the climate the author of this thesis can confirm that Finland does not possess a tropical climate. And the only mountain that reaches the altitude required is halti (Clausnitzer, J 2022) in the border with Norway and even if Finland had a tropical climate the terrain in halti is not adequate for planting coffee.

Moving on to talk about a key element of international trade **tariffs**. A tariff is a type of tax levied by a country on imported goods at the border. Historically tariffs were used as tools for a government to collect revenue from imports, but it is also a way to try and protect domestic producers. It is a protectionist tool to increase the price of imports and as a result make consumers choose the less expensive domestic products. (Berstein, J. 2023).

Because today's society is greatly interconnected, products that the consumer believed were made in their home country may have parts or components from other countries or even assembled overseas. Making the product affected by the tariffs on these special conditions and creating a distortion in the market that could harm the consumers in the long run. (Berstein, J. 2023).

There are four types of tariffs:

- **Ad valorem tariffs:** The term comes from Latin “according to value”. This in terms of tariffs refers to what it is due, depending on how much it is worth. This comes in the form of a percentage meaning that if there is ad valorem of 10% for motor vehicles if the car is 10,000 then the tariff will be 1,000 and if its 20,000 the tariff will be 2,000 and so on.
- **Specific Tariffs:** A specific tariff directly reflects on a item, it is normally based on weight or unit. For example, in USA for some milk products they add 3.2 cents per Liter. This tariff contrast with Ad valorem in that doesn’t look into the total value but looks into the units.
- **Compound tariffs:** A compound tariff is essentially a combination of the two previous tariffs. It includes a cost per unit and a set percentage of the value.
- **Tariff rate quota:** This tariff combines two trade policies tariffs and quotas. It works by imposing a set tariff until a threshold is reached and a quota needs to be applied. For example, there might be a tariff of 10% for imports up to 1,000 units if the number of units increase the tariff will increase, for example to a 30%. (Boyce, P. 2023).

It is important to investigate which and what type of tariffs will apply to Tierra de Leyendas with their import of green coffee to Finland. This is important because this creates an extra cost for the company depending on the tariff the profit margin might be cut. By the definition of tariffs, the most likely tariff applied to green coffee beans is a specific tariff per unit or weight.

When looking into the international trade there is always the possibility for **trade war**. A trade war happens when one country retaliates against another by raising import tariffs or placing other restrictions on the other country's imports. The most common way for trade war to start is for country to perceive that another country has unfair trading practices. Then, domestic trade union or lobbyist can pressure politicians to raise tariff and make foreign goods less attractive, pushing and international policy and commencing a trade war. (Chen, J. 2024). And more are planned and implemented in 2025, with president’s Trump re-election there had been a rise in tariffs imposed to neighbouring countries, Canada is in the spotlight of said tariffs creating tension between both countries (Dawson, E. Mack, M. Williams, J. 2025).

Trade wars are not a creation of modern society, said battles had been going on since nations had traded with one another. The great British Empire has a long history with said battles. For example, in the 19th century the opium wars with China. Another example can be seen in 1930 when USA enacted the Smoot-Hawley Tariff Act, attempting to protect local farmer but backfiring horribly. In most recent times we can see these battles in 2018 when former president Trump imposed a series of tariffs from steel and aluminium to solar panels and washing machines. (Chen, J. 2024).

Trade wars are not something a single company like Tierra de Leyendas could control. But the company always need to be in the lookout for said international changes and battles. Honduras biggest competitors in coffee production, Colombia and Brazil, could rise tariff if they conclude that Honduras have unfair trade practices.

2.2 Incoterms

The author of the thesis decided to present the characteristics of the incoterms, even though this is more a supply chain topic, because transportation plays a major role in defining the final cost of the products and understanding the obligations for buyers and sellers is crucial.

International commerce terms, Incoterms for short, clarify the rules and terms that buyers and sellers use in international and domestic trade contracts. Created by the International Chamber of Commerce (ICC) the incoterms provide a set of universal rules and guidelines that help facilitate trade. Incoterms are used for a variety of activities which include filling out a purchase order, labeling a shipment for transport, completing a certificate of origin, or documenting a free carrier agreement (FCA). (Segal, T. 2023).

There are 11 Incoterms, 7 for any mode of transportation and 4 for sea and inland waterway transport. The incoterms for any mode of transportation are as follows:

- CIP: Carriage and Insurance Paid to
- CPT: Carriage Paid to
- DAP: Delivered at Place
- DPU: Delivered at Place Unloaded
- DDP: Delivered Duty Paid
- EXW: Ex Works
- FCA: Free Carrier

As an example, delivered at place unloaded (DPU) indicates that the seller delivers the goods to a terminal and assumes all the risk and transportation costs until the goods have arrived and been unloaded. After that, the buyer assumes the risk and transportation costs of the goods from the terminal to the destination. (Segal, T. 2023).

The incoterms for sea and inland waterway transport are as follows:

- CFR: Cost and Freight
- CIF: Cost, Insurance, and Freight
- FAS: Free Alongside Ship
- FOB: Free on Board

As an example, Free on Board (FOB) indicates that the seller delivers the goods on board a designated vessel named by the buyer. The buyer or seller may assume all the risk and transportation costs depending on whether the goods are sold under the FOB shipping point or FOB destination point. (Segal, T. 2023). This incoterm is used by Kaffa, one of the roasteries in Helsinki that will be part of this research.

In figure 1, we can see well illustrated how the Incoterms vary from each other. We can see that the Incoterms focus on obligations, costs and risks. From an accounting perspective we can better understand the cost of exportation of products, but it doesn't specify the time at which the transaction needs to be recorded. Using Incoterms one can break down the cost better and record all the transactions better by mapping the delivery process.

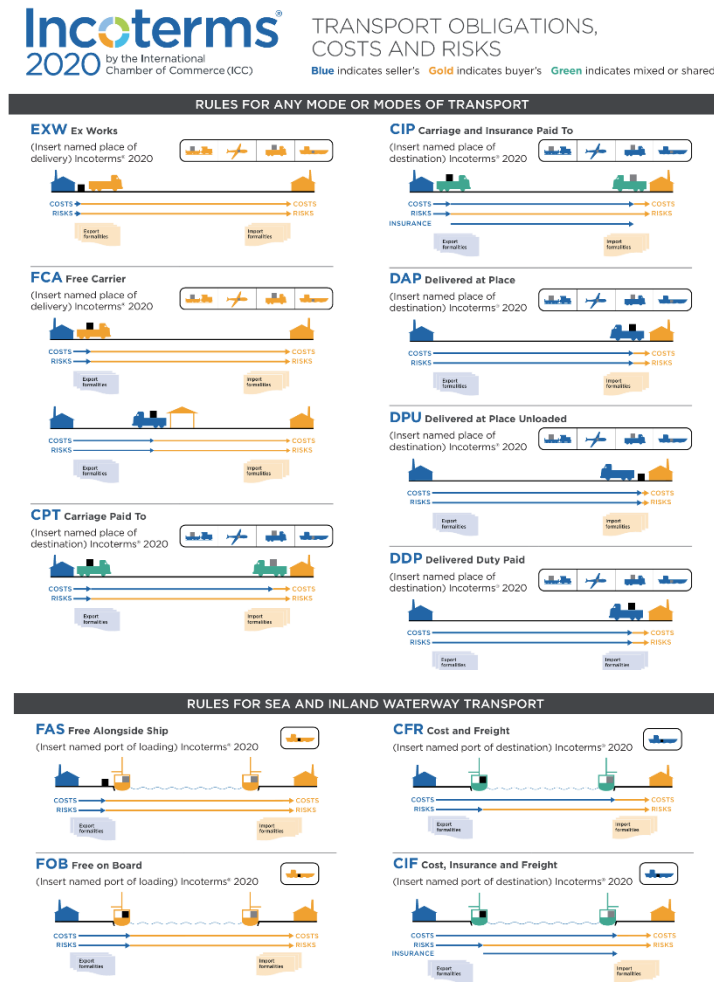


Figure 1. Wallchart for Incoterms (International Chamber of Commerce 2019)

2.3 Tulli: Customs regulations

To better understand the practicalities of importing green coffee beans to Finland we need to understand the regulations in place by their Customs administration. Customs or Tulli in Finnish is one of the oldest authorities in Finland. Customs has grown roots in the Finnish territory taking part in the daily of Finns for more than 600 years. In Tulli's online page we can find the ABC for importing to Finland. In the next pages we will review the process for importing goods to Finland and the information can be found at [The ABC of import - Finnish Customs for more detailed guide \(Tulli 2024\)](#).

