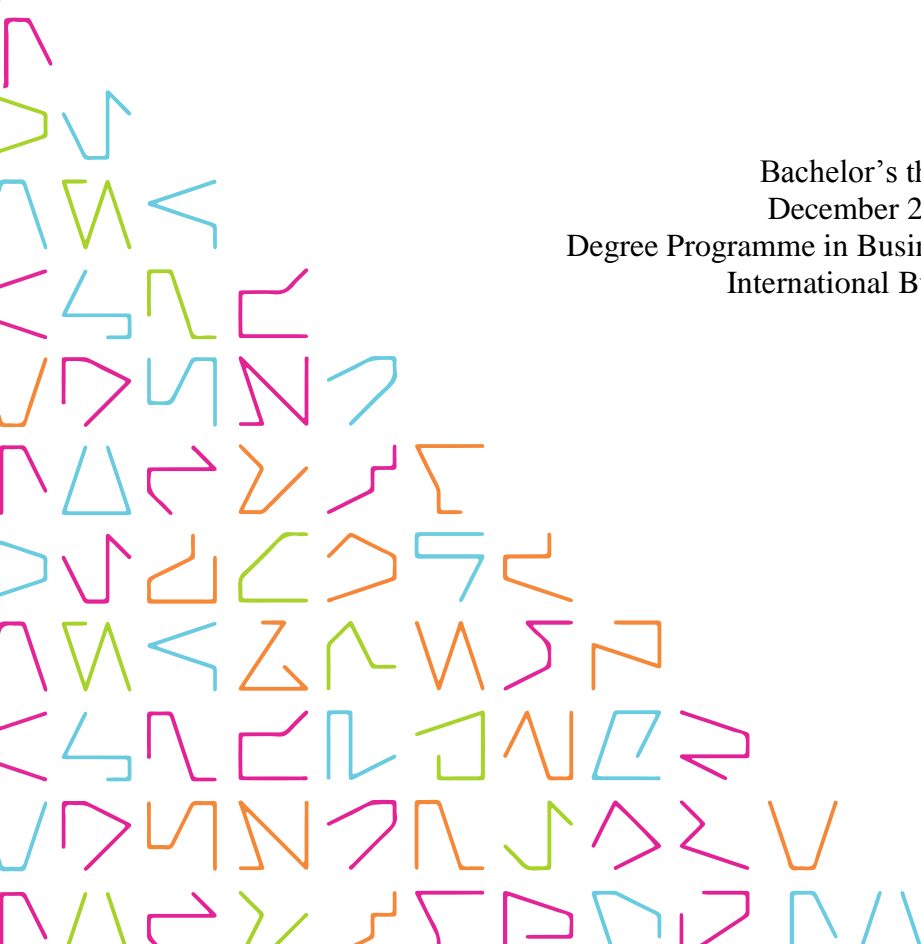


Importing Russian Vegan Specialty Products to Finland

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Bachelor's thesis
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ABSTRACT

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Importing Russian Vegan Specialty Products to Finland

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The purpose of this study was to gather the information related to the importation of vegan products to Finland from Russia and to determine whether it is possible to import vegan sausages made in Russia to Finland.

The data were collected by studying documents and official guides of various organizations as well as governmental agencies decrees and regulations. In addition to this, a case study of a Russian vegan business dealing with a fraudulent producer was analyzed. Structured and semi-structured written expert interviews were conducted to learn more about the potential exporter of the goods. Market research was conducted to provide information on some of the vegan businesses that are operating in Russia.

The study results indicate that it is possible to import vegan sausages to Finland from Russia. The import plan was created as a result of this study.

Vegekauppa, the commissioner of this thesis, could start the importation of vegan sausages produced by Veganov, which importation possibilities were studied throughout this thesis. Moreover, the import plan created could be used for importing other vegan products made in Russia.

Key words: import finland russia vegan goods

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ABBREVIATIONS AND TERMS

VAT	Value Added Tax
INN	Taxpayer Personal Identification Number
OGRN	Certificate of State Registration of a Legal Entity
OGRNIP	Primary State Registration Number of an Individual Entrepreneur
UNIDROIT	International Institute for the Unification of Private Law
BTI	Binding Tariff Information
ICC	International Chamber of Commerce

1 INTRODUCTION

Vegekauppa is a Finnish vegan chain store. The store offers a variety of vegan products. However, there are items that are not yet present in the assortment of the shop. Veganov is a Russian producer of vegan sausages that Vegekauppa is interested in importing to Finland.

Crimea crisis has resulted in the import-related sanctions introduced by the EU against Russia and by Russia against the EU. It has been determined by studying the applicable legislation that there are no specific restrictions on import to Finland from Russia caused by the situation. However, the importation of the goods from Crimea and Sevastopol is forbidden unless the products are granted the certificates of origin by the Ukrainian authorities.

Theoretical framework for importation of Veganov products to Finland was gathered by analyzing the information provided by Finnish Customs because it is the authority responsible for handling the importation of plant-based goods.

Finnish Tax Office information regarding Value Added Tax was studied because value added tax is payable by the importer that is bringing products to Finland from non-EU country.

Russia's bureaucratic system was studied and the recommendations were given as possible solutions to merge Finnish and Russian bureaucratic systems or to cater to both of them.

Expert interviews, case study analysis and market research were conducted to describe Veganov as a supplier and to present other players on the Russian vegan market.

Import plan was created for Vegekauppa to be able to start the importation of Veganov products to Finland.

Import plan may also be used to import other plant-based products from Russia to Finland. Moreover, the joint production of vegan sausages could be started in Finland.

2 COMMISSIONER

Vegekauppa – is a Finnish store chain that sells vegan products. There are three shops across Finland located in Tampere, Helsinki, and Turku. Vegekauppa’s website (www.vegekauppa.fi) has extensive information about the company and its operations available. Some parts of that information are summarized below.

2.1 History

Vegekauppa’s journey began when four friends went to a trip across Central Europe, where Berlin was one of the destinations. Berlin is known for its generous variety of vegan foods offered. The group was impressed with the foods that they have tasted. Most of the foods they have tried were not available in Finland at the time. Naturally, the travellers brought some of the products they have tried home.

Then Tuukka, one of the four friends, came up with the idea to order the vegan products from Germany and sell them to their friends in Finland. The demand for these products was immense. To meet the demand and to simplify the sales process, Tuukka has decided to register a business. The name was chosen through discussion forum to be Vegetukki, as Vegekauppa’s website specifies. The demand continued to grow rapidly, the offering had to keep up, therefore, the business moved to bigger warehouses, and operated as an online shop. However, the store still could not meet the demand, then a space for the first store under the name Vegekauppa was obtained and it opened its doors on April 8, 2011. Illustration of the process can be seen in Figure 1 (Vegekauppa n.d.).

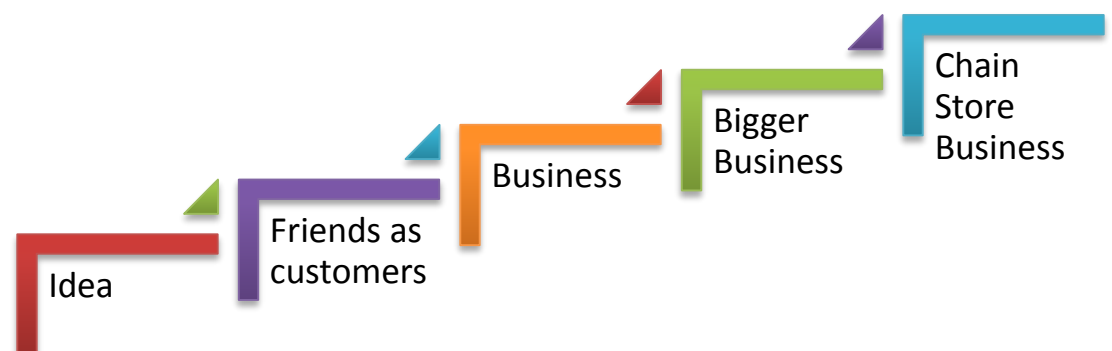


FIGURE 1. Vegekauppa's growth

2.2 Vegekauppa's core values

Vegekauppa's core values are (Figure 2):

- **Quality:** staff is knowledgeable about vegan food; products offered are carefully chosen
- **Ethics:** all products are 100% vegan – contain no ingredients of animal origin; cosmetics and household products are not tested on animals; many organic and Fairtrade items are offered; suppliers are carefully chosen;
- **Environmental footprint:** minimizing waste by ordering large quantities of goods at once & using durable furniture; webstore packaging mostly made of recycled materials
- **Affordability:** making the supply chain as short as possible to keep prices competitive; no pricing of additional margins on the products, therefore, there are no customer loyalty programs (Vegekauppa n.d.).



FIGURE 2. Vegekauppa's core values

2.3 Operations

As mentioned earlier in the text, Vegekauppa currently has three shops across Finland. Besides visiting one of the stores, customers can make purchases through Vegekauppa's website. Turun Kasvisruokakauppa Oy, the official name of the company, sells products

not only to the private customers but also to retailers, businesses, and corporations as illustrated in Figure 3. The store offers multiple delivery options and the goods can be delivered to anywhere in Finland.

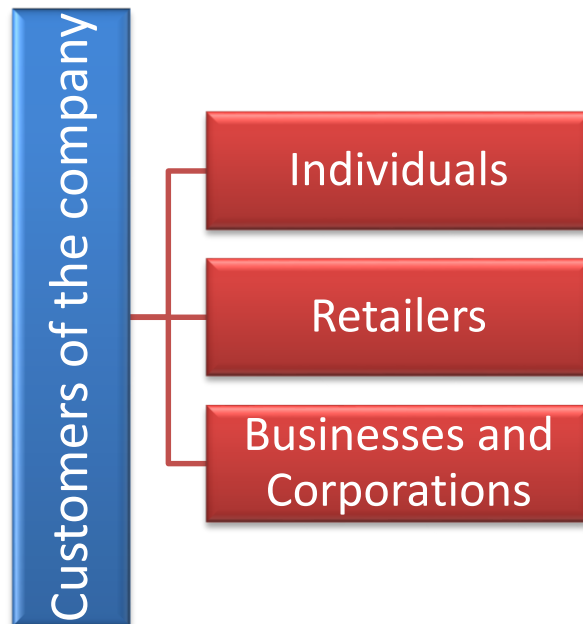


FIGURE 3. Customers of Turun Kasvisruokakauppa Oy

3 POLITICAL ENVIRONMENT

Due to relatively recent events (i.e. annexation of Crimea by Russia...etc.) that occurred on the political scene and have an ongoing impact on the operations between the EU and Russia, this thesis has looked at the sanctions imposed by the governments of each of the territories on one another. However, only the sanctions regarding vegan food export and import were considered, as those are applicable to the topic of the thesis.

3.1 EU food related sanctions against Russia

Import of goods from Crimea and Sevastopol region is banned following the decision of the Council as a part of EU measures regarding economic relations with Crimea and Sevastopol (European External Action Service 2017).

Measures have first been introduced in 2014 (2014/145/CFSP), since then they have been prolonged multiple times. Currently ban on import of goods from Crimea and Sevastopol is active until June 23 2019 (European Council 2018).

There are no special restrictions introduced by EU as the response to the situation for import of vegan food from Russia and export of vegan food to Russia.

Current trade conditions related to import of vegan goods from Crimea and Russia can be seen in Figure 4.

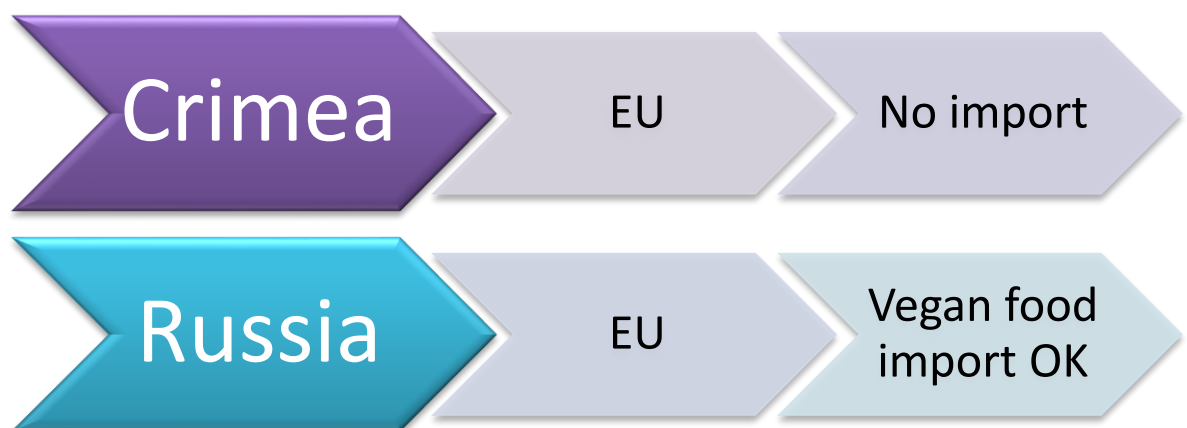


FIGURE 4. EU's trade circumstances related to import from Crimea and Russia

3.2 Russian food related sanctions against the EU

It has been confirmed by a Russian Customs Professional (2018), who wished to stay anonymous, that no restrictions for exporting vegan products from Russia to EU have been introduced by the Russian Federation in the email interview conducted with them for the purpose of writing this thesis. Summary of the interview is presented in Appendix 1. In addition to this, the same fact has been confirmed by the Head of the Representative Office of the Customs Service of the Russian Federation in the Republic of Finland (2018).

Currently, it is forbidden to import many of the vegan foodstuffs to Russia from the EU. According to the President's Decree (560/2014) it is forbidden to import to Russia certain agricultural products originated in the territories that imposed the restrictive measures against Russia, European Union countries included. This Decree has since been prolonged multiple times with Decrees N 320, N 305, and N 293, with the latter being in force until 31st of December 2018.

