

CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN THE EU

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CONTENTS

REPORT SUMMARY	2
INTRODUCTION	5
1 CONSUMPTION	6
2 PRODUCTION	12
3 TRADE CHANNELS FOR MARKET ENTRY	16
4 TRADE: IMPORTS AND EXPORTS	23
5 PRICE DEVELOPMENTS	35
6 MARKET ACCESS REQUIREMENTS	38
7 OPPORTUNITY OR THREAT?	41
APPENDICES.....	43
A PRODUCT CHARACTERISTICS	43
B INTRODUCTION TO THE EU MARKET	45
C LISTS OF DEVELOPING COUNTRIES.....	46
D GDP PER CAPITA IN PURCHASING POWER STANDARDS.....	48
E MAIN EUROPEAN PUBLIC HOLIDAYS OF IMPORTANCE TO THE FLORICULTURAL TRADE (2008)	49

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REPORT SUMMARY

This market survey profiles the EU market for cut flowers and foliage. The main reason for the aggregation of cut flowers and foliage in this survey lies in the fact that the market and marketing channels for cut flowers and foliage for ornamental purposes are very similar. The primary usage of foliage is for bouquets, in combination with fresh or prepared cut flowers.

In this survey, the focus is on the assortment of imported fresh cut flowers relevant to exporters in developing countries. Certain species of cut flowers and foliage are highlighted (such as Rosa, Dianthus, Dendranthema, and Orchids). However, not all cut flowers are sold as freshly picked products. A relatively small proportion of about 5% has in some way been prepared. Drying and dyeing, in particular, are preparations which cut flowers can undergo. Other ways of preparing are bleaching or impregnating the flowers.

Consumption and trends

The European Union (EU) is believed to consume over 50% of the world's flowers and includes many countries which have a relatively high per capita consumption of cut flowers. Germany is the biggest consumer, followed by the UK, France and Italy in order of importance. In general, the Northwest European markets are mature markets, characterized by a high level of saturation. The UK and Spain are major growth markets, whereas many East European markets are still underdeveloped. This is reflected in the development of consumption levels in these countries. Consumption in Italy, one of the leading cut flowers markets, decreased notably. Consumption in other leading markets, i.e. Germany, France and The Netherlands, decreased slightly. There are two major factors behind this development. The saturation of a number of markets is one. The weaker performance of the economies and a lower purchasing power of consumers in some countries is the other. In contrast, the two most important growth markets, according to absolute increases of the market, were the UK and Spain. The markets of many East European countries are growing as well. However, their absolute size remains small compared to the leading markets.

Per capita consumption is highest in The Netherlands, followed by other countries like the UK, Denmark and Austria. The average per capita consumption in the EU remained stable between 2002 and 2006.

Major trends in EU consumption:

- Consumers tend to shift towards other gift items, for example chocolate.
- Consumers are increasingly asking for high-quality flowers. Supermarkets are also becoming more strict in their quality requirements.
- Growing demand for bouquets and, subsequently, for summer flowers and foliage, both for higher-quality main products and for smaller varieties.
- Consumer concern for the environment. Certificates and other ways to guarantee the protection of the environment offer possibilities to respond to this consumer demand.
- Increased demand for exclusive or novelty products and trendy products, which change very frequently and only remain popular for a short period.
- With respect to individual cut flower species, it is important to note that Rosa remains by far the most popular flower all over the EU. Within the Rosa market, a shift of consumer preferences from smaller towards bigger budded varieties can be recognised. This shift is related to the increased demand for higher-quality and more expensive flowers.
- Dianthus sales have decreased considerably in the last decade, particularly in the Northwest EU countries. However, recent interest by fashion designers and fashion stores could be interpreted as a sign of revival of Dianthus.

Production

The Netherlands is by far the major producer in the EU, followed at a distance by Italy.

In some Northwest European countries like the UK, Germany and Belgium, production is declining. In The Netherlands, Italy, Spain, Belgium, Sweden and Denmark, the number of active growers is also declining. The average production per company however increases, resulting in stable overall production figures. Furthermore, East-European countries like Poland and Hungary are showing a recovery, and even growth, in cut flower production. Overall, it is estimated that total EU production value will remain more or less stable for the coming years.

Major trends in EU production:

- Decreasing production area and number of producers, but a stable production output as a result of upscaling and improvements in productivity.
- Specialisation in certain products. This is particularly noticeable in Rosa production. EU producers of Rosa are switching to large-budded varieties under competition pressure from developing country suppliers of 'sweethearts' (i.e. small-budded varieties).
- Shift of production from central and northern Europe towards peripheral Europe.
- Overproduction of certain varieties which pushes prices down, particularly in the case of roses.

Trade channels

Auctions play a central role in the trade of flowers in the EU, where they have a 30-40% market share. The main auctions are located in The Netherlands. These auctions serve as a hub for products from developing countries. In 2007, the two major auctions decided to merge to be able to handle the internationalisation and scaling up of the production.

The buyers at the auctions consist principally of wholesalers. Their task is to purchase large amounts of flowers and break this bulk into smaller amounts. Some (importing) wholesalers purchase their products directly from growers. By bypassing the auctions, these wholesalers save some of the costs associated with the auctioning, such as handling costs.

There is a strong tendency towards concentration in the EU wholesale trade. The number of wholesalers is decreasing and those remaining specialise in market segments. Moreover, the function of many wholesalers is changing. They are increasingly functioning as logistics service providers, quality inspectors and co-ordinators of the stream of flowers. In general, however, the importers still play an individual and specific role in the chain, because they have a strong relationship with their suppliers and because they play an indispensable role as assemblers of a broad assortment of products.

Traditional florists still dominate the retail distribution of flowers in most EU countries. The importance of the supermarket, at the retail level of the distribution chain, has been increasing for a number of years. However, the market share of supermarkets has stabilised in some countries. The main strength of supermarkets is the convenience they offer.

The direct involvement of supermarkets has had a particularly large effect on the trade of small- to medium-sized rose varieties. In the past, almost all qualities could be sold. Nowadays, however, supermarket channels are becoming ever stricter on quality requirements.

Imports

The EU is the world's leading importer of flowers and foliage, with imports amounting to € 3.4 billion in 2006. The economic slowdown and the subsequent decrease in purchasing power in many EU countries between 2002 and 2004 had a negative effect on consumption and, subsequently, on imports of cut flowers. As the economy recovered in 2005 and particularly in 2006, consumption and imports of flowers increased again. Supplies of higher-priced flowers answer demand for higher-priced flowers in the EU, as a result of increased purchasing power.

Germany has long been the largest European importer. However, due to considerable decreases in imports by Germany, the UK became the largest importer in 2006. Together, they account for nearly half of total EU imports (in value).

Only 24% of total imports was imported from outside the EU. However, this share is increasing. The Netherlands is the leading importer of products from outside the EU, accounting for more than half of these imports. A great part of Netherlands imports is re-exported to other countries, in particular Germany.

The Netherlands is the main supplier of cut flowers and foliage to other EU member states. The dominating position of The Netherlands as a supplier to the EU is the result of both its large production and the aforementioned re-export of flowers. Besides The Netherlands, other cut flower suppliers to the EU contributing major shares were Kenya, Colombia, Ecuador and Israel.

Since 1993, the EU imports of fresh cut flowers have been dominated by Rosa. Between 2002 and 2006, imports of Rosa increased by 4% annually. Developing countries mainly supply Rosa; and also play a significant role in supplies of summer flowers and Dianthus.

Opportunities for imports from developing countries are:

- Higher demand for high-quality products
- Shift of adding value from the wholesaler towards the growers in developing countries
- Off-season supplies
- Bouquets
- Supplying via Netherlands auctions

Threats to imports from developing countries are:

- Poor image of LDC sources (logistical problems, lack of professionalism, inexperienced commercial attitude)
- Increasing airfreight rates
- Retail chains increasingly require suppliers and products to be certified
- Fierce competition and low prices in market for Rosa and Dianthus
- Competition from East European countries

INTRODUCTION

This CBI market survey profiles the cut flowers and foliage market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups:

- Fresh cut flowers
- Prepared cut flowers
- Foliage

For detailed information on the selected product groups, please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from <http://www.cbi.eu/marketinfo> Go to 'Search CBI database' and select your market sector and the EU.

1 CONSUMPTION

1.1 Market size

The European Union (EU) is believed to consume over 50% of the world's flowers and includes many countries which have a relatively high per capita consumption of cut flowers. Germany is the biggest consumer, followed by the UK, France and Italy in order of importance.

The markets in the EU can be divided into three categories:

1. **Mature markets** like Germany, The Netherlands, France, Belgium, and the Scandinavian countries. These markets are characterised by relatively high levels of per capita expenditure on flowers. The size of these markets tends to be stable and sometimes even declining. Consumers tend to spend a relatively high share of flower expenditure on personal use. They are familiar with flowers and are interested in new and interesting products.
2. **Growth markets** like Spain and the UK: These markets are generally of considerable size (the UK for instance is already one of the largest consumer markets), but there it is the expectation that they will continue to grow for the coming years. In some of the growth markets, the per capita spending is still relatively low compared to the mature markets.
3. **Markets in development** like the East-European countries and Greece: Typically, the economies of these countries are expanding fast. As the purchasing power of consumers is increasing, they tend to buy more flowers. Nevertheless, flowers are still considered a luxury item and are bought mainly as gifts.

Total consumption remained relatively stable between 2002 and 2006, but differences between countries exist. Consumption in the leading markets of Germany, France and The Netherlands decreased slightly. Italy is showing signs of saturation as well, although it was considered one of the expanding markets until recently. In contrast to expectations, Italian consumer spending on flowers decreased by 7% annually over the past years. Saturation is also one of the major causes of decreasing consumption in some of the leading markets. Another major factor behind this development is the weaker performance of the economies and a lower purchasing power of consumers in some countries. Please refer to Appendix D for GDP per capita in Purchasing Power Standards of EU25 countries.

Although lower purchasing power has led to fewer purchases of flowers, it is not the only factor explaining flower sales. For example, per capita consumption of flowers is higher in The Netherlands than in the UK, while GDP per capita levels are equal. More information about other factors explaining the differences in per capita consumption will be given in the next sub-sections.

The two most important growth markets, according to absolute increases of the market, were the UK and Spain, where consumption increased by 4 and 5% respectively.

Table 1.1 EU consumption of cut flowers and foliage, 2002-2006, in €

	2002		2004		2006	
	€ million	Per Capita (€)	€ million	Per Capita (€)	€ million	Per Capita (€)
Germany	3,108	38	3,022	37	2,947	36
UK	2,401	40	2,649	44	2,821	47
France	1,960	33	1,939	33	1,853	30
Italy	2,126	37	1,805	31	1,619	28
Spain	815	20	916	22	990	22
The Netherlands	959	60	876	54	892	54
Belgium	297	29	358	35	401	39
Sweden	299	34	311	35	342	38

Austria	354	43	364	44	324	40
Poland	267	7	225	6	322	8
Denmark	215	40	234	43	247	46
Finland	179	34	167	32	181	35
Greece	172	16	183	17	178	16
Ireland	118	30	141	34	162	38
Portugal	155	15	147	14	147	14
Hungary	122	12	129	13	136	14
Czech Republic	118	12	123	12	125	12
Romania	n.a.	n.a.	67	3	105	5
Slovakia	53	10	46	9	53	10
Slovenia	47	23	42	21	34	17
Bulgaria, Estonia, Latvia, Lithuania, Cyprus, Malta, Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total/average*	13,765	28	13,677	28	13,774	29

Note: information on other new EU countries is not available

*Based on data of countries for which complete data for all 3 years is available

Source: Flower Council of Holland (2007)

Per capita consumption is highest in The Netherlands, followed by the UK, Denmark and Austria. The average per capita consumption in the EU increased slightly between 2002 and 2006.

Annual growth of the global flower market is forecasted to be approximately 3%. This growth will mainly be realised in emerging markets, such as the East and South European countries and through the development of large retail organisations in existing markets (report on the merger between VBA and FloraHolland, 2007).

The International Association of Horticultural Producers (AIPH) confirms the importance of Eastern Europe for the growth of the sector. Consumption in the new accession countries and Russia increased by 15% from 2002 to 2004 and continuously increasing imports indicate that consumption was still increasing at high rates in 2005 and 2006. Currently, the per capita expenditure in East European countries on flowers and plants amounts to approximately € 7 to € 8 per person per year. Note that per capita expenditure in Russia is particularly low (€ 4), so that actual per capita expenditure levels for the new accession countries are thus higher.

Because of their large market share in total European consumption, the Netherlands auctions can be used as an indicator for the best-sold cut flower species in the EU. Note that differences can exist between auction and direct sales. Table 1.2 shows the leading 16 cut flower species sold in 2006. Rosa is by far the most important cut flower traded at the Netherlands auctions, followed by Dendranthema, Tulipa, Lilium and Gerbera.