As a rule, all imported goods must be declared before you can start using them or resell them and customs duties, taxes and other charges will be levied on the goods.

2.3.1 A. Prepare for import

1. Find out the commodity code of the goods.

The commodity code for not roasted coffee and not decaffeinated is 0901 11 00 00. With this code we can find the prohibitions, duties and taxes applying to the product. Setting the country into Honduras we can find the specific regulations for Honduran green coffee. As for prohibitions, it requires international phytosanitary certificate and phytosanitary inspection (9RKE, regulation Z3456/12), Import control of organic products (B750, regulation R2306/21) and Veterinary control (B410, regulation R0632/21). As for duties, third country duty (C103, regulation R2204/99): 0 % and Tariff preference (C142, regulation D0734/12): 0 %. As for tax, VAT depends on the value of the goods imported, it may be 0%, 10%, 14% and 25.5%. But it says that for foodstuff it only applies 14%, I am confused.

2. Estimate the import cost

Goods imported from outside the EU are usually subject to customs duty and VAT. Other customs duties, such as anti-dumping duties, may also have to be paid. Reduced customs duty rates may be granted e.g. based on the origin of the goods. The country of dispatch also affects the import costs.

3. Find out if you need an import license

You need a license for importing certain goods, and the import of certain goods is entirely prohibited. Find out from which authority you can apply for an import license before importing the goods.

4. Decide whether to handle the customs transactions yourself or to use a representative

You can handle the customs transactions yourself. However, many companies use the services of a forwarding agency or another representative to facilitate the customs transactions.

If you use a representative, remember to authorize the representative to act on your behalf. Even if the representative submits a declaration on your behalf, you are nevertheless responsible for submitting the declaration.

5. Decide whether to handle the transactions online or via message exchange

You can submit an import declaration in Customs' free-of-charge online service, the Customs Clearance Service. If your company submits many import declarations, message exchange could be an alternative transaction channel. Message exchange requires investments by the company, an authorization granted by Customs and system testing.

6. Obtain an EORI number and mandates

Obtain a business identifier, an EORI number, for your company from Customs. Your company must have a valid EORI number to submit customs declarations. Your company must grant employees a mandate to submit customs declarations. If you use a representative, the representative must also be granted a mandate.

7. If you regularly import a lot of goods, apply for authorizations to facilitate the transactions

If your company regularly imports goods to Finland, you should apply for authorizations from Customs to facilitate the import transactions.

8. Ensure product safety and appropriate labelling

As the importer, you need to make sure that the imported products are safe and that their packages are appropriately labelled. For example, if cosmetic products have insufficient package labels. You can contact the market surveillance authority to check that the products follow the requirements.

9. The goods can be stored or transited

If you do not want to or cannot declare the goods as soon as they arrive in Finland, you can store the goods in a warehouse, or another location approved by Customs. You can transport goods under the transit procedure within or through the territory of the EU without having to pay customs duty or tax. You can buy both services, e.g. from a forwarding agency.

2.3.2 B. The goods arrive in Finland

1. Find out the border crossing point where you can present the goods to Customs

When goods are imported from outside the EU, they must be presented to Customs. If a carrier transports the goods on your behalf, it will present the goods in connection with border crossing. Certain goods, such as live animals, can only be imported to Finland through certain border crossing points.

2. Advance inquiries and advance notifications

Customs supervises imports of some foodstuffs and consumer goods. You can make an advance inquiry, that is, ask Customs in advance whether samples will be taken from the consignment. In this way you can speed up the movement of your consignment. An advance notification must be submitted for certain goods.

3. Be prepared for custom control

Customs can, if necessary

- Examine goods, packaging materials and markings
- Request to see documents
- Inspect means of transport
- Take samples of foodstuffs to be analyzed at the Customs Laboratory.

Some of the examinations by Customs are subject to a charge, e.g. examining a sample at the Customs Laboratory.

2.3.3 C. Submit the customs declaration and pay the customs invoice

1. Submit the customs declaration

Once the warehouse keeper or the carrier has notified you of the arrival of the goods or given you the MRN of the previous document, you can submit the customs declaration for the goods to the Customs Clearance Service. The goods are placed under customs procedures with the customs declaration. The most common import customs procedure is release for free circulation. If you use a representative, the representative will submit the customs declaration on your behalf.

2. Decision on release, customs clearance decisions, custom invoice

If you have a comprehensive guarantee authorization and a payment deferment authorization, you will receive a decision on release, a customs clearance decision and a customs invoice from Customs when the customs declaration has been processed. You will receive the goods against the decision on release before paying the customs invoice. If you do not have a comprehensive guarantee authorization and a payment deferment authorization, that is, if you are a so-called cash customer, you will receive a customs clearance decision and a customs invoice. When you pay the customs invoice in the Customs Clearance Service, you will receive a decision on release, after which the goods will be released to you.

3. Pay the VAT

If your company is registered for VAT, you must file the VAT on your imports in the Finnish Tax Administration's MyTax service. In other cases, the VAT is paid with the customs invoice.

2.3.4 D. After submitting the customs declaration

1. Amend any errors

If you notice an error in a customs declaration for which there is already a customs clearance decision, you can request administrative review (amendment) or invalidation from Customs by submitting a request for administrative review (amendment).

2. Archive documents

You must archive all the original documents relating to customs clearance, such as invoices, transport documents and certificates of origin. Customs can carry out post-clearance audits of companies, where they examine customs documents and records.

All the previous information is quoted from tulli.fi/abc of imports.

2.4 Contribution margin

The focus of this thesis is to analyze the cost for the exportation of green coffee to Finland. For that we need to understand the contribution margin which takes an essential part in analysing cost. Contribution margin is the portion of a product's revenue that exceeds the variable cost of producing that product and generating that revenue (Renfro, B. 2022). It is one way of showing the potential profit of a product and shows the portion of sales needed to cover the company's fixed cost.

The contribution margin is calculated by subtracting the sale price of a product and the variable costs associated with its production and sales process. The formula is as follows:

$$C = R - V$$

Where C is the contribution margin, R is the total revenue, and V represents variable costs. And to turn into a fraction of the total revenue we only need to divide it by the revenue.

The contribution is the foundation for the analysis of overall cost and planning sales price for product. The contribution margin helps to separate out the fixed cost and profit components coming from product sales and can be used to determine the selling price range of a product, the profit levels that can be expected from the sales, and structure sales commissions paid to sales team members, distributors, or commission agents. (The Investopedia Team 2024).

Cost can be separated into two groups, fixed cost and variable cost, understanding both is important for the analysis of the overall cost. A fixed cost is a business expense that normally doesn't change with an increase or decrease in the number of goods and services produced or sold by the business (Hayes, A. 2024). A common example of fixed cost is the rent paid for the space used for a business. A store owner will pay a fixed monthly amount regardless of how many items are sold.

On the other hand, variable cost is an expense that changes in proportion to how much a company produces or sells. Variable costs increase or decrease depending on a company's production or sales volume—they rise as production increases and fall as production decreases. (Kenton, W. 2024). Some examples of variable costs are sales commissions, direct labor costs, cost of raw materials used in production, and utility costs.

As an example of how contribution margin works, we will take a simple example from an ink pens manufacturer. Say a machine for manufacturing ink pens comes at a cost of 10,000€ . Manufacturing one ink pen requires 0.2€ worth of raw materials, another 0.1€ goes towards the electricity charges for running the machine to produce one ink pen, and 0.3€ is the labor charge to manufacture one ink pen.

Taking these three components together we can find the total variable cost per unit. The total variable cost will be $(0.2€ + 0.1€ + 0.3€) = 0.6€$ per unit. If 100 pens are manufactured the total variable cost will be $(0.6€ * 100) = 60€$ and if 10,000 pens are manufactured, then the total variable cost is $(0.6€ * 10,000) = 6,000€$. As stated by this example the total variable cost increases in direct proportion to the number of units of the product getting manufactured.