List of the products that are under an embargo is specified by the Order of the Government of Russia (778/2014). The list includes among other things, fruits and vegetables, nuts, and plant-based sausages and cheeses. This document directly corresponds with the President's Decrees.

Figure 5 illustrates Russia's current position regarding the trade of vegan goods with the EU.

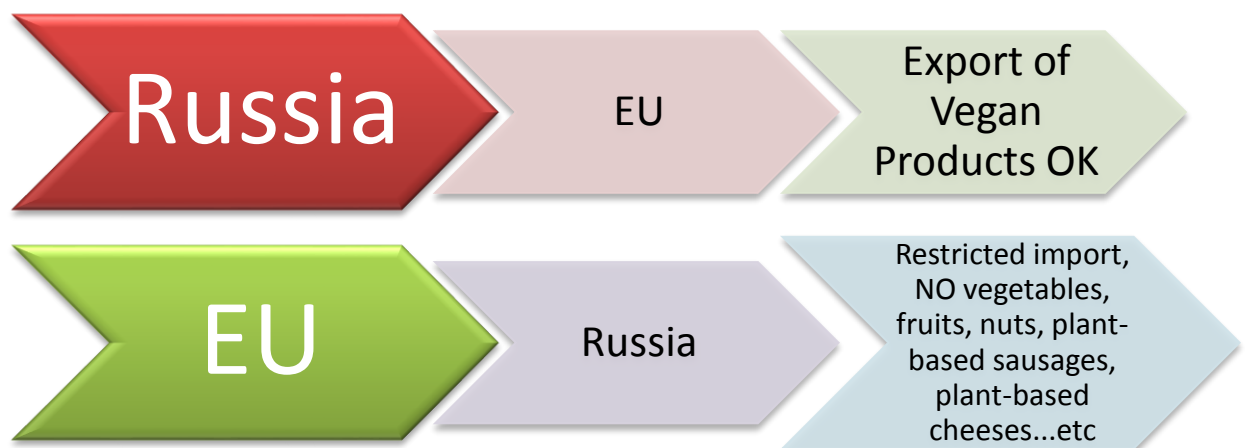


FIGURE 5. Russia's trade circumstances related to the EU

3.3 Summary

Importing vegan products to Finland from Russia is not going to be a problem under current political circumstances. However, it is currently not possible to export some of the vegan products from Finland to Russia.

4 THEORETICAL FRAMEWORK

General theoretical information needed to produce an Import Plan of Veganov products for Vegekauppa is gathered in this chapter.

4.1 Import to Finland from non-EU Country

To import goods from Russia to Finland it is important to know the general guidelines for importing goods from outside the EU applied to the specific requirements the Customs has for the type of goods in question.

For the purposes of importation of the products, regardless of whether they are samples or are intended for commercial import, the importer needs to know their commodity code, which determines what certificates are needed to import the goods, any restrictions that might be imposed on import and the amount of customs duty.

Before starting import, as customs website states, the company needs to apply for necessary authorisations. If the importer prefers to use the online Customs Import Declaration Service, then the Katso ID that allows performing customs clearance is needed. Katso ID can be obtained from the Finnish Tax Office (Vero). In case the company imports goods regularly then it is possible to apply for comprehensive guarantee and an authorisation for payment deferment (Before starting import n.d.).

4.1.1 Importing plant-based foods (not restricted) to Finland from non-EU Country

Vegan sausages are a type of plant-based products. Import of some of the plant-based products is extensively regulated or forbidden by the Finnish customs for various reasons.

Regulation (EU) No 323/2014 that is currently in force, contains the list of restricted plant-based products that require stricter border control or are not allowed to be imported. The list does not include any variations of plant-based sausages (or their ingredients) of Russian origin. Therefore, the importation of Veganov products is not restricted and it is going to be handled with a standard customs procedure for the plant-based foodstuffs.

Figure 6 demonstrates all the things that need to be done before starting import.

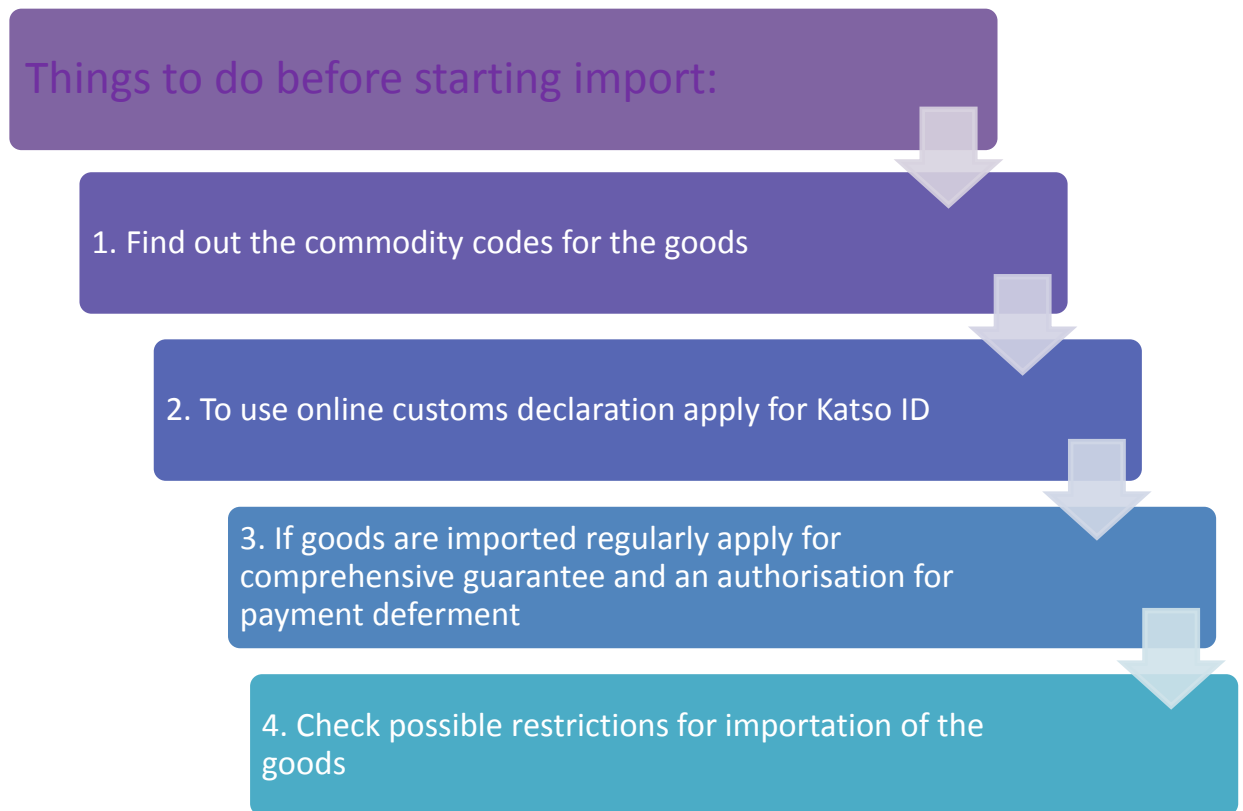


FIGURE 6. Things to do before starting import

4.2 Product Samples

Product samples are the products the company imports for the first time in order to decide whether it would make sense to start importing them regularly.

As stated on customs website, goods samples can be imported to be used for commercial purposes, in that case regular import duties apply, the same as for the commercial import of the goods that are not samples.

However, if the samples are imported for non-commercial use then they are exempt from value added tax and customs duty. Samples that are not intended to be sold have to be marked accordingly. To prove that the products are not intended for commercial use, the company might have to disrupt their packaging, put stamps on them, or punch holes in them (Planning on ordering samples...n.d).

Worth noting, that several similar samples of the same products can be exempt from customs duty and value added tax if the importer is able to prove that the samples are to be used for presentational purposes by several sales people (Goods samples of low value...n.d.).

For example, in Vegekauppa's case it could be that the samples are used by the three stores to determine whether they are fit for their customers. Customers could be given free sample pieces to try and then asked for their opinion on the products and/or samples could be tasted by Vegekauppa's management.

Information that needs to be provided on a customs declaration when importing product samples is shown on picture 1.

What information on samples to provide on a customs declaration?

When you import goods samples that serve the facilitation of trade, you should draft a free-form account on their purpose of use for Customs.

Information to be declared in message format/web declaration/SAD form:

- procedure code 4000
- national procedure code C30
- commercial document, code XXXX
- on a SAD form, the procedure code and the national code are entered in section 37

PICTURE 1. What information on samples...n.d.

4.3 Goods imported for research purposes

Goods that are used for research purposes are also exempt from import duties and VAT. Veganov products that are brought to Finland for obtaining product certificates would also be exempt from VAT and customs duty.

Customs declaration is used to apply for exemption from VAT and customs duty for the purposes of research. Information that has to be provided by the declarant includes time required for the research and the purpose of the research. If there are goods left after the examination, Customs needs to be notified of what is going to be done with them. Customs can be notified by filled customs form 976 or by other documents that contain the same information as the form. Goods that are left after the research can be destroyed or rendered commercially worthless (Applying for exemption from customs duty n.d.).

Customs declaration for the goods imported for research needs to contain information presented in Picture 2.

Information to be included in your customs declaration

- procedure code 40xx or 49xx
- national code C33
- the time limit within which the research, analysis or experimentation is conducted:
 - in message format, code XXX under the additional information concerning the consignment
- explanation from the holder of the goods on the purpose of the goods
 - in message format, code 1ZZZ under the additional information concerning the consignment

PICTURE 2. Information to be included...n.d.

Figure 7 summarises the requirements that are to be met for the Veganov products imported to be VAT and customs duty exempt.

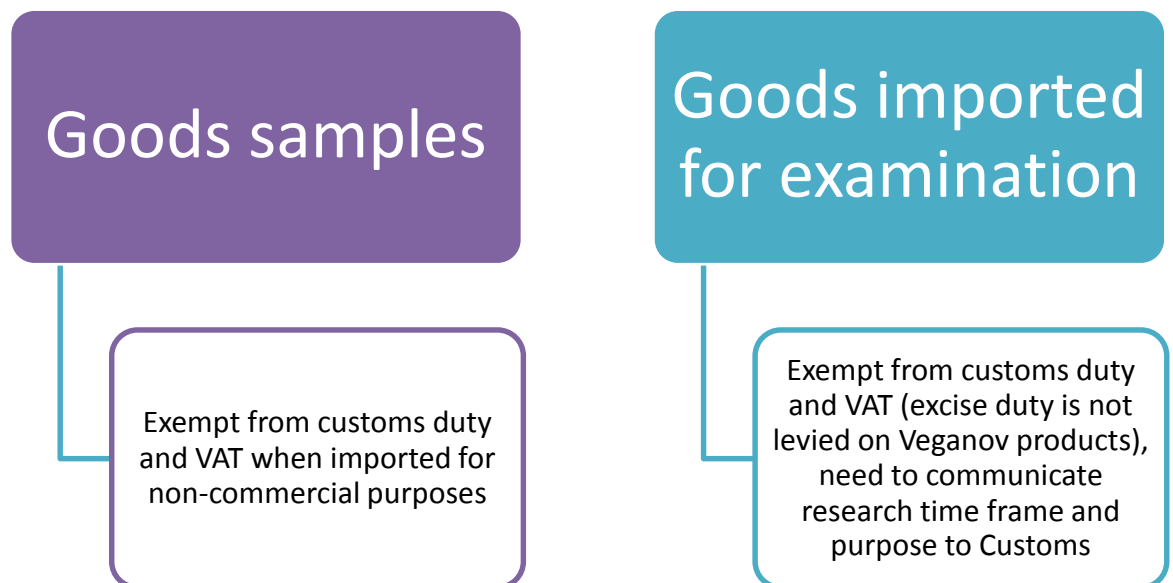


FIGURE 7. VAT and customs duty exempt import

4.4 Commercial import

Importing Veganov goods for commercial purposes would require Vegekauppa to pay all applicable taxes and duties. More information on the taxes and duties applicable is in subchapter 4.4.1, Chapter 7 and in Chapter 8.

In addition to this, there are various declarations that must be filled regarding the import depending on the modes of transport used. Usually, the carrier fills the declarations. However, if Vegekauppa is planning to make such an agreement with Veganov, where Veganov is the party responsible for the delivery of the goods to a certain city in Finland and, therefore, responsible for handling customs procedures, then it would be useful to know what declarations need to be filled when the goods are transported by road.

To begin import, the arrival of the goods must be communicated to Customs before the goods' actual arrival. For the goods imported to Finland as the first and final destination from non-EU country, the entry summary declaration needs to be filled after the order of goods has been placed and before the goods have arrived to the customs territory.

There are some exceptions to the rule where there is no need for entry summary declaration for the certain types of goods that are imported to Finland. However, among all of them, only one could potentially fit the import of product samples for Vegekauppa, which are not going to be commercially used. Oral declaration would be sufficient for the import if the goods are not intended for commercial use and if no transport agreement has been made to import them (Goods for which declarations are not required n.d.).

As the Customs' website states, the entry summary declaration data is used to perform electronic risk analysis concerning safety and security.

Goods in the entry summary declaration have to be described in accordance with their common trade name or with their four-digit commodity code. The Commission (Guidance on acceptable and unacceptable terms... 2016) published the guide with examples of acceptable and unacceptable descriptions of the goods.

When the goods have been presented to Customs, the entry summary declaration is also used as the summary declaration for their temporary storage.

Entry summary declaration has to be submitted by the goods' carrier or their representative. The time limits for the declaration to be submitted for the goods arriving by road are 200 days before their arrival at the earliest and 1 hour before arrival at the latest as Customs website states. Entry summary declaration is submitted electronically to the Customs Safety and Security System AREX. It is the only declaration required for the goods delivered by road. In addition to this, party that presents the goods to Customs needs supporting documents for the goods (Entry summary declaration n.d).

Supporting documents usually are trade invoice (in some cases commercial invoice is acceptable, depending on the information it contains), an account on freight costs that needs to include transport and insurance document with the information about all related costs from the starting point to the final destination.

