Veterinary healthcare in Finland

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INVEST IN FINLAND

Business Opportunities and
Consulting Services for
International Companies

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1. Introduction

Veterinary medicine in Finland is well established, boasts strong clinical expertise and has a special focus on the wellbeing of animals as part of the entire food chain. The Finnish food chain (both public and private) is a reservoir of outstanding expertise and an operational model for ensuring the safety of production animals. Statistics and registries related to animal health are at a unique level in Finland, and allow development of national programs to improve the wellbeing of production animals. For this reason Finland has traditionally been free from many of the infectious diseases prevalent among production animals in many other countries (e.g. salmonella). Products manufactured for the global market in Finland are also largely focused on the wellbeing of production animals.

2. The domestic veterinary healthcare market

The Finnish market is divided between veterinary healthcare for production animals and companion animals. There is currently a lack of veterinarians in Finland, especially in the rural areas prompting Finnish Animal Health Services (SETH) to head hunt veterinarians both at home and abroad as well as recruiting Finnish veterinarians.

Production animal healthcare is being taken care of mainly by 300 communal vets, who also provide service for pets and carry animal protection and control duties. Conversely, there are approximately 120 private veterinary clinics in Finland, mostly small enterprises with 1-3 veterinarians. Many veterinarians practice as entrepreneurs, but the business understanding among the profession is considered weak.

The companion animal market is growing due to the growth in the total number of animals, but also with increasing amounts of money spent on pets for high-quality processed foods and supplies, and a higher level of healthcare. Veterinary care to companion animals is for the most part provided by small animal clinics, especially in urban areas, and by veterinarians employed by communities. The highest level specialty care in a hospital setting is provided by the Animal Hospital associated with the faculty of veterinary medicine at the University of Helsinki.

2.1 Existing and new legislation governing veterinary medicine

Authorisation to practice veterinary medicine is required, and is granted by the Finnish Food Safety Authority, Evira. Veterinarians are educated at the University of Helsinki, but also degrees acquired in other countries may be applicable – for further details, visit the Evira website http://www.evira.fi/portal/en/

New legislation regarding provision of veterinary healthcare has focused on preventive actions and control, and availability of healthcare resources, with the goal of further improving efficiency and safety of food production. This legislation also clarifies the roles and responsibilities of the communal vets with respect to control duties, and cooperation between the private and public sector, and between communities. This is likely to cause some redistribution of resources, and may further enhance the outsourcing trends in communal veterinary healthcare. It is also important to note that private veterinarians are now allowed to add margins to the prices of pharmaceuticals they distribute. This does not apply to other products and supplies.

2.2 Some trends in the market

There are signs of emerging consolidation in the market, with clinics forming chains, albeit rather slowly. Examples of chain activity include:

Univet: mostly cooperating in material purchasing Pieneläinklinikka Tuhatjalka comprising six clinics with common management, processes and purchasing. The chain has won outsourcing contracts for small animal guard duty service in two areas recently.

Several municipalities have recently decided to outsource their small animal guard duty services to private providers denoting a trend that is likely to continue. Hospital-type settings, i.e. a wider scope of services under one roof, including overnight care, are also starting to emerge in the private sector as well, but are not as developed as in many other countries. Rehabilitation under veterinarian surveillance, for example, could well be increased.

Husbandry farms are growing in size, but the number of units is decreasing. The focus is moving from treating sickness to preventive medicine and the wellbeing of the animals, and with the increasing size of the production units, this is increasingly relevant. The importance of diagnostics and animal health evaluations are becoming more important in this context.

Though specialisation and segmenting would bring efficiency to veterinary operations, Finland's geography necessitates more generalist practices, especially in the rural areas. Funding for education is also not at a level sufficient to allow specialisation to any greater extent.

Other healthcare professionals in the veterinary sector include small animal nurses that are mostly employed by the private clinics and physiotherapists specialized in animal physiotherapy. There are currently about 75 animal physiotherapists practicing in Finland. However, many eventually opt for human physiotherapy following completion of their education. As a result the animal physiotherapy sector suffers from a lack of professionals.