If a total of 10,000 ink pens is manufactured using the machine at a variable cost of 6,000€ and at a fixed cost of 10,000€, the total manufacturing cost comes to 16,000€. The per-unit cost will then be computed as $16,000€ / 10,000 = 1.6€$ per unit. If each ink pen is sold at a price of 2€ per unit, the

profit per unit comes to $2\text{€} - 1.6\text{€} = 0.4\text{€}$. (The Investopedia Team 2024). But the contribution margin only accounts for variable cost the incremental profit earned for each unit sold as represented by contribution margin will be $2\text{€} - 0.6\text{€} = 1.4\text{€}$.

The contribution margin shows how much additional revenue is generated by making each additional unit of a product after the company has reached the breakeven point. In other words, it measures how much money each additional sale "contributes" to the company's total profits. (Mitchell, C. 2024).

2.5 Costing methods

Following the focus of costing the author decided to include costing systems to better analyze the price per unit for the green coffee. The most common costing system used by manufacturers are process costing and job costing. This chapter will explain the difference between the two and which one is better for coffee production.

Job costing is used by companies that produce unique, custom ordered products, or relatively small batches of different products. Each unique product or batch is considered a job. Each job may vary in direct materials, direct labor or manufacturing overhead (MOH), so job costing tracks each cost separately for each individual job. Also, job costing is not limited to production but law firms, accounting firms, consulting firms and marketing firms use job costing to calculate the cost for each client. (Braun & Tietz 2014, 122).

Process costing is used by companies that produce extremely large quantities of identical units through a series of uniform production steps or processes. Because each unit is identical, in theory, it should cost the same to produce. Process cost averages manufacturing cost across all units so that each unit bears the same cost. Following these descriptions, we can assume that for the commissioned company process costing is the best method to calculate their cost per unit. Following this choice a more in-depth description of process costing will be provided.

Process costing has three building blocks: conversion cost, equivalent units and inventory flow assumptions.

Conversion cost is the cost to transform direct materials into finished products. This originates because manufacturers normally have great automation processes making direct labor a small factor in their process. Because of this reason companies combine direct labor and MOH into conversion cost. Making the two cost categories direct materials and conversion costs.

Companies that use work in process inventory use the concept of equivalent units to express the amount of work done during a period in terms of fully completed units. Equivalent units are calculated by number of physical units * percentage of completion = number of equivalent units. For example, 5,000 units of coffee are being processed and of those each unit is 80% done through the production process. If conversion cost is incurred evenly then 4,000 units of equivalent units have gone all the way through the production process.

Inventory flow in process production is said to be better to use the weighted average method of process costing instead of the FIFO approach. This is because the weighted average combines any beginning inventory units with current period units needing less calculations than the FIFO method. (Braun & Tietz 2014, 270-271).

Following the three building blocks there are five steps to figure out the cost of making a complete unit and not only a partial unit. The five steps are as follows:

Step 1: Summarize the flow of physical units.

Step 2: Compute output in terms of equivalent units.

Step 3: Summarize total cost to account for.

Step 4: Compute the cost per equivalent unit.

Step 5: Assigning total cost to units completed and to units in ending work in progress inventory.

These steps will be illustrated in the results chapter taking the coffee production as the example.

3 Methodology

This chapter presents the implementation of the study. This chapter covers the research approach and selection of the target group with justification to understand the study approach. It will also include the choice of method for collecting data, a concrete description of the implementation and methods to analyze the data. The description of the research method and justification of the method chosen are the main objectives of this chapter.

3.1 Research Approach

The research approach chosen by the author is a mix of qualitative and quantitative analysis. Qualitative analysis deals with intangible and inexact information that can be difficult to collect and measure. It is mostly used to gain insight about opinions, trends, motives and reasons. The qualitative analysis will take form as interviews to selected individual which aim to answer relevant to the theoretical framework and the objectives of the thesis. The target group of the interviews are coffee roasteries and the commissioned company; to better understand the market these two groups will provide many important insights into the coffee market.

Quantitative analysis, on the other hand, refers to the use of mathematical and statistical techniques to analyze financial & economic data and make trading, investing, and risk management decisions (Kenton, W. 2023). In other words, it refers to hard data that can be measured and represented with numerical values. The quantitative analysis will take form as measurable aspects such as expected cost and price for the coffee. The data will focus on past coffee prices and costs of exportation and taxes. This will give the company a basis on what they can gain from the market and understanding of extra cost for exportation.

3.2 Data Collection

The interviews to the coffee roasteries in Helsinki area took place between September and November of 2024. In total five interviews were conducted with approximately 1,5 hour per session. The interviews were done jointly with Julissa Romero, where we had the opportunity to visit the roasteries facilities and have insightful interviews. The respondents included upper management and experts in coffee roasting ensuring the insights were drawn from individuals with significant expertise and decision-making authority within their organizations. The interviews to the commissioned company took place between March and December of 2024. In total three sessions were conducted lasting approximately 2 hours each and checkups on the progress of the thesis.

A list of potential coffee roasteries was made to facilitate the data collection. The list included only coffee roasteries that deal with high end coffee and coffee importation from Latin countries. They

were separated into big, medium and small size based on their revenue. To avoid redundancy and saturation of data, two of each category were contacted to ensure different perspectives on the market. Once the list was completed, contact information was gathered through online sources and initial contact was made through email, phone or in-person visits.

During these interactions the objectives of the thesis were explained, and the interview questions were provided. Afterwards the contact was mainly through email to set-up a meeting and answer any questions from the respondents. The ethical guidelines emphasized how data would be processed and stored. Respondents were informed that their data, such as company name and personal information, will be confidential and will not be disclosed in the thesis. Instead, only factors such as company size and experience in the industry would be referenced. Additionally, participants were notified that the research data would be stored only for the duration necessary to fulfil the research purposes. Once the study concludes, all data will be securely disposed of in compliance with ethical research standards.

As shown in table 1, the roasteries will be referenced by their name code to keep their anonymity. There were 5 roasteries interviewed with different size and positions for the big size company the sales manager from the company was interviewed. As for the medium size roasteries the roasting managers were interviewed and for the small size the owners of the company agreed to participate in the interview.

Table 1. Introduction to interviewed roasteries.

Roastery-level	Position	Name code
Big size	Sales manager	A1
Medium size	Roasting manager	B1
Medium size	Roasting manager	B2
Small size	Owner	C1
Small size	Owner	C2

3.3 Data Analysis

In the research primary and secondary data will be analysed. Primary data refers to the information collected from the researcher by first-hand sources. In this research the author obtains primary

data by interviewing coffee roasteries and the commissioned company, creating a close connection with the source. Secondary data refers to information collected by other than the author and is publicly available in general statistics, government sources, academic publications, industry reports, and databases. Secondary data helps the author understand the theoretical framework behind his research and provides comparison with the primary data. The challenge to use secondary data is that the data may be outdated, inaccurate or irrelevant for this research.

The author analyses the interviews through transcripts and records made by mobile phone, and notes from the interviews taken on site in the interview questions paper. Given the exploratory nature of the research, an inductive thematic analysis approach was employed. This method allowed themes to emerge naturally from the data, rather than relying on predefined concepts, ensuring that the analysis remained open to unexpected findings. And as for the quantitative analysis process costing and contribution margin methods were used to determine the expected cost and price for the coffee.

4 Results

This chapter aims to present the results of the research performed by the author during the writing of the thesis. This chapter will be divided into three subchapters aiming to answer the investigative questions. The subchapters will focus on the topics of Finnish coffee market, exportation cost and product price. The first chapter explains the results of the interviews done to experts in the Finnish coffee market. The second chapter discusses the cost of exportation and different things the company needs to keep into consideration, like certificates and transportation. And the last chapter takes a more financial approach and shows the expected additional cost and price calculations.

4.1 Finnish coffee market

The first subchapter is the result of the interviews done in collaboration with Julissa Flores Romero focusing on the Finnish coffee market. The interviews provided a great experience for the researchers to get on-site knowledge of the market. And speak with company experts on their views of the current market and the future of the market.