Table 1.2 Top 16 cut flowers species sold at the Netherlands auctions, 2002-2006
€ million

	2002	2003	2004	2005	2006	Average annual change 2002-2006 (%)
Rosa	700	681	706	729	758	2.0
Dendranthema (Spray)	307	299	285	293	300	-0.6
Tulipa	171	186	185	192	223	6.9
Lilium	168	160	158	164	167	-0.1
Gerbera	108	106	116	121	122	3.1
Cymbidium	66	66	65	70	72	2.2
Dendranthema (Ind Grp GE)	35	38	39	47	56	12.5
Freesia	62	60	60	57	55	-3.0
Anthurium	41	43	40	41	46	2.9
Alstroemeria	44	40	38	39	39	-3.0

Hippeastrum	27	28	33	35	35	6.7
Eustoma russellianum	37	34	32	34	35	-1.4
Zantedeschia	31	30	32	33	34	2.3
Gypsophila	39	37	32	33	34	-3.4
Hypericum	35	31	30	29	29	-4.6
Dianthus	45	35	32	30	28	-11.2
Other	478	455	479	454	467	-0.6
Total	2,394	2,330	2,330	2,401	2,500	1.1

Source: VBN (2007)

1.2 Market segmentation

Flowers are bought by many different types of people for different purposes in EU countries. Consumption patterns of buyers living in different member states vary strongly. Yet, it is possible to draw up a model of the main common features of EU consumers.

Segmentation by purpose in purchasing

1) Gifts and special occasions

The purpose of purchasing flowers is mostly to give them away as a gift (around 50-60%). Around 15% is bought for funerals and some 20% is for personal use. However, these figures vary greatly between countries. In general, personal use of flowers is higher in countries where incomes are high.

The main products competing with flowers are products such as books, chocolates and wine, as these are also often bought as presents and fall in the same price category as flowers. If the price of flowers is relatively high, or if flowers are of poor quality, consumers tend to switch to these competing products. The criteria for purchasing flowers are mainly quality, price, the species of flowers used in bouquets, the colour of flowers, freshness, vase life and scent. The importance of the criteria varies considerably between countries.

Symbol of emotion

The European consumer does not consider a flower as just an ordinary gift; it also symbolises emotion and feeling. Flowers express someone's feelings. The reason for a gift can be congratulations (birthday), an apology (argument, awkwardness), a commiseration with someone's grief (death, accident), or a sign of love or affection for someone special (Valentine's Day).

Public holidays

Public holidays have an important influence on the demand for cut flowers and foliage. At the time of Valentine's Day, Christmas, Mother's Day, and Secretary's Day, there are substantial peaks in flower sales. Beside the internationally well-known holidays, most countries have their own special holidays. Appendix E lists the main European public holidays.

2) Personal use

The second purpose for which consumers buy flowers is for his or her personal use. This is often with the intention of brightening up the home and creating a pleasant environment. The same purpose applies to companies (businesses, restaurants, hotels, etc.) which buy flowers to decorate and brighten up their offices, lobbies or restaurants with the aim of creating an office reflecting professional representation and, sometimes, even to create a more pleasant working atmosphere.

Women vs. men

According to consumer surveys, the person most frequently buying flowers is typically a woman older than 45, living in an urban agglomeration where there are medium to high incomes. It is estimated that about 80% of all flowers purchased in European countries is bought in the form of

so-called mono bunches (of one variety) or by stem, the rest is in ready-made bouquets of mixed flowers and foliage and in flower arrangements.

Young people vs. older people

Sales of cut flowers to young people under 30 years of age are relatively small. The reasons could be found in the following:

- Young households often consist of couples who both work and are therefore spend less time at home. As a consequence, they have less opportunity and time to purchase flowers. Furthermore, they buy fewer flowers, because they cannot enjoy the flowers since they are not often at home.
- Households with young children do not buy flowers, often due to practical reasons (for example vases being knocked over).
- Young people attach less emotional value to flowers than older people.

Institutional market vs. consumer market

Companies also purchase flowers to decorate and brighten up offices, hotels or restaurants. The non-profit sector and the commercial services sector are major consumers of flowers, accounting for about half of the flowers bought by the small and medium-sized enterprises. Almost 90% of the companies purchases flowers to give them away as birthday and anniversary presents.

The role of the institutional market differs per EU country, but accounts typically for between 10 and 25% of total flower sales. In almost all EU countries, this share is stable or increasing.

Consumer preferences and patterns can differ widely between countries. Purchasing patterns can even differ within countries by geographical region and income strata: affluent people buy more bouquets of exclusive flowers; less affluent people buy simple bunches of flowers. Even colour preferences vary. Nevertheless, there are a few characteristics which are applicable to most European consumers.

European consumers expect flowers to be colourful and beautiful. The emotional element is important. Furthermore, the quality expected by consumers is generally very high. They expect not only freshness at the moment of purchase, but also a long vase life. Although the price is not always the main criterion, it is of major importance. Last, but not least, in many countries the scent of the flowers is valued.

For years, cut flowers in fashionable colours and forms have been priced higher than the mainstream crop. The traditional primary colours of red, yellow, white and blue always enjoy a certain demand, but the ever-changing fashions in interior decoration set the trends. 30% to 70% of consumers demands that colour tones be combined in harmonious or contrasting arrangements, contained in decorative pots or wrappings.

1.3 Trends

The quality expected by European consumers is generally extremely high. They not only expect freshness at the moment of purchase, but also a long vase life. Although the price is often not the main criterion, it is of major importance, particularly in somewhat stagnant economies. For years, cut flowers in fashionable colours and flower forms have been priced higher than the average crop.

A trend that can be recognised for all floricultural products is the increasing care for the environment. It is no longer only nature lovers who are concerned about the environment. Large groups of consumers have come to realise that future generations also have a right to a healthy environment. They are therefore making increasingly stringent demands with respect to the way in which products are produced. Consumers are now not only interested in the shape, colour or fragrance of flowers and plants, but also in the way in which they have been grown. They assume that the plants and flowers they buy have been cultivated using the

smallest possible amounts of crop protection agents, energy and fertilisers and generating the least possible waste. This trend can particularly be seen in the Northwest EU countries.

A number of other noticeable trends can be recognised in the EU market for cut flowers and foliage:

- Year-round availability: a reason for the popularity of flowers is that growers nowadays are able to maintain a much more continuous production, ensuring year-round availability of most products.
- In the mature markets, the number of bouquets and flowers bought is steadily declining while the value of the purchases remains the same. In other words, consumers are spending more on expensive flowers.
- Medium and large-sized enterprises, the so-called institutional market, are becoming important consumers of flowers.
- Consumers are very interested in variation in personal gifts. They like to be surprised.
- There is an increasing competition from other gift articles, which is constantly decreasing the relative importance of flowers as gifts.

With respect to individual cut flower species it is important to note that Rosa remains by far the most popular flower all over the EU. The European market for Rosa is a very large and mature market within the cut flowers market and various market segments have developed within the Rosa market. When looking at the rose market, it is important to make a distinction between the large flowered varieties (so-called T-hybrids), medium-size flowered varieties (often called intermediates), and the small-flowered varieties (sweethearts). In many countries, a shift of consumer preferences from smaller towards bigger budded varieties can be recognised. Nevertheless, it is expected that a considerable market segment interested in small varieties will remain.

One of the upcoming niche markets within the trade in roses is the market for fragrant roses. A recent survey by UCFlor at the Sanremo Flower Market in Italy showed that 15% of the traders are handling perfumed cut roses in response to market demand. The main difficulty in this niche market is to develop Rosa with a long vase life and a strong and pleasing scent.

Dianthus sales have decreased considerably in the last decade, particularly in the Northwest EU countries. In Eastern and Southern European countries the decrease is less noticeable. It is not completely clear why Dianthus has lost so much of its popularity in many countries. Dianthus experts state that disappointing retail presentation has caused Dianthus popularity and sales to decrease. Retailers would often only offer very traditional colours, though more trendy colours are available as well. This would have made Dianthus a bit old-fashioned in the eyes of consumers. However, recent interest by fashion designers and fashion stores could be interpreted as a sign of revival of Dianthus. Dianthus producers in The Netherlands also started a promotion campaign to make consumers re-discover the Dianthus. New popular varieties could help to raise interest in Dianthus in general.

Please note that CBI has also published the surveys "The EU market for summer flowers" and "The EU market for tropical flowers". These surveys highlight trends specifically for the following products:

- Summer flowers: Gypsophila, Hypericum, Solidago, Chamelaucium, Ornithogalum, Helianthus, Ranunculus, Veronica, Eryngium, Limonium.
- Tropical flowers: Orchids, Anthurium, Strelitzia, Protea, and Heliconia.

1.4 Opportunities and threats

Opportunities

- Growing demand for bouquets and, subsequently, for summer flowers and foliage, both for higher-quality main products and for smaller varieties.

- Consumer concern for the environment. Certificates and other ways to guarantee the protection of the environment offer possibilities to respond to this consumer demand.
- Exclusive or novelty products.
- Niche products, like fragrant roses.
- Strong increasing flower sales in the East-European markets.

Threats

- Consumers tend to shift towards other gift items, for example chocolate.
- Unpredictability of ever-changing fashion: which colours and variety will I need to grow?
- Increasing quality requirements, particularly from the supermarket channels.
- Old fashioned image of Dianthus.

1.5 Useful sources

- Flower Council of Holland: <http://www.flowercouncil.org>
- International Trade Centre (ITC): <http://www.intracen.org>
- COLEACP (Europe-African-Caribbean-Pacific Liaison Committee for the Promotion of Horticultural Exports): <http://www.coleacp.org>
- Productschap Tuinbouw (Netherlands Product Board for Horticulture): <http://www.tuinbouw.nl>
- Flowers and Plants Association: <http://www.flowers.org.uk>
- FloraCulture International magazine: <http://www.floracultureintl.com>

2 PRODUCTION

2.1 Size of production

There is often no (recent) data on production of cut flowers in EU countries, furthermore countries use different methods for measuring their production. It is, however, possible to give an indication of the main cut flower producing countries in the EU by looking at the available figures indicating the production value.

Table 2.1 Production of cut flowers in the EU
In € million

Country	Production (€ million)	Year	Average annual change in 4 most recent years (%)
The Netherlands	2,045	2005	2.6
Italy	859	1999	*4.9
Spain	323	2002	0.3
France	297	2004	6.8
Germany	241	2006	-2.1
UK	77	2005	-5.7
Poland	41	2004	*1.1
Finland	41	2002	-8.5
Belgium	33	2006	-1.0
Sweden	30	2005	+0.8
Portugal	24	2003	9.5
Austria	24	2000	n.a.
Hungary	24	2004	n.a.
Denmark	20	2005	0.0
Czech Republic**	10	2001	n.a.
Ireland	5	2006	-2.6
Slovenia	4	2000	n.a.
Romania	n.a.	n.a.	n.a.
Bulgaria	n.a.	n.a.	n.a.
Greece	n.a.	n.a.	n.a.
Slovakia	n.a.	n.a.	n.a.
Latvia	n.a.	n.a.	n.a.
Estonia	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.
Cyprus	n.a.	n.a.	n.a.
Malta	n.a.	n.a.	n.a.
Total	4,098	n.a.	n.a.

*Change in 3 most recent years

**Estimate

Source: Flower Council of Holland (2004, 2005, 2006, 2007)

The combined production value of EU countries according to the available data is approximately € 4 billion. The Netherlands is by far the major producer in the EU, accounting for half of total production value.

Production development differs strongly between countries. In some Northwest European countries like the UK, Germany and Belgium, production is declining. In The Netherlands, Italy, Spain, Belgium, Sweden and Denmark, the number of active growers is also declining. The average production per company however increases, resulting in stable overall production figures. Furthermore, East-European countries like Poland and Hungary are showing a recovery, and even growth, in cut flower production. Overall, it is estimated that total EU production value will remain roughly stable for the coming 2 years.

Table 2.2 Area under production (in hectares) and number of cut flower growers

Country	Area	Year	Number of growers	Year	Average size of companies (m ²)	Year
Italy	8,463 ¹	1998	n.a.	n.a.	n.a.	n.a.
UK	5,769	2005	n.a.	n.a.	n.a.	n.a.
The Netherlands	5,685	2005	4,620 ²	2005	11,562 ²	2005
Germany	2,897	2004	3,625	2004	7,991	2004
France	1,964	2004	2,046	2004	9,599	2004
Spain	2,300	1998	6,198	1998	3,711	1998
Portugal	1,700 ¹	2003	n.a.	n.a.	n.a.	n.a.
Poland	485	2000	33,900 ¹	2004	n.a.	n.a.
Greece	478	2002	1,444	2002	3,310	2002
Ireland	207	2002	n.a.	n.a.	n.a.	n.a.
Belgium	147	2005	3,549 ¹	2005	n.a.	n.a.
Hungary	128	2003	n.a.	n.a.	n.a.	n.a.
Denmark	127	2005	67	2002	18,955	2005
Austria	100	2004	788	2004	1,269	2004
Finland	43	2003	860	2003	500	2003
Czech Republic	37	2003	n.a.	n.a.	n.a.	n.a.
Slovakia	25	1999	280	1999	n.a.	n.a.
Sweden	19	1999	n.a.	n.a.	n.a.	n.a.
Slovenia	10	2003	233	2003	429	2003
Latvia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Estonia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lithuania	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Malta	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cyprus	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Including pot plant producers

2. Estimate based on annual changes over the period 1995-2002

Source: Flower Council of Holland (2004-2007), Statistisches Bundesamt Deutschland (2006), Danmarks Statistik (2006)

Table 2.3 shows the main products grown in a number of EU countries. The climatic conditions for producing Rosa are far from optimal in the EU. Nevertheless, Netherlands growers are capable of producing top-quality Rosa throughout the year, amongst other means through using heating, assimilation lighting and additional Carbon Dioxide (CO²). The auction prices are an indication that their efforts are appreciated by the market, as prices of Rosa from The Netherlands receive higher average prices than Rosa from other countries.

