The opportunities and challenges for a start up company planning to import high quality gingers to Finland.

Rahul Bhandari
The author of this thesis is an entrepreneur in Finland who has already started a company in Finland and wishes to enter the import export market as well. This thesis acts as a business plan for the author who wishes to enter the import export market. This thesis outlines all the major aspects that should be considered by a company planning to enter the Finnish market by supplying gingers to the Finnish retailers and whole sellers. It summarizes various financial tools, which provides hindsight of the company and the likely situation for the company. It also provides a descriptive overview of the factors and regulations that should be considered by the cultivators to make high quality product, which can be imported to the Finnish market.

The business idea for the company consists of three different stages discussed in the thesis. The thesis mainly focuses on the first stage of the production and business, while providing various suggestions on how to sustain the business of the company and move to other stages that include of long-term goals for the company.

The objective of the thesis is to gather more information on cultivation of quality ginger, the processing of the ginger and various challenges faced by companies moving the product from Nepal to Finland. Furthermore, it outlines the challenges faced by a startup company in Finland and the ways to overcome those challenges. However, it also shows how much potential there is for an import company in Finland and the ways to survive in the Finnish market during the initial phases of the company. It provides an elaboration of the company’s competitors and its competitive advantage and how to optimize those advantages in order to make profit for the company.

Thus, the thesis summarizes the various financial and other scenarios that might be faced by the company and also provides a realistic approach for the company to follow in order to meet and attain the goals set by the author for the company.

**Keywords**
Import, export, ginger, logistics, trade, challenges, profitability, break even, pricing strategy, organic products
# Table of contents

1 Introduction ................................................................................................................................. 1  
1.1 Introduction to Thesis.............................................................................................................. 1  
1.2 Research Background............................................................................................................. 2  
1.3 Defining research questions and investigative questions ....................................................... 3  
1.4 Objective and Significance of the thesis .................................................................................. 3  
1.5 Thesis structure ..................................................................................................................... 4  
1.6 Risks and limitations to the research: .................................................................................... 4  
2 Theoretical Background ............................................................................................................. 7  
2.1 Key Concepts ......................................................................................................................... 7  
2.1.1 Competitive Advantage ................................................................................................. 7  
2.1.2 Global Value Chain ...................................................................................................... 8  
2.1.3 Export Entry Modes ...................................................................................................... 8  
2.1.4 Distribution Channels ................................................................................................... 8  
2.1.5 Pricing Strategy ............................................................................................................. 9  
2.2 Demarcation: ....................................................................................................................... 9  
2.3 EU Requirements .................................................................................................................. 10  
2.4 Finnish Requirements ......................................................................................................... 11  
2.5 Breakeven Analysis ............................................................................................................. 13  
2.6 Cost Volume Profit Analysis ............................................................................................... 15  
2.7 Profitability Analysis .......................................................................................................... 16  
3 Business Plan for the SME ........................................................................................................ 18  
3.1 Description of the Business idea ......................................................................................... 20  
3.1.1 SWOT Analysis ............................................................................................................ 21  
3.2 Description of Expertise ....................................................................................................... 23  
3.3 Product Overview ................................................................................................................. 24  
3.3.1 Ginger .......................................................................................................................... 24  
3.3.2 Processing of Ginger .................................................................................................... 27  
3.4 Demand for the Product and Market Entry ......................................................................... 29  
3.4.1 Demand in the EU market ............................................................................................ 29  
3.4.2 Point of Entry .............................................................................................................. 29  
3.5 Customers and Customers Requirement ............................................................................. 30  
3.6 Logistical Overview ............................................................................................................. 31  
3.7 Industry and Competitors .................................................................................................... 32  
3.8 Marketing and Advertisements ............................................................................................ 33  
3.9 Financial Projection Tools .................................................................................................. 34  
3.9.1 Investment Calculations .............................................................................................. 34  
3.9.2 Profitability .................................................................................................................. 35
3.9.3 Breakeven Analysis........................................................................................................36
3.9.4 CVP Analysis ................................................................................................................37
3.9.5 Projected Income Statement ..........................................................................................38
3.9.6 Cash Flow Statement ....................................................................................................39
3.9.7 Pricing Strategy to Satisfy Finnish Buyers.................................................................40

4 Discussion.............................................................................................................................41
  4.1 Results of the Financial Tools .........................................................................................41
  4.2 Limitations of the Results ..............................................................................................42
  4.3 Scope of Development of the Market .............................................................................42
  4.4 Conclusion .......................................................................................................................43
  4.5 Recommendations .........................................................................................................44

5 Bibliography .......................................................................................................................46

6 Appendices ...........................................................................................................................48
  6.1 Appendix 1 .....................................................................................................................48
  6.2 Appendix 2 .....................................................................................................................50
  6.3 Appendix 3 .....................................................................................................................52
1 Introduction

1.1 Introduction to Thesis

This thesis is for a start up company that is going to import various exotic spice products such as ginger to Finland from Nepal. This thesis will act as a business plan for a new company that wishes to enter the import export market. Throughout the thesis, the author will identify and define various variables as well as various obstacles related to the business concept that will result in thoroughly scrutinized and a methodological business plan. Thus, this thesis will act as a basis for the author and his commissioning company to base their import business on.

The objective of this thesis will be to understand and evaluate the potential of ginger in Finland as well as the feasibility of that business. The thesis will be covering all the procedure required to provide the product to the shelves in the market after harvesting it from the ground. Those procedures include finding out the best possible type of ginger, suitable plantation time and period, the refining process and the process of importing it to Finland from Nepal whilst complying with the EU rules and regulations.

The author is a Nepalese citizen with agricultural background who has been living and understanding the business model of import-export in Finland. By integrating Finnish demand of agricultural products with the supply created in Nepalese cultivation, the author believes that a successful and profitable business model can be created.

The thesis will only evaluate “ginger” as a product and the demand of the product in Finland as well as EU in general. However, the commissioning company wants to ultimately provide various organic products to the Finnish market as well, after the ginger business creates a cash flow for the company. The author believes that this thesis will be used as a business plan for the company during that time as well. As the logistical time frame to move the product from Nepal to Finland is quite long, the author was required to identify products that could stay fresh for long period of time. Due to the increasing demand of this product along with the longevity of their shelf life, ginger is an ideal product to be imported to Finland.

Thus, the thesis will identify all the challenges and potentials for a ginger importing enterprise and provide a thorough research on the product as well as the various financial elements of the business plan that needs to be considered.
1.2 Research Background

This thesis serves as a foundation for the author to explore the entrepreneurship path and analyze various variables related to establishment of an import export business. The author is also establishing a logistics company that is mainly responsible for sub-contracting from delivering companies such as DHL, PostNord and so on. The company delivers parcels to various designations and picks up parcels from clients as well. The partners of that company decided to start an import business while using the logistics company as the financial aid for the import business.

The author also had prior knowledge on similar researches as he had previously researched on importing other product to Finland. After few initial minor setbacks in Finnish market, the product is now being sold to local Finnish shops. The author and his team provided with various financial tools such as pricing strategy and breakeven analysis, which were deemed to be correct and used as a basis by the commissioning company. That knowledge combined with the logistics business, provided with enough motivation for the author to start that business. Furthermore, the author also has work experience as an accountant in a reputable Finnish accounting firm (tilitoimisto). During that period, the author learnt about how to build a proper business and what are the financial factors that a business owner should learn about and the various Finnish rules and regulations regarding VAT and other taxes. Thus, this thesis will act as an outcome of all those information being gathered together and presented in structural manner, so that the commissioning company has prior knowledge of the business before the establishment.

The thesis is based upon a business idea for importing organic products such as gingers mainly from Nepal, as it is one of the highest producers of that product. Furthermore, all the partners of that SME (Small or Medium Enterprises) have agricultural background as they have lived in Nepal during their childhood and knew that Nepal is capable of producing gingers in high quantity. Although, the cultivators in Nepal are ill equipped with knowledge of producing high quality gingers, some intensive training will be able to overcome that barrier. Thus, the author believes that this business research will help identifying various barriers involved with this business as well as create a business plan that will help in identifying the financial requirements of the business and make it profitable.
1.3 Defining research questions and investigative questions

In order to work on the research better, the topic has been further divided into few research questions and investigative questions. Various stages of the business such as production sector, logistical sectors, pricing strategy and EU legislation will be divided into investigative questions and the thesis will be about answering those questions while providing with a thorough, analytical method to be followed for the business.

The research question that also summarizes all those objectives of the thesis is:

1. What are the opportunities and challenges faced by a start up company planning to import high quality gingers to Finland?

The Investigative Questions (IQ) for the thesis which are also the main objective of this thesis are as follows:

1. How to produce high quality organic gingers which meet the EVIRA and EU requirements?
2. What are the opportunities for a Nepalese ginger importer in Finnish market?
3. How to satisfy the Finnish buyer to buy the product from a newly registered company?
4. What should be the pricing strategy for a new company to enter the Finnish market?
5. What are the challenges faced by a start up?

The thesis will look into various research papers as well as reliable sources in order to gather information regarding existing business models as well as the production of ginger in Nepal. Various financial tools such as breakeven analysis, profitability and cash flow statement will also be analyzed to produce a reliable thesis, which can be used to base the company on.

1.4 Objective and Significance of the thesis

The primary objective of this thesis is to find which are the best gingers to be grown in Nepal and how to bring them to Finland in order to be sold to the Finnish consumers. It will also evaluate what are the EU health requirements for organic products and how can this product meet those requirements without losing the niche quality of the product, which is being mostly organic and being grown in high altitude. The secondary objective is to consider various other barriers faced by Small and Medium Enterprises (SMEs) while importing to Finland, such as
the transportation channel within the country as well as the best route to bring it to Finland. Furthermore, this thesis will also evaluate the Finnish market and find out which channels such as Heinon Tukku, Alanya Market, S-Market are most suitable to be approached and what are their requirement as well as what the pricing strategy should be. The thesis is also expected to provide a financial forecast of the business, which will help the author determine the feasibility of the business concept.

Thus, this thesis will act as a business plan for the commissioning company to base their company on. Additionally, the financial tools used and the recommendation of the thesis will be used in the beginning phase of the company.

1.5 Thesis structure

The thesis is divided in four main chapters. The first chapter introduces the thesis and provides the reader with description on the objective and significance of the thesis. It also provides with the research question and investigative question upon which the thesis will be based on. The second chapter provides with theoretical framework about various theoretical aspects of an import export business such as the breakeven analysis, cost volume analysis, point of entry and profitability. These theoretical models will subsequently influence on the research approach and methods, which are the content of next category. The third chapter is business plan, which provides with the description of the product, industry and competitor analysis as well as the SWOT analysis and various financial calculations related to the business plan. All the important aspects of a business will be covered in third chapter as per the guidelines for a business plan from “Guides to Entrepreneurs” (Juan Borra 2017). Fourth category will discuss the key findings and information found from the research done for the case and also will conclude the thesis and provide with recommendation and scope of development to be used for the business approach of the company.