3. Related services and sectors underpinning the Finnish veterinary healthcare market

3.1. Pharmaceutical companies

The domestic market for pharmaceuticals for veterinary medicine is worth ca 40 million euros, of which the majority is imported. The market is divided quite evenly with Schering Plough, Pfizer, and the Finnish companies Orion Pharma and Vetcare. Exact market share figures are not publicly available; Orion however touted a 20,6 per cent market share and leadership position in their recent financial report [26.10.2009], with 8,7 per cent growth from 2008.

Some figures (source: Euromonitor, Evira, Lääketeollisuus ry):

<table>
<tr><th>Companion animals</th><th>Production animals</th></tr>
<tr><td>horses: 68K
small mammals: 150K
dogs: 646K
cats: 664K</td><td>cattle 915K (of which dairy cows 298K) (-10%)
poultry 10,5M (-10%)
pigs 1,5 M (of which sows 168K) +10%
sheep 122K (+22%)
reindeer 193K</td></tr>
<tr><td>Sales of dog and cat food: 257 million euros.
Pet supplies: 46 million euros.</td><td>Number of veterinary visits to farms in 2007 were 143 000.</td></tr>
<tr><td colspan="2">Animal pharmaceuticals 39,6 million euros.</td></tr>
</table>

Orion Pharma produces both generic and proprietary pharmaceuticals for animals, and this line represents approx. 9 per cent of their annual turnover of 710 million euros (2008 figure) and is for the most part exported to the global market. Its proprietary animal sedatives are distributed in the global market by Pfizer (outside Nordic countries, European distribution is moving back to Orion shortly).

Some smaller producers exist as well such as Vetcare, focusing on veterinary products entirely and producing pharmaceuticals mainly for the domestic market. Vetcare also imports smaller brands and specialty products, so their own production only represents one fifth of the annual turnover.

3.2. Feed for production animals

Suomen Rehu is the leading supplier of food for production animals, with close to 50 per cent of domestic market share. Suomen Rehu also exports foods and food additives to over 30 countries. Suomen Rehu specialises in the production of feed ingredients that enhance gut health, thus improving the productivity of animals, optimising feed efficiency and reducing downtime due to diseases. The company does extensive product development in close cooperation with the food industry and farmers.

Raisio Yhtymä is the second largest producer of food for production animals, with a 40 per cent domestic market share, and exports mainly to Russia and the Baltic countries.

A variety of small domestic producers exist as well, such as Biofarm, which produces and imports special foods, with an annual turnover of 6 million euros (2007 figure). Biofarm also exports products for companion animals.

3.3. IT Technologies in the Finnish veterinary sector

Provet is the domestic market leader for software designed for veterinary practices, with a 70 per cent domestic market share and plans for international market entry. Since 2006 Provet has provided clinic management software, also as a service over the Internet (Provet Net).

ProAgria Maatalouden Laskentakeskus is the biggest producer of software and solutions for farmers, for planning and managing production.

Other manufacturers with innovative technological products include:

- Finnzymes Diagnostics' PathoProof Mastitis PCR Assay allows faster and more accurate diagnosis of mastitis, compared to traditional means leading to shorter time to treatment & return to production.

- EvoStem develops and markets products based on stem cell and tissue technologies. The main product is TendoStem®, a form of equine tendon treatment based on stem cell technology.

- Optomed specialising in digital imaging devices both for human and veterinary medicine. Their Smartscope Vet is an eye fundus camera specifically for veterinary use

- iCare produces devices for measuring Intra Ocular Pressure (IOP). Its TonoVet® product measures an animal's IOP painlessly and thus without anxiety to the creature concerned.

3.4. Diagnostic services

Diagnostic services are provided by services integrated to clinics, self-standing laboratories in Finland (e.g. Vetlab, Epella, Patovet, Movet, Finnzymes Diagnostics) or laboratories located abroad (e.g. Idexx).