Table 2.3 Cut flower production in selected EU countries

Country	Major cut flowers produced in terms of hectare (both open area and under glass)
Germany	Rosa, Dendranthema, Foliage, Gerbera, Tulipa.
Spain	Dianthus, Rosa, Gladiolus, Dendranthema, Lilium, Iris.
France	Rosa, Dianthus, Tulipa, Gladiolus, Dendranthema
Italy	Rosa, Dianthus, Gerbera, Dendranthema, Gladioli.
The Netherlands	Rosa, Dendranthema, Tulipa, Lilium, Gerberas, Orchid, Freesias
UK	Narcissus, Gladiolus, Dendranthema, Alstroemeria, Dianthus, Freesia, Iris, Rosa, Lillies.
Poland	Rosa, Gerbera, Dianthus, Dendranthema, Freesia, Anthurium.
Hungary	Dianthus, Gerbera, Rosa.

To avoid early saturation of markets, resulting in premature decline in prices, growers and breeders tend to introduce their novelties very carefully. In the early stages after introduction, new varieties are offered only in limited numbers and supported by marketing campaigns.

2.2 Trends in production

In general, the following important production trends are recognised in the leading production countries in Northern Europe (The Netherlands, Germany and Denmark), but also more and more in Mediterranean and East European countries:

- Production area is slowly declining.
- Number of growers is decreasing.
- Total production is stable.

Covered production (greenhouses) of Rosa in The Netherlands serves as a good example of this development, as presented in Table 2.4. These figures show that the average cultivated area per company and output per hectare are increasing. Hence, scale-enlargement and increased productivity have taken place.

Table 2.4 Rosa production under glass in The Netherlands

Year	Number of companies	Production area (ha)	Average size of companies (ha)	Total output ¹ (millions of stems)	Output per hectare (thousand stems per ha)
2001	689	921	1.3	1.9	2,041
2002	628	907	1.4	1.8	1,959
2003	574	853	1.5	1.8	2,058
2004	530	848	1.6	1.7	2,008
2005	470	780	1.7	1.7	2,116
2006	425	754	1.8	1.5	2,004

¹ Output in number of Rosa stems sold at the association of Netherlands flower auctions (VBN)
Source: CBS (2007)

Although flower consumption keeps increasing throughout Europe and the rest of the world, margins are steadily shrinking and European flower farmers are looking for solutions. Many European firms choose either for upscaling - in which case their preferred distribution channel is often the supermarkets - or specialising in niche products or methods, which usually means they sell through the auctions, because special products tend to fetch a higher price there.

The drive either to scaling up or specialisation - and the inevitability of dealing with issues like cost-efficiency and quality-management along the way - is the major trend in the European market today.

Nevertheless, in the case of several products, but particularly small- to medium-sized rose varieties, African growers are pushing the European growers out of the market. It is interesting to see that, in the course of 2007, a strong increase in supply to the market of Gerbera was reported, particularly of 'mini' varieties. This increase was not only the result of improved cultivation technology, but also because of European growers switching from other products. Mini Gerbera seemed to offer good prospects, particularly for growers of Rosa, Dendranthema and vegetables.

As a result of the increasing competition and search for lower costs, some European growers (particularly in The Netherlands) relocate their production to lower cost countries which offer good cultivation circumstances. An increasing number of growers has set up flower farms in countries such as Kenya and Ethiopia.

Organic production of flowers is still a relatively small business sector. One of the barriers to the development of organic production is the lack of information about it on the auction clocks in The Netherlands. The clock does not show if the products are produced organically or not. If a producer wants to promote his/her organic production method, he/she has to change the

name of the company to reflect this. Otherwise, buyers will not notice the special quality of the flowers.

2.3 Opportunities and threats

Opportunities

- The decreasing number of EU producers lowers the number of potential competitors.
- EU producers of Rosa are switching to large-budded varieties, under competition pressure from developing country suppliers of 'sweethearts'.

Threats

- Increasing production scale and higher productivity in competing European countries. The productivity is continuously improved by high-level research on production techniques and the subsequent application of high-tech production methods by European growers; this also enables them to grow products of the highest quality.
- Shift of production from central and northern Europe towards peripheral Europe.
- A threat of overproduction and downward price pressure, particularly in the case of roses.

2.4 Useful sources

- International Association of Horticultural Producers (AIPH): <http://www.aiph.org>
- Flower Council of Holland: <http://www.flowercouncil.org>
- Productschap Tuinbouw (Product Board for Horticulture): <http://www.tuinbouw.nl>
- Association of Dutch auctions (VBN): <http://www.vbn.nl>

3 TRADE CHANNELS FOR MARKET ENTRY

3.1 Trade channels

In this chapter, we will discuss the main distribution channels in the EU market used by cut flowers and foliage from developing countries.

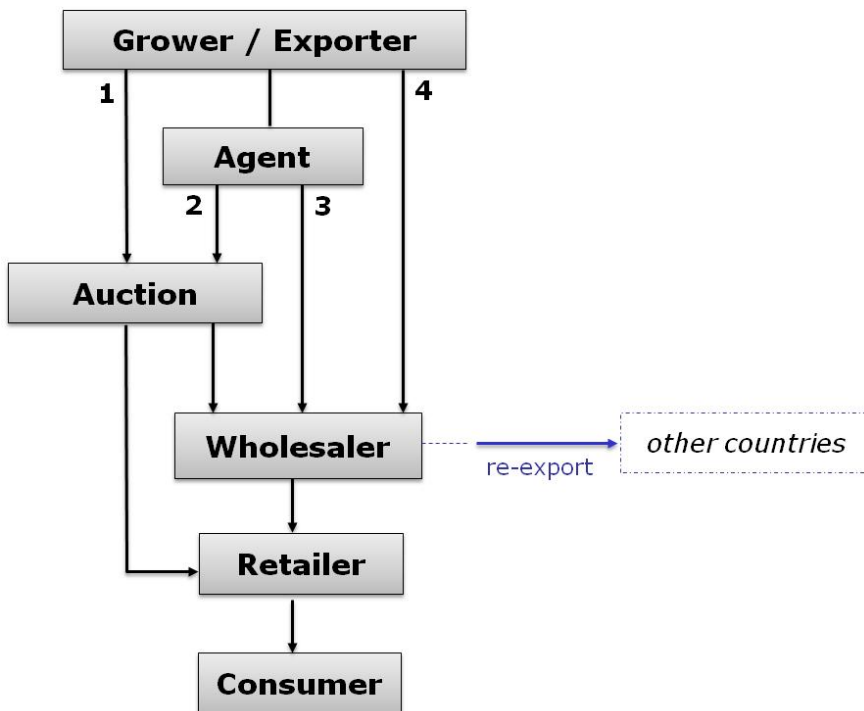
As flowers travel from exporters to consumers, they pass through various stages and are handled by various actors. There are 4 important actors which have to be distinguished for a clear understanding of the distribution chain: agents, auctions, wholesalers and retailers.

Products can follow a wide range of different routes before reaching the consumer. In general, however, cut flowers and foliage from developing countries follow one of the following four distribution channels (see Figure 3.1):

1. Via one of the auctions: In this case, products are received, un-packed and prepared for auctioning by the handling department of the auction.
2. Via an agent to the auctions: The products are received by an agent who prepares the products for auctioning.
3. Via an agent to a wholesaler: The products are received by an agent, who forwards the imported products (with or without preparation) to a wholesaler.
4. Via an importing wholesaler (also called importer): The products arrive directly from the logistical handler at the importing wholesaler. After unpacking and further preparation (for instance assembling of bouquets), the products are mostly sold to domestic or foreign wholesalers or retailers.

Distribution channels 1 and 2 pass through the auction system, while channels 3 and 4 bypass the auctions (often referred to as 'direct trade').

Figure 3.1 Distribution network of the cut flower trade in the European Union



The importance of the 4 different routes depends strongly on the product, and the exporting and destination country. In general, however, we can note that more and more products bypass the auctions (route 3 and 4). Furthermore, an increasing share of the flowers from developing countries sold via auctions are handled by agent (route 2), rather than by the auction department (route 1).

Note that foliage is mostly imported by specialised agents and wholesalers. In contrast to most cut flowers, hardly any foliage passes through the auction system.

Auctions

Auctions are wholesale markets created by the growers to market their products. The first flower auctions were set up in the early 20th century in The Netherlands. Nowadays, there are about 10 flower auctions in Europe. The most relevant ones with respect to flowers from developing countries are located in The Netherlands and Germany. Names and addresses of auctions and wholesale markets in EU countries are provided in the CBI market surveys covering the cut flowers and foliage market in the respective countries.

The auctions in The Netherlands are co-operatives, owned by domestic growers and open to membership for all growers in the EU, as well as to some growers outside the EU. The number of members from outside the EU is increasing. The main purpose of the auctions is to handle produce from their member growers, who are obliged to submit their whole production to the auction.

Floricultural products submitted to the auctions are sold either by means of the auction clock or through the Intermediary Office:

The Auction Clock

Upon submission to the auctions for sale, each batch of product is examined by auction inspectors in order to determine maturity, length, and number of buds. They sort the flowers according to various grade classification standards. During the process, the flowers are checked for diseases and pests, for colour deviations and leaf yellowing. All the information is stored in the auction computer, and the products are cleared for auctioning.

Flower trolleys move the product for sale past the auction clock.

At the moment of the sale, the single hand of the clock descends until a prospective buyer, by pushing a button, halts the hands of the clock. The price then indicated is the purchase price.

After the buying procedure, the products are distributed to the buyers, who have rented packaging space at the auction. The whole process at the auction is highly automated, from handling and storage of goods before auction, to administration of the sale and delivery to the buyer's office, as well as packaging for transport in the packing room.

More and more auction buyers make use of the *Remote Buying* service (in Dutch 'Kopen op Afstand' or KOA). The KOA service was first introduced several years ago, but in the last couple of years there has been a dramatic increase in the share of the auction's turnover via KOA. Remote Buying enables traders to purchase products online using their PC. Traders are no longer required to be physically present in the auction room. It is also recognised as being used by the Dutch exporters to allow their larger clients to become more involved in the buying process.

The Intermediary Office ('Bemiddelingsbureau' in Dutch)

The Intermediary Office of the auction acts as an intermediary between seller and buyer on a commission basis. Its importance with respect to the sales of cut flowers is still relatively small,

but growing. FloraHolland forecasts the share of the Intermediary Office at about 30% in 2020. This development is the result of the scaling up of the market for flowers, especially the increasing market share of large retailers, which need to have a large, stable and reliable supply of flowers and have the capacity to bypass the auction clock.

The Netherlands wholesalers are the main customer base of the auctions. They typically focus on exports and their infrastructure is developed to co-ordinate product flows. Their sales markets are mainly in Europe and, for a small part, in the rest of the world.

The Netherlands auctions now handle about 80-90% of the Netherlands produce and 60% of flowers imported into The Netherlands. The auctions heavily influence global trade and serve as a price-setting institute for a large part of the flower market, in particular in Europe, where they have an estimated 30 to 40% market share in cut flowers. It is vital to understand the importance of the Netherlands auctions as an international distribution hub for products from developing countries. However, the auctions in The Netherlands are under pressure from the competition, not from larger auctions, but from other types of sales channels.

First of all, increasing direct sales to large retail chains have a negative impact on the market share of the auctions. This development is further explained in the section on retailers. Nevertheless, keep in mind that the large retail chains account for only 25-30% of total sales. Independent retail outlets like flower shops and street stalls are still the most important retail outlets. These smaller retailers do not purchase large quantities of a single variety, but rather purchase small quantities of many different varieties. Therefore, the wholesalers supplying large retail chains can not supply these smaller retailers competitively. The latter will continue to purchase their flowers at the auction.

Another threat to the auctions is the increasing scale of the flower business in general. Production scales have increased significantly in recent years, in a reaction to the internationalisation of the flower business and in order to remain competitive. Smaller marketplaces are unable to deal with the large supplies offered by growers. There are not enough buyers at these smaller market places to sell large quantities of the same flowers.

The development in large-scale production and trade brought the two leading auctions, FloraHolland and Bloemenvailing Aalsmeer (VBA), together to discuss a possible merger. In the second half of 2007, the proposed merger was approved by the Netherlands Competition Authority (NMa) and by the members of the two auctions in the second half of 2007. The plan is to realise the actual merger by 1 January 2008.

The new merger combination will proceed under the name FloraHolland in combination with the recognisable red tulip symbol of the Aalsmeer Flower Auction. A marketing cooperation will hence start with six individual market places (Aalsmeer, Naaldwijk, Rijnsburg, Bleiswijk, Venlo and Eelde), representing a combined turnover of about € 4 billion (including plants). There will be one intermediary organisation operating in several locations. One company division will focus on international sourcing (imports).