Key points regarding declarations are summarized in Figure 8.

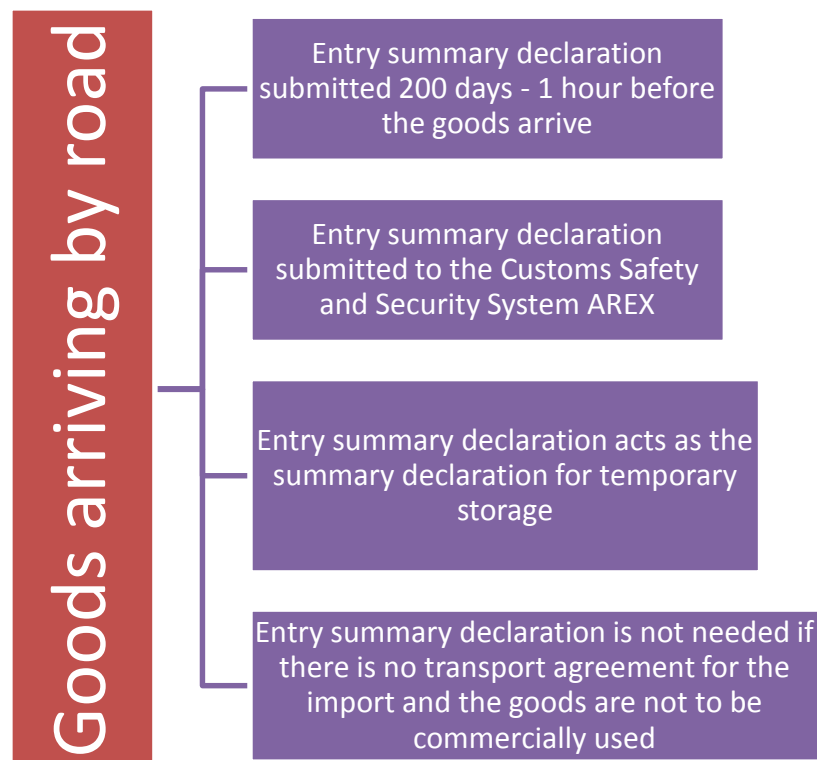


FIGURE 8. Goods arriving by road

4.4.1 Finnish import taxes and duties

Finland's import related duties can be grouped into two categories – customs duty and VAT. Customs duty is calculated first, based on the cost of goods and their delivery costs. VAT is calculated after the customs duty. Detailed information on VAT can be found in Chapter 7. Import duties are customs duty and VAT combined (Figure 9).

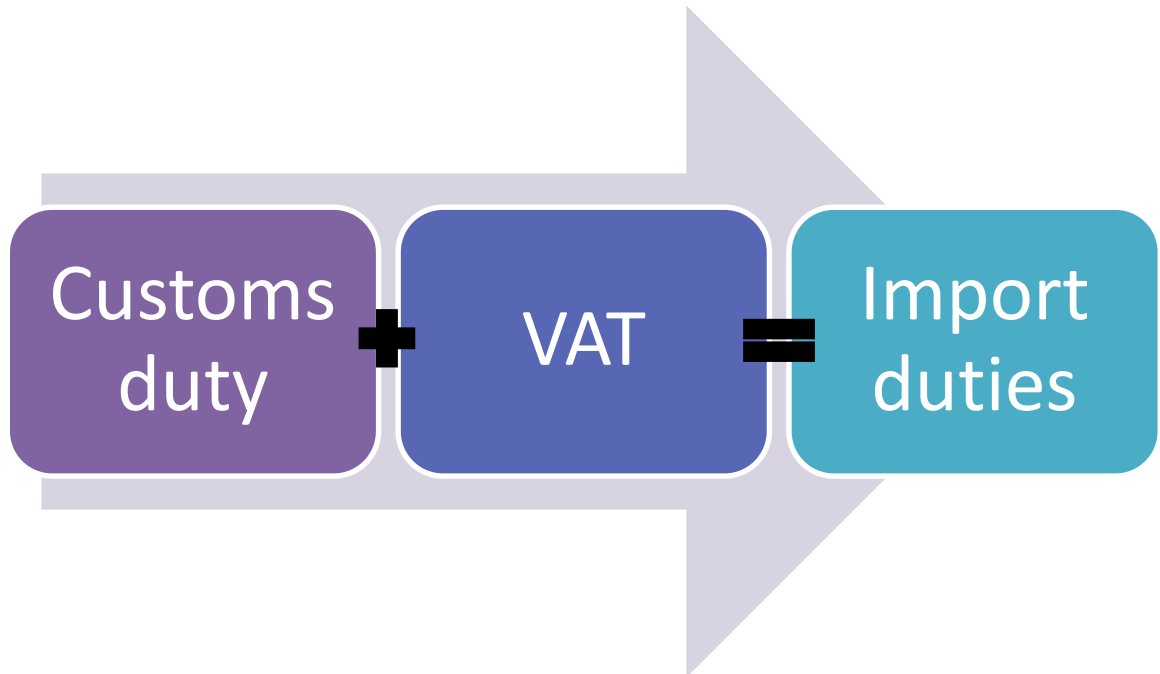


FIGURE 9. Import duties

To calculate customs duty rates, the importer needs to know the correct commodity code for the goods. If the code is not known, then the company can request a Binding Tariff Information from Customs (BTI). Detailed information about the BTI can be found in Chapter 8.

Duties levied by Finnish Customs are in euros, so either the contracts from the start need to be in euros or the prices need to be converted from rubles to euros. Veganov prices are in rubles in their online catalogue, which is linked to in Appendix 7. Veganov contact information is also added to Appendix 7. Currency conversion rates can be found on Customs' website. Conversion rate from euro to ruble in December 2018 is 1 EUR = 72.6963 RUB (Currency conversion rates n.d).

The exact full commodity code for Veganov products is not known. Veganov has been exporting goods to Belarus and has kindly provided commodity code that has been used

for those operations. However, that code was not in the EU codes nomenclature. Therefore, to provide an example for calculating import duties, customs calculator is used with the commodity code that applies to similar products and may potentially be the correct one for Veganov products.

Both Finnish (2018) and Russian (2018, interview mentioned earlier, Appendix 1) customs representatives confirmed in the email conversations that the classification code for Veganov products will most likely be 210610 (Appendix 1; Finnish Customs, Business Information 2018). However, this code is not specific enough; therefore, code 2106102020 is used for calculating import duties.

Customs value

2106102020 - - - *Soya protein concentrate having a protein content by weight, calculated on a dry weight basis, of 65 % or more but not more than 90 % in powder or textured form*

Provide mandatory information here and continue to next section with additional information.

Customs value (€)	Net weight (kg)	Incidental expenses (€)
<input style="width: 90%;" type="text" value="350"/>	<input style="width: 90%;" type="text" value="14,5"/>	<input style="width: 90%;" type="text" value="0"/>

Preference

100 - Erga Omnes third country duty rates
▼

PICTURE 3. Calculating import duties

As picture 3 illustrates, to calculate import duties using the online calculator, the importer needs to know the goods' commodity code, customs value, that includes goods' price and all transport costs (detailed information on how to calculate customs value is in Chapter 7), and net weight. Here, net weight is the estimated weight of one box filled with products of approximately 400g each. Product prices and weight can be accessed via Veganov online catalogue (Appendix 7). This example is closest to illustrating the importation of the samples for which taxes are to be paid only if those samples are imported for commercial use.

VAT code, quota

2106102020 - - - *Soya protein concentrate having a protein content by weight, calculated on a dry weight basis, of 65 % or more but not more than 90 % in powder or textured form*

Provide mandatory information here and continue to next section with additional information.

VAT code

Q227 - Value added tax 14% ▼

PICTURE 4. Calculating import duties

The usual VAT rate is 24%, however for foodstuffs the rate is 14% as shown in the picture 4.

2106102020 - - - *Soya protein concentrate having a protein content by weight, calculated on a dry weight basis, of 65 % or more but not more than 90 % in powder or textured form*

Provide mandatory information here and continue to next section with additional information.

Import control of organic products (B750, regulation R0834/07):
If it is not presented certificate **C644**, neither **Y929**, import/export not allowed!

	Code	Description
<input type="checkbox"/>	C644	Certificate of inspection for organic products
<input checked="" type="checkbox"/>	Y929	Goods not concerned by Regulation (EC) No 834/2007 (organic products)

Restriction on entry into free circulation (B475, regulation D0088/14):
If it is not presented certificate **Y800**, neither **Y066**, import/export not allowed!

	Code	Description
<input checked="" type="checkbox"/>	Y800	Goods not consigned from Bangladesh
<input type="checkbox"/>	Y066	Products which are not containing or consisting of betel leaves ('Piper betle')

PICTURE 5. Calculating import duties

In the email communications, Veganov representative (2018) has confirmed that their products are not organic; therefore, no certificate of inspection for organic products is needed as picture 5 shows (Veganov representative 2018). Moreover, Veganov products are not consigned from Bangladesh so, again, no certificate is needed (picture 5).

Veterinary control (B410, regulation D0275/07):

If it is not presented certificate **N853**, neither **Y930**, neither **Y931**, import/export not allowed!

	Code	Description
<input type="checkbox"/>	N853	Common Veterinary Entry Document (CVED) in accordance with Regulation (EC) No. 136/2004, used for veterinary check on products
<input checked="" type="checkbox"/>	Y930	The declared goods are not concerned by Commission Decision 2007/275/EC
<input type="checkbox"/>	Y931	Goods benefitting from derogation to veterinary controls according to Article 6.1b of Commission Decision (EC) No 275/2007

PICTURE 6. Calculating import duties

Since Veganov products contain no ingredients of animal origin, no veterinary check is needed as picture 6 illustrates.

Result				
2106102020 - - - Soya protein concentrate having a protein content by weight, calculated on a dry weight basis, of 65 % or more but not more than 90 % in powder or textured form				
Below you can see result of the calculation, which is just an estimate.				
Regulation	Type	Base	Rate	Amount
R2204/99 (C103)	A00	350 €	12,8 %	44,80 €
Q1501/93 (P305)	B00	394,8 €	14 %	55,27 €
			Total:	100,07 €

PICTURE 7. Calculating import duties

Picture 7 illustrates calculated applicable import duties. For code 2106102020, customs duty rate is 12.8 %; therefore, customs duty calculated on the base of 350EUR is 44.80 EUR. This sum is added to the original base of 350 EUR, and then multiplied by VAT rate of 14%, which equals to VAT of 55.27 EUR, and the total sum of the import duties is 100.07 EUR.

As mentioned in this chapter before, product samples imported for non-commercial purposes and products imported for the research are exempt from import duties.

In cases when import rates are lower than domestic prices of the exporting country and the production costs or have been subsidized by government, anti-dumping and countervailing duties can be introduced to prevent unfair competitive advantage over the EU companies (Customs duty and VAT n.d.).

4.4.2 Finnish customs

Finnish customs regulates the flow of goods to Finland and from Finland. All documents regarding import must be submitted to them. Some documents and certificates are checked by the customs in conjunction with other authorities.

Nowadays many of the Customs processes are digitalized and some documents, such as entry summary declaration, should be submitted beforehand. However, some processes and checks cannot be automatized due to their nature, such as laboratory examination of plant-based foodstuffs talked about in the following sub-chapter.

4.4.3 Plant-based foods examination

Finnish customs is responsible for plant-based foods examinations. Importer has to be ready for laboratory examination of the goods at all times. The samples are analyzed at the Customs Laboratory and results are regularly reported to the EU Commission and authority that handles such products (Controls of food and consumer goods n.d.).

As mentioned in the sub-chapter 4.1.1, Veganov products do not fall into the category of extensively controlled goods.

The foods are examined for various food additives, chemicals, toxins and other foreign substances. Moreover, examinations concern genetic modification and microbiological quality of the products as well. Counter sample can be taken, under specific regulations, if the holder of the products wishes so. (How are products controlled? N.d.).

In case the examination finds that the goods breach regulations, it is up to the Product Safety Unit of Finnish Customs to decide the following actions regarding the issue. The goods that breach regulations are not released for free circulation and the operator needs to take the goods that break regulations off the market (What happens to the goods...n.d.).

There are several ways that the goods, which breach regulations, are handled after they are rejected as the Customs website states:

- 1) They might be destroyed, either on order by the authorities or at the request of the holder
- 2) Goods can be made compliant with the regulations (if possible), for example, by changing package labels
- 3) Product Safety Unit may, in some cases, approve the product to be used in another way
- 4) Goods might be exported back (for example, returned to the seller) under case-specific conditions

Product Safety Unit needs to give a written permission for all procedures, except destroying the goods, which is agreed upon with the supervising customs office (What happens to the goods...n.d.).

As of beginning of 2018, any planned actions must be taken within six-month period from the rejection date.

Laboratory examinations are subject to charge. The prices for products examination are illustrated in Figure 10 as stated on Customs website.



FIGURE 10. Examination prices (Goods under the scope of the Food Act n.d.)

5 DOING BUSINESS WITH RUSSIAN COMPANIES

This chapter describes bureaucracy in Russia and documents-related issues Russian companies have to deal with. In addition to this, suggestions are made for Vegekauppa potentially choosing new suppliers based on case study of experiences Russian vegan store Etika had with Russian suppliers of various vegan products.

5.1 Documents and bureaucracy

Russia is a non-EU country that has its own operating documents and bureaucratic structures and practices, which are usually different from those of Finland.

Businesses operating in Russia have to keep many documents. In the article called “Where you’ll queue for nine hours just to sign a form” published on BBC.com, Eric Barton (2016) tells a story about Tremayne Elson, a man who worked in Russia for an executive recruitment firm in 2009. Mr. Elson had to wait in line for several hours to fill the form, which took no more than several seconds, according to Mr. Elson himself (Barton 2016).