Figure 2. Map of Finland

- **Capital:** Helsinki
- **Area:** 338,455 sq km (BBC 2024)
- **Population:** 5.6 million (BBC 2024)
- **Language:** Finnish, Swedish

4.1.1 Finnish coffee culture

Finns love for coffee is a well-known fact across the world. Even Honduran farmers have heard stories about how much Finns love coffee and that they have been named one of the top coffee-

drinking countries of the world. Coffee came to Finland in the 17th century when it was first introduced by the Swedish settlers who imported it from central Europe. At first coffee was considered a luxury item consumed only by upper class. It was until the 20th century that the advances in technology made transportations easier and thus made coffee affordable for the average Finn. Rapidly becoming popular and traditional in the country making coffee a part of everyday life. (The Finest Roast 2022).

In the interview realized to A1 roastery he explains the Finnish market by using the Allegra market evolution model as shown in table 2. In the evolution model is explained how the coffee market is best understood as ‘waves’ of development. The first wave is the increase of availability in coffee. The second wave captures the rise of branded chains and coffee shops. The third wave represents a high-quality, hand-crafted approach. The fourth wave focuses on scientific principles. And the fifth wave is characterized by hyper-professionalism and operational excellence practiced at scale. (Allegra 2024).

Table 2. Allegra coffee market evolution model

Development wave	1 ST	2 ND	3 RD	4 TH	5 TH
Focus	Traditional coffee culture	Branded chains	Artisan coffee	Science of coffee	The business of coffee
Period	Twentieth century	Begins mid-1990 s	Begins mid-2000 s	Begin 2010 s	Begin mid-2010 s
Features	<ul style="list-style-type: none"> -Commodity-driven -Mass consumption -Dominance of bulk brew filter coffee -Introduction of instant coffee 	<ul style="list-style-type: none"> -Rise of chained brand concept -Proliferation of coffee shop culture -Customised espresso-based beverages -Development of ‘third place’ coffee shop environment - Globalization 	<ul style="list-style-type: none"> -Focus on craft -Importance of microroasting -Hand-produced -Antipodean and westcoast influence -Culinary appreciation of coffee -Sourcing transparency 	<ul style="list-style-type: none"> -Scientific methods and principles -Accuracy and measurement in brewing -Deep understanding of properties of coffee and ingredients -Advanced equipment 	<ul style="list-style-type: none"> -Boutique store environments replicaand refined -Obsession with excellence and continual improvement -Commercially focused -Customer centricity

Dominant brand	Retail / super-market	Coffee shop chain	Independent artisan cafes and roasteries	Custom in-house roasting	Smart aspirational concepts
Defining characteristic	Functional	Lifestyle	Craft	Science	Ambition
Defining emotion	Refuelling	Enjoyment	Love	Exploration	Experience

During the interview the researchers were task to speculate on what wave the Finnish market was in the present time. The researchers had in mind that Finland was already in a sixth wave because of how much coffee is consume but the sales manager thought otherwise. He explained that while it is true that Finland consumes an outstanding amount of coffee they are somewhere between the second and third wave. Finnish people drink coffee out of habit and lifestyle aligning with the second wave and still don't have a deep understanding for coffee. But there are signs of the other waves but are not prevalent in society yet. The commissioned company have a big variety of coffee beans that cover most of the 'waves' but the aim is to sell coffee that the Finnish customer is already used to. Because of this they selected the catimor and parainema which have a similar coffee taste and quality to what the Finnish customer consumes regularly. Also, there is the possibility to send microlots which are small size parcels with a higher quality rating, but this will depend on the roasteries that are interested in exploring and experimenting with new coffee varieties.

Thanks to these observations by the A1 roastery the researchers had a new perspective of the coffee market. It is important to understand what the customers preference are to successfully enter the Finnish coffee market.

4.1.2 Finnish coffee consumption

Finland has the highest consumption per capital in the world. According to the international Coffee Association, Finland consumes 12 kilograms of coffee per year (Curtet, P. 2015). This means that Finland's daily consumption is 8–10 cups, which is seen as completely normal to fight the cold weather and keep the body warm (The Finest Roast 2022). This complements the observations made by the A1 roastery interviewed by the researchers.

The Finnish market is separated into two segments the retail segment and OOH (out-of-home) segment. The OOH segment is when the customers go to a cafe or restaurant to purchase the coffee. The retail segment is when the customer goes to a supermarket to buy the coffee beans

(roasted & grinded) and makes it at home. In both segments Finnish customers prefer light-roasted beans and tastes a bit acidic. The popular branded chain market for OOH usage is as stated in Table 3 with espresso house as the top choice for Finnish consumers.




Table 3. Branded chain markets by outlets

Coffee Brand	Market of origin	Global presence 2024	Total outlets 2024
Espresso House	Sweden	5 Markets	74 Outlets
Picnic	Finland	1 Markets	38 Outlets
Robert's Coffee	Finland	5 Markets	34 Outlets
Fazer Cafe	Finland	1 Markets	21 Outlets
Coffee House	Finland	1 Markets	16 Outlets

On the other hand, the retail segment is dominated by S group and K market, which supplies 80 % of Finnish food and beverage market (CBI 2019). Paulig dominates the coffee market having an abundance of coffee in both S group and K market. Meira, another dominant force of the coffee market, is in second place in the Finnish coffee market. Then there are small specialty roasters like Kaffa, Cafetoria and Mokka Mestarit which focus on quality and variety in their coffee. Table 4 shows the top coffees consume by the Finnish market. It is important to keep in mind that Juhla Mokka in Paulig is the dominant product in most of Finland's households.

Table 4. Finnish market coffee consumption and well-known brands

	Product	Price*	Description
	Juhla Mokka 500g	13.90€ /kg	Juhla Mokka is a fine and full-bodied 100% arabica coffee blend, which is found in traditional light and dark roast, organic and decaffeinated versions. Finland's best-loved coffee blend is made from the best coffee varieties from Central and South America and Africa. (Paulig 2025).

	Kulta Katriina Perinteinen 500g	13.50€ /kg	Kulta Katriina Perinteinen is a finely aromatic coffee classic. The beans come from South and Central America and East Africa. (Meira 2025).
	Löfbergs In- ferno Extra Dark Roast 400 g	17.38€ /kg	Inferno has an intense aroma and bold taste leave behind hints of dark chocolate and roasted nuts. (Löfbergs 2025).
	Kaffa Roas- tery Blend 1000g	39.90€ /kg	Seven parts of earthy, husky robusta and three parts of down-to-earth Indonesian and nutty Brazil. Dark roast, so dark there's no hiding it even under a gallon of milk. (Kaffa 2025).

*The prices were obtained from the brands website respectively.

4.1.3 Finnish green coffee market value

Looking into the 'coffee' market the revenue of the Finnish market in 2023 was of 2 billion euro, this includes roast and instant coffee. But for the purpose of this thesis a more detailed approach to the analysis of the coffee market is needed. As the coffee market that is being investigated is green coffee the volume of imports will be a more meaningful piece of data. The imports to Finland in 2022 was around 51,300 metric tons of green coffee and this amount fluctuates between within the range of 51,000 to 75,000 metric tons. (Statista 2024). To put this into perspective green coffee is usually sold in a sack of 69 kg and the commissioned company is planning to export 1 container of green coffee, 1 container contains 275 sacks of green coffee making it around 19,000 kg that is only 19 metric tons.

Green coffee prices tend to fluctuate depending on origin, quality, variety and so on, even if the price fluctuates Brazil and Colombia hold the position of major suppliers in the world and this is also true in Finland. In Table 5 green coffee purchases from Kaffa roastery are shown, this is a good example to understand the trends and prices for coffee. There is Brazil having a big quantity of coffee in the lower end of the pricing and Colombia also with a great quantity but also a higher green coffee price. It is also shown that Colombia sold a higher quality coffee for 22.5 dollars and shows how central American countries like Guatemala and Honduras are part of the coffee business (Kaffa 2020). Honduras in this example sold less quantity for a rather mid-range price. In this

example there is an important part missing which is quality to better understand the fluctuation in the price but gives an idea of what the price per kilo is in Finland.