Besides the auctions in The Netherlands and the auction Landgard (previously NBV-UGA) in Germany, other countries also trade flowers at auctions. Although the importance of these auctions for international trade is small compared to the Netherlands auctions, some of them are gaining in significance.

In 2006, the total turnover of cut flowers at the Netherlands auctions amounted to € 2.5 billion, a 4.1% increase compared to the previous year. Supply decreased by 3.3%. The 11.4 billion stems supplied were traded at an average price of € 0.22. The share of cut flowers in the total turnover of the auctions was 63% in 2006.

Table 3.1 Turnover of Netherlands auctions concerning cut flowers (including imports) 2002-2006, in € million

	2002	2003	2004	2005	2006
FloraHolland	1,334	1,297	1,279	1,317	1,385
VBA	1,021	995	1,009	1,041	1,070
VON	22	23	24	24	28
Vleuten	17	16	18	18	19
Total	2,394	2,331	2,330	2,401	2,500

Source: VBN (2007)

Of the flower auctions in the EU, three are of particular interest to exporters in developing countries. The other auctions are mainly oriented towards the marketing of local production. The three auctions also have their own import departments which can facilitate foreign suppliers with necessary support when supplying the auction:

- FloraHolland: Internationally oriented auction with 6 branches, in Aalsmeer, Naaldwijk, Rijnsburg, Bleiswijk, Venlo, and Eelde in The Netherlands: <http://www.floraholland.nl> and <http://www.vba.com/>
- Landgard: Germany's leading sales organisation and auction. The annual turnover of the flowers and plants department was € 845 million in 2006: <http://www.landgard.de>.
- Tele Flower Auction (TFA): computerised auction focusing on imports from outside Europe: <http://www.tfa.nl>

Tele Flower Auction (TFA)

In mid-1990s, East African Flowers, the largest private importer of non-EU produce in The Netherlands, decided to establish a private auction focusing on imports from outside Europe (Tele Flower Auction). TFA was one of the first computerised auctions, without the physical transfer of flowers past the auction clock. Supply criteria and commissions are comparable to the traditional auctions.

TFA is part of the Oserian Group and a substantial part in the supply of TFA comes from Oserian Farm. Growers located in Kenya, Uganda, Tanzania, Zimbabwe and Zambia channel their products (mainly Rosa, Dianthus and Statice) through auctioning at the TFA on the European market. TFA added various Rosa varieties grown by top Netherlands growers to its range of African Rosa.

From an administrative point of view, East African Flowers can be regarded as the importer in The Netherlands. The company is responsible for Customs clearance and other formalities. Furthermore, EAF is the logistic supplier for TFA.

Wholesalers

Local wholesalers and export wholesalers are vital links in the chain from growers to consumers. The principal task of wholesalers is to purchase large amounts of flowers and break this bulk into smaller amounts. These smaller amounts are then sold to their clients (other wholesalers and retailers), whereby most wholesalers arrange for the products to be transported to their clients.

Most wholesalers purchase their products at auctions. Big (export) wholesalers tend to buy from all important flower auctions, in order to buy the best products at the best prices.

Some (importing) wholesalers purchase their products directly from growers. By bypassing the auctions, these wholesalers save some of the costs associated with the auctioning, such as handling costs. Domestic destinations are the retailers, whereas export wholesalers (re-)export their cut flowers and foliage to wholesalers and retailers abroad.

In the EU, there is a strong tendency towards concentration and operating with 'short communication lines'. The fastest growing companies are the ones supplying supermarkets. The method of direct trading between producers/exporters and the retailer is, in some European countries, leading to the erosion of the function of specialised importers. This leads

to those same importers functioning partly as logistics service providers, quality inspectors and co-ordinators of the stream of flowers. In general, however, the importers still play an individual and specific role in the chain, because they have a strong relationship with their suppliers and because they play an indispensable role as assemblers of a broad assortment of products.

The importance of deliveries by export wholesalers to retailers abroad is also increasing. In fact, some export wholesalers (especially in The Netherlands) have taken over the distribution function from wholesalers in other European countries, by selling directly to retailers (the so-called "Flying Dutchmen") or setting up cash & carry operations. Several multinational flower-trading companies have established their own wholesale companies in various countries.

In some EU countries, traditional wholesale markets still play a role in the distribution chain. In these physical markets, growers and wholesalers sell their produce to local retailers, which are mainly specialised flower shops and smaller garden centres. Most wholesale markets are located near bigger cities. Please refer to the CBI market surveys covering the cut flowers and foliage market in individual EU countries for addresses of the main European wholesale markets.

E-Commerce

Electronic commerce is increasing in importance in the European floricultural business. Although no statistics regarding the online sales of flowers are available, all kinds of initiatives have been taken in the past decade. Most activities are directed to improving information transfer and trade (between growers, auction, wholesaler and retailer).

In 1995, Tele Flower Auction (TFA) was one of the first electronic trade systems seen in the floricultural trade. Another early initiative by the Container Centralen (Denmark and The Netherlands) was Distributed Datanet (DD), a network used for sending messages and trade information. Since then, several parties have set up other systems including FlorEcom (a Netherlands electronic order system, an initiative of auctions and wholesalers).

Retailers

Traditional florists still dominate the retail distribution of flowers in most EU countries. However, the shares of supermarkets, garden centres and market and street vendors are also important. The importance of the supermarket, at the retail level of the distribution chain, has been increasing for a number of years. However, the market share of supermarkets has stabilised in some countries.

There is considerable diversity in the flower assortment offered by the various types of retail outlets. In general, florists offer a wide assortment of flowers, whereas the assortment sold by market and street vendors is narrower.

As a general rule, florists also offer flowers of higher quality and they use more attractive presentation than the other retail outlets. In addition to providing services (such as arranging a bouquet, fashioning wreaths and floral decorations, and delivery), florists offer consumers information and advice about their products. They are usually more prepared to accept novelties than other retail outlets.

In market and street selling, a high proportion of flower sales is generated by impulse purchases. The presence of flowers, at strategic locations and at low prices, offers customers a good opportunity to buy on impulse for use in their own home.

The main strength of supermarkets is the convenience they offer. As a result, supermarkets also tend to concentrate on the impulse and private use segment. In supermarkets, customers can purchase flowers together with their groceries. They do not have to go to another place. This one-stop-shopping concept has proved to be quite successful in recent years. The low quality and narrow flower assortment used to be the major weaknesses of the supermarket departments,

however, the quality and assortment of flowers offered has improved considerably. Most supermarkets have self-service sales. Ready-made bunches of flowers are of particular importance for supermarkets. Supermarket sales are highest per capita in Ireland, Denmark and Switzerland, but are growing elsewhere.

In particular, UK-based supermarkets have made a strategic decision about their market orientation, and moved away from previous reliance on price-based factors towards strategies based on quality and service. This has resulted in supermarkets investing in supply chain relationships and pushing value-added activities down the chain towards exporters.

The best examples of this development are found in Kenya, where larger growers, in close coordination with specialised wholesalers, have tailored their operations to sell to European supermarket chains. Being able to supply these retail chains depends on the ability of the exporter to comply with specific requirements of these chains. These requirements are unlike those of the traditional flower retailers. In return for a major contract, for the stable supply of large amounts of flowers, supermarkets demand very strict quality requirements, high performance logistics (99.8% in the case of Tesco in the UK) and long-term planning.

Quality requirements not only include stem size and other visual quality characteristics, but also vase life guarantee (like 7 days in many supermarkets), the supply of both mono-bunches and mixed bouquets and certification such as WORLDGAP (formerly known as EUREPGAP) or Max Havelaar.

The direct involvement of supermarkets has had a particularly strong effect on the trade of small- to medium-sized rose varieties. In the past, almost all qualities could be sold. Nowadays, however, supermarket channels are becoming ever stricter on quality requirements. An example of this was the German supermarket chain Aldi, which no longer accepted certain varieties because of quality issues. The ban of these varieties is passed on to the importers who supply these wholesalers and, finally, to the growers in Africa.

The increased involvement of the supermarkets offers a prospect of substantial market growth. However, it is important to stress that only a few companies have been able to supply the supermarket chains successfully over a prolonged period of time. Most of these companies have completely specialised in supplying this chain.

Wholesalers who tailor to supermarkets are increasingly purchasing their flowers directly from growers in developing countries. Other large retail chains such as do-it-yourself stores and garden centres are also increasingly purchasing large volumes of flowers via specialised wholesalers who source directly from growers; they co-ordinate logistics across diverse markets, thus bypassing the auctions altogether.

Please refer to the CBI market surveys covering the cut flowers and foliage market in individual EU countries for names and websites of major retailers in the respective countries.

Agents

Agents deliver various services which facilitate trade between exporters and their customers. Some agents have moved away from simple commodity handling towards providing a wider array of services including consultancy, product and marketing information, and import materials. These services have allowed exporters to achieve higher levels of consistency and quality, and have enhanced their competitiveness in the European market.

Agents have adopted a range of competencies: purchasing flowers in supplier countries; becoming financially integrated into flower farms; and providing a wide range of marketing information on consumption trends, environmental programmes and quality-related aspects of distribution. In addition, agents are diverting increasing volumes of flowers to supermarket

chains, Dutch wholesalers, and foreign importers. These capabilities have made agents very valuable to off-auction clients.

Agents play an important role in transferring flowers from air-transport-based to auction-based packaging. Many exporters who lack local representatives in The Netherlands are dependent on these services. The increasing sales of flowers at supermarkets have also led to a higher demand for more direct trade, bypassing the auction.

3.2 Price structure

The marketing costs of the cooperative auctions range from 10-12% for large volume or high value products and up to 20% for small volume or low-value crops. In general, the high fixed charges of the auctions, coupled with the costs of airfreight, mean that particularly large volumes and high quality flowers can generate a positive return at the auctions.

An alternative to the standard auction system is the Intermediary Office which, although part of the auction, focuses largely on direct sales to supermarkets. The Intermediary Office coordinates product flows between buyers and suppliers and handles large volumes of potted plants and average quality flowers, destined for supermarket suppliers. The commission is lower (3–5%) and there are no costs for bucket rent, or lot and trolley levy. Since it is a type of direct trade, the charge per box is also lower. The Intermediary Office has not attracted many cut flower exporters in developing countries yet (less than 10% of auction imports from developing countries is channelled through the Intermediary Office). In general, exporters see little reason to pay the Intermediate Office, when they can achieve direct supermarket sales themselves.

Agents and importing wholesalers typically operate on a commission of fixed prices, which can vary roughly between 5-25% of the gross sales depending on the country, market segment, required handling and product.

Wholesalers typically add an estimated 25-30% of their purchasing costs to the prices for consumers. For example, if they purchase a plant for € 1 at the auction, that same plant will be sold for € 1.25-1.30 to a retailer in the same or in a neighbouring country.

Retailers add an estimated 85-95% of their purchasing costs to the prices for consumers. This percentage is an average mainly of supermarkets and florists. The percentages for florists are actually higher, while those of supermarkets are lower.

3.3 Useful sources

Please note that names and websites of major players in the main European countries are given in the respective country documents.

Auctions

- FloraHolland: <http://www.floraholland.com>
- Aalsmeer Flower Auction: <http://www.vba.com>
- Landgard (previously NBV+UGA): <http://www.landgard.de>

Other

- Union Fleurs (International Association of Flower Wholesalers): <http://www.unionfleurs.com>
- Hoofdbedrijfschap Agrarische groothandel: <http://www.hbagbloemen.nl>
- Productschap Tuinbouw (PT): <http://www.tuinbouw.nl>
- Association of Dutch Wholesalers in floricultural products (VGB): <http://www.vgb.nl>
- International Chamber of Commerce: <http://www.iccwbo.org>
- Association of European Chambers of Commerce and Industry: <http://www.eurochambres.be>

4 TRADE: IMPORTS AND EXPORTS

4.1 Total EU imports

The EU is the world's leading importer of flowers and foliage, with imports amounting to € 3.4 billion in 2006. The economic slowdown and the subsequent decrease in purchasing power in many EU countries between 2002 and 2004 had a negative effect on consumption and, subsequently, on imports of cut flowers. In 2003 and 2004, imports decreased by 2.0% annually. As the economy recovered in 2005 and particularly in 2006, consumption and imports of flowers increased again, by 1.9% annually. In contrast, the volume of cut flower imports decreased by 11% in 2006. This indicates higher average prices of the imported flowers. Higher-priced flowers answer demand for higher-quality flowers in the EU, as a result of the increased purchasing power in 2006.

Regarding total imports (intra- and extra-EU), Germany has long been the largest European importer. However, due to considerable decreases in imports by Germany, the UK became the largest importer in 2006, accounting for 24% of total EU imports (in value). Germany currently accounts for 23% of total EU imports. The third largest importer in the EU was The Netherlands (15%), followed by France (12%).