Eugenia Kuyda is a co-founder and CEO the company called Luka and a Moscow native, who was also interviewed for the article. She argued that the companies need to get used to lengthy and ever-present bureaucracy in Russia as company’s every step has to be documented and approved by the respective officials, illustrated by Figure 11, to avoid legal trouble with supervising authorities that may conduct an audit at any time (Barton 2016).

In his article for Russia Beyond, Georgy Manaev (2018) talks about the daunting process of bureaucracy in Russia as well. Among other things, he mentions that even though the bureaucracy in Russia is omnipresent, recently, an online service called Gosuslugi (www.gosuslugi.ru) was introduced to speed up and simplify administrative processes (Manaev 2018).

The service allows a person to pay their taxes and fees, and to apply electronically to get most of the documents. However, in a lot of cases, signature and/or stamp on the document is needed, so one still needs to collect their online ordered documents in person.

Figure 11 illustrates the key components of Russian bureaucracy.



FIGURE 11. Bureaucracy in Russia

5.1.1 Contracts and other documents

Different bureaucratic systems are likely to have different requirements for the documents that the company has to present to report its business operations. Therefore, it is crucial that the parties discuss and agree on the contract forms and other documents surrounding import of products beforehand.

The best solution would be to try to negotiate international contract that would merge the necessity of complying with both systems. However, sometimes, it may be needed to utilize two forms of documents tailored for each respective country's requirements (figure 12).

Russia and Finland are both members of the International Institute for the Unification of Private Law (UNIDROIT), which is an organization that tries to formulate uniform rules concerning private law and commercial law to simplify and harmonize business relations among its member States. Currently, there are 63 member States.

UNIDROIT professionals have conducted multiple studies regarding commercial contracts and have established a set of the Principles of International Commercial Contracts. The full document can be found on the UNIDROIT website free of charge (UNIDROIT 2018).

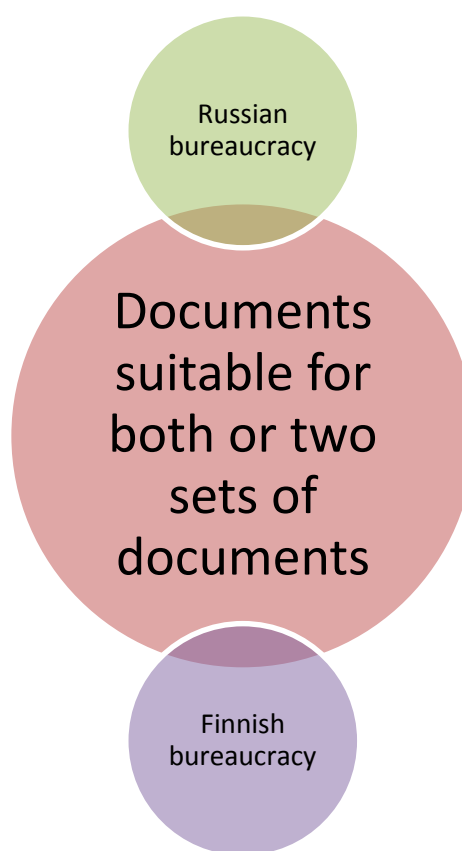


FIGURE 12. Documents

5.2 Corporate reputation

There are many vegan food producers based in Russia, some of them are talked about more in Chapter 6. In case Vegekauppa would want to conduct business with one of them or any other Russian company for that matter, there is an online register administered by the Federal Tax Service. It is a database of legal entities, individual entrepreneurs and peasant farm holdings. This database includes all the entities that are legally operating in

Russia. It is beneficial to get the information from there to avoid fraud. To access company's legal information, one only needs to know the company's name.

There is an English-language page on the Federal Tax Office's website; however, all online services are currently available only in Russian. Hence, the guide for obtaining information from the register can be seen in Appendix 2.

Appendices 3 and 4 are two translated guides that will help you register on the website and request the information. Information from the register that is available upon registration is essentially the same that can be obtained using the guide in Appendix 2, however, it contains electronic signature and can be used as a legal document. Waiting time for obtaining this electronic document is usually one day; the service is free of charge.

5.3 Product certificates and business transparency

It is extremely important for the products to have correct product certificates, especially, when the products are being exported to another country. It is also important for the businesses to be transparent and honest about the product's contents with the consumers and retailers to whom they sell their products.

To ensure the honesty of a business, previously described document (extract from the Federal registry) should be studied. This document is only provided in Russian so translation of it is going to be needed. One of the many important things the extract has is the information about company's operations and lines of business.

Often, a great way to tell if the company would be a trustworthy business partner is to research its reputation among its other partners and to find out how consumers feel about the company. In order to do that, independent laboratory tests conducted by several Russian vegan stores, were chosen as a case study.

5.4 Case study: Etika's ordered laboratory tests

Etika was an all vegan store in Moscow (they have stopped operating as a store in September of 2018, now they only sell vegan cakes). It was one of the several vegan shops across Russia; more information on veganism in Russia is in Chapter 6.

Since Etika was the fully vegan store, it was exceptionally important that the products do not contain ingredients that are derived from animals. Besides that, it is always important that the list of ingredients presented by the producer of the goods is precisely representative of the products' contents. The mini-interview with Etika's representative was conducted for the purpose of writing this thesis in November of 2018. The translated interview is attached to this thesis as Appendix 5.

A couple of years ago, as stated in the post on their official social media website (vk.com) group, Etika (2016a) was negotiating partnership with the company called "Malika" (now that company is called "Vego"). Vego is a producer of variety of products, some of which are claimed to be vegan (Etika 2016a).

As was learned from the interview conducted over the Internet with the representative of the store, she is allergic to cow's milk and she had an allergic reaction to one of the Malika's (Vego's) products that was claimed to be fully plant-based without mentioning that it could contain traces of cow's milk.

That resulted in Etika's management having their doubts about working with the company, as written in the same statement mentioned above. Therefore, they specifically asked Malika (Vego) about the contents of their products that are labeled vegan, to which Malika (Vego) replied in the email conversation by saying that "vegan" products actually contain milk, no more than 3%, and that it is added to enhance the taste of the products. In addition to this, they did not even have the information about the traces of milk in their products (Etika 2016a).

Later, when the public was made aware of the situation, Malika (Vego) took back their statement and blamed Etika for misunderstanding what Malika (Vego) have said in the first place, and spreading false information (Malika (Vego) 2016 according to Etika 2016b).

That is when Etika ordered their first independent laboratory test, which confirmed the presence of cow's milk in the product. The test determines trace amount of cow's milk products that have to be written on the label. The product in question have had more than the maximum amount the test is aimed at (Elagina 2016).

Malika (Vego) continued addressing the issue in the most twisted ways, making the statements, then making other contradictory statements in their communication with Etika, which was all documented in email screenshots of the official communication between the parties (Malika (Vego) 2016b according to Etika 2016b)

Eventually, they have added ‘may contain traces of milk’ caution to the product that was tested by Etika, which Etika reported in their group as well (Etika 2016c).

Later on, two more Vego (ex-Malika) products tested, one of them did have an accurate list of ingredients (Elagina 2017b), and the other one did not (Elagina 2017a).

Laboratory tests are conducted in an independent laboratory and are paid for either with Etika’s own means or in cooperation with other vegan shops, and more recently with the support of Etika’s clients. Moreover, sometimes the producer of the product that is going to be examined pays for the examination.

Many products were already tested. Unfortunately, not too few supposedly ‘vegan’ products, labeled to be free of the animal ingredients, actually do contain them. Etika reports all the test results with the official documents attached to their group (Etika Discussion thread 2016-2018).

However, Etika does not have the means to pursue legal action against the producers that provide misleading information; therefore, the examinations are done for the sole reason of alerting the consumers about the fraudulent companies. Even though Etika currently does not function as a store, they continue to order product examinations.

Etika also tested one Veganov product. The company (Veganov) have suggested testing the product in an independent laboratory and paid for it (Etika 2016 d). For transparency reasons, Etika randomly chose the product for the examination. Results have shown that the product contains no traces of cow’s milk (Galkin 2016).

Two vegan store representatives interviewed said that Veganov is a trustworthy business partner; Chapter 6 describes the interviews conducted.

To conclude, it is very important to demand documents and certificates from the producers of the goods that are claimed to be free of the ingredients of animal origin to avoid potentially dangerous situations.

Figure 13 sums up what was talked about in the chapter.

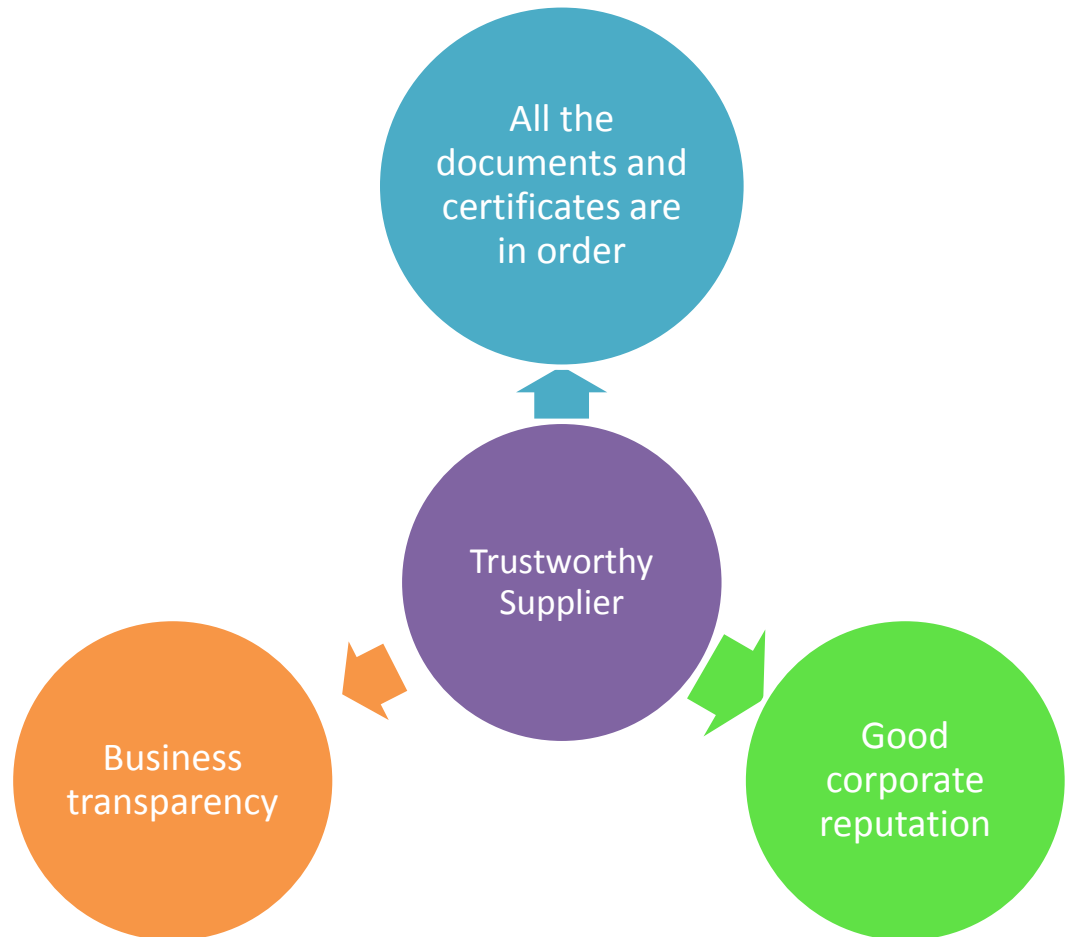
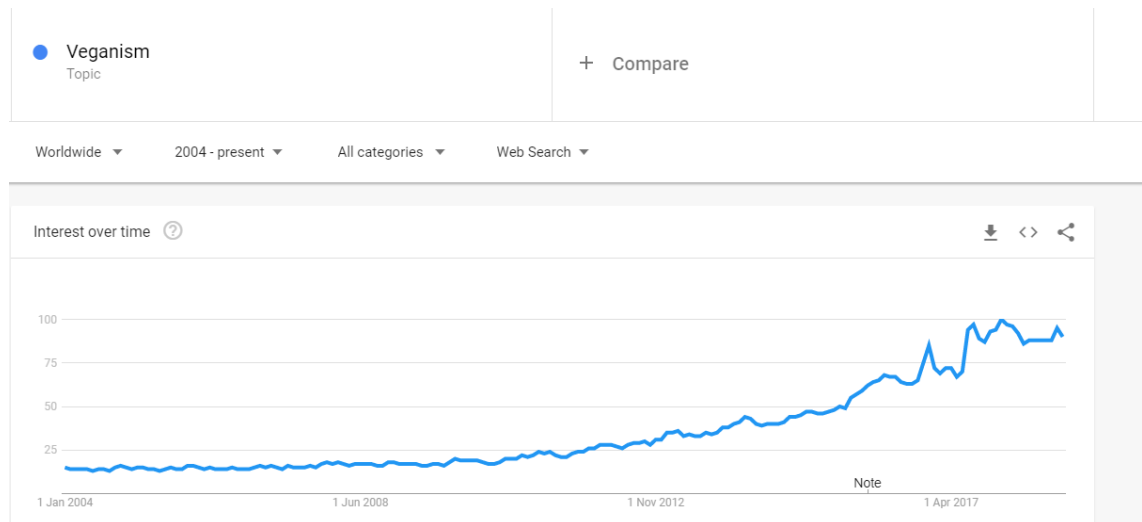


FIGURE 13. Trustworthy Supplier

6 VEGANISM IN RUSSIA

Interest in veganism has been growing globally. Google Trends show the change in the topic's popularity over the years, starting from the year 2004 up until now. Picture 8 illustrates Google Trends' results.