1.6 Risks and limitations to the research:

The biggest risk related to the research the pricing in Nepal. The thesis has used various accounting tools such as breakeven analysis, cash flow analysis and cost volume profit analysis which are highly depended on various costs within Nepal such as production cost and logistics cost. Those costs continue to change in the Nepalese business market as it is influenced by various other factors. Another risk related to the thesis is the difficulty to enter Finnish market and shift of demand as Finnish companies are known to be reluctant to trust foreign parties for
supply of the product. In practicality, the chances of a foreign company being able to supply to the Finnish market stays to be slim.

The thesis will mainly focus on a business plan for importing agricultural product, using ginger as a primary product. Thus, the thesis can be adapted and used as a reference for other products as well, which fall under the same category of “importing agricultural products to Finland”. However, the financial forecasts used in the research will be limited to gingers and will not be applicable for other products unless the data in Microsoft Excel are modified.

One of the main concerns for this business is the logistics aspect. A container shipped from India to Finland, roughly takes a month to arrive in Finland. During that period, if the ginger stays decaying, then the calculations made for the income statement differ immensely. Furthermore, costs of transportation in Nepal change in accord to the political stability in the country. As happened in the past, logistics companies in Nepal take advantage of the political and social instability by hiking the cost of transportation within the country, which is another logistics factor, which can be influential in the business. However, the author cannot predict or analyze the increase in costs by these factors. These risks will also be briefly mentioned during the SWOT analysis.

The governmental systems in southern Asian countries differ highly from the ones that we see in Europe. A truck filled of goods has to go through various channels in Nepal as well as have clearance document from Indian companies as well. While going through these channels, they might act difficult to work with by delaying the paperwork or requiring incentives in order to provide the proper paperwork in time. Any delay caused by these channels might affect the reputation of the import company in Finland as Finnish companies prioritize punctuality, which the commissioning company might not be able to comply with. Furthermore, the incentives required by these companies can increase the costs of goods sold or the product cost, which will again invalidate the business projected income statement and breakeven analysis to certain extend.

Furthermore, there are other environmental factors, which might affect the financial research done in the following chapters. Various natural climatic disasters such as flood and landslides are quite common during the monsoon season. Gingers require humidity and moisture to be able to grow, they have to be planted during the similar season, although, it might vary depending on the location of the cultivator’s land. Thus, there is always the risk of the production being jeopardized by these natural calamities, which the author is unable to foresee or calculate.
The importer has to rely on the Indian ports in order to move the container of gingers to Europe. As Nepal is a landlocked country, it has to rely upon either India or China in order to gain access to the sea. Due to lack of proper infrastructures and roads that lead to Chinese borders, majority of the goods has to be exported through India. However, the relationship between Nepalese and Indian government changes every few years depending on the government. At one point during the prior year, India had blocked all channels of import export between the two countries, which resulted in no goods being able to leave the country. If such scenario repeats itself, the importer will not be able to move the goods from Nepal to Finland due to lack of access to the ports. That might either cause in the good losing its value by decaying or the commissioning company being required to use airfreight as a mode of transportation, which will increase the logistics costs exponentially.
2 Theoretical Background

The theoretical framework is an important aspect of a thesis that associates existing research and research models as well as theoretical backing to the business model for given company. Furthermore, it also helps define various research methods to be used in the case of this company.

2.1 Key Concepts

Key concepts, which will be used in the thesis, are defined below in order to provide the reader with prior knowledge on various concepts used in the research below. It is in hope to help the reader have prior knowledge on theoretical aspects of the thesis and the topics to be discussed in the latter chapters.

2.1.1 Competitive Advantage

Competitive Advantage is when a firm creates superior value for the buyers by offering lower prices than the competitors for equivalent services or by providing unique services that a buyer is willing to pay for at a premium price (Porter 1985). After evaluating and understanding company’s competitive advantage, a competitive strategy can be implemented. Competitive Strategy is extremely important for a company to create profitability and sustain that profitability for a long period of time. Usually, the competitive advantages are gained in either production phase (niche product, quality, quantity and price of the production), logistics (delivery time, delivery costs) or distribution (selling price, end good quality/quantity)

Fig 1: Venn diagram of import export business steps.
2.1.2 Global Value Chain

The value chain describes the full range of activities that firms and workers do to bring a product/good or service from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer. (Duke University 2017)

A global value chain is a similar concept with one slight difference. Instead of the firms and workers being within a country, in a global value chain, the firms are spread across countries and different geographical locations.

2.1.3 Export Entry Modes

Export entry modes are the channels used by a company to export a product into another market. There are three major types of export channels used in export business. They may be identified as: indirect, direct and cooperative export marketing group.

Indirect export: This is when the manufacturing company does not take direct care of the exporting activities. Instead another domestic company, such as an export agent or trading company, perform these activities, often without the manufacturing firm’s involvement in the foreign sales of its products. Direct export: This usually occurs when the producing firm takes care of exporting activities and is in direct contract with the clients in the foreign target market. The firm is typically involved in handling documentation, physical delivery and pricing policies, with the products being sold to final clients. Cooperative export: This involves collaborative agreements with other firms concerning the performance of exporting functions. (Global Negotiator 2017)

The commissioning company will be using one of the direct export modes or cooperative export modes as they partner up with a Nepalese supplier who understands and complies with the requirements of the commissioning company.

2.1.4 Distribution Channels

Distribution channels are a chain of businesses through which a product has to pass through in order to reach the end customer. By defining the role and significance of the various partners involved, including distributors, wholesalers, final-tier channel players, retailers, a company can optimize various routes which are critical to a company’s success. Thus, a distribu-
tion channel covers both the tactical and strategic dimensions of channel economics as well as contains information on accessing and servicing markets and customers, controlling brands, integrating web and online channels, building the value proposition and creating differentiation which will maximize a business’s efficiency. (Dent 2011)

2.1.5 Pricing Strategy

Price is the value charged to a product or service, which as a result creates revenue. A good pricing strategy is vital to a company’s cash flow as well as profitability. It puts the market conditions, competitor’s actions and various costs into consideration. In general, there are 3 types of pricing strategy.

**Value Added Pricing:** This strategy is when pricing for a product is based on customer’s perception of value rather than seller’s perception of costs. The company deduces any possible incurred costs and targets a fixed price based on the value of the product. **Cost Based Pricing:** Cost based pricing is when a company bases the price of a product on the costs of producing, distributing and selling the product plus a fair rate of return for efforts and risks. **Competition Based Pricing:** Competition Based Pricing is when a company sets prices based on competitor’s strategies, costs, prices and market offerings. (Armstrong et al 2016)

2.2 Demarcation:

In this thesis, it might be quite easy to deviate from the issue and for the research to go into more research of the actual product rather than the business model. There are also possibilities of the thesis being too critical of the business, as there are few issues that might stall the business plan. Furthermore, this thesis covers majority of the aspects and the variables that might have an impact in the development of the business but there will be other variables that cannot be evaluate completely such as political instability that impacts the internal logistics in Nepal. Furthermore, there is also the possibility of various costs being higher than expected due to bribing policy in Nepal and in India, such as customs officials and personnel responsible to providing the required paper works, that hikes those fee exponentially.
2.3 EU Requirements

Finland being one of the EU members has various protocols regarding food safety and various requirements, which needs to be met by an importing company. As food might contain various bacteria and other health relates issues, it is prominent to understand and implement those requirements. CBI, Ministry of Foreign Affairs of the Netherlands has published a document related to those requirements and discusses the implications of the quality, labeling and health requirements. As Netherlands is the hub for EU market, it is essential for the importing business to understand those criteria.

Any importing company has to meet the below mentioned quality requirements for ginger. (CBI 2017):

- Ash: maximum 8%
- Acid-Insoluble Ash: maximum 2%
- Moisture: maximum 12%
- Volatile oil: minimum 1.5 ml/100 g
- SO2: maximum 150 ppm

Spices and herbs must be packed in clean, new, sound and dry bags of jute, cloth laminated with polyethylene of polypropylene or high-density polythene bags. The containers must be free from insect infestation, fungus contamination, undesirable smell and substances that may damage the content. Furthermore, the supplier must meet the Regulation (EC) No. 1935/2004, which underlines the common principles and rules for food contact materials. Any consumer packed goods must follow the Directive 94/62/EC, which is to ensure environmental protection as well as ensure free trade within EU market. Furthermore, Finnish Waste Law (May 2012) obliges Finnish companies to attend the recycling of the packaging of products they place on Finnish Market. (CBI 2017)

Furthermore, all importing companies must provide the following information in order to meet the labeling requirements for EU (CBI 2017)

- The name of the product
- Details of the manufacturer (name and address)
- Batch number
- Date of manufacture
- Product grade
- Producing country
- Harvest date (month-year)
• Net weight

In order to summarize, Finland follows the EU legislation for importing of spices such as ginger. They have majority of their product being bought directly for European suppliers. However, in the recent years, there has been a change in the Finnish approach to import various spices and they have showed openness in importing from developing countries. Thus, as an importer planning to enter the Finnish market, the company should follow the EU legislation strictly. The overview of those legislations abstracted from CBI, Ministry of Foreign Affairs, 2017 is mentioned below and detailed version of the said list of legislations abstracted from the same website is attached in the appendices.

The overview of the legislations mentioned in CBI, Ministry of Foreign Affairs:
• General Food Law
• Contaminations in Food
• Maximum Residue Levels (MRLs) of Pesticides in Food
• Microbiological Contamination of Food
• Hygiene of Foodstuffs (HACCP)
• Irradiation of Food
• Food Control
• Consumer Food Labeling
• Food Contact Materials
• Organic Production and Labeling (voluntary)

2.4 Finnish Requirements

Importing food in Finland has to comply with all the above-mentioned EU requirements. However, there are Finnish control bodies as well, which have their set of rules and regulations that needs to be complied with in order to import organic food and sell it in Finnish market. Those control bodies that are responsible for overlook agricultural products are:
• EVIRA, Finnish Food Safety Authority
• Centre for Economic Development, Transport and the Environment (ELY Centre)
• National Supervisory Authority for Welfare and Health Valvira
• Finnish Municipalities
• Finnish Customs
As the agricultural production is happening in Nepal, and the product is imported to Finland, the control bodies that will be overlooking this business are EVIRA and Finnish Customs.

In an email interview with Teija Lindén, a senior inspector in EVIRA, she provided with forth-mentioned information regarding Finnish requirements for import of organic products.

The rules for organic production are the same in all EU member states and are regulated by EU regulations: 834/2007: organic production and labeling of organic products in agricultural products and foodstuffs (organic regulation), 889/2008: implementing regulations and for organic import there is also another regulation 1235/2008: import of organic products from countries outside the EU (the import regulation). (EVIRA 2017)

The basic rule is that any importer needs to be part of the organic control system to be able to sell, import, produce or act as organic operator in EU. Every member state has own control bodies that operate inside one member state. In Finland, the importer would need to be in Evira’s control to be able to import organic ginger and sell it in Finland.

Also in third country (country outside EU) the operators need to be controlled by a control body that has given the rights by EU commission. Both the production and the possible processing need to be controlled by the rules set out in reg. 1235/2008, where there is a list of approved control bodies. So importer would need to find an operator in Nepal that is controlled by EU approved control body to be able to import.