Table 5. Green coffee purchase prices by Kaffa Roastery 2020

Origin	Supplier	Price	Quantity Purchased
Brazil	Fazenda pinhal	\$ 3.45 / kg	26,040 kg
Brazil	Fazenda pinhal	\$ 6.61 / kg	2,100 kg
Colombia	Siruma	\$ 4.84 / kg	62,300 kg
Colombia	Siruma	\$ 22.5 / kg	840 kg
Guatemala	La Bolsa	\$ 5.22 / kg	13,171 kg
Honduras	Roxana O. Aguilar	\$ 6.61 / kg	690 kg
Honduras	Carlos A. Estevez	\$ 8.82 / kg	276 kg

By analysing table 3 and 4 it starts to create a rough idea of the potential that the coffee market presents. Looking at the data of Kaffa Roastery it is presented the selling price and purchasing price the gross profit can be estimated. In table 3 it is stated that the selling price for a kilogram of roasted coffee is 39.90€. In table 4 the purchasing price for a high-quality green coffee from Colombia 'Siruma' is 22.5\$ or 21.29€, it will be assumed that is a single origin blend for the purpose of this example. This purchase price is equal to the selling price from the point of view of the supplier, as the case company in this thesis is. We have not performed an extensive market analysis; this purchase value is however considered a relatively good basis for the calculations and conclusions this thesis is making.

With a simple subtraction of the selling price – the purchasing price (COGS) = gross profit. These equals $39.90€ - 21.29€ = 18.61€$ of gross profit per kilogram. After this it still needs to be subtracted various costs, like roasting, packaging and labour, to reach the net profit. This is the potential gross profit for the roasteries that buy the green coffee and sell it as roasted coffee but in the next chapters the focus is on the profit the suppliers of green coffee can expect.

4.2 Exportation Cost

The second subchapter of the thesis aims to find and discuss the exportation cost necessary to sell green coffee in Finland. The topics that the subchapter will include are transportation costs, certificates, taxes, documentation and exchange rates. This subchapter will help to understand the cost structure of exportation to Finland and will detail the necessary steps.

4.2.1 Transportation

The first exportation cost to consider when exporting from Honduras to Finland, as in many exportations, is transportation. The distance between Honduras and Finland is of 9,821km the countries are separated by the Atlantic Ocean and takes around 26 hours to get from one place to the other (Rome2Rio 2025). For the thesis the research of transportation cost is made into a measurable unit which is a container. One container has 275 sacks of 69 kg, this is 18,975 kg but to make it easier it will be rounded to 19,000 kg. And the sacks contain 'not roasted' coffee the variety is catimor with a rating of 83+ in the quality index. The starting point is the commissioned companies address in Comayagua, Honduras and ending point is Haaga-Helia university, for the purpose of this research Ratapihantie 13, 00520 Helsinki is the ending point in Finland.

Breaking down transportation into two sections, by sea and in land, will make it easier to analyse the cost and logistics involved. Starting with the by sea transportation, the researcher chose to investigate the Mediterranean Shipping Company (MSC) which is a world leader in container shipping. MSC presence is across 155 countries including world's top coffee producers including Brazil, Colombia, Honduras, Vietnam and Ethiopia. They provide depots with dedicated stuffing areas for coffee, container pre-stacking facilities and a bonded area to speed up the customs clearance process. MSC also offers their thermal linear solution designed to protect sensitive cargo from temperature, moisture and condensation changes or contamination that may cause damage to the products. (MSC 2025).

In the MSC's website, the schedules for container shipping can be searched and an estimated time of arrival is given. Setting the starting point to Puerto Cortez (HNPCR) and the ending point to Helsinki (FIHEL), the information is obtained. The estimated time of arrival is 36 days, the container goes through five different locations before reaching Finland including Cristobal (PACTB) and Antwerp (BEANR) (MSC 2025). MSC website does not include an instant quote to not registered members because of this there was the need to call the local office of Helsinki. MSC Helsinki said that for 20-foot container (capacity 250-280 sacks) the price is 850\$ for the sea freight and a total cost of 1,920\$ for the whole shipment from port to port. But for the sake of comparison the

researcher also asked for the price of a 40-foot container (capacity 500-560 sacks), the price for the sea freight 1,250\$ is and the total cost is 2,780\$.

Continuing with in land transportation, first the container needs to be transported from Comayagua to Puerto Cortes and then from the port of Helsinki to Haaga-Helia. Starting with the transportation in Helsinki, the researcher will be using MEDLOG as the transportation company. MEDLOG is part of the MSC group which offers in land transportation including truck, rail, reefer and barge transportation. MEDLOG is one of the world's geographically widest logistics and supply chain operators, with a presence in more than 80 countries including Finland. But MEDLOG does not work in Honduras, this is no problem since the commissioned company already has their own supply chain in the country. Quotes for transportation fees are not included in their website but the local office in Rauma, Finland was contacted by phone to get the information. Since the distance is short the price for a 20-foot container is 150\$ and for 40-foot container the price is 280\$. As for the transportation in Honduras the commissioned company said that the total cost is 330\$ for a 20-foot container and 550\$ for 40-container.

But who pays for the transportation cost? Who assumes the risk of transportation? And when does ownership transfer from seller to buyer? For these questions the Incoterms provide rules and guidelines for traders. When dealing with sea transportation there are four incoterms that can be used which are: Cost, Insurance and Freight (CIF), Cost and Freight (CFR), Free Alongside Ship (FAS) and Free on Board (FOB). Of which FOB is more widely used, it is also used by roastery B1 and B2 interviewed by the researcher and will be reviewed for this thesis. The two main types of FOB are FOB Origin and FOB Destination. In FOB Origin the buyer takes responsibility for the goods as soon as they leave the seller's location. The buyer bears the costs and risks associated with transportation from that point forward. In FOB Destination the seller retains responsibility for the goods until they reach the buyer's destination. The seller bears the costs and risks associated with transportation up to that point. (Ita, D. 2024) In other words, in FOB origin the buyer takes ownership when the goods are loaded into the port of origin in this case Puerto Cortes. And in FOB destination the seller retains ownership until they arrive at the destination port in this case port of Helsinki.

From an accounting perspective, the Incoterms also create clarity for recording transactions. Taking the commissioned company and Haaga-Helia as an example, if it's decided to use FOB Origin the commissioned company prepares the green coffee and then loads the goods onto the shipping vessel in the port of origin, Puerto Cortes, at this point the commissioned company records their sale and Haaga-Helia records an increase in inventory. When using FOB destination, the

commissioned company needs to wait until the shipment arrives in Finland to record the sale as completed and Haaga-Helia can increase their inventory at the same time.

4.2.2 Certificates and sustainability

Through the interviews with the Finnish roasteries C1 and C2, there was an emphasis in the importance of sustainability practices to create new relationships with suppliers. Roastery C1 highly recommended were the Organic and Fairtrade certificates which are recognized as positive indicators. Even though the roastery C1 also recognized that the certificates do not necessarily ensure true sustainability, most roasteries would not buy coffee without the certificates. In the case of the commissioned company, they follow the rules for Organic and Fairtrade certificates but will doing business in America the certificates do not add any value to their coffee. Now the researcher will take a closer look into the certificates, the focus, requirements and cost. In the interviews roastery C2 also mentioned that there is going to be new requirements for selling coffee into Europe, the rainforest alliance certification which cover native vegetation, but it would not be cover in the research since there is still uncertainty on how it will be implemented.

Fairtrade International is the most recognized and trusted sustainability label working to make trade fairer for the people who grow our food. For more than three decades, Fairtrade has been making an impact on the way trade works. They believe that every farmer and worker should have access to a better way of doing business, and a better way of living. A product with the Fairtrade mark means farmers, workers and businesses have met internationally agreed standards which have been independently audited and certified. (Fairtrade 2025). In Fairtrade there are different standards tailored to the realities of farmers, workers, and businesses in different contexts. As in the case of the commissioned company the standards used are standard for hired labour, which applies to large farms and plantations with a hired workforce who supply Fairtrade products. Hired labour fits in with Fairtrade by supporting the workers' development; empowering them to combat poverty, strengthen their position and to take more control of their lives. The requirements of Fairtrade ensure that employers pay decent wages, guarantee the right to join trade unions, make certain that health, safety and environmental principles are adhered to, and share with the workers the extra money that Fairtrade should bring. (Fairtrade 2015).