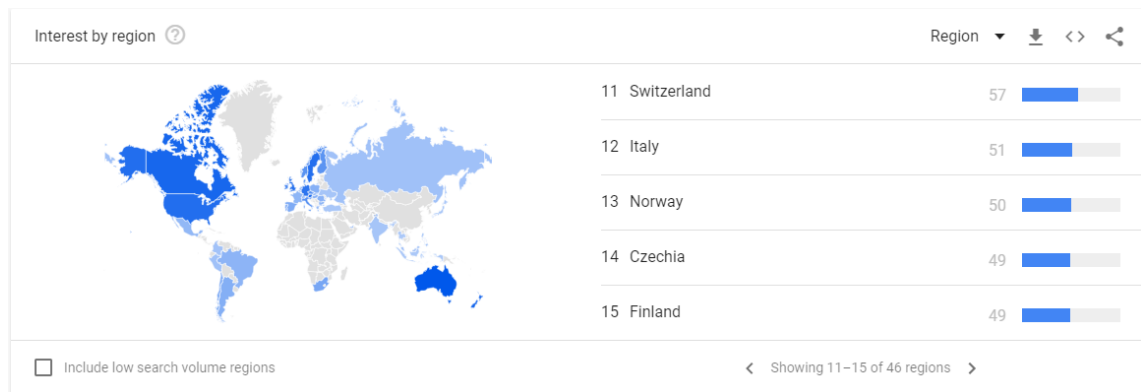


PICTURE 8. Google Trends. Topic Veganism (10.12.2018)

Russia is in the top 46 countries interested in veganism according to Google Trends. Russia is number 38 on the list as shown in picture 9. Finland is also on that list; Finland is number 15 as illustrated by picture 10.

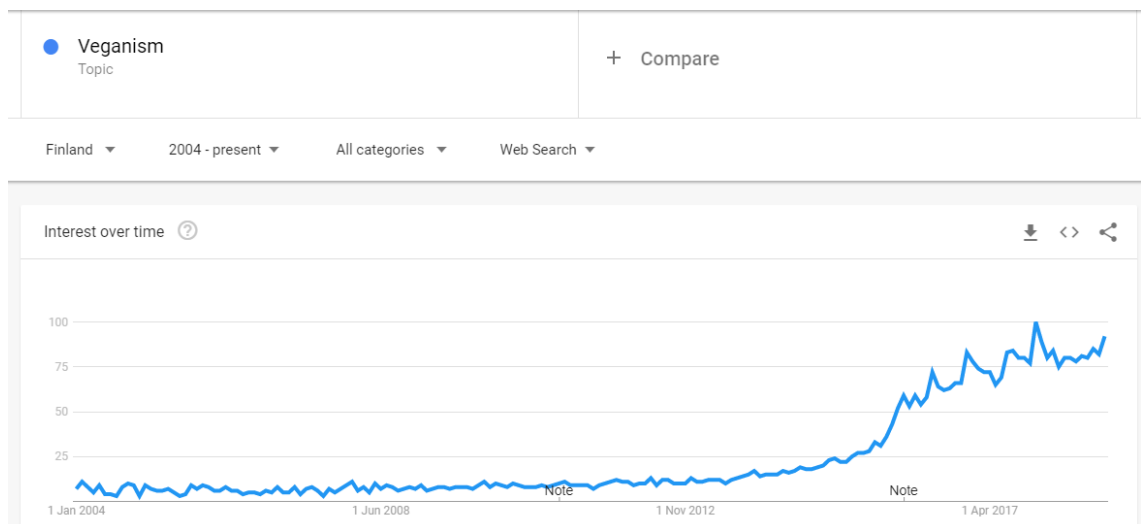


PICTURE 9. Google Trends. Topic Veganism. Russia on the list (10.12.2018)

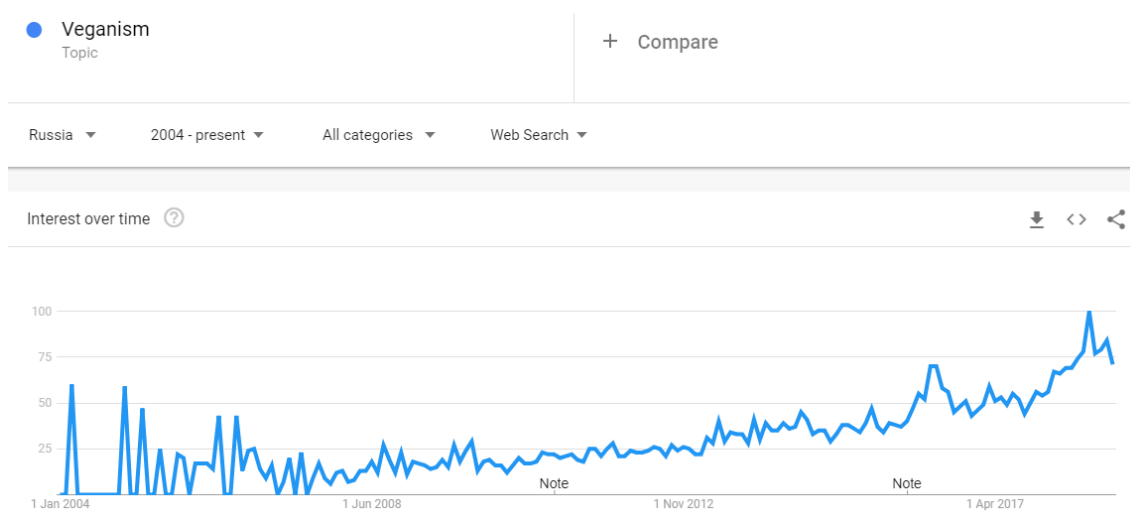


PICTURE 10. Google Trends. Topic Veganism. Finland on the list (10.12.2018)

Finland's interest in veganism, according to Google Trends, was growing steadily from 2004 as picture 11 illustrates. Russia's rate of interest in veganism was surprisingly polarizing in 2004-2006 as picture 12 shows. Then, since 2007, the interest started growing more gradually.



PICTURE 11. Google Trends. Topic Veganism. Finland's interest over time (10.12.2018)



PICTURE 12. Google Trends. Topic Veganism. Russia's interest over time (10.12.2018)

As illustrated by the statistics above, both Russia and Finland's interest in veganism is currently on the rise. Following in this chapter is more information on Veganov products in Russia and veganism in Russia overall.

6.1 Veganov products in Russian vegan stores

Veganov is a very well known brand to the vegans of Russia, especially to those who live in Saint Petersburg or near Saint Petersburg area. Two Saint Petersburg's vegan store owners have agreed to answer several questions regarding Veganov products in their shops, the stores are called Vegan Bunker and KroleShop. Full interviews with both of the storeowners are in the Appendix 6.

The interviews were conducted to find out how, from the experience of the storeowners, the customers perceive Veganov products in particular and vegan products produced by the Russian companies in general.

The customers in general love Russian vegan products because they are delicious and inexpensive. KroleShop owner noted that most of the products in their store are produced in Russia. Vegan Bunker owner correlated the popularity of Russian vegan products with many new vegan and healthy food shops opening across Saint Petersburg. Moreover, the owner of Vegan Bunker noticed that foreigners who are familiar with Russian products buy sausages and smoked seitan (product that is made out of wheat protein) that is produced in Russia.

Veganov products, in addition to being inexpensive and tasty, are also unique. The company offers them at a very competitive price. The owner of Vegan Bunker notices that Veganov products are among the most popular vegan products in Russia. Vegan Bunker orders about 100 big sausages a week and about the same amount of packs of smaller sausages. The other Veganov strength is the wide range of their products with a product for everyone, which was noted by the owners of both stores.

Veganov is also a trustworthy supplier according to the owners of both of the stores. The orders are delivered in a timely manner, issues handled professionally, and the goods are of a great quality.

6.2 Russian vegan comfort food producers

Comfort food is the food that brings nostalgic or sentimental feelings to those who eat it. Many of the people who are vegan now, were not vegan since birth and producers of vegan comfort food seek to provide the foods that are free of animal exploitation without sacrificing the familiar taste.

Besides Veganov, there are other vegan foods producers in Russia. Some of them are talked about in this sub-chapter to paint a bigger picture of veganism in Russia. All of the producers talked about in this sub-chapter produce food items.



Primal, just like Veganov, is a Saint Petersburg based fully vegan company. Their original product is soymilk plain and with various flavors packaged in glass bottles (picture 13). Currently, Primal also produces pre-made seitan, packaged sausages, and vegan cottage cheese (Primal n.d.).

PICTURE 13. Primal milk (2017)



PICTURE 14. Rostofu pancakes (n.d)

Rostofu is also a Saint Petersburg based fully vegan food producer. As can be seen from the name, Rostofu specialises on tofu and tofu-based products, such as vegan cottage cheese, pancakes with tofu (picture 14), and tofu and vegetables dumplings (Rostofu n.d.).



PICTURE 15. Verde smoked tofu (n.d)

Verde is yet another vegan food producer based in Saint Petersburg. This company produces seitan and tofu (picture 15). Animal rights activists founded this company. Their motto, as stated in their VK.com group, is “vegan for vegan” (Verde. Information n.d.).

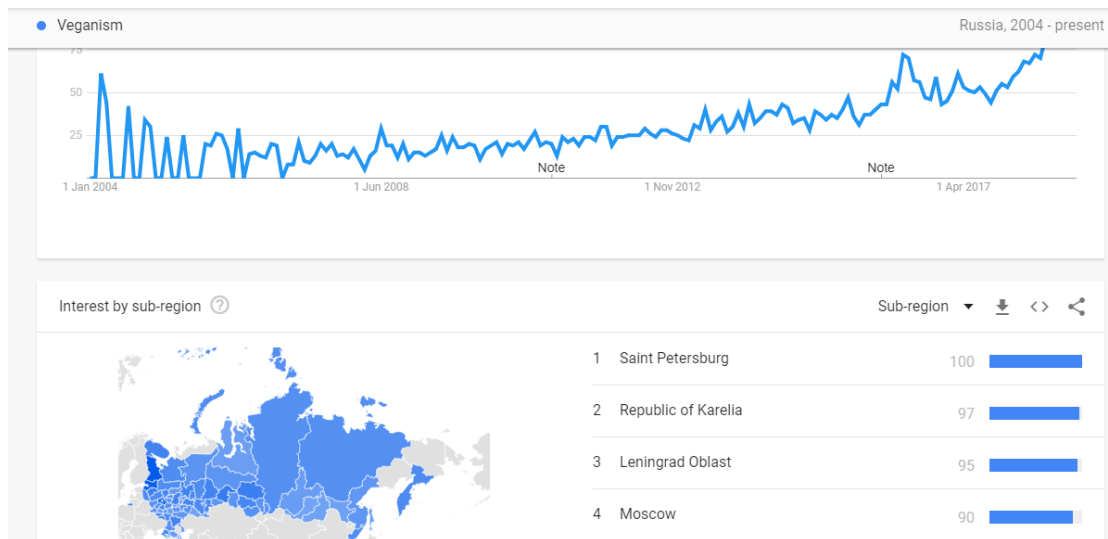


PICTURE 16. VolkoMolko condensed soymilk (n.d.)

VolkoMolko is a plant-based food producer that is based in Moscow. The company produces, among other things, vegan cheeses, plant-based milks, condensed soymilk (picture 16) and hummus (VolkoMolko n.d.).

6.3 Vegan scene in Saint-Petersburg

As illustrated in the sub-chapter above, there are quite a few of vegan food producers in Saint Petersburg. According to Google trends, Saint Petersburg is the number one Russian city interested in veganism (picture 17).



PICTURE 17. Google Trends. Topic Veganism. Russia's interest over time. Interest by sub-region (11.12.2018).

That explains why there are (relatively) many fully vegan cafes and shops around the city with new ones opening frequently.

6.3.1 Vegan shops in Saint-Petersburg

Currently, there are four well-known 100% vegan shops in Saint Petersburg.

Vegan Bunker is the first ever fully vegan shop opened in Saint Petersburg (Vegan Bunker. Information n.d.). Other fully vegan shops are B12 (B12 n.d.), KroleShop (KroleShop n.d.), and recently opened Llamas (Llamas n.d.).

All of the stores, even though they are independent shops, have more or less the same product variety. However, they are located in different parts of the city so customers can choose the most convenient location.

6.3.2 Vegan restaurants and cafes in Saint-Petersburg

There are many vegan cafes and restaurants in Saint Petersburg, some of them are talked about in this sub-chapter.



PICTURE 18. Berry Blin combo meal (2017).

Berry Blin is the café that serves various types of vegan pancakes, sweet and savoury. “Blin” means pancake in Russian. Pancakes can be categorised as traditional Russian food. In addition to pancakes, the café also offers soups, combo meals, that include a soup, a drink and a pancake (picture 18), and cakes (Berry Blin n.d.).



PICTURE 19. BRO FOOD hot-dogs (2018).

BRO FOOD is a place that offers a variety of vegan burgers, hot dogs (picture 19) and wraps (BRO FOOD n.d.).



PICTURE 20. VEGGIE BOX pizza (2018)

VEGGIE BOX is a healthy street food restaurant as stated on its page. The foods offered include various pizzas (picture 20), burgers, salads, cakes, woks and wraps. VEGGIE BOX also offers soup of the day and lasagne (VEGGIE BOX n.d.).



PICTURE 21. Bar Tasty & Healthy raw spaghetti (2018).

Bar Tasty & Healthy is a raw and vegan bar, many of the positions on the menu are not only vegan but also raw, such as raw spaghetti (picture 21). Raw means that the ingredients were not heated over 40 degrees Celsius (Bar Tasty & Healthy n.d.).

7 VALUE ADDED TAX IN FINLAND

Value Added Tax (VAT) - is a tax based on value added to the goods and services at every stage of the supply chain, the consumers eventually pay the tax.

Finland is an EU member state so the general regulation of its VAT is EU-based, however, Finland, as every other country of the EU is free to set their own precise rates. Finnish VAT rates are presented in table 1.