The importer has to submit their business and the business plan to the control authorities before marketing the products. The steps to ensure that production plan are submitted are (EVIRA 2017):

- The importer and the first consignee have to be submitted to the control system for organic production under the authority covering those products (Evira, the ELY Centers, Valvira) they wish to import.

As to imports, the importer and the first consignee have to include the following in their plan for organic production (EVIRA 2017):

- A full descriptions of the premises to be used and of the import activities and, if the importer is also the first consignee, the reception of the goods,
- All the practical measures the business takes to ensure that the legislation on organic production is adhered to.
- Precautionary measures which the business takes in order to avoid any possible mix-ups or exchanges with non-organic products.
- The cleaning measures to be taken in the storage places.
The obligations of the importer related to import controls are (EVIRA 2017):

- The inspector has to be allowed to inspect all of the areas of the production unit or import unit and the documentary accounts including related documents.
- The inspector has to be given all the information that the inspector deems necessary for carrying out the inspection.
- The inspector has to be given the results of the operator’s own quality assurance programs if requested.

Furthermore, there are various steps related to the import systems. In order to be able to import to Finland, all the forth-mentioned steps needs to be complied with (EVIRA 2017):

- Verifying the import procedure.
  - Export Country
  - Authority/control body the exporter is subjected to
  - Product Category
  - Origin
  - Possible Exclusion
  - Duration of inclusion in the list
- Reporting an incoming consignment to Customs and to EVIRA or to Valvira for alcoholic drinks.
- Presenting the original certificate of inspection and the transport documents to Customs in conjunction with the import.
- Acceptance inspection carried out by the first consignee.
- Customs inspect every batch of organic products to be imported.
- If a batch of organic products has not been presented to Customs for inspection in conjunction with the import, the product can be placed on the market as a nonorganic product, but not as organic.
- It is not possible to present the consignment to Customs in retrospect.
- All EU member states are bound by the same conditions for import of organic products

2.5 Breakeven Analysis

Breakeven means the sales revenue flowing in a business in a particular period is exactly equal to the costs incurred. It means no profit and no loss: an exact balance between income and expenditure. (Owen 2003, Chapter 13)
In any business it is important to analyze the breakeven point, as it allows understanding the risks and various costs of the business. After underlining the costs incurred in the whole business process, it aids the businessmen with flexibility as it helps in knowing the revenue required to avert loss and emphasize on making profit. In order to create a breakeven model, it is important to understand the fixed costs and variable costs of the business.

In any manufacturing process some costs vary with the level of output and sales. These are termed variable costs. The main variable costs are raw materials, components and labor going directly into making a product. However, fixed costs are not related to output. If a cost is not a variable cost, it must be classified as a fixed cost. They include office administration, rent, the cost of running the personnel departments e.g. salaries and training, computers, travel expenses and rent. (Owen 2003, Chapter 13)

![Fig 2: Relationship between Variable Costs & Production Units (Owen 2003, Chapter 13)](image)

![Fig 3: Relationship between Fixed Costs & Production Units (Owen 2003, Chapter 13)](image)
In the ginger production business, there are various variable costs such as the cost of producing gingers, logistics costs, payment to the cultivators and costs to get the EU certificates. The fixed costs are cost of the rental storage in Finland, salaries of employees. These various costs will be discussed in detail in the third chapter.

Thus, in any business, it is vital to understand the difference between variable costs and fixed costs, as well as identify which costs are variable costs and which are fixed costs. Since no business is guaranteed profit, this information related to costs might help the company in minimizing certain costs and allow the business owner to avert loss or understand how the business might be functioning, also learning whether the business will be able to survive or not.

Thus, the formula to calculating the breakeven units is described below. The given formula will be used in Excel to calculate the breakeven for the ginger import business in latter chapter.

Selling Price per Unit = \( S \)
Variable Costs per Unit = \( V \)
Fixed Cost for a Month = \( F \)
Expected Sales Units= \( U \)

Breakeven Units = Fixed Costs/(Selling price per unit – Variable costs per unit)
Breakeven Units = \( F / (S - V) \)
The selling price per unit minus Variable costs per unit is also known as Contribution margin per unit.

2.6 Cost Volume Profit Analysis

The analytical technique employed to study the inter-relationship of cost, volume and price and its impact on the behavior of profit is known as Cost Volume Profit (CVP) Analysis (Gopal 2008, Chapter 5-6).

Cost Volume Profit Analysis is one of the most used tools in order to evaluate the profit margin of a business. One of the major advantages of calculating CVP analysis for a business is it helps calculate units needed to be sold in order to achieve any desired amount of profit with a slight modification to the breakeven formula (Fields 2011).
This thesis will create a CVP analysis of the ginger business, which will be interlinked to the breakeven analysis for the ginger import business. The formula, which will be used in the latter chapter to analyze the CVP of the ginger import business, is mentioned below:

- Selling Price per Unit = $S$
- Variable Costs per Unit = $V$
- Contribution Margin = $C = (S - V)$
- Fixed Cost for a Month = $F$
- Expected Profit for a month = $P$
- Expected Sales Units = $U$

The expected units to be sold = \( \frac{(Fixed\ Cost + Expected\ Profit)}{(Selling\ Price - Variable\ Cost\ per\ unit)} \)

OR

The expected units to be sold = \( \frac{(Fixed\ Cost + Expected\ Profit)}{(Contribution\ Margin)} \)

The expected units to be sold = \( \frac{(F + P)}{C} \)

Another useful aspect of the CVP analysis is the margin of safety ratio. Margin of safety ratio is the difference between actual sales and breakeven sales divided by actual sales. Margins of sales = \( \frac{(Actual\ Sales - Breakeven\ Sales)}{Actual\ Sales} \times 100\% \). (Gopal 2008, Chapter 5-6)

This tool will be used to evaluate the margin for production of ginger as well as the margin of safety for importing ginger and how to increase profitability of the company.

### 2.7 Profitability Analysis

According to Harward & Upton, “profitability is the ‘the ability of a given investment to earn a return from its use.’” Thus, profitability means a company’s ability to make profit from the business activities of any given company by optimizing the sources available to them. However, profitability and profit are two terms that are interchanged often, as profit is an absolute term whereas, profitability is a relative term. (Profitability Analysis 2017, pg. 236)

Any investment made is in hope of it generating cash flows in the future. While it is impossible to forecast the exact cash flows made in the future, creating a cash flow chart for a certain period of time can help in creating a model of what the business cash flow might look like. It is extremely important to analyze these models as it helps producing a more intelligent, better
informed decision making process. (Fields 2011)

One of the most used tools in order to evaluate a company’s profitability is cash flow statement. Cash Flow Statement is a statement that summarizes the cash receipts and payments (cash and cash equivalents) and the net changes resulting from operating, financing and investing activities of and enterprise during a given period of time. (Gopal 2008, Chapter 5-6)

There are three different types of cash flows that can be provided for any given company. Those three cash flows are cash flows from operating activities, cash flows from investing activities and cash flows from financial activities. Cash flows from operating activities are the cash flows created for mainly the revenue producing activities of an enterprise. Cash flows from investing activities are the acquisitions of long-term assets and other investments that are not included in cash equivalents. Cash flows from financial activities are the activities that result in changes in size and composition of owners’ capital and short-term and long-term debts of the firms. (Gopal 2008, Chapter 5-6)

All three forms of cash flows are equally important for an enterprise and all three cash flows provide various insights to an enterprise’s activities, the author will use these tools in order to create a cash flow statement in the third chapter. As the enterprise in question (ginger import business) is not existing at this stage, the cash flows from various activities will be forecasted and are expected to provide better and more truthful insight and forecast on the business as well as the cash flow of the business.
3 Business Plan for the SME

As this thesis is regarded as a business plan and background study for import business of ginger, the research approach is analytical. The author will study the various variables affecting the business process such as logistics, point of entry, production factors and so on. This chapter will research on the origin of the ginger, type of ginger produced, timeline of the product and the method used to clean and package the said product. Furthermore, it will also evaluate the logistical method used to import that product into Finnish market as well as the preferable point of entry to enter the Finnish (EU) market.

This research will also calculate the forecasted Income Statement, Balance Sheet, Breakeven Analysis and Cost Volume Analysis for the product and underline the various costs that might arise as the business starts growing. The research will use Microsoft Excel as the analytical tool to prepare above-mentioned statements, as it allows the author to manipulate the various data such as units sold and the fixed costs in order to understand the potential of the business further. It will help evaluate the budget required and provide the profit margin for any given units of product sold.

The chapter will also use qualitative research method as a tool to interview few selected candidates. As this chapter is more financial research rather than a data collection research, it will only be using face-to-face interview, email interview and phone interview as a data collection tool. The respondents used in the research are:

- Former Importer residing in Finland
- Wholesalers of Asian Products in Finland
- Restaurant Owners in Finland
- EVIRA Finland, Finnish Food Safety Authority

From these three groups of respondents, the author hopes to gain knowledge on the business model used in the Finnish market, potential and challenges in the Finnish market. The interview with the former importer, who was from Argentina, provided the author with invaluable knowledge of various challenges faced by a third party importer and the potential of the market as well as the logistics factors affecting the business. The author also discussed the potential of ginger with various whole sellers in order to identify how to enter the Finnish market. The restaurant owner was interviewed in order to gain knowledge on the units required in the restaurant business as the main target market of the whole sellers in Finland are restaurant busi-
nesses, especially Asian restaurants, as they use ginger as a spice ingredient in their products.

Research Method Framework for Data collection via Interviews

Data source/respondents

South American Importer
SME's in Finland
EVIRA

Data collection method

Face-to-Face Interview
Informal Interview
Email Interview

Data analysis method

Qualitative Thematic Analysis

Relation to IQs

IQ1
IQ2
IQ3
IQ4
IQ5

Research outcome

Research Question

Fig 4: Research Design
3.1 Description of the Business idea

The business idea discussed in this chapter is of ginger import business in Finland. The concept of the business is to import naturally grown organic gingers from Nepal to Finland. The business itself is expected to have 3 different phases in order to achieve the expected potential of the market. The 3 different phases for the business are:

a) Importing fresh gingers cultivated in Nepal to Finland

b) Importing organic gingers from Nepal

c) Providing the cultivators with better seeds for the organic ginger as well as adapt to the market by trying to bring various other organic products to Finland.

In this business plan, the author will mainly focus on the gingers, which are cultivated in Nepal. Due to the lack of budget to produce high quality gingers by using different set of seeds, the enterprise will solely focus on the gingers that are currently being cultivated and aim to import those gingers to Finland. The business idea at the initial phase is to use proper processing techniques that are currently available in Nepal and optimizing the resources that are currently available. The second phase of the business plan is to improve on the pre-existing techniques used by the cultivators in order to produce quality organic gingers and importing them to Finland, by coaching the cultivators regarding various techniques used to produce high quality gingers. One of the long-term goals of the company is to provide with the low fiber ginger seeds to the farmers and ensuring that they have the required knowledge and skills to produce high quality and quantity of organic ginger to be imported in EU, mainly Finland. Furthermore, the company also believes that in order to sustain in the Finnish market for organic products, the company should constantly reassess the demand of the market and adapt itself by pursuing other organic products as well, which can be cultivated in Nepal.