Table 4.1 EU imports of cut flowers and foliage, 2002-2006
€ million/ thousand tonnes

	2002		2004		2006		Average annual change in value
	value	volume	value	volume	value	volume	
Total EU	3,425.4	747.5	3,291.4	783.4	3,419.7	680.4	0%
Intra-EU	2,708.8	575.7	2,595.1	587.6	2,596.5	458.3	-1%
Extra-EU	716.6	171.8	696.3	195.8	823.2	222.1	4%
Developing countries	598.4	143.7	602.8	171.1	739.0	200.2	5%
United Kingdom	880.8	196.1	784.8	204.9	806.3	146.7	-2%
Germany	903.8	184.6	873.7	202.8	792.0	174.9	-3%
The Netherlands	481.5	124.4	440.1	129.0	519.0	148.7	2%
France	434.5	105.9	428.4	83.0	417.0	53.2	-1%
Italy	169.5	28.4	163.0	31.5	170.5	23.3	0%
Belgium	120.5	28.1	115.0	27.9	121.1	25.9	0%
Austria	95.3	17.3	79.5	16.3	93.7	20.2	0%
Denmark	68.8	11.4	77.5	12.9	79.1	12.5	4%
Spain	47.4	9.3	53.8	12.1	71.7	11.2	11%
Sweden	51.4	7.3	55.9	9.4	69.5	9.7	8%
Poland	0.0	0.0	32.0	13.7	52.3	9.6	n.a.
Ireland	33.7	4.9	32.7	3.8	40.3	8.0	5%
Czech Rep.	28.9	6.0	30.8	7.1	35.4	3.8	5%
Greece	18.8	3.2	25.4	5.5	25.4	5.2	8%
Finland	14.2	2.1	16.3	2.3	19.0	2.6	7%
Portugal	21.3	3.7	14.5	2.8	16.1	3.1	-7%
Hungary	6.0	1.9	13.7	3.1	16.1	3.3	28%
Slovakia	9.6	2.0	10.6	1.7	13.6	2.3	9%
Romania	6.3	4.1	6.1	5.1	11.4	6.9	16%
Slovenia	9.9	1.3	8.7	1.6	10.4	1.5	1%
Latvia	5.9	2.1	6.7	2.0	9.2	0.8	12%
Luxembourg	7.4	0.7	8.4	1.2	9.0	1.2	5%
Lithuania	2.4	0.9	5.2	1.4	7.7	2.1	34%
Estonia	4.1	0.6	4.8	0.9	7.3	1.4	15%
Bulgaria	1.1	0.8	1.7	1.0	3.5	1.7	33%

Source: Eurostat (2007)

Of the total EU flowers and foliage imports in 2006, 76% consisted of imports from other EU member countries. In other words, only 24% was imported from outside the EU. However, this share is increasing at a high rate. In 2002, only 21% was imported from outside the EU. Developing countries play a particularly important role in this development. This will be discussed in Section 6.3. With regard to extra-EU imports, meaning imports by the EU member countries from countries outside the EU, The Netherlands was the leading importer, accounting for approximately 55% of extra-EU imports.

A great part of Netherlands imports is re-exported to other countries, in particular Germany. The second largest EU importer of cut flowers and foliage from outside the EU was the UK, accounting for 19% of extra-EU imports, followed by Germany (8%). Between 2002 and 2006, total extra-EU imports increased by 3.5%, amounting to € 823 million in the latter year.

The Netherlands was the main supplier of cut flowers and foliage to other EU member states in 2006, accounting for almost € 2.4 billion or 69% of total imports in terms of value. The dominating position of The Netherlands as a supplier to the EU is, for a large part, the result of the aforementioned re-exports of flowers. Nevertheless, as The Netherlands is also the biggest EU producer of cut flowers, the best part of its exports still consists of locally grown products.

Besides The Netherlands, other cut flower suppliers to the EU contributing major shares were Kenya (9%), Colombia (3%), Ecuador (3%) and Israel (2%). Kenya increased its supply by 12% annually between 2002 and 2006. Israel decreased in importance in the same period, with supplies decreasing by 8% annually.

4.2 EU imports per product group

This survey covers both fresh cut flowers and foliage. However, note that foliage accounts for only 2.4% of total imports in this product group. Table 4.2 presents the EU imports per product group.

Table 4.2 EU imports and leading suppliers of cut flowers and foliage to the EU, 2002 - 2006, share in % of value

Product	2002 € million	2004 € million	2006 € million		Leading suppliers in 2006 (share in %)	Share in EU imports (%)
Cut flowers and foliage	2,709	2,595	2,597	Intra-EU:	The Netherlands (69), Italy (1), Spain (1), Germany (1), Belgium (1)	76
	118	93	84	Extra-EU excl DC*:	Israel (2)	2
	598	603	84	DC*:	Kenya (9), Colombia (3), Ecuador (3), Zimbabwe (1), Ethiopia (1), Thailand (1), Uganda (1), South Africa (1), Turkey (1), India (1)	22
Rosa	533	560	602	Intra-EU:	The Netherlands (59), Belgium (1)	61
	17	11	4	Extra-EU excl DC*:	Israel (0.4)	0
	291	300	386	DC*:	Kenya (23), Ecuador (6), Uganda (2), Ethiopia (2), Zimbabwe (2), Colombia (2), Zambia (1), Tanzania (1)	39

Product	2002 € million	2004 € million	2006 € million		Leading suppliers in 2006 (share in %)	Share in EU imports (%)
Dianthus	132	103	93	Intra-EU:	The Netherlands (24), Spain (9), Italy (2)	39
	3	1	0.7	Extra-EU excl DC*:	Israel (0.3)	0
	116	94	145	DC*:	Colombia (36), Kenya (15), Turkey (6), Morocco (1), Ecuador (1), Gaza + Jericho (1)	61
Orchids	58	58	65	Intra-EU:	The Netherlands (69), Germany (2), Belgium (1)	73
	1	0.7	1.5	Extra-EU excl DC*:	New Zealand (1), Taiwan (1)	2
	21	20	23	DC*:	Thailand (22), Malaysia (1), South Africa (1)	26
Gladiolus	8	7	8	Intra-EU:	The Netherlands (81), Italy (3), Poland (2), Spain (2), France (1)	90
	0.05	0.06	0.05	Extra-EU excl DC*:	Israel (0.4)	0
	3	3	0.9	DC*:	Colombia (6), Morocco (2), Kenya (1)	10
Dendranthema	259	245	255	Intra-EU:	The Netherlands (97)	99
	0.8	0.2	0	Extra-EU excl DC*:	-	0
	0.5	2.2	3.6	DC*:	Kenya (1)	1
Other fresh cut flowers	1,535	1,491	1,435	Intra-EU:	The Netherlands (80), Italy (2), Spain (1)	87
	92	76	75	Extra-EU excl DC*:	Israel (4)	5
	129	144	133	DC*:	Kenya (3), Ecuador (2), Colombia (1), South Africa (1)	8
Prepared cut flowers	135	89	95	Intra-EU:	The Netherlands (73), United Kingdom (4), Germany (3)	90
	2	2	2	Extra-EU excl DC*:	Israel (1), Australia (1)	2
	11	8	9	DC*:	India (3), South-Africa (1), Colombia (1), China (1)	8
Dried foliage	10	9	9	Intra-EU:	The Netherlands (10), Germany (8), Spain (4)	33
	1	1	0.8	Extra-EU excl DC*:	USA (2), Australia (1), Israel (1)	4
	14	14	17	DC*:	India (22), China (15), South-Africa (13), Philippines (4), Brazil (3), Turkey (2), Indonesia (1)	63

Product	2002 € million	2004 € million	2006 € million		Leading suppliers in 2006 (share in %)	Share in EU imports (%)
Other foliage	38	34	35	Intra-EU:	The Netherlands (24), Italy (12), Germany (9)	62
	0.8	0.7	0.5	Extra-EU excl DC*:	Israel (0.2)	0
	13	18	22	DC*:	China (16), India (11), Turkey (4), Philippines (2), South-Africa (2), Thailand (1)	38

Source: Eurostat (2007)

*DCs: Developing countries

Fresh cut flowers

Total imports of fresh cut flowers into the EU amounted to € 3.2 billion in 2006. Imports of these products decreased by 1.3% annually between 2002 and 2004 and then increased again by 1.8% annually between 2004 and 2006. The UK was the leading EU importer, accounting for 24% of total EU imports, followed by Germany (23%), The Netherlands (15%) and France (12%).

Rosa

Since 1993, the EU imports of fresh cut flowers have been dominated by Rosa. Roses are the most popular flowers in the EU and a number of East African countries as well as Ecuador and Colombia offer excellent production conditions, such as low labour costs, a favourable climate and appropriate infrastructure and services for the logistics.

Between 2002 and 2006, imports increased by 4% annually, amounting to € 992 million in the latter year. The Netherlands surpassed Germany in 2003 and became the largest EU importer of fresh cut Rosa, accounting for approximately 28% of total EU imports in 2006. The Netherlands not only produces but also exports and re-exports large volumes of Rosa. Therefore, The Netherlands is also a leading supplier of fresh cut Rosa to the EU. Other leading EU importers are Germany (23%), the UK (13%) and France (12%).

Nearly all EU countries increased their imports of Rosa in the period 2002-2006. This indicates that the increased popularity of Rosa was widespread and sustained. Exceptional growth rates were recorded in the medium-sized markets of Sweden (+20% annually) and Poland (+26% annually between 2004 and 2006). Many smaller markets showed even higher growth rates.

The Netherlands is still, by far, the leading supplier of Rosa to the EU (59%). Other EU members, in contrast, play only minor roles. Ranks 2 to 8 are made up of African and South American countries. Kenya is ranked second and Ecuador third. The role of some African countries as suppliers of Rosa to the EU market is growing strongly. This growth is mostly driven by a combination of local investors and growers from The Netherlands and other countries like Israel which have high production costs, who are looking for opportunities in low-cost countries. Furthermore, in many African countries, Indian investors play an important role in the flower business. As a result, supplies by Kenya increased by 13% and Uganda by 7%. Ethiopia is relatively new as a supplying country, but catching up fast with an average annual growth figure of 96%. Some countries however perform less: supplies from Zimbabwe and Zambia decreased by 18% and 15% respectively.

Note that the type of Rosa which is produced and exported from different countries may vary considerably. Uganda, Zambia and Zimbabwe are specialised in small-budded varieties ('Sweethearts' and smaller 'Intermediates'). Kenya grows a mix of small- and medium-sized budded varieties. Ecuador on the other hand is specialised in big-budded varieties (so-called 'T-Hybrids'). The top 5 small- to medium-sized Rosa species supplied to VBN (Association of Auctions in The Netherlands) in 2006 consisted of Red Calypso, Chelsea, Frisco, Sunny Sher,

Viva!. The top 5 large-budded Rosa species supplied to VBN in 2006 consisted of Passion, Grand Prix, Akito, Avalanche+ and Sphinx.

Dianthus

Imports of Dianthus by EU member countries decreased by 11% annually between 2002 and 2004 and increased again by 10% annually between 2004 and 2006, amounting to € 238 million in 2006. The UK is by far the EU's leading Dianthus importing country, accounting for 45% of total imports. The second largest EU importer was The Netherlands (18%), followed by Germany (12%), Spain (6%) and France (4%).

Imports of Dianthus have decreased significantly in recent decades. It is rapidly losing market share in many EU markets. In many countries, it is regarded as a very traditional flower which has lost much of its popularity.

The main sources of imports were Colombia (36%), The Netherlands (24%), Kenya (15%) and Spain (9%). Supplies from The Netherlands consist for a large part of re-exports. Between 2002 and 2006, supplies from Spain decreased considerably (-19% annually) in contrast to supplies from Kenya, which increased at a high rate (+41% annually). The increasing supplies from Kenya also contribute most to the increasing share of developing countries in supplies of Dianthus to the EU.

Orchids

Orchids are the oldest and most familiar tropical flower species and are also a leading import product. Imports of fresh cut Orchid into the EU increased by 3% annually on average between 2002 and 2006, amounting to € 89 million in 2006.

Italy was the largest EU importer of fresh cut Orchid, accounting for 29% of total imports, followed by France (19%), Germany (12%) and the UK (9%). German imports consist mainly of higher-priced, high-quality Orchids.

The supply of Orchids is dominated by 2 countries: The Netherlands and Thailand. The Netherlands is the leading supplier of Orchids to the EU, accounting for 69% of supplies to the EU in 2006. It is the only European country with a sizeable Orchid export industry. The Netherlands growers produce mainly Cymbidium and Phalaenopsis Orchids, but also Paphiopedilum and Oncidium, which are produced in greenhouses throughout the year. Imports from Thailand, the world's largest exporter of tropical cut Orchids and second largest supplier to the EU, accounted for 22% of supplies to the EU. Thai producers hold a particularly strong position in Dendrobium Orchids. In general, developing countries are slowly losing shares in total supplies of Orchids to the EU.

Gladiolus

Compared to the other products described in this survey, Gladiolus imports into the EU are very small, amounting to € 9.4 million in 2006. Between 2002 and 2006, imports decreased by 4% annually.

The leading EU importers, according to their shares in total EU imports, were the UK (34%), Germany (23%) and France (18%). Both the UK's and Germany's imports decreased by 7% annually in the period 2002-2006. Imports by France are stable.

The Netherlands dominates supplies of Gladiolus to the EU. The Netherlands supply of Gladiolus to the EU amounted to more than € 7.6 million in 2006, accounting for 81% of total imports into the EU. The major part of these supplies consist of Gladiolus produced in The Netherlands.