Tax rate	Tax type	Goods or services the rate is applied to
24%	Standard	All of the ones not mentioned below
14%	Reduced	Groceries; feed; restaurant and catering services (not applicable to tobacco and alcohol)
10%	Reduced	Books (apart from e-books); pharmaceutical products; subscriptions to newspapers and periodicals (one month min.); movie screenings; physical exercise services; entrance fee to cultural and entertainment events; domestic passenger transport; royalties for public radio and television activities; accommodation services
0%	Zero	Sales of goods within the EU to VAT-liable buyers; the sale, rental and chartering of VAT-exempt vessels and work performed on such vessels; tax-exempt sales relating to warehousing procedures (tax warehouse in VAT); tax-exempt sales of member's magazines and advertisements to non-profit corporations; exports outside the EU; other tax-exempt sales of goods and services relating to the international trade, such as tax-exempt sales to diplomats and international organizations. NOTE! There are business operations that are not subject to VAT (for example, medical services and health care).

TABLE 1. Rates of VAT modified (Vero 2018)

As mentioned in the table 1, export of products outside the EU countries is exempt from VAT. Import, however, is a subject to VAT in Finland; the rates are the same as described

in the table 1. The reason for putting VAT on imported goods is to keep the market competitive for the domestic producers. Therefore, the VAT for the import of Veganov products is 14% (figure 14).



FIGURE 14. VAT on Import

7.1 Calculating VAT on import

Processes related to import are subject to VAT. It is to be calculated based on the customs value. There are some exceptions to this rule but they are not to concern Vegekauppa and Veganov importing matters and, therefore, are not talked about in this thesis.

Customs value is determined by the trade value of the goods (price paid for the products), and their transportation costs (plus insurance and other related costs) to the EU point of entry (How to determine customs value n.d.).

Transaction value is used to determine customs value when all the conditions described in figure 15 are fulfilled.



FIGURE 15. When is customs value calculated based on transaction value? N.d.

If the transaction value cannot be used as a way to determine customs value, other methods are used in the following order (Other methods of determining customs value n.d.):

- 1) Transaction value of identical goods imported to the EU at around the same time
- 2) Transaction value of similar goods sold for export to the EU at around the same time
- 3) Deductive method or calculated value (either of these can be the 3rd or the 4th method)
- 4) Calculated value or deductive method
- 5) Applicable customs value

Transaction value must include transaction price and the applicable items that are listed in figure 16 (unless those are already included in the transaction price).

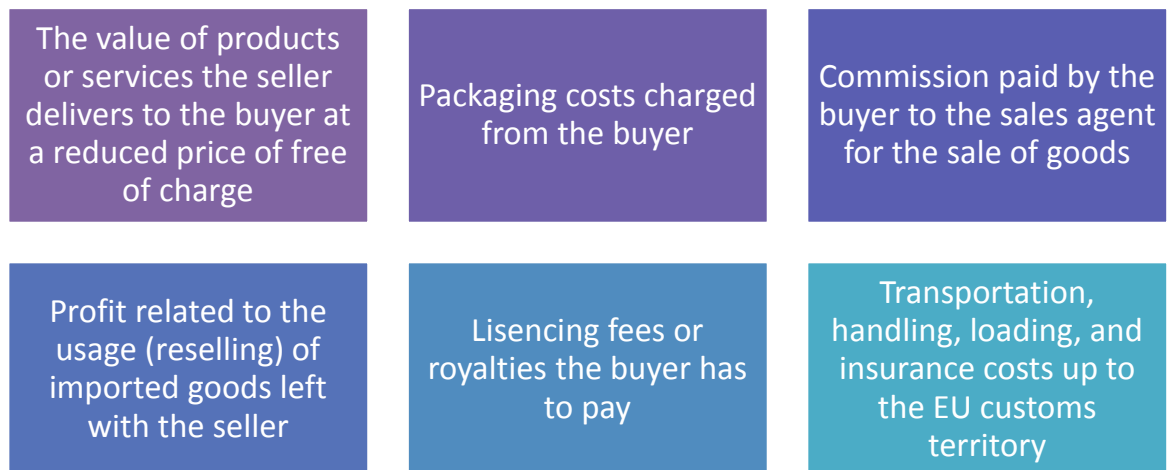


FIGURE 16. Items to be added to the transaction value n.d.

Therefore, VAT on import is based on the customs value plus all other applicable taxes (including those payable from outside Finland), import charges and customs duties as well as the transportation and all costs surrounding transportation to the final destination (within the EU) known at the time of customs clearance.

Equations for calculating customs value and the taxable amount for VAT.

Customs value = transaction value + transportation to the EU customs zone (including handling, loading, and insurance costs)

Taxable amount for VAT calculation = Customs value + other applicable taxes, duties and charges + transportation to the final EU destination known at the time of customs clearance (including handling, loading, and insurance costs)

Figure 17 illustrates the scheme of calculating VAT for the imported Veganov products. Other customs taxes, duties, and charges are examined in Chapter 8.

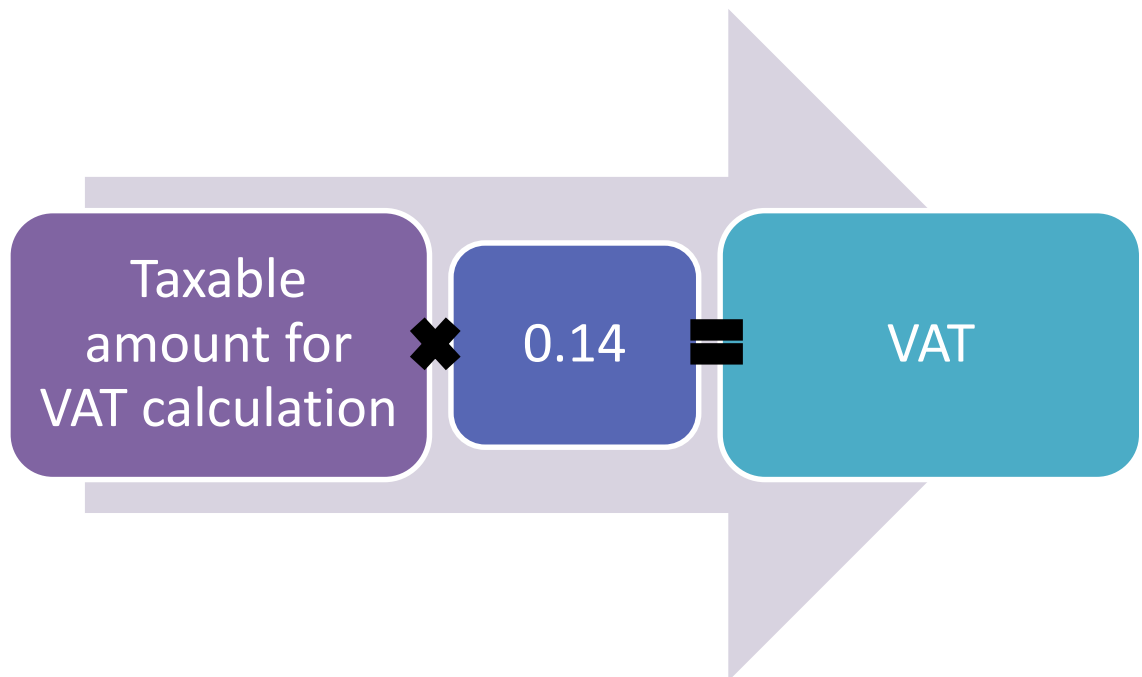


FIGURE 17. VAT

7.2 Reporting VAT on imported goods

VAT on importation is a self-assessed and self-reported tax that has to be paid in the same tax period the customs clearance of the imported goods is completed with all other business transaction details for this period.

Since January of 2018, all VAT-registered importers pay the tax directly to the Tax Office, not to the Customs.

When the goods enter the Finnish customs territory, the customs declaration is submitted to the Customs, and then the goods are cleared and released from customs.

The declarant is the person in whose name the declaration is filed. This person is liable to pay VAT. Declaration generally can be filed by the person who presents goods to the customs and who is able to provide all the information Customs might need regarding the goods (Taxpayer 2018).

The party that is liable to pay it reports the VAT. Once the goods are cleared, it is taxpayer's responsibility to report VAT.

The import VAT must be paid for each tax period.

If the goods imported are exempt from VAT, for example, product samples that are not for sale, then VAT deductible has to be submitted in the same VAT return as VAT payable (Import VAT must be...2018).

The VAT has to be paid by the 12th of the second month from the date of customs clearance, if the tax period is one month.

For example, Vegekauppa has ordered samples from Veganov. The customs decision was approved on January 19. The samples are not for sale, therefore, the purchase is considered to be for taxable business purposes. Vegekauppa reports the taxable amount of VAT on imports under "Imports of goods from outside the EU" and VAT itself under "Tax on imports of goods from outside the EU", then, in the same report, Vegekauppa puts input VAT deductible under "Tax deductible for the tax period"(Import VAT must be...2018).

Figure 18 describes what is needed to report VAT on import for VAT-registered importers.

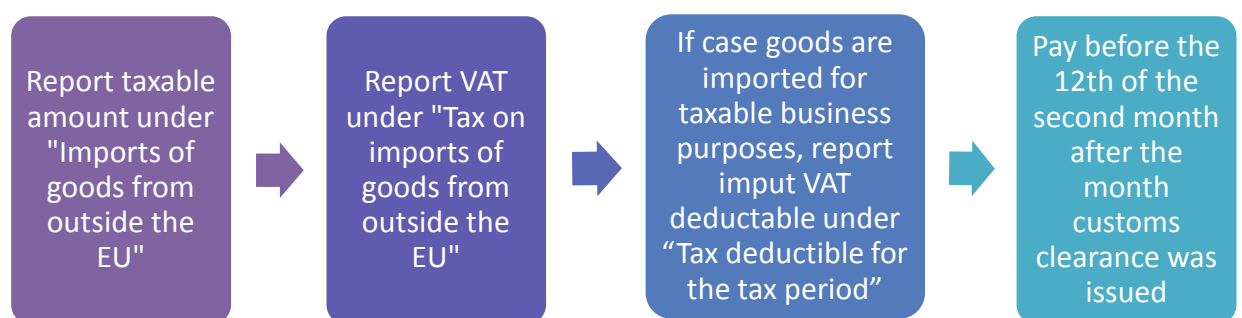


FIGURE 18. Reporting VAT

8 IMPORT PLAN

This chapter seeks to provide an import plan for Vegekauppa bringing Veganov products to Finland. Things that are talked about in this chapter cover import preparation and execution suggestions.

8.1 Prior to import

There are things that have to be done before proceeding with the import of the products. Especially, since the importation is from the country outside the EU with distinct bureaucratic system. Moreover, the products are of the relatively rare kind. Steps and measures that need to be implemented prior to starting import are talked about in sub-chapters 8.1.1 and 8.1.2.

8.1.1 Vegekauppa-Veganov agreements

As talked about in sub-chapter 5.1, Russia's bureaucratic system is quite complex and omnipresent. Besides, it can differ from the Finnish bureaucratic system in a major way. Therefore, it is crucial that all the documents the parties sign are either compatible with both Finnish and Russian authorities' requirements or separate documents made and signed by both parties.

Moreover, it is important to determine and document transportation terms. Veganov representatives are going to Lappeenranta frequently to get product ingredients, so it was mentioned by them that it would be possible for them to organize transportation of the goods that Vegekauppa orders to Lappeenranta (Veganov representative 2018).

To contractually determine and distribute responsibilities each party has, one of the Incoterms® rules can be used ("Incoterms" is a trademark of the International Chamber of Commerce(ICC)). Incoterms® rules can be used in sales contracts; they need to be referenced in accordance with rules that can be found on ICC's website ("Incoterms®" trademark and logo usage rules 2010).

In addition to this, full text of the Incoterms® rules is available not only in English but it is translated to other languages as well (including Finnish and Russian), for obtaining translations the appropriate national committees shall be contacted.

8.1.2 Product commodity code and entry declaration

As mentioned in sub-chapter 4.4.1, product commodity code is required for the importation of the goods. It is also the basis for calculating customs duties and taxes. To find out the exact commodity code for the product, the importer can request a binding tariff information (BTI) from Customs.

According to Customs website – “Binding tariff information is a written decision on the commodity code applied to goods.” (Binding tariff information n.d.). BTI can only be requested if the import (or export) has been planned for certain, as it is binding for both, Customs and the company (Binding tariff information n.d.).

BTI is free of charge, valid for three years (it might expire sooner if applicable legislation changes) starting from the day it has been issued. The document can be used throughout the EU. It cannot be used for past operations or the products that are undergoing Customs processes at the time of the BTI’s issue. It can only be used for future transactions (Binding tariff information n.d.).

Once the importer has the BTI, the company should start putting code C626 and the decision reference number in the company’s customs declarations regarding the product for which BTI is issued.

For each product there needs to be a separate application with precise details on the product provided: its trade name, list of ingredients, how and where it has been produced, and what it is going to be used for.

Precise composition, method of production, purpose of use and trade name of the goods can be requested from the producer of the goods.

Details on how to apply for a BTI can be found on Finnish Customs’ website (How do I apply for a BTI? N.d.).

8.2 Import of product samples

To import product samples, Vegekauppa and Veganov need to contractually divide areas of responsibility over the products, which company bears the risks till/from what point. Entry summary declaration must be filled before the products have arrived to Finnish Customs territory as described in sub-chapter 4.4. BTI also needs to be obtained before the importation of product samples.

Vegekauppa needs to decide whether the samples are imported for commercial or non-commercial purposes. If the products are imported as samples or for the research purposes and are not for sale, they are going to be tax exempt, more information on that as well as on the specifics of filling customs declarations on samples and goods imported for research purposes is in sub-chapters 4.2 and 4.3.

Vegekauppa must be ready to pay for Customs laboratory check, as described in sub-chapter 4.4.3.

8.3 Commercial import

Commercially imported products are not tax exempt, therefore, for importing products commercially, the company needs to calculate and pay VAT.

Before that, however, just like for importing the samples, the BTI document(s) needs to be obtained and entry summary declaration has to be handled, then the other customs declarations are filled.