This business plan will solemnly focus on the initial phase of the ginger import that is to import currently cultivated gingers into Finland by using proper processing and cleaning techniques while ensuring they meet the required EU and EVIRA requirements.
3.1.1 SWOT Analysis

SWOT analysis stands for Strengths, Weakness, Opportunity and Threats analysis of a given business. It helps in understanding the situation of the business and understanding the various variables related to the business. For the import business, the author has done the SWOT analysis in order to further understand the business and overlay those factors in order to provide more in depth information regarding the business. The Strengths and Weaknesses sector of the SWOT analysis are the internal factors of the business, while the Opportunities and the Threats are the external factors in the business industry. The SWOT analysis of the ginger import business is as follows:

**Strengths:**

- Nepal is third largest ginger producing country in the world and the Nepalese background of the business owners helps them to exploit this sector of business.
- Although, Nepal produces high quantity of gingers, the products is not exported to countries other than India. Thus, exporting gingers to other countries is untouched sector of that business.
- The business owners' history in Finland will help them in exploiting the Finnish market, as it is domestic market for them.
- The production costs for the gingers is extremely low in Nepal, which provides the commissioning company with competitive advantage.
- Prior knowledge of operating a business in Finland as well as adequate knowledge achieved during the studies will help the owners in approaching this business with proper knowledge and preparation.
- The shareholder’s work experience in an accounting firm in Finland provided with networking knowledge, which is beneficial for a new company entering the Finnish market.
- Prior connection with small whole sellers in Finland will help in entering the Finnish market and provide credibility for the business.
- As the business will not depend on the shareholders but another operating company for various fixed costs, it provides the business with freedom to operate without immediate need to make profit.
Weaknesses:

- Lack of prior knowledge of import business might blind sight the company with several factors, which are learnt only with experience in any given fields.
- Ginger being a seasonal product (6-8 months a year) means the company has to rely on other products as well.
- The shareholders for the business are young entrepreneurs, who have no prior knowledge of ginger business in Finland.
- Foreign business owners might have a disadvantage in Finnish market, as it is more difficult for them to gain trust of Finnish business owners.
- Limited processing factories in Nepal means that the product might not always meet the desired level of quality.
- Lack of credibility in the Finnish market might hamper the chances for the business to grow in the Finnish market.
- The logistical time period for transportation from Nepal to Finland is high, which makes the product liable to time constraint.

Opportunities:

- Lack of Nepalese exporters in Nepal provides the commissioning company with competitive advantage which obtaining the product.
- Low production cost in Nepal means the company can make profit even if the variable costs are slightly high.
- High fertility of Nepalese lands means the supply for the product can be maintained.
- EU being a big importer of gingers provides a big market for the company to enter.
- Finland imports major share of gingers from other EU members. Hence, ensuring that the product meets their quality and health requirements, the low price of the product might help the company to enter the Finnish market.
- Nordic countries have high demand for organic products, and the trend of the market is shifting towards organic products. Thus, this provides with the commissioning companies with an opportunity to enter the market with organic gingers during the ideal window of opportunity.
- Importing of organic products from developing countries is growing in Finland, which provides opportunity for the company to enter the Finnish market.
**Threats:**

- Since, the product is food, the chances of production being low, or the product decaying cannot be neglected. Damage or decay to the product ensures loss for the business.
- Environmental calamities are frequent in Nepal, which could cause in low production.
- The political instability of the Nepalese government might cause in delay of production and delivery of the product.
- Lack of sea-access for Nepal means that the product has to be moved from another country, which causes in logistical delay.
- Due to lack of reliable political relationship between Nepal and India, it might be difficult to move the products from Nepal to India in order to ship the products to EU.
- The long logistical period (transporting from Indian port to EU) opens the company to various liabilities such as damage of the product due to faulty freezer or the product not arriving on intended time period.
- Monopoly in the Finnish retail business will make it difficult for this company to enter the business.
- The commissioning company will be competing with big Chinese and Indian exporters who provide similar product in low price. Thus, the pricing of the product has to stay relatively low.

3.2 **Description of Expertise**

The commissioning company consists of 4 shareholders who have been working or studying in Finland for prior few years. They are also establishing a logistics company before establishing this importing business. The logistics company is a domestic company in Finland, which will subcontract to deliver parcels to companies and individuals from bigger logistics companies. The logistics company has already negotiated to be subcontracted from other big logistics company such as DHL and PostNord; thus, it is expected to prosper in the Finnish market. As the shareholders of the logistics company own the import business as well, they expect it to provide financial aid to the import business until it starts its own cash flow. Furthermore, as they will be getting their salaries from the logistics company, the import company can choose not to cover any salary costs during the initial phases of the company. Thus, the import business does not have to gain profit in the initial phase of the company or pay salaries, which ensures that the shareholders are not financially relied on the business.
The author of this thesis, also the CEO of the import business, is a bachelor student majoring in finance and accounting. As entrepreneurship is an integral part of the courses taught during the studies, he has theoretical knowledge on being an entrepreneur and how to overview as well as operate a new business and various factors needed to be evaluated in order to establish a SME in Finland. Furthermore, working in a Finnish accounting firm (tilitoimisto) for 2 years has provided him with invaluable knowledge of other businesses in Finland and how they are operated. As the firm also specialized in registering companies as well as handling business related issues for the clients, the author has experience in dealing with various circumstances that might arise during a business operation such as tax related issues, meetings with various authorities as well as any other business issues that may arise. Furthermore, the author has also been successfully managing family restaurant business in Finland for 3 years and is establishing another restaurant business in Finland during the period of writing this thesis.

Other shareholders of the company have similar educational background as the author. One of the shareholders is a bachelor’s student in Haaga-Helia studying international business. He is also a successful entrepreneur with a profitable restaurant business in Finland. Other shareholders are also bachelor’s students in other Universities of Applied Science (UAS) but with different field of interest. Thus, all of the shareholders have similar educational qualifications and some have prior knowledge of operating a business in Finland. However, none of them have experience in import business but this business plan is expected to provide a platform for them to enter the import business and gain some knowledge on the business beforehand.

3.3 Product Overview

3.3.1 Ginger

Ginger is one of the highly valued spice products, which is daily used all around the globe. The demand for this product is due to its rhizome content, which is commonly used as a spice. Globally, Nepal is the third largest ginger producer after China and India with 235 000 TON ginger production in fiscal year 2012/2013 (Dr. Adhikari 2016). They are usually sold either as fresh ginger or as a processed dry ginger.

The production of the ginger in Nepal as well as the demand in international market is quite high, but Nepalese ginger has been unable to enter international market. Out of all the production, 60% of the Nepalese ginger is exported. However, over 94% of the ginger is ex-
ported to India (Dr. Adhikari 2016), which is mostly because of lack of trading partner in other countries. The major ginger exporting countries for ginger are Japan, United States, Pakistan, United Kingdom, Netherlands and the Middle East. However, this thesis is only focusing on the EU market, and thus focuses on Netherland as potential point of entry in the EU market.

![Fig 5: Physical and Bio-Chemical Properties of Ginger (Dr. Adhikari 2016)](image.png)

Ginger is mostly cultivated in warm and humid conditions from 0-1500 meters from the sea level. Ginger is usually grown as a rainfall crop in high rainfall areas. It is ideal to grow it in temperature between 19-28°C. The ideal time to grow gingers is during early May during the time of pre monsoon showers. However, planting it during February-March after the summer showers have higher yields and low chances of disease infections.

However, even after planting during this period of time, there are few insect pests of gingers. The biggest pest is “shoot bores”. “The larvae bore into pseudo stems and feed on internal tissues resulting in yellowing and drying of leaves of infested pseudo stems. The presence of a bore-hole on the pseudo stem and the withered and yellow central shoot is a characteristic symptom of pest infestation”. (JayaShree 2015)
In order to negate that pesticide, using of cow manure, crop residues, farm waste and cultivating the ginger in fertile (healthy) soil is vital to control the pest using organic methods.

Another infestation that is one of the biggest concerns in ginger production is rhizome scale. It infests rhizomes in the field close to the harvesting period and even when they are in storage and they can also infect other gingers, which are stored in close proximity. Thus, they can infest gingers even after the production phase is completed and during the logistics period, when they are not observed as closely. The signs of ginger being infested are that the rhizomes become shriveled and desiccated. Rhizome scales are circular and appear light brown to grey. Timely harvesting the ginger, discarding the severely infested gingers, and treating the seed rhizomes with quinalphos before storage or sowing are few means to control the infestation. (JayaShree E 2015)

Gingers’ physical and biochemical components are the main drivers in order to measure their quality. Skin appearance and flesh color are the key components of the physical attributes of gingers, which are checked by the buyers in order to differentiate the gingers. Gingers with pale yellow color are the most demanded ginger in the global market. Blue or brown colored gingers are viewed as low quality gingers where as colored flesh are considered to be high quality gingers. Furthermore, gingers with bright and glazy rhizome, along with lemony aurora are preferred more and are priced higher in the international market. (Dr. Adhikari 2016)

Nepal Ginger Profile had done a survey in 30 different districts in Nepal and measured the skin appearance and the flesh color of samples of gingers from each district. “While measuring the skin appearance, they found that 11 cultivators had bright and glazy rhizomes; 12 cultivators had brown skins and 7 cultivators had buff skin. Furthermore, for the fresh color they found out that, 11 cultivars had pale yellow color; 1 cultivars had yellow color; 6 cultivars had brown with bluish outline; 1 cultivar had bluish color; and 11 cultivar had bluish with brownish outline.” (Dr. Adhikari 2016)

Thus, there results showed that there is enough potential in the Nepalese market in order to successfully compete in the global market. Majority of the gingers produced in Nepal have
high oil content (>1.5%), which is better illustrated in Fig 7. Although, the production of ginger is in great scale, the processing of the ginger in Nepal is lagging behind which has resulted in low quantity of their gingers being exported.

Fig 7: Districts cultivating gingers in Nepal with globally accepted biochemical standards (Dr. Adhikari 2016)

The commissioning company should target Terai region of Nepal for the production of ginger as they have high oil content as well as suitable skin appearance and flesh color to be exporter. Furthermore, they will be close to the India border, which will shorten the logistics period. Although, gingers can last up to 4-6 weeks in normal refrigerators and up to 2-3 months in freezer, the logistical duration has to be kept in mind while ensuring best quality ginger is exported to the Finnish market.

### 3.3.2 Processing of Ginger

In fiscal year 2014, washed ginger production was estimated to be around 10 000 Metric Ton (MT). However, there was another processing facility developed in 2016, which was estimated to have washing capability of 72MT/day. Even with that estimate the capability of facilities to process the ginger are low in Nepal. The Surket facilities are the one with the highest potential processing capabilities as they have the ability to produce up to 5000 MT gingers per year. (Peneva et al 2014)
Thus, the commissioning company needs to ensure that they can rent those washing facilities in order to properly clean the ginger before exporting. Furthermore, with development of better trade relationships with various companies in Finland, they should focus on providing better infrastructures for the processing of gingers.

