

From niche to volume with integrity and trust CASE STUDY FACT SHEET

PolarShiitake - Finland

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May 2015



General introduction

PolarShiitake Ltd. is a family enterprise cultivating organic shiitake mushrooms (*Lentinus edodes*) in the pure natural environment in northern Carelia, Finland. It is a small family enterprise with very specific production range: fresh shiitake mushrooms, dried shiitake powder and slices, and substrate for mushroom growing. The enterprise was founded in 1999, but the history of PolarShiitake dates back to 1984, when shiitake production started in the same location in Eastern Finland. The production has continued in Rääkkylä without interruption since then. The initial product of PolarShiitake was fresh organic shiitake

mushrooms, and this is still the main product. There are different packaging sizes and different types of fresh shiitake. Dried shiitake powder and dried slices as well as substrate for mushroom growing in households are nowadays also sold, but these are subordinate. The production volume is of the order 70 000 kilos fresh mushrooms a year, which is about 30% of the Finnish Shiitake production. The yearly turnover is under 1 million Euros, presently of the order of 600 000 Euros. The great majority of the products are exported and sold in the central European market. Domestic customers are retailers and fine dining restaurants mainly in the capital region. PolarShiitake is an interesting enterprise as it illustrates the significance of co-operation with the research institutes as one possible development trajectory for small producers. It also provides an example in overcoming the difficulties the independent small producers have in the highly competitive and concentrated Finnish food markets.



PolarShiitake employees presenting some of their fresh products.

"I do not sell the know-how, it is our most important capital."

(Markku Leppänen, the managing director of PolarShiitake, on the significance of the know-how capital)

Organization and business idea

The enterprise is a public limited company. The share capital is 18 200 Euros, and the 65 500 shares are owned by 18 share holders, all of them are people from the Northern Carelia region. The strategic decisions are made by the six member company board. The managing director and the chair of the board alone or two board members together are authorized to represent the enterprise and to sign the documents. Today the

The author acknowledges the financial support for this project provided by transnational funding bodies, being partners of the FP7 ERA-net project, CORE Organic II.



Legal form:

Public limited company

Date of foundation:

1999

Homepage:

www.polarshiitake.com

Logo:**Turnover:**

600.000 € a year

Product range:

Fresh shiitake mushrooms,
dried powder and slices

Number of employees:

7

Distribution channels:

Restaurants and retailers in
central Europe and in Finland

Google hits:

2160 (6 May 2015)

enterprise has seven permanent employees, temporarily employees may be hired in high season.

The pre-requisite for the existence of the company is the long-term strategic co-operation with the research institutes and the development and investment subsidies from the regional Centre of Economic Development, Transport and Environment. The trigger to start the activity was the research field's interest in mushroom cultivation already before PolarShiitake was founded. The development of the enterprise and its predecessor has taken place in various R&D projects in tight co-operation with the research institutes.

The core values of the company are high quality of the products, continuous development, environmentally friendly organic production and reliance on local resources. With the heavy emphasis on the specific know-how, the strategy of PolarShiitake could be described as an expertise strategy. It is not based on price competition, but the competitive force in the European markets is the very specific niche products and their origin in the pure nature in northern Carelia, Finland. Getting foothold for own trade name in the domestic markets has been difficult. PolarShiitake has solved the problem by finding alternative domestic distribution channels, which are independent of the two market leaders and by focusing on exports. The demand has been steady. Today about 90 percent of the products are sold to the established customers in Germany, the Netherlands and Belgium. Domestic customers are mainly fine dining restaurants in the capital region. Direct sales and sales via retail are subordinate.

The sales and revenue could be increased by providing further processed products to the markets. However, the enterprise will also in future focus on mushroom cultivation, but the company is open to co-operation with other independent entrepreneurs, who would focus on product development. Presently, the company's major interest is in increasing the cultivation capacity. The location of the enterprise in an unpolluted region in Eastern Finland is a strong marketing argument and a guarantee of the pureness of the products. The location also comprises a major restriction, because investments in remote areas imply an extra risk for the financiers. Another risk is the sensitivity of the labile European mushroom markets to international economic shocks.

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