Dendranthema

EU imports of Dendranthema decreased by 2.6% annually between 2002 and 2004 and then increased again by 2.2% annually between 2004 and 2006. Imports amounted to € 258 million in 2006. Imports of Dendranthema are dominated by the UK where Dendranthema is traditionally popular and which accounted for 51% of total imports in 2006, followed by Germany (14%) and France (10%). Imports by the UK remained relatively stable between 2002 and 2006, while imports by Germany and France decreased by 8% and 6% annually respectively.

The supply of Dendranthema to the EU is dominated by The Netherlands, which is a major producer of Dendranthema. In 2006, 97% of total imports of Dendranthema cut flowers was supplied by The Netherlands. Other countries have negligible shares. Note, however, that the share of developing countries is increasing. A lot of the young plant material is imported as unrooted cuttings from African countries, where Netherlands breeders have production locations or work together with local companies.

Prepared cut flowers

Not all cut flowers are sold as freshly picked products. A relatively small proportion, 3.1% of total cut flower imports in 2006, is in some way prepared before being offered to European consumers. Drying and dyeing, in particular, are special preparations which cut flowers can undergo. Other ways of preparing are bleaching or impregnating the flowers.

In 2006, all EU member states together imported prepared cut flowers worth € 105 million. These imports had decreased by 18% annually between 2002 and 2004 and then increased again by 3.3% on average annually in 2005 and 2006. In 2006, the largest EU importers of prepared cut flowers were Denmark (16%), UK (16%), Germany (15%) and France (11%). In 2002 and 2003, France had been the leading importer. However, its imports decreased by 27% annually between 2002 and 2006. Imports by the UK also decreased by 16% annually. In contrast, Austria increased its imports of prepared cut flowers by 17% annually between 2002 and 2006. Austria currently ranks 6th as importer of prepared cut flowers.

Although the supply from The Netherlands decreased sharply between 2002 and 2004 (20% annually) and only partly recovered between 2004 and 2006 (4% annual growth), it was still by far the largest supplier in 2006, accounting for 73% of total EU imports of prepared cut flowers. Re-exports have a significant share in these supplies. In The Netherlands nowadays, Rosa of the Vendela variety, for instance, are dyed by specialist wholesale companies before being sold to retail buyers. Also many Dendranthema, spray and single-flowered varieties, are dyed.

Foliage

The importance of foliage, compared to fresh cut flowers, seems modest. However, the main application for foliage is bouquets and this market segment is increasing strongly. Of the total imports of cut flowers and foliage in 2006, only 2.4% consisted of foliage. Imports of foliage increased by 2% annually between 2002 and 2006, amounting to only € 84 million in 2006.

The two leading foliage importing countries are Germany and The Netherlands. In terms of value, Germany was the leading EU importer, accounting for 25% of EU imports in 2006. In terms of volume, however, The Netherlands is by far the largest importer of foliage, accounting for 38% of total EU imports.

The supply source of foliage is very diverse. The Netherlands is the leading supplier to the EU accounting for 20% of total EU imports. China (16%) and India (15%) increased their supplies at high rates of 27% and 9% annually respectively. Together, developing countries increased their share in supplies to the EU by 6% annually. Other major suppliers are Italy (9%) and Germany (8%).

Important species imported are: Leatherleaf ferns (*Arachniodes adiantiformis*), Asparagus, Eucalyptus, Dracaena, Ruscus, Aspidistra and Monstera. The shares of Monstera and Anthurium, typical Netherlands foliage species in foliage sales at the auctions in The Netherlands, fluctuate strongly. The share of Monstera increased in recent years, while that of Anthurium decreased.

4.3 The role of developing countries

The importance of developing countries as suppliers of cut flowers and foliage to the EU is demonstrated by the presence of Kenya, Colombia, Ecuador and Zimbabwe among the top ten supplying countries. Note that an estimated 85% of Colombia's exports and 70% of Ecuador's exports are directed at the USA. Their importance on the global market is thus even greater.

Imports originating in developing countries have been increasing strongly over the past ten to fifteen years. Between 2002 and 2006, the share of imports from developing countries in total EU imports of cut flowers increased from 17.5% to 21.6%, amounting to € 739 million in 2006. This increase was mainly thanks to Kenya.

Kenya, the leading developing country supplier to the EU, increased its share in EU imports from 5.8% in 2002 to 9.1% in 2006. Other particularly good performers among the major developing country suppliers were Ethiopia (99% average annual increase), Ecuador (7% average annual increase), Uganda (7% average annual increase), South Africa (6% average annual increase), India (7% average annual increase) and China (24% average annual increase). Chinese companies are still in the process of developing the production necessary to supply their own huge and strongly growing market.

The growth in supplies from the fastest growing flower exporter, Ethiopia (99% average annual increase), was the result of a combination of a favourable production climate and government policies promoting floriculture. In the last three years, seventy big flower growing companies have started. It is expected that Ethiopian exports will continue to grow strongly, as currently more companies are being set up and existing growers are expanding.

In contrast, the increase in imports from Uganda was dampened by gradually declining prices for small-budded roses. However, there were also some countries which showed a decline in supplies to the EU. Zimbabwe's supplies decreased by 23% on average annually and Zambia's by 13% on average annually. The decrease in supplies from Zimbabwe was mainly the result of the expropriation of land by the government and the detrimental economic situation in the country.

**Table 4.3 Imports of cut flowers and foliage from developing countries
2002-2006, € thousand / tonnes**

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	598,432	143,697	602,845	171,108	739,010	200,177	5%
The Netherlands	315,844	82,099	314,757	94,563	404,129	116,726	6%
United Kingdom	119,031	26,021	126,723	34,706	152,919	35,616	6%
Germany	58,599	12,827	62,106	15,393	61,684	15,645	1%
Spain	21,626	3,781	22,670	5,048	34,074	7,119	12%
Italy	30,694	6,501	27,900	7,317	26,217	6,746	-4%
France	22,001	4,105	15,618	3,322	12,428	2,741	-13%
Belgium	1,821	637	2,535	857	12,361	4,102	61%
Sweden	3,960	616	9,201	1,756	10,293	1,845	27%
Austria	4,371	1,517	3,305	1,260	7,232	2,480	13%
Greece	2,749	779	3,956	1,489	2,866	1,178	1%
Poland	0	0	1,920	726	2,027	669	n.a.
Portugal	2,346	523	1,963	501	1,949	383	-5%

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Czech Republic	4,898	915	3,472	723	1,890	392	-21%
Romania	3,169	1,689	2,494	2,116	1,529	1,936	-17%
Latvia	420	166	252	87	1,521	374	38%
Hungary	536	177	424	143	1,126	627	20%
Bulgaria	566	418	639	459	1,123	835	19%
Ireland	1,124	166	672	128	822	116	-8%
Cyprus	54	10	155	41	613	111	84%
Slovakia	1,531	213	749	137	596	128	-21%
Luxembourg	498	88	168	24	450	66	-3%
Estonia	953	179	483	121	435	107	-18%
Denmark	310	68	393	109	402	153	7%
Finland	214	30	102	16	163	31	-7%
Slovenia	1,021	143	66	19	144	46	-39%
Malta	19	4	18	7	13	4	-9%
Lithuania	78	27	104	44	6	2	-47%

Source: Eurostat (2007)

The Netherlands remains by far the leading importer of cut flowers from developing countries. It serves as a gateway to the European market. Many flowers destined for EU countries pass through The Netherlands first. However, the position of The Netherlands as a hub and of the auctions specifically is being threatened by various developments in the international flower market. Ironically, one of these is the relocation of production by Netherlands flower growers. Many growers have set up flower growing companies in countries such as Kenya and Ethiopia, where production costs are significantly lower. These growers often sell (part of) their production in other countries than The Netherlands. Nevertheless, the figures show that the marketplaces in The Netherlands have so far been able to withstand the competition.

Next to The Netherlands, other major growth markets are the UK, Spain, Belgium and Sweden. In the UK, the overall growth of flowers sold by the supermarket chains is reflected by increasing direct imports from developing countries. Several Kenyan farms, for instance, are directly linked with larger wholesale corporations which supply UK-based supermarkets. Spain is a particularly interesting importer, as a very large part (48%) of its imports is sourced in developing countries. Spanish imports are increasing at a high rate (11% annually) due to the overall growth in flower consumption and the increased interest in a wider assortment of products.

Imports from developing countries by product group

Developing countries supply mostly Rosa (€ 386 million) and Dianthus (€ 145 million). Their relative importance in EU imports is highest for Dianthus (61%), foliage (46%) and Rosa (39%). Keeping in mind local EU production, it is estimated that on average one out of three roses sold in Europe was grown in a developing country. Also refer to Table 4.2.

Main cut flowers

The main fresh cut flowers such as Rosa, Dianthus and summer flowers are exported in considerable amounts by countries like Kenya, Ethiopia, Ecuador and Colombia. The EU market for these products is very competitive. Consequently, the margins are relatively small and under pressure. New producers in developing countries, other than the ones mentioned above, will find that entry to such a competitive market can be difficult.

Most developing countries are specialised in a certain assortment of products. Uganda, for instance, exports mainly small- to medium-sized Rosa varieties. Egypt, on the other hand, is specialised in summer flowers and Dianthus.

However, the largest exporting country, Kenya, has diversified its export assortment over recent years. In the early days, the export assortment primarily consisted of Rosa and Dianthus. Nowadays, however, many other products like various summer flowers take up an important position in the export assortment as well.

Specialty products

The market for cut flowers consists of a range of product groups, which offer varying opportunities for developing countries as potential suppliers. It is a highly competitive market in which importers are continually seeking new, special and different products. A speciality can also offer the prospect of making higher profits than those achieved by selling conventional floricultural products.

Tropical flowers

The major tropical flowers, Orchid and Anthurium, can already be considered mainstream products. Other important products falling within the group are Heliconias, Proteas (and other Fijnbos), Ginger, and Strelitzia (birds of paradise). Note that tropical flowers are not only grown in the tropics, but also in greenhouses in Germany, Italy, France, Japan, USA and, of course, The Netherlands. In the case of some Orchid species like Cymbidium and other products like Anthurium and even Strelitzia, European growers actually dominate the market.

Tropical flowers are distributed by specialised importers, who usually combine tropical flowers and foliage, working with higher temperature distribution chains. The number of these specialised importers is limited (about 20 in Europe).

Tropical flowers constitute a niche market. Note, however, that according to large Netherlands importers this market is not always interesting for new suppliers (basically because of high volume/value ratio), unless they have something really special.

Besides the current market perspectives, high transportation costs tend to impose a limiting effect on imports of tropical flowers from developing countries. They are either heavy, as with Heliconia, Ginger and Protea (some weigh almost 1 kilogram per stem), or they are voluminous, as with Orchid.

More information on the EU market for tropical flowers can be found in the CBI market survey "The EU market for tropical flowers".

Summer flowers

The sales prospects for non-EU cut flowers lie essentially in the European winter months. The favourable climate and the relatively low costs of production (labour) are the major advantages for prospective exporters in developing countries. A very high proportion of the extra-EU cut flower imports is delivered during the months November to May, whereas in the summer months EU growers can satisfy most of this demand quantitatively, as well as in terms of product range. Imports are consequently of less importance in the EU summer months. The main products which are of interest to importers of cut flowers and foliage from developing countries in the summer months are species which are not cultivated in the EU. There is a high level of interest in innovation and new species; experience has shown that new products can acquire a rapidly growing market share, following initial introduction to the trade.

More information on the EU market for summer flowers can be found in CBI survey "The EU market for summer flowers".

Bouquets

A relatively high labour input is required for the preparation of bouquets (combinations of cut flowers with foliage). Bouquets therefore appear to be an attractive product for developing countries, particularly when exporting directly to EU supermarkets. There are, however, two major problems to be dealt with:

- trends (colours, combinations) vary a lot, and are very hard to predict;
- dense packing in order to reduce air freight volume, and thus reduce costs, can have a strongly negative impact on the quality of the bouquet.

Prepared cut flowers

The forms of preparation of flowers mainly consist of dyeing and drying, but also of bleaching and impregnating. This product group is to a large extent subject to trends. Some prepared flowers are imported via The Netherlands, but are not very popular in this country itself. In Europe, prepared cut flowers are mainly sold in Southern European countries.

Prepared flowers are a speciality product of which the main supplier is The Netherlands. Leading developing country suppliers are India, South Africa, China, Colombia, The Philippines, Kenya, Sri Lanka and Ecuador.

An advantage of dried cut flowers is that they are non-perishable. In Asia, these flowers are very popular. Prepared flowers are transported by sea containers and suppliers should be big enough to ship a whole container. There is a market for prepared flowers, but importers will not easily change from their current supplier, if the new supplier is offering the same product. Importers mention that new products will attract interest. However, what is new cannot be described before it appears on the market!

Another bottleneck for exporting prepared flowers from developing countries is that the requirements for the import of prepared flowers into the EU are more strict (e.g. dyes used) than on the local market. The incentive for producers, who already having a large potential local market, to change their processes in order to export to the EU may not be very high.