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Surket (Western)</td>
<td>Equity company has invested in a small processor, has organic capabilities; NDL might expand it</td>
<td>8.2 MT/day (3000 MT/year)</td>
</tr>
<tr>
<td>2 Kailali (Far west)</td>
<td>Owned by cooperatives, supported by government</td>
<td>3 MT/day washed ginger</td>
</tr>
<tr>
<td>3 Kopil Bastu (Annapurna Organic)</td>
<td>All organic; washing, slicing, grinding, powder, paste possible; 2400 farmers</td>
<td>3-5 MT/day washing</td>
</tr>
<tr>
<td>4 Godawari Aroma (essential oils)</td>
<td>Has a pool type washing facility and then extract pure ginger oil.</td>
<td>2 MT/day washing</td>
</tr>
<tr>
<td>5 Jaha (Eastern Region))</td>
<td>Washing facility</td>
<td>6 MT/day washing</td>
</tr>
<tr>
<td>6 Jaha</td>
<td>May stop as this operator (from Very small)</td>
<td></td>
</tr>
</tbody>
</table>

Fig 8: Nepal’s process capacity for exporting gingers (Peneva et al 2014)
3.4 Demand for the Product and Market Entry

3.4.1 Demand in the EU market

The demand in EU market for ginger has been growing since early 2000 and has provided with more opportunities for products from developing market to enter the EU market. During the period of 2010 to 2015, the total import of ginger in EU has grown rapidly as shown in the figure below. Furthermore, the demand for ginger is expected to grow even further at least until 2020. Additionally, the daily usage of ginger in everyday household has also been increasing due to its health benefits as well as the unique spice taste provided by ginger. Thus, the demand in EU for ginger has been growing in the last decade and is expected to increase. Furthermore, households in EU have been shifting towards the trend of organic products and thus, the demand for organic ginger is also increasing.

![Graph showing the import of ginger in EU](image)

**Fig 9**: European imports of ginger (CBI 2017)

3.4.2 Point of Entry

When exporting goods into EU, it is important to identify a proper country as point of entry for the commodity. The author will use Netherlands as the targeted point of entry, as the demand of ginger is high in Netherland. Furthermore, Netherland also serves as a hub into European market alongside Belgium. Geographically, one third of the EU population lives within 480 km radius of Rotterdam, which is the responsible for 22% of the import in EU region. Furthermore, it also has more flexible fiscal representation under which the importing companies to store the goods in storage till they are distributed to local distributors. Additionally, there flexibility ensures that the importers do not have to make any VAT payment till they are sold to local dis-
tributors. They also provide the importers with options to post pond the various import payments till they have been distributed. Thus, Netherland acts as the perfect point of entry for import companies who rely on the product sold to pay for various expenses and require flexibility on payments. (University of Wisconsin 2017)

Furthermore, most of the gingers imported to Finland arrive through Netherlands. Thus, it will be convenient for the commissioning company to enter Finland with the same approach and also gain first hand knowledge on the pricing, quality and quantity of the gingers imported by their competitors.

![Leading European importers of ginger (CBI 2017)](image)

**Fig 10: Leading European importers of ginger (CBI 2017)**

### 3.5 Customers and Customers Requirement

The targeted Finnish buyers are the various Scandinavian companies such as S-Market, K-Market who have a big grip on the Finnish retail market. They have control over 80% of the retail market in Finland (CBI 2017). However, they have various requirements regarding the product such as food condition, chemicals used during production. They have various health requirements, packaging requirements and other requirements that need to be complied with in order to do business in Finland. Those requirements are mentioned in the sub-chapter: EU requirements. However, there are more specific Finnish requirements as well which needs to be met in order to be able to sell to the Finnish retailers which are mentioned in the sub-chapter: Finnish Requirements.

Although, the major Scandinavian companies are the main targeted Finnish buyer, the commissioning company will be targeting small whole sellers in order to gain credibility in the Finn-
ish Market. The objective behind the different target market in the initial phases is that the chances of big corporation opening up to new SMEs is quite low. However, if the commissioning company is able to gain experience in the import business, and create a positive reputation, then it will help with building on company’s credibility. The targeted customers during the initial phases of the company are foreign whole sellers in Finland such as Alanya Tukku, Maharaja, Subija Market and other small whole sellers. As mentioned earlier in the chapter, the product that will be sold to the initial buyers will be normal ginger. However, by the time the commissioning company is able to sell to above-mentioned Scandinavian companies, the product that will be sold is expected to be organic ginger.

3.6 Logistical Overview

One of the vital cores of this company will be logistics and there are various challenges that should be evaluated in order to make the company operations smoother. Ginger being a naturally grown product has to be consumed during a certain period of time. Thus, the company should analyze the best possible route for the product to be transported as well as consider the status of the product and the timeline during which it has to be sold as well.

The product will be moved within Nepal via trucks as they are most convenient mode of transportation as well as are cheaper. The company expects the product to be moved from the processing factory to the nearest Indian border within 2 days, ready to be exported from Nepal. The product will then be transported to the port of Kolkata, India via trucks or trains and shipped for Netherlands. The mode of transportation within India depends on the situation of the roads at the given time as well as the time frame of those modes of transportation.

The product will be then moved to Rotterdam, Netherlands via freight by using a container. As the company is only trying to ship one container worth of product in the initial years of the business, they will be only using pallets in the beginning phases. However, once the company starts to have continuous business, the product will be shipped in 40 ft. container. Those containers have the measurements of 12m x 2.34m x 2.28m, and can fit up to 26500 kilos. The commissioning will be ensuring that the product is placed in ideal temperature in a freezer and constantly watched over during the transportation period.

The product will be then moved to Helsinki from Rotterdam via freight as well. The product will be shipped in a container from Rotterdam to Helsinki and will be transported to the storage facility or the sellers depending on the demand of the product at that given time.
3.7 Industry and Competitors

The company will be operating in import business through which commodity; ginger will be sold to various Finnish retailers as well as wholesalers. Currently, Netherlands is one of the biggest contributors for Finnish ginger industry. Netherland imports most of its ginger through China and India, which are the neighboring countries of Nepal. This commissioning company will be competing with Chinese as well as Indian exporters. These countries have similar fiber content, physical appearance and skin appearance to Nepalese ginger, but they are of lower quality when compared to Nepalese gingers.

![Ginger Prices USD/ton CFR Europe](image)

Fig 11: USD Prices for Chinese, Nigerian and Indian ginger in EU (CBI 2017)

Chinese gingers have dominated the ginger industry in the past decade. However, wholesalers have shown concerns regarding quality of Chinese gingers. The Chinese gingers costs low in price, and the prices for ginger have been going lower in the past few years as shown in the graph. However, Nepalese product will be competing with those products on the basis of production and quality measures. Chinese government has also intervened with the ginger industry due to pollution in the ginger cultivating areas, which has resulted in low ginger being exported to European Market. Although, Netherland has been buying ginger from China and exporting to Finland and other European countries, the low quality of Chinese ginger has meant that the customers are not extremely happy with the current situation of the ginger industry.

Furthermore, Nepalese ginger will be cultivated in highly fertile and healthy soil, and the land structure and conditions used for cultivation such as humidity and climate of Nepal suits agriculture industry. The oil content of Nepalese ginger is high, which further enhances the cus-
tomer’s demand. Additionally, production cost of ginger in Nepal is low, which allows the commissioning company to have slight competitive edge on pricing of the product as well.

The end product to be sold to the European market is organic ginger, which is not fully exploited in the European market currently. The Scandinavian countries have shown that there is demand for organic products in their market. Thus, by ensuring that the Nepalese ginger matches the requirements of Finnish buyers and ensuring that the commissioning company is able to provide high quality organic ginger later on in the market, this company will be able to compete with other companies.

3.8 Marketing and Advertisements

In any business, understanding and using proper marketing tools is vital for a company’s growth as well as survivability. The commissioning company will be using door-to-door marketing technique during the initial phases of the business establishment. The company will be contacting small whole sellers in Finland via meetings or email and explaining regarding the business. As the commissioning company will not be selling the product to individuals, they will not be using advertisement as a tool during the initial phases. However, the company will develop website and other social media tools such as Facebook to provide information regarding the business to interested consumers.

After the company decides to specialize in organic products, the company will be branding the product as “organic”. The commissioning company will also use its Facebook page and newspaper articles as a tool to reach out to other wholesalers as well as advertise about the benefits of the organic products and the involvement of the commissioning company. They will be providing information on the benefits of organic gingers and any other organic products that will be imported to Finland. Those organic products will be advertised as Himalayan products grown in high altitudes of Nepal, which are grown in completely natural environment.
3.9 FinancialProjection Tools

All the financial projection tools used will be using correct formulas in Microsoft Excel to calculate the respective calculations. Thus, most of the data will be interlinked which will help with the analysis if any calculations need to be changed or if the commissioning company wishes to analyze various other scenarios. Furthermore, the prices and various costs are based upon prices found online as well as through various wholesalers. The author had visited various foreign wholesalers and restaurant owners in Finland and asked questions regarding various costs that their business incur and similar estimates were used for the forth-mentioned calculations.

3.9.1 Investment Calculations

<table>
<thead>
<tr>
<th>Investment Calculation</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of establishing the business</td>
<td>330,00</td>
</tr>
<tr>
<td>Stock purchase</td>
<td>2500,00</td>
</tr>
<tr>
<td>Down payment for production</td>
<td>500,00</td>
</tr>
<tr>
<td>Travel Expense</td>
<td>2000,00</td>
</tr>
<tr>
<td>Computer and software</td>
<td>800,00</td>
</tr>
<tr>
<td>Phone</td>
<td>600,00</td>
</tr>
<tr>
<td>Website</td>
<td>80,00</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>300,00</td>
</tr>
<tr>
<td>Marketing investment</td>
<td>3000,00</td>
</tr>
<tr>
<td>Working capital</td>
<td>7000,00</td>
</tr>
<tr>
<td>Cash reserve</td>
<td>800,00</td>
</tr>
<tr>
<td><strong>Total Expenditure Required</strong></td>
<td><strong>17910,00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source of funding</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>Shareholder's Investment</td>
<td>6000,00</td>
</tr>
<tr>
<td>Nordea Loan</td>
<td>6000,00</td>
</tr>
<tr>
<td>Investment from another company</td>
<td>6000,00</td>
</tr>
<tr>
<td><strong>Total Sources of Funding</strong></td>
<td><strong>18000,00</strong></td>
</tr>
</tbody>
</table>

The table shown above shows various sources of funding as well as expenditures required during the start of a new business. It is an important tool as it sums up all the investments that needs to be made such as websites, computer, travel expenses to visit the cultivation sites in Nepal, establishing the business and so on. It also shows the financing investments made by shareholders of the company and loan from bank. There are 4 shareholders in the company and each shareholder will be responsible for financing 1 500.00 EUR. Furthermore, another company; logistics company that will be owned by the same shareholders will be financing
6000.00 EUR for the start of the company. If the logistics company fails to provide the funding, the each owner will be then financing 1 500.00 EUR more.