Customers do not necessarily buy all services from one place, as the choice of provider is highly dependent on the availability of the diagnostic test required. Sending samples out by mail is a common practice, and the results are often available electronically via the web, and may be directly integrated with the IT systems in use in the clinic (Provet Net).

Oriola is the clear market leader as the one-stop shop for pharmaceuticals, devices and supplies and holds over 90 per cent market share in these areas.

Devices and supplies are also sold to some extent through smaller dealers (e.g. Vetman, Scanvet Eläinlääkkeet, YA-Prevett), and there are also some newcomers to the pharma market (e.g. Magnus Medical, an Estonian owned company), but Oriola's strong position and wide product variety due to contracts with all major pharmaceutical companies creates a huge barrier for entry.

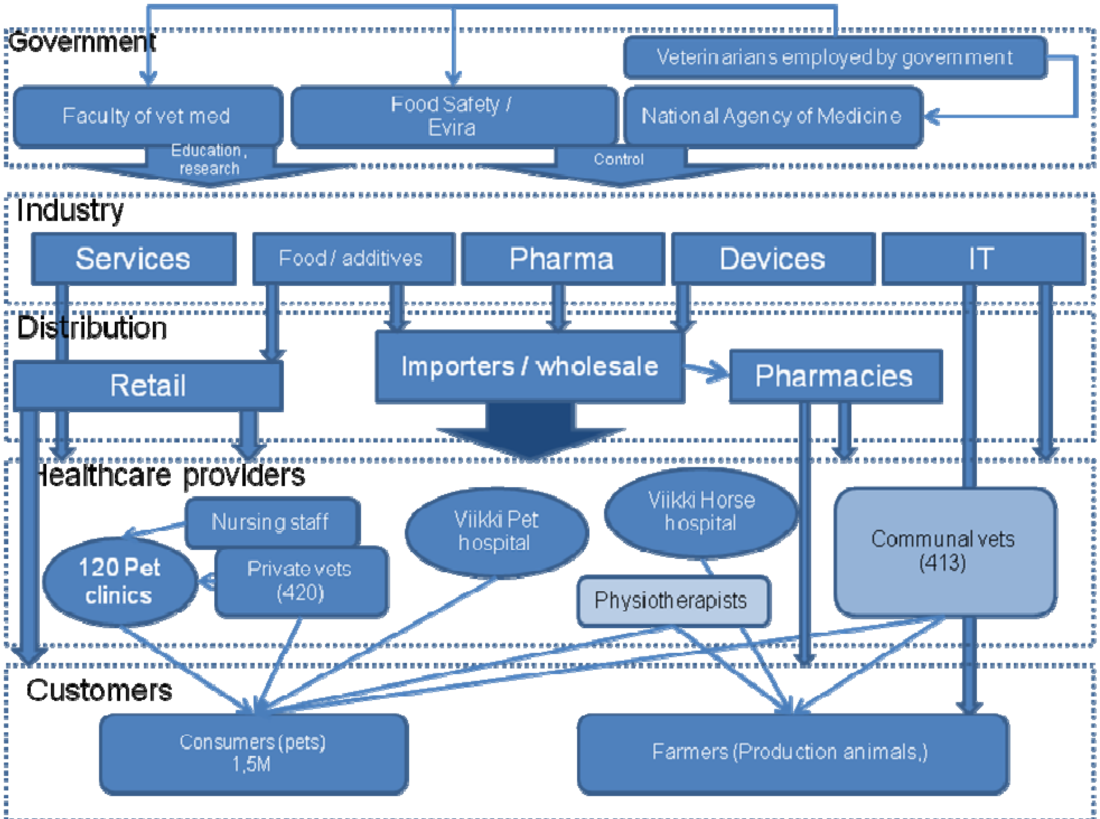
Veterinarians usually buy most products directly from wholesale companies, and sell directly to the end-customers, though pharmacies carry some products as well. Veterinarians are not allowed to markup the prices, so pharmaceuticals do not represent a large business for entrepreneurs, unlike the case in many other countries.