Diving into more detail in the Fairtrade standards for hired labour, there are five main topics covered, commitment to Fairtrade, social development, labour conditions, environmental development and trade. Commitment to Fairtrade is basically that the commissioned company is committed to open their business to external audits and they will offer support and resources to undergo the process of certification with Fairtrade. Social development revolves around Fairtrade premium (FTP), an extra sum paid to the company in addition to the price for their products, which is of and for the

workers to bring empowerment and development directly to them. A legal body must be created that allows the workers to be the sole owners and beneficiaries of the Premium. It is also important to ensure that workers at all levels within the company are aware of the benefits of Fairtrade and of the commitment that is required by the whole company to engage in Fairtrade. Labour conditions aim is to create a good working environment for the workers and the protection of workers' rights. It includes freedom from discrimination, freedom of labour, no child labour and child protection, freedom of association and collective bargain, conditions of employment, and occupational health and safety. Preventing work-related diseases and accidents is the goal of occupational health and safety programmes, rather than attempting to solve problems after they have already developed. Environmental development aims to protect the environment and make the business more sustainable production system. It includes an environmental strategy, pest management, soil and water management, waste management, genetically modified organisms, biodiversity protection, greenhouse gas emissions. (Fairtrade 2015). This is a broad explanation of the Fairtrade requirements but shows the big scope covered by the Fairtrade certification. Next, taking a closer look into the trade requirements which are more related to the topic of this thesis.

Continuing with trade, which includes traceability, sourcing, contracts and use of Fairtrade trademarks, explains how the business records their products and does sales. Traceability means that individual Fairtrade products are identifiable as Fairtrade at all steps of the supply chain and in all relevant documents and packaging. Traceability is divided into two sections documentary traceability and physical traceability, which objectives are to ensure that Fairtrade producers have received the correct Fairtrade Minimum Price and Fairtrade Premium. Documentary traceability means that the company has to write down how products move from members to buyers. Contracts, bills of lading, delivery notes, invoices etc. demonstrate which volumes of Fairtrade products were handled. Physical traceability in a Fairtrade supply chain is the ability to follow a specific Fairtrade product all along the supply chain and through all stages of production and processing. Another important detail is that Fairtrade products always must be segregated from non-Fairtrade products. In sourcing it explains that newly certified Fairtrade producers can sell products as Fairtrade that the company has had in stock up to but not longer than one year. Documents to prove that products have been only held in stock for up to one year include: Purchase/collection records for the product from members, processing records, storage records, sales records. All Fairtrade sales must be regulated through written contracts that both parties agree to, which include how much of the product is sold, what is the required quality, how much the buyer must pay, when he/she must pay and how and when the product should be delivered. Lastly it is necessary to formalize the use of the Fairtrade trademark so that it is not used improperly. This helps to protect the reliability of the mark. (Fairtrade 2015). For more detailed information on the requirements for Fairtrade check the Explanatory Document for the Fairtrade Hired Labour Standard, July 2015.

Moving on, how to get the Fairtrade certification and how much does it cost. First, FLOCERT (Fairtrade’s independent certification company) manages the process of auditing and certification to guarantee compliance with the Fairtrade principles. First the company needs to submit an application then the initial audit will take place. After this there is a period to fulfill the corrective measures and at last the initial certification is given. After a year there needs to be a renewal audit and a renewal certification is given. In the webpage of FLOCERT they provide a calculation tool to estimate the cost of the Fairtrade certification. In table 5 and 6 the cost is broken and shows the amount it will cost only for the certification without considering any changes that might be needed in the company. In the first year the application must be paid and certification and processing fees as well come to an estimated total of 4,209€. For the second year the application must not be paid but the certification and processing fee must be paid coming to a total of 2,783€. After the second year only the certification fee must be paid which is a “all-in” fee model with no extra charges for audits, travel or customer attendance. (FLOCERT 2025).

Table 6. Estimated costs for your 1st year of Fairtrade certification (FLOCERT 2025).

Application fee	597€
1 st year certification fee	1,631€
1 st year processing fee	1,981€
Total	4,209€

Table 7. Estimated costs for 2nd and following years of Fairtrade Certification (FLOCERT 2025).

2 nd year certification fee	1,330€
2 nd year processing fee	1,453€
Total	2,783€

The organic certificate is another certification that was highly recommended by the roastery C1 interviewed by the researcher. For coffee exporters selling to Europe must comply with strict European regulations. Organic products from third countries most comply with Regulation - 1235/2008 - EN - EUR-Lex (European Union 2008) on organic production and labelling. These regulations govern all areas of organic production and are based on a number of key principles, such as: prohibition of the use of GMOs, forbidding the use of ionising radiation, limiting the use of artificial fertilizers, herbicides and pesticides and prohibiting the use of hormones and restricting the use of antibiotics to only when necessary for animal health. In other words, organic farming is an agricultural

method that aims to produce food using natural substances and processes. (European Commission). Similarly to the Fairtrade certification the Organic certification uses private organizations to audit and grant the certification. Ceres is an international inspection and certification body for organic food, organic & sustainable textiles, GLOBALG.A.P., food sustainability, and climate and environmental standards. Ceres also provides a price list for organic standards which will be referenced for the cost of the Organic certification. The main difference in pricing from the Fairtrade certificate and the organic certificate is that for the organic certificate the company needs to pay for the audit time, travel cost, laboratory cost and translator separately instead of an “all in” fee like for Fairtrade. Ceres has different categories to indicate the pre per hour or per day (8 working hours), Honduras is a category 5 making the hourly rate 31.3€ and the daily rate 250€. In case the audit is conducted by an international inspector from Europe the category 1 (100€/h or 800€/d) prices apply. For international inspectors from other countries category 2 (50€/h or 400€/d) applies. Then the cost for travel, accommodation, flights, etc. will be added to the cost of the audit. Assuming it will take a week for the audit to take place that will be 1,250€ and the other expenses will be around 500€ making the total 1,750€ but this can change depending on the time it takes for the audits. (Ceres 2025).

4.2.3 Taxes and documentation

For every type of trade either local and international it is important to know the taxes that apply for the product and the documentation required. For goods imported to EU they are usually subject to a custom duty and value-added (VAT) tax. As stated previously in the theoretical framework as for custom duties, third country duty (C103, regulation R2204/99): 0 % and Tariff preference (C142, regulation D0734/12): 0 %. Since the custom duty is 0% the only taxes that apply is the VAT tax, a consumption tax on goods and services that is levied at each stage of the supply chain where value is added from initial production to the point of sale (Collins, M. 2024). First, the rate applied for coffee falls under the category of ‘groceries’ the reduced VAT rate of 14% is applied (Vero 2025). Next, to calculate the VAT using the taxable amount, the net price including all additional surcharges, the following formula is used: $VAT = \frac{\text{the taxable amount} * \text{applicable VAT rate}}{100}$ (Vero 2025). To calculate the taxable amount quantity and selling price per kilo are needed, as stated previously the quantity is 19,000 kg and for now the price will be 8.82€ from table 4 since it has a similar background to that of the commissioned company.

Table 8. VAT Calculation

Quantity imported	19,000 kg
Selling price per kilo	8.82€

Taxable amount (Net price)	167,580€
VAT	23,461€
Total price with VAT	191,041€

As shown in table 8, the taxable amount is calculated by multiplying the quantity imported and the selling price by kilo, $19,000 \text{ kg} * 8.82\text{€} = 167,580\text{€}$. Then, the VAT is calculated by multiplying the taxable amount by the VAT rate divided by 100, $167,580\text{€} * 14 / 100 = 23,461\text{€}$. Last, the total price with VAT is calculated by adding the VAT plus the taxable amount, $167,580\text{€} + 23,461 = 191,041\text{€}$. The total price with VAT (191,041€) is what Haaga-Helia will need to pay the commissioned company in this example. And the commissioned company will need to pay the VAT in the customs invoice for the goods to be released from customs.

As for custom clearance documents and procedures there are various EU requirements and general formalities required for importing goods from third countries into the EU. Starting with the commercial invoice, is a record or evidence of the transaction between the exporter and the importer. It is similar to a sales invoice, and it must be prepared by the exporter according to standard business practice and it must be submitted in the original along with at least one copy. Then the custom value declaration, corresponds to the value of the goods including all the costs incurred (commercial price, transport, insurance) until the first point of entry in the European Union. Also, proof of origin an international trade document which certifies that goods included in a consignment originate from a particular country or territory. Which may be proved by certificates of non-preferential origin normally issued by the chambers of commerce. The insurance is another document necessary for custom clearance, which is an agreement where the insured is indemnified in the event of damages caused by a risk covered in the policy. Insurance is all-important in the transport of goods because of their exposure to more common risks during handling, storing, loading or transporting cargo, but also to other rare risks, such as riots, strikes or terrorism. (European Commission 2025).