3.9.2 Profitability

<table>
<thead>
<tr>
<th>Profitability Calculation</th>
<th>Monthly EUR</th>
<th>Yearly EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target profit</td>
<td>1500,00</td>
<td>18000,00</td>
</tr>
<tr>
<td>Loan repayment</td>
<td>200,00</td>
<td>2400,00</td>
</tr>
<tr>
<td><strong>Income after taxes</strong></td>
<td><strong>1700,00</strong></td>
<td><strong>20400,00</strong></td>
</tr>
<tr>
<td>Taxes 14%</td>
<td>238,00</td>
<td>2856,00</td>
</tr>
<tr>
<td>Funding requirement</td>
<td>1938,00</td>
<td>23256,00</td>
</tr>
<tr>
<td>Loan interest</td>
<td>35,00</td>
<td>420,00</td>
</tr>
<tr>
<td><strong>A. Operating Margin</strong></td>
<td><strong>1973,00</strong></td>
<td><strong>23676,00</strong></td>
</tr>
<tr>
<td>Fixed Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>1500,00</td>
<td>18000,00</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>100,00</td>
<td>1200,00</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>175,00</td>
<td>2100,00</td>
</tr>
<tr>
<td>Phone</td>
<td>50,00</td>
<td>600,00</td>
</tr>
<tr>
<td>Internet</td>
<td>20,00</td>
<td>240,00</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>175,00</td>
<td>2100,00</td>
</tr>
<tr>
<td>Storage rent</td>
<td>400,00</td>
<td>4800,00</td>
</tr>
<tr>
<td>Bookkeeping expenses</td>
<td>100,00</td>
<td>1200,00</td>
</tr>
<tr>
<td><strong>B. Total Fixed Costs</strong></td>
<td><strong>2520,00</strong></td>
<td><strong>30240,00</strong></td>
</tr>
<tr>
<td><strong>Sales margin (A + B)</strong></td>
<td><strong>4493,00</strong></td>
<td><strong>53916,00</strong></td>
</tr>
<tr>
<td>Purchases + materials and supplies</td>
<td>1120,00</td>
<td>13440,00</td>
</tr>
<tr>
<td>Net sales</td>
<td>5613,00</td>
<td>67356,00</td>
</tr>
<tr>
<td>Vat 14%</td>
<td>785,82</td>
<td>9429,84</td>
</tr>
<tr>
<td><strong>Total Sales required</strong></td>
<td><strong>6398,82</strong></td>
<td><strong>76785,84</strong></td>
</tr>
</tbody>
</table>

Fig 13: Profitability Calculations

This table is similar to CVP analysis, which uses expected profit as a tool to consider breakeven sales in order to make said profit. It is also useful to see the changes in required sales as the profit is also changed and provides with a more realistic outlook on which sales amount is realistic for the company and what the profit amount might be for the said sales amount. Furthermore, the author analyzed the target sales in monthly and yearly basis but it can be changed to even weekly or quarterly depending on the business structure. The scenario in the
The table above is sales required in order to gain 1 500.00 EUR profit per month. Although, it does not seem realistic for the company to make that profit in the first year, the sales required is not considered high for the ginger industry. According to one wholesaler, the ginger sales in their shop only was nearly 1 000 kilos per month and the sales required in the table is roughly 3 000 kilos per month. Thus, if the ginger business manages to survive in the Finnish market for, the commissioning company can easily meet those sales targets.

### 3.9.3 Breakeven Analysis

<table>
<thead>
<tr>
<th>Fixed Costs yearly</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries</td>
<td>18000.00</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>1200.00</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>2100.00</td>
</tr>
<tr>
<td>Phone</td>
<td>600.00</td>
</tr>
<tr>
<td>Internet</td>
<td>240.00</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>2100.00</td>
</tr>
<tr>
<td>Storage rent</td>
<td>4800.00</td>
</tr>
<tr>
<td>Bookkeeping expenses</td>
<td>1200.00</td>
</tr>
<tr>
<td><strong>Total Fixed Costs</strong></td>
<td><strong>30240.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable Costs</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Cost</td>
<td>9100.00</td>
</tr>
<tr>
<td>License and Certificates</td>
<td>200.00</td>
</tr>
<tr>
<td>Cleaning &amp; Packaging</td>
<td>3900.00</td>
</tr>
<tr>
<td>Transportation till Kolkata (India)</td>
<td>800.00</td>
</tr>
<tr>
<td>Shipment till Rotterdam</td>
<td>1000.00</td>
</tr>
<tr>
<td>Shipment to Helsinki</td>
<td>400.00</td>
</tr>
<tr>
<td><strong>Total Logistics Costs</strong></td>
<td><strong>2200.00</strong></td>
</tr>
<tr>
<td>Other Costs</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>Total Variable costs</strong></td>
<td><strong>15700.00</strong></td>
</tr>
<tr>
<td><strong>Variable Cost Per unit (kg)</strong></td>
<td><strong>0.60</strong></td>
</tr>
<tr>
<td>Selling Price per unit (kg)</td>
<td>2.00</td>
</tr>
<tr>
<td>Contribution Margin per unit (kg)</td>
<td>1.40</td>
</tr>
<tr>
<td>Breakeven Units in kg</td>
<td>21661</td>
</tr>
<tr>
<td>Breakeven in Sales (EUR)</td>
<td>43321.01</td>
</tr>
</tbody>
</table>

Fig 14: Breakeven Calculations
The breakeven table analyses all the costs that may occur in the business and analyze the sales required for the company to not incur any loss or gain any profit. The table analyses the fixed costs for the company, which is 30 240.00 EUR, which includes renting of storage in Finland, salaries for the employee and other costs. The table also analyses variable costs incurred by the business. It uses gingers that can be shipped in one container, 26 000 kg, as a basis for the calculation. The table also has other costs, which include governmental costs, customs charges in Nepalese and/or Indian border. The breakeven unit for ginger is 21 661 kg in a year. Thus, the company needs to ship around one container worth of gingers in order to survive in the market or make sales of 43 321.01 EUR.

### 3.9.4 CVP Analysis

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Cost Per unit (kg)</td>
<td>0.60</td>
</tr>
<tr>
<td>Selling Price per unit (kg)</td>
<td>2.00</td>
</tr>
<tr>
<td>Contribution Margin per unit (kg)</td>
<td>1.40</td>
</tr>
<tr>
<td>Fixed Cost</td>
<td>30 240.00</td>
</tr>
<tr>
<td>Breakeven Units in kg</td>
<td>21 661</td>
</tr>
<tr>
<td>Breakeven in Sales (EUR)</td>
<td>43 321.01</td>
</tr>
<tr>
<td>Expected profit</td>
<td>5 000.00</td>
</tr>
<tr>
<td><strong>Expected units (kg) to be sold</strong></td>
<td><strong>251 724.3</strong></td>
</tr>
<tr>
<td>Expected sales (EUR)</td>
<td>50 344.86</td>
</tr>
<tr>
<td><strong>Margin of sales</strong></td>
<td><strong>14%</strong></td>
</tr>
</tbody>
</table>

Fig 15: CVP Analysis

The author had has created a table in which by changing the profit expected, the commissioning company can see the difference in sales required. The company can also change the profit expected to negative amount, which will help the commissioning company to limit loss as well if such scenario occurs. This table is an extension from breakeven analysis and it shows that in order to make 5 000.00 EUR profit in the first year, the company has to only increase the margin of sales by 14%. CVP analyzes the required increment in sales in order to gain 5 000.00 EUR in profit. The expected units to be sold increased by 4 000 kilos, which seems slightly unrealistic. Thus, although the projected profit might not be realistic, the table will aid as a tool in order to predict about the financial situation of the company and prepare accordingly.
3.9.5 Projected Income Statement

<table>
<thead>
<tr>
<th>Projected Income Statement</th>
<th>Year 20X1</th>
<th>Year 20X2</th>
<th>Year 20X3</th>
<th>Year 20X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeted Revenue</td>
<td>52000,00</td>
<td>62400,00</td>
<td>66000,00</td>
<td>80000,00</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>15600,00</td>
<td>18720,00</td>
<td>19800,00</td>
<td>24000,00</td>
</tr>
<tr>
<td>Gross profit</td>
<td>36400,00</td>
<td>43680,00</td>
<td>46200,00</td>
<td>56000,00</td>
</tr>
</tbody>
</table>

Operating Activities

<table>
<thead>
<tr>
<th></th>
<th>Year 20X1</th>
<th>Year 20X2</th>
<th>Year 20X3</th>
<th>Year 20X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries</td>
<td>18000,00</td>
<td>19000,00</td>
<td>20000,00</td>
<td>23000,00</td>
</tr>
<tr>
<td>Repair and maintenance</td>
<td>1200,00</td>
<td>1200,00</td>
<td>1200,00</td>
<td>1200,00</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>2100,00</td>
<td>2100,00</td>
<td>2100,00</td>
<td>2100,00</td>
</tr>
<tr>
<td>Phone</td>
<td>600,00</td>
<td>600,00</td>
<td>600,00</td>
<td>600,00</td>
</tr>
<tr>
<td>Internet</td>
<td>240,00</td>
<td>240,00</td>
<td>240,00</td>
<td>240,00</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>2100,00</td>
<td>2500,00</td>
<td>2700,00</td>
<td>2900,00</td>
</tr>
<tr>
<td>Storage rent</td>
<td>4800,00</td>
<td>5000,00</td>
<td>5200,00</td>
<td>5400,00</td>
</tr>
<tr>
<td>Bookkeeping expenses</td>
<td>1200,00</td>
<td>1200,00</td>
<td>1200,00</td>
<td>1200,00</td>
</tr>
</tbody>
</table>

Net operating Expenses | 30240,00 | 31840,00 | 33240,00 | 36640,00 |

EBITDA                  | 6160,00  | 11840,00 | 12960,00 | 19360,00 |
Interest Expenses        | 420,00   | 421,00   | 422,00   | 423,00   |
Tax Expenses             | 1478,40  | 2841,60  | 3110,40  | 4646,40  |

Projected Net Income     | 4261,60  | 8577,40  | 9427,60  | 14290,60 |

Fig 16: Projected Income Statement

Projected income statement shows all the costs and revenue for a fiscal year for a given business. In the table above, the author uses predefined sales price, 2.00 EUR and one container (26 000 kg) as the expected units sold in the first four years.

All the data obtained were on the basis of a container, such as logistical costs and licensing costs. Cost of goods sold in the table is calculated by calculating all the costs incurred to bring the goods to Finland such as production, logistics, licensing as well as cleaning and packaging of the product. The tax expenses were calculated by using tax rate of 24%, which is the official tax rate of non-food related products in Finland.

The table showed that the company can make profit of 4 261.60 in the first fiscal year if it is able to sell 1 container (26 000 kg) worth of ginger in one year. Furthermore, by considering the inflation as well as fluctuation of currency, the second year has seen growth of 10%. Although, that is a high growth after the initial year, the required sales unit is 5 100 kg in the fiscal year. The company plans on approaching Finnish retailers as well as foreign whole sellers,
and as the product is always sold in bulk amount, the increase in sales unit seems plausible as it is distributed throughout a whole fiscal year.