3.5. The retail sector

Pet food is sold mainly through two channels: dry foods through specialty pet stores, and wet foods through grocery stores. The largest brands globally and in the Finnish market are Mars and Nestle, together representing 45 per cent of the market for dog and cat food. The domestic Best Friend Group is the leader in other pet food categories. Private label brands are also gaining a foothold, as in other markets as well.

Pet supplies are mostly sold through specialty pet stores or veterinary clinics. The largest chain is Musti & Mirri, others include Faunatar and PetPoint. More consolidation is expected according to Euromonitor. Webstores have also entered the market. Feed for production animals is sold through large chains such as AgriMarket, which belongs to the same corporation (Hankkija Maatalous) as Suomen Rehu, the largest feed manufacturer.

4. Value chain description



5. Conclusions

For companies and entrepreneurs interested in setting up a business in Finland, here in recap are a few points to consider:

- There is a shortage of veterinarians especially in rural areas, calling for improved efficiency and/or more vets
- Consolidation of the veterinary clinics is likely to happen, but slowly
- Cities have started to outsource guard duty services, representing good opportunities for well-run private practices
- Finnish consumers are willing to spend more on high-level care for their companion animals
- The physiotherapy & rehabilitation sector is under developed
- The distribution channel to veterinary healthcare providers is highly concentrated to one provider
- The Finnish food chain (the entire network of public and private players) contains outstanding expertise and an operational model for ensuring the safety of production animals; both know how and tools could be productised and applied in other countries as well by specialist consulting companies

6. Sources

Interviews:

- Veikko Tuovinen, Three Plus Group: Verkavet, Pieneläinklinikka Tuhatjalka, Provet (private clinic group, consulting, software)
- Kirsti Schildt, Vuovet (small private clinic)
- Sauli Niinistö, Orion Pharma (pharmaceutical company)
- Seppo Saari, Pfizer (pharmaceutical company)
- Timo Lehtimäki, Eija Helander, Suomen Rehu (feed)
- Jani Holopainen, Finnzymes Diagnostics (diagnostics)
- Mikko Suominen, Scanvet Eläinlääkkeet (pharmaceuticals wholesale)
- Pirjo Kortesniemi, ETT (association for prevention of animal diseases)
- Jussi Anttila, Animal hospital, (public hospital)
- Mervi Jansson, Omnia (education)
- Antti Sukura, University of Helsinki, Faculty of veterinary medicine (research & education)

Reports:

- Euromonitor: Pet food and pet care products, Finland
- Finnish parliament, government proposal for the new law on veterinary healthcare (in Finnish) http://www.finlex.fi/fi/esitykset/he/2009/20090081
- Evira report on animal diseases 2008 (in Finnish) http://www.evira.fi/uploads/WebShopFiles/1254916581476.pdf
- Pharma Facts Finland 2008 http://www.laaketeollisuus.fi/tiedostot/LT_Numeroina08_eng_final(1).pdf

Websites:

Public bodies and associations:

- Evira Finnish Food Safety Authority www.evira.fi
- ETT Association for Animal Disease Prevention in Finland www.ett.fi
- Faculty of Veterinary Medicine www.vetmed.helsinki.fi
- Association of veterinarians www.ell.fi

Companies:

The following list has been made based on public sources and does not cover all companies in the sector.

- ProAgria Maatalouden Laskentakeskus http://www.mloy.fi/MLWeb/FI/default.html
- Orion Oyj www.orion.fi
- Suomen Rehu www.suomenrehu.fi
- Finnzymes Diagnostics http://diagnostics.finnzymes.fi/
- Suomen Eläinterveydenhuolto / Finnish Animal Health Service www.seth.fi
- Vetcare www.vetcare.fi
- Verkavet www.verkavet.fi
- Vuovet www.vuovet.fi
- Optomed www.optomed.fi
- iCare www.icare.fi