All goods imported to the European Union (EU) must be declared to the customs authorities of the respective Member State using the Single Administrative Document (SAD), which is the common import declaration form for all the Member States. The declaration must be drawn up in one of the official languages of the EU and presented either by using an approved computerised system linked to Customs authorities or lodging it with the designated Customs Office premises, in the case of Finland TULLI Asiointipalvelut must be used. According to the operation and the nature of the imported goods, additional documents shall be declared with the SAD and shall be presented together with it. (European Commission 2025). Those are as follows:

- Documentary proof of origin
- Certificate confirming the special nature of the product
- Transport Document
- Commercial Invoice
- Customs Value Declaration
- Inspections Certificates (Health, Veterinary, Plant Health certificates)
- Import Licenses
- Community Surveillance Document
- Cites Certificate
- Documents to support a claim of a tariff quota
- Documents required for Excise purposes
- Evidence to support a claim to VAT relief (European Commission 2025)

Also, for custom declarations and all communications with any EU customs authorities where an EU-based identifier is required both companies and individuals need to register as an economic operator. The Economic Operator Registration and Identification (EORI) number is a unique identifier, assigned by a customs authority in an EU country to all economic operators engaging in activities covered by EU customs legislation. Importers established outside the EU will be assigned an EORI the first time they lodge:

- a customs declaration
- an entry summary declaration (ENS)
- an exit summary declaration (EXS) (European Commission 2025)

4.2.4 Exchange rates

An exchange rate is a rate at which a currency will be exchanged for another currency and affects trade and the movement of money between countries (Liu, X. 2024). The exchange rate between two currencies is commonly determined by interest rates, economic activity, gross domestic product, and the unemployment rate in each of the countries. For this thesis, Honduras and Finland are doing a trade and its necessary to know the exchange rate between Euro (EUR) and Lempira (HNL). As of the 9th of march the exchange rate from EUR/HNL is 1 EUR = 27.67 HNL, clearly the euro is a stronger currency in this case. To convert the total price that Haaga-Helia needs to pay the commissioned company, as shown in table 9 the price is multiplied by the exchange rate coming to a grand total of 5.3 million Lempiras. The exchange rates are bound to change, for better or worse, affecting businesses by increasing or decreasing the cost of supplies and finished products. (Chen, J. 2024). In the case of the commissioned company, an increase in the exchange rate means an increase in profit and a decrease in the exchange rate means a decrease in profit.

Table 9. Currency conversion EUR/HNL

Total price with VAT	191,041€
Exchange rate	27.67
Total price with VAT in HNL	5,286,104.47L

4.3 Expected profit

The third subchapter of the thesis aims to gather the transportation cost and create an expected income statement for the commissioned company. The topics this subchapter will talk about are price and expected income statement. This subchapter will provide a concise analysis of the profit that the commissioned company will later use to determine if it is viable to export to Finland.

4.3.1 Price

There are several strategies for setting prices some set their price based on the market relative to competition others set their price based on the perceived value of the product from a consumer point of view but for this thesis the author will base the price on the variable cost of the product. Variable cost-plus pricing is a pricing method whereby the selling price is established by adding a markup to total variable costs. With the expectation that the markup will help pay for the fixed cost and yield some level of profit. This pricing method is useful for companies that their variable cost is higher compared to their fixed cost which is the case for the commissioned company. But there are certain disadvantages for this pricing method for instance, the variable cost-plus markup pricing model does not factor in market conditions and does not account for competing products. But it will let the exportation cost to be analysed in more detail making it useful for this thesis. (Kenton, W. 2024).

To better understand the cost structure of the company the researcher had two main meetings with the commissioned company and went to Honduras to have a first-hand experience on the work that is done to produce the coffee. The coffee plants produce a red-coloured fruit which is the coffee cherry, the coffee cherry have two main parts the pulp which is the red exterior of the cherry and the coffee bean which is the part that is used to make the coffee. There are two ways to pick the coffee cherries either handpicked or by machines, even though machine picking is a significant technological advancement in the coffee industry it is still not used much in Honduras as in the case of the commissioned company which use a traditional approach of handpicking the cherry giving it a more meticulous approach when selecting the coffee cherries. The coffee pickers walk through the plantation with baskets or sacks and select the cherries that are ripe and leave unripe

cherries to mature further. Each day during coffee season the coffee cherries that was collected is transported washing plant for the cherry to be processed. In the washing plant the coffee cherries go through a machine that removes the pulp and washes the coffee beans. The washed coffee beans are then placed in sacks and transported to the drying process in here the beans are spread on a large concrete terrace (4 weeks) and to ensure the beans dry evenly they are constantly turned with a rake. After the coffee beans are dry it can be called green coffee and is ready to roast or be sold as a raw product. For international trade of coffee, the sacks are changed into more robust sacks that protect the coffee until it reaches its destination.

From the process described above there are certain cost that can be highlighted, in every part of the production process labour is essential to produce coffee and transportation of workers and coffee is also an important part. But a cost that is not shown in plain sight is the cost of maintaining the coffee plants, they need to water them, protect them from pest and give them nutrients to grow well. The cost for packaging is less than any other cost in the production process, it helps that the sacks are reused when they change packing. For these costs the commissioned company has process cost structure in place and allowed the researcher to use the cost per unit for the purpose of this thesis. As assumed the labour cost the highest cost in the production process coming to be 4.00€ per kilo. Then the second highest cost is the maintenance cost which they add them with the processing and manufacturing overhead cost coming to 1.75€ per kilo. Then for internal transportation the cost is 0.07€ per kilo and packaging is the lowest of the cost coming to 0.03€ per kilo. As for the transportation from the commissioned company to Helsinki the total cost is 2,400\$ or 2,208€ this is 0.12€ per kilo. As for the certification it is normally a fixed cost, but the commissioned company decided to account for half of the cost as variable cost in the coffee sent to Europe since here is where it's necessary. For the fairtrade and organic certification the total cost is 5,959€ and the cost accounted for is 2,980€, this will amount to 0.16€ per kilo. With all the costs ready the price calculation can be done as shown in table 10.

Table 10. Price calculation

Labour cost	4.00€/kg
Maintenance + processing cost	1.75€/kg
Internal transportation	0.07€/kg
Packaging	0.03€/kg
External transportation cost	0.12€/kg

Certification cost	0.16€/kg
Cost of goods sold	6.13€/kg
Markup 35%	+2.15€
Price without VAT	8.28€/kg
VAT 14%	+1.16€
Price with VAT	9.44€/kg

As shown in table 10 the first step to calculate the price is to add all the variable costs, which are labour, maintenance, processing, packaging, internal transportation, external transportation and certification, coming to a total of 6.13€/kg. Then, the 35% markup can be calculated by multiplying 6.13€/kg * 1.35€/kg and it equals 8.28€/kg, to get how much exactly is the markup it can be calculated by multiplying 6.13€/kg * 0.35€/kg which equals 2.15€/kg. Lastly, the VAT is calculated with same process by multiplying 8.28€/kg * 1.14€/kg and it equals 9.44€/kg which is the final price that the commissioned company can offer to the potential customers.

To test the price that was calculated above, the researcher asked the roasteries interviewed for the thesis what is their price range that they bought coffee for a Honduran coffee of quality 83.

Roastery B1 said that the price was too high, this was because they had a contract with a Central American company in which the exchange rate benefited them, and the price has stayed at 7.80€/kg. Roasteries C1 and C2 said that the price is within the range they normally buy this type of coffee and recommended to see the prices in Algrano, where they usually buy Latin American coffee. In Algrano's website they publish green coffee products for the roasteries to be able to make a direct trade with the producer, currently there are three available green coffee beans from Honduras with a score of 83 the prices are as follows: Finca Terrerito – 9.34€/kg, Cafesmo Honduras – 10.59€/kg, Cafesmo Honduras SHG 10.36€/kg (Algrano 2025). As for roastery A1 and B2 they said that the price was within their range but that since the production of coffee in Honduras and Brazil was low this year the calculated price is on the lower end of the current market.