Then, as described in Chapter 7 and sub-chapter 4.4.1, the taxes should be calculated and paid based on products' commodity code(s), price paid for the goods and transportation expenses.

Laboratory examination prices must not be excluded from potential expenses.

Steps for commercial or non-commercial importation of the products are summarised in Figure 19.



FIGURE 19. Importation of the products

9 DISCUSSION

In this chapter, thesis results and possibilities for further development are discussed using SWOT analysis and PESTEL analysis.

9.1 SWOT analysis

To consider the issue of importation of Russian vegan specialty products to Finland from various angles the analysis of strengths, weaknesses, opportunities, and threats has been conducted.

Strengths:

- 1) The main strength of bringing Veganov products to Finland is that there are no products like that present on the EU market. The weight of the products is also a competitive advantage; most of the products weight around 400 grams, which makes the product a substantial buy and not just a snack.
- 2) Saint Petersburg, where Veganov products are made, is not far from Finland. It is a very important thing because the products have a rather short shelf life and need to be refrigerated.
- 3) Products are plant-based, therefore, it is less complicated to import them.
- 4) Possibility to keep products' prices competitive, even considering the need to pay taxes and transportation costs. The initial prices of the products are relatively low (for the Finnish market), therefore, when the products are customs cleared, delivered, and put on shelves competitive price for the EU market can be maintained.

Weaknesses:

- 1) Relatively short shelf life. Shelf life of the products that Vegekauppa is planning to import is 45 days.

Opportunities:

- 1) Using the information presented in this thesis, it is possible to start importing other Russian vegan products
- 2) Bringing the production of Veganov products to Finland. If the demand for Veganov products is going to be high, Vegekauppa may consider bringing the production of the products to Finland. Veganov is currently looking for partners to establish the production of the products in countries other than Russia, and the company is able to organise a complete production cycle, as stated on Veganov website (For investors n.d.).
- 3) Increasing interest in veganism. Each year there are more and more people become interested in veganism. It is illustrated by the search engine dynamics and one specific example - developing vegan scene in Saint Petersburg, which is discussed in Chapter 6.

Threats:

- 1) Unstable political environment. Even though Veganov products are unlikely to be restricted for export from Russia and import to Finland, judging from recent actions that have been taken by the governments, which are discussed in Chapter 2, current political climate may still result in unpredictable regulations.

The SWOT analysis conducted above is summarised in Figure 20.



FIGURE 20. SWOT Analysis

9.2 PESTEL analysis

Analysis of political, economic, social, technological, environmental, and legal factors has been conducted as a part of this thesis to increase the awareness of possible external influences.

Political environment is not very stable at this point of time, as mentioned in the SWOT analysis. Business relationships between Russia and Finland are affected by the sanctions introduced by the EU and Russia, as talked about in Chapter 3. However, considering that

the sanctions introduced by the EU seem to target only specific areas of business (plant-based goods trade is not among them) and individuals who are involved in activities viewed by the EU as illegal. Russia as any other country wants to increase the export of its product, so it is unlikely that the actions are going to be taken that forbid export of plant-based products.

Economic environment is far from hostile for vegan products, pictures 10 and 11, first referred to in Chapter 6, illustrate that the interest in veganism in Finland is growing.

Oliver Pechter reported for Business Insider Nordic that vegan burger launched at McDonald's in October-November 2017 in Tampere, showed very good sales figures motivating the company to keep it in Tampere and to start selling it in branches all over Finland and Sweden (Pechter 2017).

Currently, there are several vegan items on the menu in Finnish McDonald's (McVegan n.d.). This shows that demand for vegan comfort food in Finland is very substantial.

Social factors are correlated with the demand. With the rise of the Internet, it became easier for people to exchange information. Documentaries like *Earthlings* (documentary that shows footage from factory farms) and *Cowspiracy* (documentary that seeks to present the information about the impact of animal agriculture on the planet) were able to reach a wide array of people. Concerns about the environment are becoming mainstream social issues; the morality of animal exploitation is starting to be questioned.

The Academy of Nutrition and Dietetics, an organization that represents over 100,000 dietetics professionals, confirms that balanced vegan diet is able to provide adequate nutrition for humans at all stages of their lives. The official position of Academy of Nutrition and Dietetics regarding plant-based diet is in force since October 18, 1987, has been reaffirmed ever since and is currently in force until December 31, 2021 (Melina, Craig & Levin 2016).

Technological environment for Veganov products is more than favourable, as it is not only possible to bring the products to Finland but it is also possible, as mentioned in Chapter 8, to start the production of those products in Finland.

Environmental factors that are related to production of goods are also in favour of plant-based foods. Producing one kilogram of animal flesh takes many resources, far more than needed for producing one kilogram of plants.

For example, to produce 170 kilograms of animal flesh 6070 square meters of land is needed, the same land would produce 16 783 kilogram of plant-based foods. Moreover, 51% of all greenhouse gas emissions caused by animal agriculture (Cowspiracy. Infographic n.d.).

The study by Joseph Poore and Thomas Nemecek published in the Science magazine that analysed the impact of food production on the environment revealed that all products that are made from animals, their eggs or their secretions produce a lot more emissions than plant-based products. Overall, animal agriculture is responsible for a major chunk of harmful emissions. Dietary change and change in production is called for (Poore & Nemecek 2018, pp. 987-992).

Legal environment in this case is strongly correlated with environmental concerns and factors. Legislation regarding the environment is very likely to continue to be passed around the world in attempts to reduce the carbon footprint and other emissions. Paris agreement that came into force on 4 November 2016, signed by many countries, seeks to decrease emissions that are the reason for climate by applying necessary measures (The Paris Agreement n.d.).

It creates opportunities for producers that use fewer resources and create less waste. Veganov products are plant-based and their ingredients are sourced responsibly. Company representative (2018) confirmed in an email conversation that recently Veganov products have received an ECO certificate (Veganov representative 2018).

Therefore, Vegekauppa's importation of the Veganov products is unlikely to be legally interrupted by the environment-related legislation. However, politics-related legislation might have a negative effect as discussed earlier in this chapter.

Figure 21 summarises PESTEL analysis conducted earlier in the text.

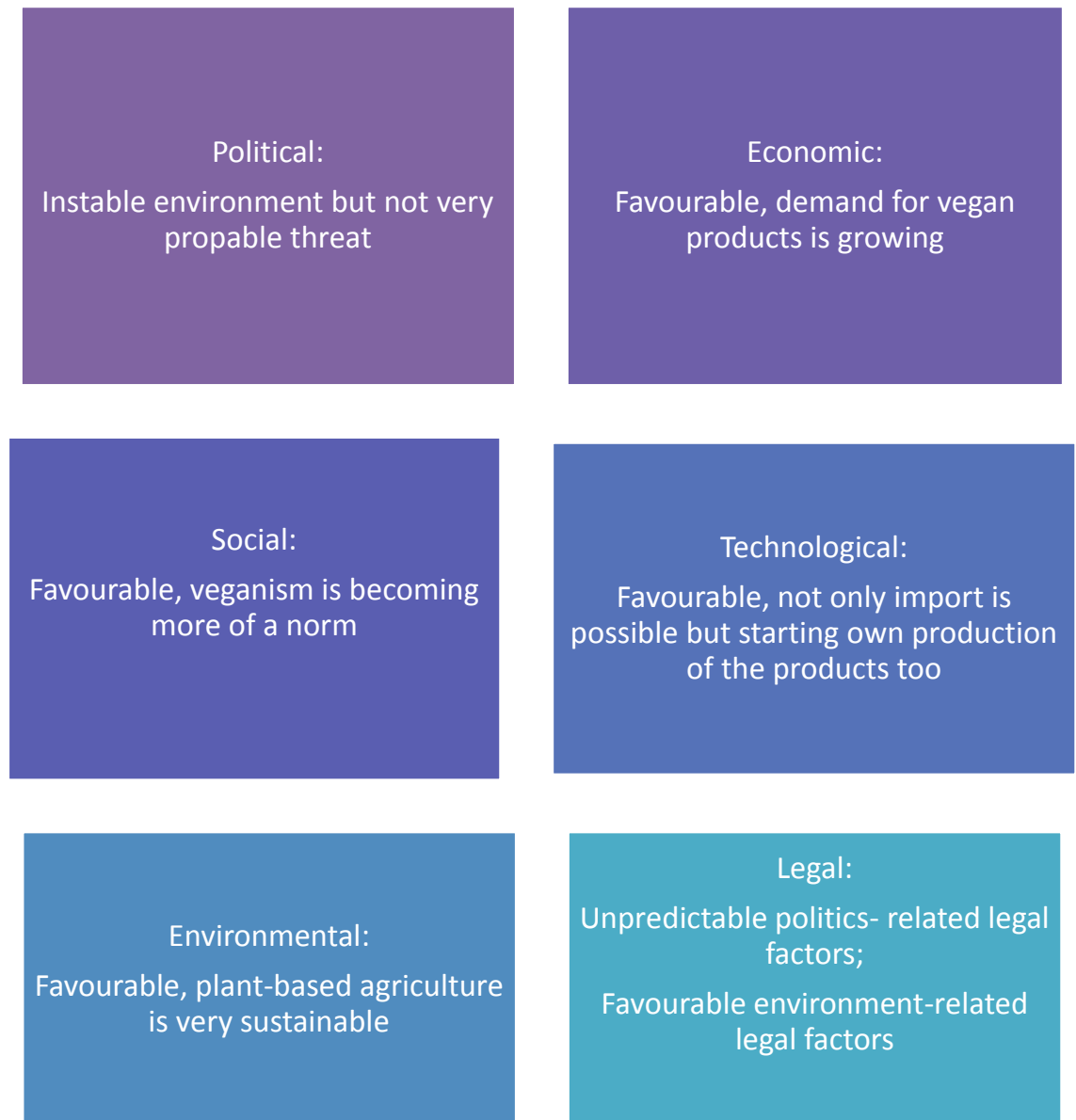


FIGURE 21. PESTEL analysis

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APPENDICES

Appendix 1. Summary of the email interview with the Russian customs representative.

The interview was conducted via email on March 15th 2018.

1) Is there an export tax for the vegan sausages?

-No. There are also no quotes for the export of such products. Moreover, you do not need a special license to export these products.

2) What is the commodity code for the products in question?

-The commodity code for vegan sausages is most probably 210610

3) Are there any special customs procedures for the food products?

-Yes, there is a sanitary control.

Other procedures

» Sanitary and epidemiological supervision (control) at the customs border.
Section I. Products subject to sanitary and epidemiological supervision (control) at the customs border and in the customs territory of the Customs Union: Foodstuffs (raw foods or prepared products that humans eat), including those that contain genetically modified (transgenic) organisms.
Committee decision TS №299 28.05.2010

4) Are there any sanctions introduced by Russia that forbid/limit export of plant-based foods to the EU?

- No, each country is interested in growing the export of its goods.

5) If there are no export sanctions now, how probable do you think their introduction is in the future?

- This question tackles the area of politics, which is beyond my expertise.

Appendix 2. Guide for obtaining information from the register.

Step one: On the English-language page of the site (<https://www.nalog.ru/eng/companies/el/>), choose “Find out more about your company or your business partner”. The site will then transfer you to the service page.

Step two: Fill the information required. Please, note, the name can only be written in Cyrillic letters. For Veganov it's «Вегановъ».

SEARCH RESULTS
РЕЗУЛЬТАТЫ ПОИСКА

[← Вернуться к критериям поиска](#) **←BACK TO THE SEARCH**

Выписку из ЕГРЮЛ/ЕГРИП о конкретном юридическом лице/индивидуальном предпринимателе в форме электронного документа, подписанного усиленной квалифицированной электронной подписью, можно получить [здесь](#).

LEGAL ADDRESS

Наименование юридического лица	Адрес (место нахождения) юридического лица	OGRN ОГРН	INN ИНН	КПП	Дата присвоения ОГРН	Дата прекращения деятельности	Дата признания регистрации недействительной
LLC 'VEGANOV' ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ 'ВЕГАНОВЪ'	190020, ГОРОД САНКТ-ПЕТЕРБУРГ, УЛИЦА КУРЛЯНДСКАЯ, ДОМ 46, ЛИТ. А, 1 ЭТАЖ	1147847288192	7817333352	783901001	18.08.2014	DATE OF BUSINESS LIQUIDATION	DATE OF EXCLUSION FROM THE REGISTER

DATE OGPN RECEIVED

TO GET ELECTRONICALLY SIGNED DOCUMENT PRESS HERE

Step 3: Get the information, download the document if needed.

SEARCH RESULTS
РЕЗУЛЬТАТЫ ПОИСКА

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Выписку из ЕГРЮЛ/ЕГРИП о конкретном юридическом лице/индивидуальном предпринимателе в форме электронного документа, подписанного усиленной квалифицированной электронной подписью, можно получить [здесь](#).

LEGAL ADDRESS

Наименование юридического лица	Адрес (место нахождения) юридического лица	OGRN ОГРН	INN ИНН	КПП	Дата присвоения ОГРН	Дата прекращения деятельности	Дата признания регистрации недействительной
LLC 'VEGANOV' ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ 'ВЕГАНОВЪ'	190020, ГОРОД САНКТ-ПЕТЕРБУРГ, УЛИЦА КУРЛЯНДСКАЯ, ДОМ 46, ЛИТ. А, 1 ЭТАЖ	1147847288192	7817333352	783901001	18.08.2014	DATE OF BUSINESS LIQUIDATION	DATE OF EXCLUSION FROM THE REGISTER

DATE OGPN RECEIVED

TO GET ELECTRONICALLY SIGNED DOCUMENT PRESS HERE

For legal purposes, the extract with electronic signature might be needed. Essentially, it is the document with the same information as the one acquired above but it is electronically signed and can be used as a legal document.

It is easy to get the extract as well. Needed for that is entity's Taxpayer Personal Identification Number (INN) or Certificate of state registration of a legal entity (OGRN) obtained above, for individual entrepreneurs and peasant farm holdings one needs a Taxpayer Personal Identification Number (INN) or Primary State Registration Number of Individual Entrepreneur (OGRNIP).