### 3.9.6 Cash Flow Statement

<table>
<thead>
<tr>
<th>Forecasted Cash Flow Statement</th>
<th>Year 20X1</th>
<th>Year 20X2</th>
<th>Year 20X3</th>
<th>Year 20X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Earnings</td>
<td>4261.60</td>
<td>8577.40</td>
<td>9427.60</td>
<td>14290.60</td>
</tr>
<tr>
<td>Changes in Inventory</td>
<td>1000.00</td>
<td>3000.00</td>
<td>2500.00</td>
<td>3500.00</td>
</tr>
<tr>
<td><strong>Cash from operation</strong></td>
<td><strong>3261.60</strong></td>
<td><strong>5577.40</strong></td>
<td><strong>6927.60</strong></td>
<td><strong>10790.60</strong></td>
</tr>
<tr>
<td>Investing Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in Equipment &amp; Property</td>
<td>5000.00</td>
<td>5000.00</td>
<td>5000.00</td>
<td>5000.00</td>
</tr>
<tr>
<td><strong>Cash From Investing</strong></td>
<td><strong>5000.00</strong></td>
<td><strong>5000.00</strong></td>
<td><strong>5000.00</strong></td>
<td><strong>5000.00</strong></td>
</tr>
<tr>
<td>Financing Cash Flow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash from Financing</td>
<td>-1000.00</td>
<td>-1500.00</td>
<td>-2750.00</td>
<td>-3150.00</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Cash</td>
<td>7261.60</td>
<td>9077.40</td>
<td>9177.60</td>
<td>12640.60</td>
</tr>
<tr>
<td>Opening Cash Balance</td>
<td>-</td>
<td>7261.60</td>
<td>16339.00</td>
<td>25516.60</td>
</tr>
<tr>
<td><strong>Closing Cash Balance</strong></td>
<td><strong>7261.60</strong></td>
<td><strong>16339.00</strong></td>
<td><strong>25516.60</strong></td>
<td><strong>38157.20</strong></td>
</tr>
</tbody>
</table>

Fig 17: Cash Flow Statement

This table uses net earnings from projected income statements from respective years as net earnings in the operating cash flow category. Furthermore, changes in inventory are also inter-related to the projected income statement as they were changed depending on the sales for the given year. Although, the company is not planning to invest in equipment during the first few years of the company, the company has shown desire to buy a cleaning and processing machine in order to improve the quality of the ginger. Thus, the author uses that machinery as potential investment and has excluded 5 000.00 EUR cash per year for that machine. Furthermore, cash from financing is negative, as the company will pay dividends to the shareholders of the company. However, even with that scenario, there is positive cash flow in the company, which shows that the company has the potential to survive in the Finnish market.
3.9.7 Pricing Strategy to Satisfy Finnish Buyers

<table>
<thead>
<tr>
<th></th>
<th>Competitor</th>
<th>Commissioning company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Price</td>
<td>2,70</td>
<td>2,28</td>
</tr>
<tr>
<td>VAT 14%</td>
<td>0,33</td>
<td>0,28</td>
</tr>
<tr>
<td>Net Price</td>
<td>2,37</td>
<td>2,00</td>
</tr>
<tr>
<td>Purchase Price (VAT 0)</td>
<td>1,85</td>
<td>1,65</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>0,52</td>
<td>0,35</td>
</tr>
</tbody>
</table>

Fig 18: Sales price overview

The selling price for ginger even in wholesalers is around 4.00 EUR per kilo. After meetings with the wholesalers, the author found that the price for Chinese ginger imported to Finland was 2.70 EUR per kilo on average. The wholesalers also had to import their product from Rotterdam, which further increased the price of the product.

In order to gain some competitive edge, the commissioning company is planning on using 2.00 euros per kilo as their sales price (without VAT). Furthermore, the commissioning company will be bringing their products to Finland as well, which will further increase the value of their product and decrease the costs for the potential buyers. Furthermore, during the first year of business, the company will be discounting 20% of the price on pre orders by wholesalers.

Furthermore, selling price of the ginger for commissioning company will be further evaluated after the author visits Nepal and analyzes costs, which may not have been considered, as there might be hidden costs in the exporting country. However, the author is confident that due to the exchange rate between Euros and Rupees, even after evaluation, the sales price will not exceed by 10-20 cents per kilo.
4 Discussion

4.1 Results and Implications of the Financial Tools

The tools used in the research help the author calculate financial information, which is vital in order to start up a new business in the import export market. After considering various costs such as establishing the business, down payment for the cultivation of the product, stock purchase and so on, the total investment required in order to start this company is 17 910.00 EUR. The finance required would be provided by the shareholders as well as another company, which deals in logistics business.

The company has considerable amount of fixed cost, 30 240.00 EUR. That amount is quite high for a start up company. However, as salaries and wages are calculated to be 18 000.00 EUR, the company will not incur high losses even if the business does not work, as the finance required for a fiscal year is 12 240.00 EUR (excluding salaries). As the shareholders will be the only one working in the company, inability to provide salaries for the first few years is manageable because of the back up provided by the shareholder’s another company. Furthermore, the breakeven required for the company is 43 331.00 EUR, which is sales of 3 610.00 EUR per month, which is quite manageable as ginger is a consumed in high quantities. Furthermore, the CVP analysis shows that in order to make profit of 5 000.00 EUR in a fiscal year, the company has to sell gingers worth of nearly 4 200.00 EUR per month, which is considerably below the demand for the product in Finland. Thus, this product has a potential to convert into a profitable business with positive Projected Income Statement.

The Projected Income Statement shows profit of 4 261.60 EUR in year 20X1, 8 577.40 in year 20X2, 9 427.60 EUR in the year 20X3 and so on. This income statement is assuming that the company is able to sell one container worth of ginger in the first year and have slight growth in the ginger demand in the coming years. As mentioned earlier, even though it is highly unrealistic for this company to make high profits in the initial years, as ginger is sold in high quantity in the global market, it is not a far-fetched income statement. However, it highly depends on the demand for the ginger from the commissioning company in the Finnish market. If the company is unable to sell to the Finnish retailers as well as wholesalers, the allocated sales will go down drastically, which will cause in the income statement showing loss for the company.

Furthermore, the forecasted cash flow statement also uses the net earnings from the above mentioned projected income statements. According to the table, the company will be allocating 5 000.00 EUR yearly in order to invest in packaging and cleaning machineries. The profit
gained as shown in the income statement as well as lack of machineries required for this business means the company will have positive cash flow as well.

4.2 Limitations of the Results

The data used in the various financial tools assume that the company will be able to sell the product to the Finnish buyers. The initial interviews with the foreign wholesalers in Finland have shown that there is demand for ginger in Finnish market, especially for the selling price allocated by the author. However, as it has been in the past, companies might be hesitant to form a partnership with foreign importers, which results in the commissioning company not being able to enter the Finnish marker. Furthermore, as ginger is sold in high quantities, inability to enter the market means the company will suffer considerable losses, which is not considered in the calculations.

Furthermore, as ginger is agricultural product, the risks of it going bad or decaying cannot be neglected. The logistical period, from Nepal to Finland, which might be around a month, is a long period of time during which the product is unattended by the commissioning company. Although, the product will be placed in a freezer and the temperature will be constantly regulated, there is always a probability for the product going bad, which will mean direct loss for the commissioning company.

Furthermore, various costs that are used by the author to calculate the variable costs might vary in reality to the ones used. The fluctuating value of Nepalese currency as well as the ginger prices and the transportation prices in Nepal means the variable cost of the product could differ considerably even within one fiscal year. As these changes cannot be forecasted or calculated, the results from the reality might be drastically different to the one, which are forecasted in the thesis.

4.3 Scope of Development of the Market

The ginger industry has been expanding in the European market, as people have started acknowledging the health benefits as well as distinctive taste provided by ginger. This has resulted in exponential growth of usage and demand of ginger, especially since 2010. Thus, there is potential for the commissioning company to grow and expand in the Finnish market. The company will begin with normal ginger to test the market and learn more about the business model and procedures for importing companies. However, the main objective of the company is to provide the Finnish chain market such as S-Market, K-Market and Lidl with or-
ganic gingers. Depending on the growth on the market, the company will constantly evolve as per the trend in the market and aim to become one of the channels to provide with various organic products, including but not limited to organic gingers.

After learning about the ginger market and discussing with experienced farmers regarding the cultivation procedure of the ginger, the company will persuade farmers from strategic locations to produce high quality organic gingers. The company will then import said organic gingers into the Finnish market and aim to become one of the suppliers for organic gingers. Furthermore, the company will adapt to the market by learning about other products, which can be supplied, from Nepal and aim to provide with such other organic products as well. Thus, the author believes that the company has potential to become an organic supplier not only for ginger but for other organic products as well, as there is demand for organic products in Finnish market.

4.4 Conclusion

Nepal is one of the highest gingers producing country in the world, which produces gingers with various oil content, physical appearance, and skin appearance. Different altitudes, land fertility, moisture and humidity mean that even by using the same technique of ginger production, cultivators in Nepal have variety of gingers produced yearly. This variety ensures that the commissioning company has already gained competitive edge in the global market with the content of the ginger as well as being able to supply to the demand for the product. Furthermore, by providing the cultivators with proper agricultural knowledge and guideline from EVIRA and EU Commission as the instructions to produce gingers without use of chemical fertilizers, the commissioning company can meet the EU requirements set as well as provide healthy and high quality ginger to the Finnish market.

The demand of ginger is increasing globally every year and the situation is same in Finland. As most of the gingers coming to Finland come from Netherland, who mostly import ginger from China and India, the commissioning company faces its main competition from the neighbouring countries of Nepal. However, being able to provide higher quality ginger for similar if not less price means that there is huge opportunities for the importers in the Finnish market. Furthermore, being able to distribute the product domestically in Helsinki provides the importers another advantage of familiarity. Finnish companies value loyalty, honesty and punctuality above all else. Thus, by ensuring that the commissioning company is a reliable partner whose main priority is to satisfy the needs of the buyers as well as by meeting the EVIRA requirements, the company will be able to satisfy the requirements of the Finnish buyers. Further-
more, by importing gingers and selling it to the foreign wholesalers in Helsinki, the commissioning company will be able to create a business history for the company.

The wholesale price of Chinese ginger in the Finnish market currently is on average 2.65 EUR per kilo. Gingers from other countries also lie in similar category. The commissioning company will be able to provide better quality ginger to the Finnish buyers on average of 2.00 EUR per kilo. Therefore, by enhancing and utilizing their competitive advantages and by creating a business history for the company, the commissioning company can become a reliable and satisfactory supplier of ginger in the Finnish market.