4.3.2 Expected income statement

The income statement is a financial report that shows a company's income and expenditures during a set period. It shows the companies' revenue, expenses, gains, and losses, starting with revenue and ending with net income. Breaking down the parts of the income statement, the revenue realized by primary activities comes first in the income statement. For a company manufacturing a

product, the revenue from primary activities refers to revenue achieved from the sale of the product. The next part is the primary activity expenses which include the cost of goods sold (COGS); selling, general, and administrative (SG&A) expenses; depreciation or amortization; and research and development (R&D) expenses. In this part there are items such as, employee wages, sales commissions, utilities and transportation. In table 10 the structure of the income statement is shown, and mathematically the net income = Revenue – Expenses, the taxes are also included in the expenses and need to be subtracted before getting to the net income. (Chen, J. 2024).

Table 11. Expected Income statement

Revenue	179,360€
Employee wages	76,000€
Production cost	33,250€
Transportation cost	3,610€
Certification cost	3,040€
Packaging cost	570€
Cost of goods sold	116,470€
Earnings before tax	62,890€
VAT	25,110€
Net Income	37,780€

As shown in the table above the start of the income statement is the revenue calculated by multiplying the quantity by the price, $19,000\text{kg} * 9.44\text{€} = 179,360\text{€}$. Then the expenses are calculated and added up to get the cost of goods sold (COGS), $76,000\text{€} + 33,250\text{€} + 3,610\text{€} + 3,040\text{€} + 570\text{€} = 116,470\text{€}$. Then the revenue is subtracted by the COGS to arrive at the income before VAT, $179,360\text{€} - 116,470\text{€} = 62,890\text{€}$. Lastly, the VAT is calculated and subtracted from the earnings before tax (EBT) to get the net income, $62,890\text{€} - 25,110\text{€} = 37,780\text{€}$. Note that this income statement shown in table 10 is only for the sale of one container not for the whole sales of the commissioned company. It serves as a tool to compare the opportunity of selling green coffee in Finland.

5 Conclusion

This chapter discusses the outcome and objectives of the research for the commissioned company to analyze the cost structure for exporting green coffee to the Finnish market. The key objectives were to investigate the market by realizing interviews with experts in the field, understand the exportation requirements and costs needed to export coffee to Finland and calculate the expected price and profit the commissioned company will use to make future decisions regarding the Finnish market. These objectives were researched through interviews with Finnish roasteries and more detailed information was used from the European Commission and then calculated with accounting techniques taught in Haaga-Helia.

5.1 Summary

The Finnish market is a tempting opportunity for any coffee producer that wishes to expand their business, since their coffee consumption is said to be the highest per capita but it's not as simple as it may look. One of the most interesting findings is the Finnish mentality over coffee, as said by a Finnish coffee expert most of the Finns consume coffee out of habit and lifestyle there is no big pursue over coffee ambition. This comes in hand with the domination of juhla mokka over the Finnish market, juhla mokka is part of their lifestyle and will not be easily change for another brand. Another interesting finding was that the medium coffee roasteries do not do direct trade with producing farms, there always seems to be an intermediary that helps the roastery find and buy green coffee. One important factor that needs to be considered is the influence that sustainability practices and certification have on the decision-making process when looking at creating partnerships with new suppliers. Even though the certifications are not absolute, coffee roasteries will not buy coffee without them.

After investigating the market, the cost and requirements for exportation were researched in detail by the European commission, Tulli, Fairtrade and other relevant sources. From the European commission general rules and organic regulations are provided and in Tulli country specific guidelines are found. In Tulli information is found such as the tax requirements for green coffee, which is VAT of 14%, and the Single Administrative Document (SAD) the common import declaration form for all the EU Member States. In Fairtrade the certification requirements and guidelines were found and from FLOCERT the cost was calculated. As for transportation, the Mediterranean Shipping Company (MSC) and MEDLOG were contacted to estimate cost by sea and land respectively.

For the last part of the results the price and profit were calculated using accounting techniques taught in Haaga-Helia. The price was calculated by using the variable-cost plus markup pricing method, which method is useful for companies that their variable cost is higher compared to their fixed cost

which is the case for the commissioned company. With this method the variable cost per unit was calculated and arrived at the price of 9.44€/k. After calculating the price, the expected income statement for the sale of one container was calculated, which concluded that the net income for one container is 37,780€.

5.2 Reliability Assessment

With the completion of the thesis, there is a big degree of appreciation for the roasteries that open their doors and gave the researcher an opportunity to deeply understand the coffee business. Before the interviews the researchers prepared a set of questions that aimed to better understand the business and answer the investigative questions but the roasteries gave much more than this, they were happy to be able to share and teach their experiences in the coffee business. The researchers had the pleasure of interviewing a sales manager of one of the two biggest roasteries in Finland, in this interview he taught the segments of coffee in Finland and the Finnish mentality of coffee, which changed how the researchers view the coffee business. Then, the researchers interviewed two roasting managers of two medium size roasteries, which had more knowledge on the purchasing of green coffee and the price at which they buy it. The roasting managers are also task with tasting the coffee to evaluate the quality, flavour and taste, they gave the researchers the opportunity to do a coffee tasting of their green coffee samples for them to learn the difference in profile from the commissioned company and other coffee origins. With them the researchers had the opportunity to ask about at what price do they buy green coffee and what is their decision process was to make new partners. Lastly, the researchers interviewed two owners from small coffee roasteries in which their focus was completely on teaching the importance of sustainability in the coffee business.

The commissioned company gave the opportunity to the researcher to work with them and learn from them every step of the coffee production, they gave advice from their experience and deserve all the gratitude in the world. The commissioned company's owner has many years of experience in the coffee business and was happy to share his knowledge for the next generation. He gave advice on international business, how to approach companies, how to sell the coffee and what partnerships to look for. His knowledge was the core of this thesis and it helped create a path for the future.

5.3 Recommendations

Through the interviews important advice was given to the commissioned company to be able to successfully enter the Finnish market. Through all the interviews all the roasteries had a strong opinion that the commissioned company needed to obtain the Fairtrade and Organic certifications

and be able to show their sustainable practices to the buyers of the coffee. This supplemented with the creation of the story of their coffee will give a distinction from the fierce competition. Another recommendation is for the commissioned company to use online platforms, that serve as middleman to sell their coffee, this is because the Finnish roasteries are comfortable with using them and offer flexibility to the quantity of coffee they can buy. One of the roasteries gave another idea on how to bring the coffee to Finland, he suggested to open an office in Helsinki or Europe to facilitate the direct trading with not only Finland but also other European countries.

5.4 Further research

As previously stated, Finland is a tempting opportunity but there is also the possibility of researching other European countries where that coffee will be better received or allow the commissioned company to have a smoother transition into the European market. Also, the idea of having a physical location in Europe is an opportunity that needs to be researched further. This will give flexibility to the buyers not only on flexibility in quantity but also on quality, time and variety. Another possibility suggested by the commissioned company is to partner with a roastery and toast their coffee with them and sell the coffee with the brand of the commissioned company but this option brings more cost to consider that are more fixed by nature. The difficulty increases in this case but also the profit is expected to be much bigger. Also, coffee can be sold by a middleman to ease the process of selling and exporting coffee, commissions will need to be calculated to decide if this is good option for the commissioned company.

5.5 Reflection on learning

The author of this thesis found this research to be meaningful and interesting to write. It gave the author the opportunity to deepen his knowledge of coffee production and how the business works. It also helped to get information on the Finnish market and be able to connect with the coffee roasteries. One roastery gave the opportunity to do a coffee tasting from coffees from all over the world, with this experience it was easier to understand the importance of origin and quality of coffee. The commissioned company's owner was a great mentor through the research, giving meaningful advice and having an abundance of patience. It is vastly different to read coffee production than experience the whole process, from picking the fruit to being full of mud and the fruits milk, it gives a new perspective to your knowledge.

Using the accounting techniques taught in Haaga-Helia in a real-world situation gives a satisfying feeling of accomplishment. Being able to interview coffee experts and learn from their experiences was one of the most meaningful parts of this thesis, it gave great knowledge on the Finnish market and the coffee business. Being able to discuss different possibilities showed that there is no one

correct answer but a world of possibilities. Hoping that this research will help the commissioned company make informed decisions, when deciding if Finland is the path the want to walk.

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