Foliage

The leading supplier to the EU market is The Netherlands, followed by India, China, Italy and Germany. Central American countries, particularly Costa Rica, have also established a strong position on this market and supply container loads of foliage, mainly *Arachniodes adiantiformis* (Leather Leaf Fern), to Europe.

According to a study by COLEACP (Europe-Africa-Caribbean-Pacific Liaison Committee), endemic products from exporting countries would be ideal. Furthermore, small-leafed standardised foliage (low volume/value ratio) is recommended such as *Tops of Dracaena Marginata*, *Sanderiana*, *Areca*, *Calathea* and small *Pandanus*. There is room for cheap, yet long-lasting products. Exporters, however, must demonstrate their interest to importers directly, for instance by visits to Europe, regular information about product conditions, as well as warnings about possible climatic problems.

4.4 Exports

Exports of cut flowers and foliage by the EU are steadily growing and showed an increase of 1% annually between 2002 and 2006, in terms of value, amounting to € 2.8 billion in 2006. In terms of volume, exports decreased by 3% annually, amounting to 511 thousand tonnes in 2006.

Table 4.4 EU exports of cut flowers and foliage, 2002-2006
€ million/ thousand tonnes

	2002		2004		2006		Average annual change in value
	value	volume	value	volume	value	volume	
Total EU	2,670.7	566.6	2,841.0	793.9	2,759.8	510.7	1%
Intra-EU	2,248.1	509.9	2,464.5	740.1	2,312.7	450.1	1%
Extra-EU	422.7	56.7	376.5	53.8	447.1	60.5	1%

Developing countries	34.6	7.8	37.1	8.7	49.6	10.4	9%
The Netherlands	2,299.7	464.5	2,497.8	702.0	2,421.0	415.3	1%
Italy	102.0	16.2	85.1	14.7	78.2	12.1	-6%
Belgium	62.6	10.0	59.1	10.0	64.4	9.7	1%
Germany	33.6	6.1	45.3	8.1	45.2	7.8	8%
Spain	90.5	50.2	65.3	31.4	43.0	6.4	-17%
United Kingdom	29.5	7.3	29.4	6.3	35.5	22.7	5%
France	30.0	3.9	22.7	7.2	20.1	3.9	-10%
Portugal	3.3	1.0	4.4	1.9	15.8	20.2	48%
Poland	0.0	0.0	10.2	5.0	13.2	5.9	n.a.
Austria	3.9	1.5	2.8	1.2	6.3	2.4	13%
Denmark	7.0	2.0	9.9	2.5	6.2	1.3	-3%
Czech Rep.	1.4	0.9	3.4	1.4	4.5	1.1	33%
Lithuania	0.1	0.0	0.9	0.3	1.9	0.4	110%
Sweden	1.4	0.3	0.9	0.2	1.3	0.3	-2%
Hungary	2.1	1.2	0.9	0.7	0.8	0.5	-22%
Greece	0.4	0.1	0.3	0.1	0.8	0.3	20%
Estonia	0.2	0.0	0.2	0.0	0.4	0.1	21%
Romania	0.1	0.1	0.2	0.2	0.3	0.2	44%
Luxembourg	0.4	0.1	0.0	0.0	0.2	0.0	-14%
Bulgaria	0.3	0.3	0.2	0.3	0.2	0.2	-11%
Slovenia	0.1	0.1	0.1	0.0	0.2	0.0	36%
Slovakia	0.8	0.4	0.7	0.1	0.1	0.0	-37%
Finland	0.4	0.0	0.3	0.0	0.1	0.0	-25%
Ireland	0.6	0.1	0.6	0.1	0.1	0.0	-39%
Latvia	0.2	0.1	0.3	0.1	0.0	0.0	-36%
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	-33%
Malta	0.0	0.0	0.0	0.0	0.0	0.0	-24%

Source: Eurostat (2007)

The Netherlands dominates the EU trade in floricultural products, accounting for 88% of total EU exports of cut flowers and foliage in 2006.

The main export destinations of EU exports were other EU member states. Intra-EU exports of cut flowers and foliage accounted for 84% of total EU exports. Germany was the major market, accounting for € 653 million or 24% of total EU exports. Other major destinations for EU exports were the United Kingdom (18%), France (15%), and to a lesser extent Italy (5%). The most important destinations outside the EU were Russia (5%), Switzerland (4%) and the USA (3%).

EU exports consisted mainly of Rosa (24% of total exports), Dendranthema (10% of total exports) and Dianthus (4% of total exports).

4.5 Opportunities and threats

Opportunities

- Off-season supplies
- Shift of adding value from the wholesaler towards the growers in developing countries

Threats

- Poor image of LDC sources (logistical problems, lack of professionalism, inexperienced commercial attitude)
- Increasing airfreight rates
- Fierce competition and low prices in the market for Rosa and Dianthus
- Competition from East European countries

4.6 Useful sources

- EU Expanding Exports Helpdesk

- <http://export-help.cec.eu.int/>
- go to: trade statistics
- Eurostat – official statistical office of the EU
 - <http://epp.eurostat.cec.eu.int>
 - go to 'themes' on the left side of the home page
 - go to 'external trade'
 - go to 'data – full view'
 - go to 'external trade - detailed data'

5 PRICE DEVELOPMENTS

5.1 Price developments

The enormous variations in species, varieties, lengths and qualities of cut flowers make it difficult to provide information on prices. Just to give you an impression of the diversity: there are currently about 15,000 different product codes used at the Netherlands auctions. Furthermore, some of the main holidays and festivals strongly influence the prices.

Factors influencing producer prices:	
<ul style="list-style-type: none"> • Seasonality • Variety • Size of buds • Stage of opening of buds • Uniformity of bud-opening stage • Colour-brightness of flower • Bud damage • Uniformity of stem length per bunch • Uniformity of bud size per bunch • Consistency within and between consignments 	<ul style="list-style-type: none"> • Colour and quantity of leaf • Freedom from chemical deposits and water-marking • Freedom from pests and diseases • Packaging • Overall appearances • Temperature of flowers on arrival • Vase life • Regularity of consignments • Buyer's previous experience of suppliers

After many years of an under-supplied market, the global cut flower supply, especially for the most common varieties, expanded in recent years and matched or exceeded the relatively low demand during the economic slowdown in 2003 and 2004. However, in 2005 and 2006, demand increased again and consequently, on average, prices showed a more positive trend as well. Between 2002 and 2004, the average price of cut flowers at the Netherlands flower auction decreased from € 0.21 to € 0.20. Then, the average price increased again to € 0.22 in 2006. Note that this development is partly the result of developments in assortment. For instance, the share of more expensive large-budded varieties of Rosa increased compared to smaller cheaper varieties.

Table 5.1 below gives prices of a selection of products and varieties at the Netherlands auctions for 2002 to 2006. Considering their market share, these prices can be considered to be indicative for price levels in Europe. Note that these are average annual prices and that prices fluctuate throughout the year. Furthermore, varieties are often grouped together and statistics do not specify the differences in size and quality.

Owing to the nature of supply and demand, short-term price fluctuations occur frequently at the auctions. These intra-day price fluctuations can be considerable. Major causes of these short-term price fluctuations are the public holidays as listed in Appendix E. Climatic conditions can also have a strong impact on short-term price levels.

Furthermore, a clear seasonal price pattern exists. Prices are at their lowest during the summer period, when production in the EU reaches its peak, and highest in November and December. In July 2006, the average price per stem was € 0.15. In December 2006, the average price per stem was € 0.29.

On average, imported products sell for lower prices than Netherlands products. The main reasons are the quality of the Netherlands products, the freshness of local produce, and their wider range, which comprises a number of specialised, high-priced products. Note that the high quality and freshness of Netherlands flowers should also be seen in the light of quality and freshness deterioration during transport, which severely affects imported flowers.

Also refer to Section 4a of 'From survey to success. Guidelines for exporting cut flowers and foliage to the EU', which explains how to analyse the price structure in the international flower business.

Table 5.1 Average annual prices of selected products at Netherlands auctions 2002-2006 in euro cents, per stem

	'02	'04	'06		'02	'04	'06
Main products:				Selected other:			
Dendranthema				Alstroemeria	15	15	16
Spray	22	20	24	Anthurium (andreaenum)	65	58	60
Euro	22	20	24	Aster	20	19	23
Euro Sunny	22	20	22	Chamelaucium	16	13	15
Delianne White	22	21	24	Cymbidium (big-budded)	305	291	333
Reagan White	20	19	24	Cymbidium (small-budded)	125	126	148
Santini	17	18	18	Dracaena	n.a.	38	29
Dianthus				Eryngium	28	24	27
Standard	15	14	15	Eustoma russellianum (single)	27	28	32
Prado Pino	n.a.	25	24	Eustoma russellianum (stuffed)	34	31	32
Spray	9	9	10	Fatsia	14	13	11
Scarlette	11	12	13	Gerbera (big-budded)	21	22	22
Opale	17	17	20	Gerbera (mini)	12	13	14
Gypsophila				Gladiolus (big- budded)	13	13	15
Million Star	21	19	19	Helianthus	28	26	27
Double time	27	24	24	Heliconia	108	112	114
Hypericum				Hippeastrum	84	84	84
Pinky Flair	25	16	18	Hydrangea	98	89	102
Excellent Flair	16	13	13	Liatris	17	14	16
Lilium				Limonium sinuatum	19	17	19
Asiatic Group	31	24	36	Ornithogalum	16	14	15
Oriental Group	52	54	58	Paeonia	52	39	40
Longiflorum Group	40	36	38	Paphiopedilum	74	74	52
Longiflorum x Asiatic	35	28	35	Phalaenopsis	49	34	47
Rosa				Phlox	15	13	14
Large-budded	29	26	27	Pittosporum	11	10	9
Passion	36	34	38	Protea	111	110	108
Grand Prix	50	43	53	Ranunculus	14	14	15
Akito	25	19	21	Ruscus	9	8	8
Avalanche+	49	32	38	Solidago	13	12	13
Small-budded	13	12	12	Strelitzia	132	129	128
Red Calypso	13	11	14	Tanacetum	17	13	16
Chelsea	14	13	12	Trachelium caeruleum	22	21	21
Frisco	12	11	9	Veronica	14	13	14
Sunny Sher	11	13	13	Zantedeschia	52	43	43
Viva!	n.a.	12	13				
Spray	21	23	29				
Diadem	14	11	9				

Source: VBN (2007)

The price developments as shown in Table 5.1 clearly reflect the economic slowdown between 2002 and 2004, the recovery between 2004 and 2006, and the subsequent changes in demand.

5.2 Useful sources

Information on EU wholesale prices for flowers can be obtained from a number of sources. For example, ITC (International Trade Centre) in Geneva collects prices at the wholesale level on EU markets and publishes a weekly bulletin. Another important source of information is VBN (Federation of Netherlands Flower Auctions), which publishes the sales statistics (volume and prices) for all the Netherlands auctions. The German auction Landgard (previously NBV/UGA) also publishes its prices.

- ITC's Market News Service (MNS): <http://www.intracen.org>
- Federation of Dutch Flower Auctions (VBN): <http://www.vbn.nl> (click on 'productinfo' and 'numbers' on the website)
- Landgard: <http://www.landgard.de>
- International Association of Horticultural Producers (AIPH): <http://www.aiph.org>

In the end, the most important source of price information for exporters in developing countries are their own agents, importers and auctions, as these sources are able to give you pinpointed price information on variety level.

6 MARKET ACCESS REQUIREMENTS

As a grower in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

Phytosanitary legislation

The phytosanitary EU regulations are of particular importance. The European Union based its phytosanitary legislation on "protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community" on standards of the IPPC (International Plant Protection Convention). This legislation is applicable to flowers, plants and fresh fruits and vegetables imported into the EU.

A phytosanitary certificate is needed to guarantee compliance of cut flowers and foliage with phytosanitary legislation. Phytosanitary certificates are issued to indicate that consignments of cut flowers and foliage meet phytosanitary import requirements specified by the EU. Inspection and other related activities leading to issuance of phytosanitary certificates is carried out by, or under the authority of, the official national plant protection organization of the country from which the products are exported.

For more information regarding International Standards for Phytosanitary Measures (ISPM's) please refer to: <http://www.cbi.eu/marketinfo>

Packaging

Packaging is used to protect products against mechanical damage and to create a more favourable micro climate. It is another essential factor in ensuring the product's quality, since it both presents the product and protects it. However, according to the way in which packaging is applied, it can also be a major risk to quality, due to bruising and less than optimum conditions of temperature and humidity.

Different packaging materials are used, depending on the type of product and the function of protection and influence over the micro climate required. Packaging can be divided into sleeves and wraps in paper or plastic materials, and external packaging in boxes, up to the sealed pallet.

The packaging has to satisfy a number of conditions, mainly in the field of handling, and the protection of the quality. The transport volume must be as efficient as possible, and a high level of uniformity is desirable. In order to optimise transportation, it is recommended to use boxes, the measurements of which are in accordance with the EU pallet sizes or the airfreight pallet.

Mechanical Damage

Handling of cardboard boxes, as well as vibrations during transport, may cause mechanical damage to the packed products. The most effective way of preventing such damage is "compact packaging", a rather tight wrapping of the flowers and plants in sleeves, cylinders, etc. When placed in cardboard boxes, flowers may be pressed together by interior filling (wood, foam), in order to prevent movement during distribution. Sensitive flowers heads may need to be separated by specially designed folding cardboard pieces.