To request the extract from the Unified State Register of Legal Entities one has to register on the website. The extract has all the publicly available legal information about the company. Currently, the documents are only available in Russian.

Appendix 3. Guide Registering on the service website (<https://service.nalog.ru/vyp/>)

Step 1: Click on the Registration button

АВТОРИЗАЦИЯ

Способ входа:

E-mail и пароль

E-mail:

Пароль: [Забыли пароль?](#)

Запомнить E-mail

[Регистрация](#)

REGISTRATION

Step 2: These are the typical Privacy Terms and Conditions that allow website to share the information in conjunction with the Russian Federal law. Tick the square - “I give my permission for handling personal data” and press “Continue”.

ВНИМАНИЕ!

Приложение требует ввода персональных данных, которые будут переданы на сервер ФНС России. Эти данные могут быть переданы Федеральной налоговой службе (ФНС России), территориальным налоговым органам, подведомственным организациям и организациям, привлекаемым на контрактной основе, на обработку, в том числе автоматизированную, своих персональных данных в соответствии с Федеральным законом от 27.02.2006 № 152-ФЗ «О персональных данных».

Под обработкой персональных данных в указанном законе понимаются действия (операции) с персональными данными, включая сбор, запись, систематизацию, накопление, хранение, уточнение (обновление, изменение), извлечение, использование, передачу (распространение, предоставление, доступ), обезличивание, блокирование, удаление, уничтожение персональных данных.

Даю свое согласие на обработку персональных данных и разрешаю проверку достоверности предоставленных мной персональных данных, в том числе с использованием услуг иного лица на основании заключаемого с этим лицом договора, в том числе государственного контракта, либо путем принятия соответствующего акта.

Гарантирую, что представленная мной информация является полной, точной и достоверной, а также что при представлении информации не нарушаются действующее законодательство Российской Федерации, законные права и интересы третьих лиц. Вся представленная информация заполнена мною в отношении себя лично.

Настоящее согласие действует в течение всего периода хранения персональных данных, если иное не предусмотрено законодательством Российской Федерации.

Я даю согласие на обработку персональных данных.

CONTINUE

Step 3: Insert the required information

REGISTRATION OF A NEW USER

Регистрация нового пользователя

УЧЕТНАЯ ЗАПИСЬ

E-mail: *
 CONFIRM E-mail Подтвердите e-mail: *
 PASSWORD Пароль: *
 CONFIRM PASSWORD Подтвердите пароль: *

СВЕДЕНИЯ О ПОЛЬЗОВАТЕЛЕ USER INFORMATION

LAST NAME Фамилия: *
 FIRST NAME Имя: *
 Отчество:
 ИНН:

ВВЕДИТЕ ЦИФРЫ С КАРТИНКИ

Цифры с картинки: *
 INSERT NUMBERS YOU SEE ON THE PICTURE → 702587

124799

BACK TO THE
 На главную HOME
 PAGE

[Обновить картинку с цифрами](#)

↑
 RENEW
 NUMBERS ON
 THE PICTURE

CONTINUE
 Продолжить

Step 4: This is how the letter with the link looks like. After one has followed the link, the registration process is complete. The website then takes the user to the home page for logging in.

ПОДСКАЗКА

Ваш e-mail будет логином для входа на сайт.

Пароль должен иметь длину не менее 7 символов. Можно использовать латинские буквы (как прописные, так и строчные: A-Z, a-z), цифры (0-9) и спецсимволы (#, \$, ^, &, *, _-, +, %, @).

Внимание! На указанный Вами e-mail будет направлено письмо, содержащее ссылку для активации Вашей учетной записи. Процесс регистрации не будет завершен до тех пор, пока вы не перейдете по данной ссылке.

Prompt

Your email is going to be your login for entering the website.

Your password has to be no less than 7 characters. You can use Latin letters (both capital and small A-Z, a-z), numbers (0-9) and symbols (#, \$, ^, &, *, _-, +, %, @).

Attention! You will receive a letter with an activation link for your account to an email that you have inserted. Registration process is not complete until you have followed the activation link.

Step 5: Follow the link in your email to finish the registration.

Appendix 4 Guide for requesting the information about the legal entity based on its legal entity's Taxpayer Personal Identification Number (INN) or Certificate of state registration of a legal entity (OGRN).

Step 1: Log into the service

ФЕДЕРАЛЬНАЯ НАЛОГОВАЯ СЛУЖБА **FEDERAL TAX SERVICE**

Предоставление сведений из ЕГРЮЛ/ЕГРИП о конкретном юридическом лице/индивидуальном предпринимателе в форме электронного документа

ОПИСАНИЕ СЕРВИСА

Сервис разработан в соответствии с пунктом 1 статьи 7 Федерального закона от 8 августа 2001 г. № 129-ФЗ «О государственной регистрации юридических лиц и индивидуальных предпринимателей», предусматривающим бесплатное предоставление содержащихся в ЕГРЮЛ/ЕГРИП сведений о конкретном юридическом лице/индивидуальном предпринимателе в форме электронного документа.

Сервис предоставляет возможность заинтересованным лицам бесплатно получить сведения из ЕГРЮЛ/ЕГРИП о конкретном юридическом лице/индивидуальном предпринимателе в виде выписки из соответствующего реестра/справки об отсутствии запрашиваемой информации в форме электронного документа, подписанного усиленной квалифицированной электронной подписью. Для получения выписки/справки сертификат ключа электронной подписи (СКП) заявителя не требуется. Предоставление выписки/справки осуществляется не позднее дня, следующего за днем регистрации запроса. Сформированную выписку/справку можно скачать в течение пяти дней. Выписка/справка формируется в формате PDF, содержащем усиленную квалифицированную электронную подпись и ее визуализацию (в том числе при распечатывании выписки/справки).

AUTHORIZATION АВТОРИЗАЦИЯ

Способ входа:

E-mail:

Пароль: [Забыли пароль?](#)

Запомнить E-mail

ВОЙТИ **ENTER**

[Регистрация](#)

Step 2: To form a request press submit.

FORMING A REQUEST FOR AN EXTRACT
ФОРМИРОВАНИЕ ЗАПРОСА НА ВЫПИСКУ

LEGAL ENTITY **Юридическое лицо** **VEGANOV INN**

INDIVIDUAL ENTREPRENEUR/PEASANT FARM HOLDING **Индивидуальный предприниматель/КФХ**

[К СПИСКУ ЗАПРОСОВ](#)

ВВЕДИТЕ ЦИФРЫ С КАРТИНКИ

Цифры с картинки:

036474

[Обновить картинку с цифрами](#)

RENEW NUMBERS

SUBMIT
Сформировать запрос

BACK TO THE LIST OF REQUESTS

Step 3: The extract is available for download the next day. Note, on the picture below, extract for Veganov (company with legal entity's INN 7817333352) is pending, whereas the other company with the same name in English, but different name in Russian, which information was requested accidentally, is ready to be downloaded. When the extract is ready, it can be downloaded.

Запрос на получение выписки по ИНН ЮЛ 7817333352 успешно зарегистрирован!
 Номер запроса, по которому Вы можете отслеживать ход его выполнения: 34552406 - REQUEST NUMBER

СПИСОК ЗАПРОСОВ
 LIST OF REQUESTS

SUBMIT NEW REQUEST → Подать новый запрос на выписку

№ или критерий запроса: Очистить

ПОДСКАЗКА

- Предоставление выписки/справки осуществляется не позднее дня, следующего за днем регистрации запроса.
- Для того, чтобы найти запрос в списке, начните вводить его номер или критерий запроса (ОГРН/ОГРНИП или ИНН) в поле ввода поиска.
- Инструкция по проверке электронной подписи по ГОСТ Р 34.10-2001 в документах PDF доступна по [ССЫЛКЕ](#).

№ запроса	DATE Дата запроса	REQUEST CRITERIA Критерий запроса	Наименование юридического лица / фамилия, имя, отчество индивидуального предпринимателя ↑ COMPANY NAME	Состояние запроса
<u>34552406</u>	20.11.2018 16:19:27	ИНН ЮЛ 7817333352		Ожидание формирования выписки ← WAIT FOR THE EXTRACT TO FORM
34436853	19.11.2018 02:29:56	ИНН ЮЛ 5507204360	ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ "ВЕГАНОВ"	Выписка сформирована Скачать выписку

DOWNLOAD THE EXTRACT

Appendix 5. Interview with the representative of Etika (vegan cake producer; former vegan shop).

The interview was conducted via private messaging in VK.com on 21.11.18. Etika can be contacted via email (welcome@etikashop.ru), through Etika's VK.com group and through messaging to Etika's telegram channel (<https://t.me/etikashop>).

1) In your first VK.com post regarding Malika (Vego) you wrote that you couldn't fully trust Malika even before you started negotiating partnership with them. What made you suspicious of their conduct? Were there cases of them not having the correct and full list of ingredients on their products before situations that occurred in 2016?

- I have personally had an allergic reaction to one of their products, but I wasn't sure of that before, because the product had fully vegan list of ingredients, no indication of possible cows milk traces, let alone specifically added ingredients.

2) I studied all your posts regarding Vego's (Malika) situation, it seems like they haven't admitted their wrongs and just kept misguiding people, is that so?

-Well, they add information about traces to their labels, then they change the label and leave it out, then add it again, then drop it again. Even if they (all of a sudden) change production lines, the production facility is the same for all of their products [ed: some of their products are not claimed to be vegan and have animal derived ingredients added] so the cross contamination is still possible.

3) Have you experienced similar problems with other companies tackling the issue in the same way during the time Etika being an operating vegan shop?

Yes, we did, Frolov's products – read the comments under the post about his chocolate - Frolov has reacted in the comments. He doesn't make it but takes it under his trademark. The reaction is priceless.

[In the comment section Mr. Frolov has been continuously and unapologetically insulting his opponents

Link to the post: https://vk.com/wall-106460131_3399

Link to the examination that have shown more than maximum amount of cows milk traces in the product that this particular examination is able to show:

https://vk.com/doc203166748_441820067?hash=ab5ac692a841ba45d8&dl=f53a080a5cfaa05051

Appendix 6. Interviews with two fully vegan stores based in Saint Petersburg.

Interview with KroleShop owner was conducted via VK.com private messaging on 18.03.2018.

KroleShop can be reached at 8951-279-21-57 (viber и whatsapp) and through its group in VK (<https://vk.com/kroleshop>).

Interview with Vegan Bunker owner was conducted via VK.com private messaging on 18.03.2018.

Vegan Bunker can be reached by tel. +7 812 920-43-13 (11:00 - 22:00), via email manager@veganbunker.ru and through its group in VK (<https://vk.com/veganbunker>).

Questions to Vegan businesses:

1. How do you think customers of your store feel about the vegan goods made in Russia?
2. How do they feel about Veganov products, in particular?
3. What do you think they value the most in Russian products overall? Veganov products in particular?
4. Have you ever had customers from abroad who were interested in Veganov products?
5. Could you please share your experience of working with Veganov as a contractor?
6. Are Veganov products popular in your store?

KroleShop owner's answers:

1. Customers like them a lot. Most products in our store are made in Russia.
2. Customers are attracted to Veganov products by the unusual ingredients.
3. Excellent quality, natural ingredients, affordable price.
4. Not yet.
5. Reliable supplier, orders are always delivered on time.
6. Veganov offers a wide range of products so they will always find their customers.

Vegan Bunker owner's answers:

1. Customers like them a lot. Demand for these products continuously increases. This is also supported by new vegan stores and healthy food stores opening across Saint Petersburg.
2. Veganov products are some of the most popular vegan products in Russia. We have been working with them for two and a half years. Therefore, the quality and taste are time-tested.

3. Taste and price. Taste for the vegan customer comes even before the health benefits. As the rule of thumb, goods priced over 300 rubles are less popular. Veganov has the lowest prices on the market, vast range of products, with some products being gluten-free. Even for those who have never tried Veganov products, it will be difficult to tell the difference between them and non-vegan sausages.
4. Yes. None of the vegan EU-made sausages we have tried is nearly as good as Russian-made, so every time a foreigner who is familiar with Russian products visits our store, she/he buys sausages or smoked seitan produced in Russia.
5. Veganov has been a very good supplier. Products usually come within two days after the order has been placed. Everything is fresh. No defective goods at all lately. All issues are resolved quickly and in a professional manner. It is very convenient and nice to work with such supplier.
6. They are popular. We order their products every week. On average, about 100 big sausages, and the same amount of smaller, packed sausages.

Appendix 7. Veganov contact information and product price list.

Translating the price list that was sent by Veganov 07.02.2018. The minimum order is 12-15 kilograms (which is about 36 big sausages). The price list is updated in real time. Link to the price list (in Russian): <https://veganov.herokuapp.com>.

List of products that Vegakauppa has expressed interest in, and their prices in RUB and EUR (Customs December 2018 currency rate 1EUR = 72.6963 RUB).

[Vegetarian sausage “Borodinskaya with ginger” . Premium boiled-smoked](#)

[Vegetarian sausage “Piterskaya” . Premium boiled-smoked](#)

[Vegetarian sausage “Chaynaya” . Premium boiled-smoked](#)

[Lenten sausage “Pate with tofu cheese” boiled](#)

400 g - 155 RUB (~2.13 EUR) - each of the above mentioned products

[Vegetarian sausage “Classic with taste of Doctorskaya” . Premium boiled-smoked](#)

[Vegetarian sausage “Pumpkin” . Premium boiled](#)

[Vegetarian sausage “Spinach” . Premium boiled](#)

400 g - 140 RUB (~1.93 EUR) – each of the above mentioned

[Vegetarian sausage gluten-free “For gourmans”](#)

300 g - 160 RUB (~2.2 EUR) – the above mentioned sausage

[Vegetarian smoked sausage “Moskovskaya”](#)

350 g – 165 RUB (~2.27 EUR) – the above mentioned sausage