However, there are various challenges that have to be overcome by this commissioning company. Ginger is a consuming product, which can rot, decay or loses moisture if not handled properly. There are various risks involved in this business from the cultivation stages, where the product might not have high yield or being lower in production than expected. Furthermore, various natural calamities such as drought, landslides and earthquake are always a risk in Nepal, which makes them unattainable challenges for the commissioning company. Furthermore, processing and cleaning factories in Nepal are scarce in Nepal, making processing and cleaning of ginger a challenge as well. Furthermore, the logistical challenges are also immense for the commissioning company. The time period for moving a product from Nepal to Finland is time consuming, as it has to go through India as well. Thus, the logistical system in Nepal is unreliable and time consuming, which is another challenge faced by the commissioning company. Furthermore, being a foreign businessman in Finland is still a challenge as there always has been slight lack of trust towards foreign businessmen by the Finnish companies in the past.

Thus, by enhancing the competitive advantages of the commissioning company and by using cheap price as a pricing strategy, the company can enter the Finnish market. However, after entering the market, they should not fixate on ginger but adapt and develop new ways of business as well.

4.5 Recommendations

The commissioning company should use ginger as a product to enter the Finnish market as it provides the commissioning company with small profit margin, even when they use cheap price as a pricing strategy. However, the author believes that the company should specialize on organic products after the initial phases of the company where they should just focus on doing ginger business and creating a business rapport. Organic products are currently on a
trend, which is only expected to get bigger in the coming years, especially in Scandinavian countries. Organic products provide a bigger profit margin for the commissioning company as well as they have low competition and have been sold for higher price compared to normal product. The price of organic ginger stands at approximately 3,60 Euros per kilo, but can reach up to 6,25 Euros per kilo whilst the price for normal ginger is 2,65 Euros per. Nepalese ginger and other products use the older methodological for cultivation such as manure instead of fertilizers which makes the product more organic. By using EVIRA’s requirements as guidelines, the commissioning company can teach a selected few cultivators on how to produce organic products such as ginger, mangoes, apple and so on and import them to Finland to become one of the organic supplier in Finland.
5 Bibliography


6 Appendices

6.1 Appendix 1

<table>
<thead>
<tr>
<th>Topic</th>
<th>Brief description</th>
<th>More Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>General food law</td>
<td>Food safety is a key issue in EU food legislation. The General Food Law is the framework regulation in EU food safety legislation. The legislation also introduces requirements on traceability.</td>
<td>EU legislation: General food law</td>
</tr>
<tr>
<td>Contaminants in food</td>
<td>The EU food safety policy has set maximum levels for certain contaminants in specified products or product groups. Apart from microbiological contamination, contamination by foreign material (e.g. sand, glass, metal) is important to watch. This can be easily prevented by better drying and processing practices.</td>
<td>EU legislation: Contaminants in food Good Agricultural Practices for spices by the International Organization of Spice Trade Associations Good Manufacturing Practices for spices by the International Pepper Community</td>
</tr>
<tr>
<td>Maximum Residue Levels (MRLs) of pesticides in food</td>
<td>EU legislation has been laid down to regulate the presence of pesticide residues (MRLs) amongst others in food products including spice and herbs. Pesticide use is an important issue in Finland. A recent study by the European Food Safety Authority has shown that food produced in Finland is the cleanest in Europe regarding pesticide residues. Because this issue is important in Finland looking for alternatives should be considered: the use of non-chemical methods and implementing Integrated Pest Management (IPM) and/or organic production.</td>
<td>EU legislation: Maximum Residue Levels (MRLs) of pesticides in food Integrated Pest Management by the Indian Spices Board</td>
</tr>
<tr>
<td>Microbiological contamination of food</td>
<td>The EU has set microbiological criteria for food borne microorganisms, their toxins and metabolites. The level of aflatoxins is of particular importance as they are known to be genotoxic and carcinogenic. The EU legislation covers, pepper, nutmeg, ginger, curcuma. For other spices and herbs Finnish Regulation 237/2002 is applicable and sets maximum aflatoxin levels at 0.01 mg/kg. Legislation for another carcinogenic, ochratoxin A (OTA), has recently been implemented. Complying with this new legislation will be hard for suppliers of capsicums. The level of OTA is hard to control as it has a lot to do with climatic conditions. Good drying is essential to reduce the risk of the development of OTA. The EU industry is still lobbying to keep levels at 30 µg/kg. Therefore there is a chance the legislation will not be implemented but this is not sure at all. It is advisable to train suppliers in Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) to help them reduce the level of OTA. In addition, it can be essential to keep updated on the latest developments concerning EU legislation.</td>
<td>EU legislation: Microbiological contamination of food EU website on ochratoxin A Finnish Regulation 237/2002 Good Agricultural Practices for spices by the International Organization of Spice Trade Associations Good Manufacturing Practices for spices by the International Pepper Community</td>
</tr>
<tr>
<td>Hygiene of foodstuffs (HACCP)</td>
<td>The EU legislation on hygiene of foodstuffs (HACCP) is legally binding for food processors in the EU. Although as an exporter</td>
<td>EU legislation: Hygiene of foodstuffs (HACCP)</td>
</tr>
</tbody>
</table>
Appendice 1: Legal Requirements for EU importers for importing spice products (CBI, Ministry of Foreign Affairs, 2017)

<table>
<thead>
<tr>
<th>Appendix 1: Legal Requirements for EU importers for importing spice products (CBI, Ministry of Foreign Affairs, 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>from outside the EU you are not directly bound by this legislation. Finnish companies will ask their suppliers to comply with the requirements set out in the HACCP legislation. Finnish buyers will therefore often ask you to implement a food safety management system (see under Non-legislative requirements) to prove that they comply with the HACCP requirements.</td>
</tr>
<tr>
<td>Irradiation of food</td>
</tr>
<tr>
<td>Food control</td>
</tr>
<tr>
<td>Consumer food labelling</td>
</tr>
<tr>
<td>Food contact materials</td>
</tr>
<tr>
<td>Organic production and labelling (voluntary)</td>
</tr>
</tbody>
</table>
6.2 Appendix 2

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Profit</td>
<td>26000</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td></td>
</tr>
<tr>
<td>Wages and Salaries</td>
<td>18000</td>
</tr>
<tr>
<td>Property and Maintenance</td>
<td>21000</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>21000</td>
</tr>
<tr>
<td>Phone</td>
<td>2100</td>
</tr>
<tr>
<td>Marketing Expenses</td>
<td>2100</td>
</tr>
<tr>
<td>Storage Rent</td>
<td>4800</td>
</tr>
<tr>
<td>Total Fixed Costs</td>
<td>32000</td>
</tr>
<tr>
<td>Variable Costs</td>
<td></td>
</tr>
<tr>
<td>Production Cost</td>
<td>9100</td>
</tr>
<tr>
<td>Production Cost</td>
<td>9100</td>
</tr>
<tr>
<td>License and Certificates</td>
<td>300</td>
</tr>
<tr>
<td>Cleaning &amp; Packaging</td>
<td>3000</td>
</tr>
<tr>
<td>Transportation to Kolkata (India)</td>
<td>800</td>
</tr>
<tr>
<td>Storage to Rotterdam</td>
<td>1000</td>
</tr>
<tr>
<td>Total Variable Costs</td>
<td>2200</td>
</tr>
<tr>
<td>Other Costs</td>
<td>1000</td>
</tr>
<tr>
<td>Total Costs</td>
<td>15700</td>
</tr>
</tbody>
</table>

| Sales Price               | 2.30         |
| VAT 14%                   | 0.31         |
| Net Price                 | 2.37         |
| Purchase Price (VAT Inc)  | 2.65         |
| Profit Margin             | 0.51         |
Appendix 2: Excel Calculations

<table>
<thead>
<tr>
<th>Variable Cost Per unit (kg)</th>
<th>0.60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling Price per unit (kg)</td>
<td>2</td>
</tr>
<tr>
<td>Contribution Margin per unit (kg)</td>
<td>1.40</td>
</tr>
<tr>
<td>Fixed Cost</td>
<td>30240</td>
</tr>
<tr>
<td>BreakEven Units in kg</td>
<td>21661</td>
</tr>
<tr>
<td>Breakeven in Sales (EUR)</td>
<td>43321,01</td>
</tr>
<tr>
<td>Expected profit</td>
<td>5000</td>
</tr>
</tbody>
</table>

**Expected units (kg) to be sold**: 25172
**Expected sales (EUR)**: 50344,86
**Margin of sales**: 14%
Appendix 3

Transcript of interview with an exporter from Argentina, who is currently living in Finland

Interviewer: What business are you currently involved in?
Interviewee: I am currently involved in music industry. However, I have had past experience in exporting organic food such as mango, banana as well as wholesale materials.

Interviewer: How long have you been involved in the import-export business?
Interviewee: I have been involved since 2002. I am not currently working in the business but I am a founder of one importing company, which is still operating. Even though, I am not part of the business, because of my good relationship with the owners, we still talk about the situation of the business and so on.

Interviewer: Tell me more about that business.
Interviewee: Well, we used to identify a corporative of farmers in Latin America, who were incapable of exporting the products & providing the required certificates. Our company was responsible in helping them make sure that they meet all the requirements, help them gain the paperwork and make sure their products were exported.

Interviewer: So, what was your target market?
Interviewee: Our main target markets were Latin America, USA & Canada. But, we were mostly exporting to USA.

Interviewer: Have you tried to infiltrate the EU market?
Interviewee: Yes, we had some success when we started exporting to Germany and UK in 2016. But we haven’t really tried in other countries. We were exporting bananas & blueberries. From next year, we will be exporting frozen bananas and blueberries to different part of Asia as well.

Interviewer: What are your views on the difference between EU market and North American market?
Interviewee: There are not many, to be honest. Because Euro and Dollar are kind of big currencies worldwide, the currency and flotation of currency is kind of similar. However, the trip times were shorter from South America to North America, logistics as well. But yea, same target market, similar consumption.

Interviewer: Tell me more about the logistical obstacles you faced.
Interviewee: Every commodity is different and it all depends on that. For e.g. blueberries are super delicate. They have to be regulated all the time and check upon. And bananas, they mature during the trip. But the whole sellers, they want green bananas. So, they have to be specially monitored during the trip. For organic products also, you need to regulate the temperature and monitor it all the time as well during the trip.

Interviewer: What are the biggest challenges for an export business?

Interviewee: Biggest challenge is to take from farmers to port. A lot of things can go wrong during that time. And there are more risks.

Interviewer: What are your opinions on the organic products?

Interviewee: Organic is growing trend. The demand for organic products is growing in the Scandinavian countries. For these people, organic has a meaning. So the consumer will keep on growing. In the coming years, it will grow even more.

Interviewer: What were the unidentified problems or obstacles in your business, when you started your business?

Interviewee: The Finnish companies, they don’t really like to work with foreign companies. They would not open doors for you. They would rather buy straight from the farmers, instead of you be the middleman. So that is something, even you should be careful about.

Interviewer: What are your suggestions for a new start up company in the import business?

Interviewee: You should get a sample pallet first. First, just try to enter the market and create a reputation for your company. Make sure you get customers and when you do, not just one off customer. You have to get customers who will buy a specific amount after certain time interval. For e.g.: 50 kg every month or 100 kg every 3 months or something like that.

Interviewer: That was all for now. Thank you so much for you time.

Interviewee: You are welcome.