When plastics or rubber materials are used to immobilise flower stems, the degree of friction between this material and the stem should be measured (drop test of the box). As a matter of

fact, it may well be that a friction material has good properties for protecting a flower stem. Two observations must be made about the packaging of flowering plants. First, one should take into account that the stacking strength of a cardboard box depends on the length of the horizontal edges, which show vertical fluting, and second, that a cardboard box delivers its maximum strength when compressed over a depth of 1-2 centimetres. Therefore, a filling grade of 100% will result in a situation where the flower stems bear the total load and the box nothing at all. Overfilling of a cardboard box of flowers is a major error, which commonly occurs in today's practice. It should, therefore, be avoided at all cost.

The trade in flowers and plants generates a considerable amount of (transport and sales) packaging waste such as boxes, trays and plastics. Furthermore, packaging materials can cause pollution due to toxic substances. The best solution is found in environmentally sound packaging, while sufficiently protecting the flowers. It is important to use re-usable and recyclable material and to limit the amount of packaging where possible.

Additional information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Tariffs and quota

Approximately 80% of cut flower imports from developing countries is free from tariffs or enjoys a preferential tariff. This preferential access is institutionalised in the Generalized System of Preferences (GSP). Particularly favourable access is given to the African-Caribbean-Pacific (ACP) countries. Tariffs for imports from India and China, for example, are 3.5% lower than the regular customs tariff (5% instead of 8.5% and 9.5% instead of 13%) (VBN, 2005).

Ongoing EPA discussion

The terms on which the EU and ACP states trade are established in the Cotonou Agreement 2000, which states that a new regime must be agreed by end-2007. The Cotonou Agreement, however, foresees a major change in trade that responds to adverse rulings in the WTO on its predecessors. It gives as the preferred, but not only, option the creation of so-called EPAs. EPA's are Economic Partnership Agreements, which are very detailed bilateral agreements between individual countries and the EU. At the moment of writing this survey, the discussion on these EPAs was in full progress and the outcome was not yet fully known for all affected countries. In the case that particular countries are not able to create EPAs in time, the standard GSP regime will apply to their exports, although it is often much less favourable than the Cotonou agreement.

More information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

A tariff contingent applies to a number of fresh cut flowers from Algeria, Egypt, Mexico, Jordan, Tunisia, Palestinian Administrative Areas, South Africa and Israel. At the moment that the total EU imports of the products exceed the contingent, the general tariff applies again. Exporters are advised to inquire as to whether the contingent has reached its maximum and whether or not their products are subject to duties.

Import duties are levied on the value of the products at the moment of entrance into the European Union, i.e. Customs value. In the case of selling imported cut flowers and foliage through the auctioning system, all costs have to be paid from the proceeds of the sale at the auction. To determine the price of the product at the moment of entrance into the EU (the basis for calculating the import duties), all costs made after entering the EU may be subtracted from the auctioning price. Thus, trading either on the basis of FOB, CFR/CIF or by auctioning does not influence the import duties levied on the products.

Value added taxes (VAT)

Although fiscal borders between EU countries were, in theory, eliminated from 1 January 1993 onwards, in practice, harmonisation of VAT (tax levied at consumer sales' level) rates has not

yet been achieved. Many countries, especially those with significant domestic production, are lobbying for a low VAT rate on ornamental horticultural products, similar to that on other agricultural products.

Table 6.2 VAT rates (in %) applied in the EU as of 1st May 2007

	Super Reduced Rate	Reduced Rate	Standard Rate	Generally applied to cut flowers
Belgium	-	6	21	6
Denmark	-	-	25	25
Germany	-	7	16	7
Greece	4.5	9	19	9
Spain	4	7	16	7
France	2.1	5.5	19.6	5.5
Ireland	4.4	13.5	21	13.5
Italy	4	10	20	10
Luxembourg	3	6	15	6
The Netherlands	-	6	19	6
Austria	-	10	20	10
Portugal	-	5/12	21	12
Finland	-	8/17	22	22
Sweden	-	6/12	25	25
United Kingdom	-	5	17.5	17.5
Cyprus	-	5/8	15	15
Czech Republic	-	5	19	5
Estonia	-	5	18	18
Hungary	-	5/15	20	20
Latvia	-	5	18	18
Lithuania	-	5/9	18	18
Malta	-	5	18	18
Poland	3	7	22	3/22
Slovakia	-	-	19	19
Slovenia	-	8.5	20	20
Bulgaria	-	7	20	n.a.
Romania	-	9	19	n.a.

Source: European Commission (2007)

Taxing ornamental horticulture at a high rate can have substantial consequences for cut flower producers, when VAT drives prices up high enough to strangle consumer demand. When France increased its VAT rate, it caused a 20% loss of sales. Lately, France has gone back to the reduced rate of 5.5%.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'cut flowers and foliage' and the EU in the category search, click on the search button and click on market access requirements.

Useful sources

You can download information on requirements on tariffs and quota in specific EU markets from the CBI website. Go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select your market sector and the EU country of your interest, click on the search button and click on 'market surveys' for an overview of documents on the country of your interest.

7 OPPORTUNITY OR THREAT?

In conclusion, it is instructive to summarise and outline the main opportunities for and threats to developing country producers of cut flowers and foliage. Note that sub-summaries on opportunities and threats are also given at the end of the previous chapters on consumption, production and trade.

A useful approach to looking at opportunities and threats is to relate them to your company's strengths and weaknesses. Ask yourself whether your strengths can open up any of the opportunities mentioned. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating the weaknesses. Carrying out this analysis will often be illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective.

Factors offering opportunities or posing threats for developing countries exporters are:

- The market for cut flowers consists of a range of product groups, which offer varying opportunities for developing countries as potential suppliers. It is a highly competitive market in which importers are continually seeking new, special and different products. A speciality can also offer the prospect of making higher profits than those achieved by selling conventional floricultural products.
- Following the increasing flower sales via supermarket chains, a growing demand for mixed bouquets can be recognised. As a consequence, there is also an increasing interest in the main inputs for bouquets, i.e. summer flowers and foliage. In many countries, supermarket channels are becoming more involved in the flower trade. Nowadays, supermarket chains conduct their own quality tests and subsequently impose increasing quality requirements on their suppliers. An increasing number of retail chains requires suppliers and products to be certified.
- A potentially interesting opportunity for exporters in East Africa and Latin-America, to offset the threat of ever increasing freight costs, could be the development of conditioned seafreight. Israeli exporters have already made use of this logistical option for several years by shipping flowers in refrigerated sea containers to Marseille in France. From there, the products are trucked to different destinations on the European mainland, for instance the Netherlands auctions. Following the example of Israel, a number of pilot projects has also recently been conducted with shipping African flowers by sea.
- The number of European growers is declining. However, the ones left over increasingly scale up and apply high-tech production methods, which enables them to increase productivity and grow products of the highest quality. A shift of production can be recognised from central and northern Europe towards peripheral Europe.
- The ACP States are the countries which are signatories to the Lomé Convention. "ACP" stands for "Africa, Caribbean, and Pacific." The terms on which EU and ACP states trade are established in the Cotonou Agreement 2000. The Cotonou agreement states that a new regime must be agreed by end-2007. The Cotonou Agreement, however, foresees a major change in trade that responds to adverse rulings in the WTO on its predecessors. It gives as the preferred, but not only, option the creation of so-called EPAs. EPAs are Economic Partnership Agreements, which are very detailed bilateral agreements between individual countries and the EU. At the moment of writing this survey, the discussion on these EPAs was in full progress and the outcome was not yet fully known for all affected countries. In the case that particular countries are not able to create EPAs in time, the standard GSP regime will apply to their exports, although it is often much less favourable than the Cotonou agreement.

As can be seen from the discussion above, a trend or development can offer opportunities to certain (developing country) exporters, but at the same time pose a threat to other exporters. As an exporter, you will need to analyse if the development provides an opportunity or poses a threat to your business. This will depend on your specific situation.

APPENDICES

A PRODUCT CHARACTERISTICS

Product groups

This market survey focuses on the market for cut flowers and foliage in the EU. The reason for the aggregation of the two product groups lies in the fact that the market and marketing channels for cut flowers and foliage, in particular for ornamental purposes, are the same. The main usage of foliage is for bouquets, in combination with fresh or prepared cut flowers.

In this market survey, the focus is on the assortment of imported fresh cut flowers relevant to exporters in developing countries. The overview below highlights the product groups and species within these product groups:

<i>Fresh cut flowers</i>	
General:	<ul style="list-style-type: none"> • Rosa (Rose) • Dendranthema (Chrysanthemum) • Dianthus (Carnation) • Orchid: Phalaenopsis, Cymbidium, Dendrobium, Oncidium, Paphiopedilum • Gladiolus • Anthurium • Other fresh cut flowers
Bulb flowers	<ul style="list-style-type: none"> • Tulipa • Freesia • Lilium • Iris • Narcissus • Other bulb flowers
Summer flowers:	<ul style="list-style-type: none"> • Solidaster • Eryngium • Limonium • Carthamus • Other summer flowers
<i>Prepared cut flowers</i>	
<i>Foliage</i>	
Cut foliage of:	<ul style="list-style-type: none"> • Eucalyptus • Arachniodes • Asparagus • Dracaena • Other species

There is a problem in that names of the flowers can cause confusion because the “trade” does not always use the official product names. The official name for Chrysanthemum, for instance, is Dendranthema, and the official name for Carnation is Dianthus. For the sake of clarity, this survey uses the official names.

Statistical product classification

Combined nomenclature (CN)

Trade data based on the Combined Nomenclature are used in this survey. These data are provided by Eurostat, the statistical body of the EU. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data, because it puts limitations on in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

The HS classification given differs from the product groups and products mentioned in the paragraphs above. This puts limitations on in-depth interpretation of the possible relations between import and export figures on the one hand and consumption and production figures on the other hand.

HS code classification of cut flowers and foliage

0603			Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared
0603	10		Fresh cut flowers:
0603	10	10	Rosa
0603	10	20	Dianthus
0603	10	30	Orchids
0603	10	40	Gladiolus
0603	10	50	Dendranthema
0603	10	80	Other fresh cut flowers
0603	90	00	Prepared cut flowers
0604	99		Foliage, other than mosses, lichens, and parts of Christmas trees
0604	99	10	Not further prepared than dried
0604	99	90	Other

B INTRODUCTION TO THE EU MARKET

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. Because there are more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision-making and handling conflicts. More information on cultural differences can be found in chapter 3 of the CBI’s export manual ‘Exporting to the EU (2006)’.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia <http://en.wikipedia.org/wiki/Portal:Europe>.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Since 2002, Euro coins and banknotes replaced national currency in these countries. Denmark, the United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average annual interbank rate

Country	Name	Code	2006	July 2007
Bulgaria	Lev	BGN	0.511	0.512
Cyprus	Pound	CYP	1.737	1.714
Czech Republic	Crown	CZK	0.035	0.036
Denmark	Crown	DKK	0.134	0.134
Estonia	Crown	EEK	0.064	0.064
Hungary	Forint	HUF	0.004	0.004
Latvia	Lats	LVL	1.436	1.438
Lithuania	Litas	LTL	0.288	0.290
Malta	Lira	MTL	2.322	2.336
Poland	Zloty	PLN	0.257	0.263
Romania	Lei	ROL	0.027	0.321
Slovakia	Crown	SKK	0.004	0.030
Sweden	Crown	SEK	0.108	0.108
United Kingdom	Pound	GBP	1.467	1.494

Source: Oanda <http://www.oanda.com/> (July 2007)

C LISTS OF DEVELOPING COUNTRIES

OECD DAC list - January 2006

When refer to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicargua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezeula
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2007:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldova
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia

D GDP PER CAPITA IN PURCHASING POWER STANDARDS

	2001	2002	2003	2004	2005	2006	2007	2008
EU (27 countries)	95	96	96	96	96	96	99 ^(f)	101 ^(f)
EU (25 countries)	100	100	100	100	100	100	100	100
EU (15 countries)	110	109	109	109	108	108	108 ^(f)	107 ^(f)
Luxembourg	224	232	237	241	252	268	280 ^(f)	289 ^(f)
Ireland	127	132	135	136	138	138 ^(f)	143 ^(f)	145 ^(f)
Netherlands	128	128	124	125	127	127	131 ^(f)	134 ^(f)
Austria	122	122	124	124	123	124	128 ^(f)	130 ^(f)
Denmark	123	123	119	119	121	122	125 ^(f)	126 ^(f)
Belgium	118	120	118	119	118	118	121 ^(f)	122 ^(f)
Sweden	114	114	115	116	114	116	120 ^(f)	123 ^(f)
United Kingdom	113	114	115	117	115	114	118 ^(f)	119 ^(f)
Finland	111	111	109	111	110	112	116 ^(f)	118 ^(f)
Germany	112	111	112	111	110	109	113 ^(f)	115 ^(f)
France	111	111	108	108	110	109	111 ^(f)	112 ^(f)
Spain	94	97	97	97	98	99	102 ^(f)	104 ^(f)
Italy	113	108	107	103	101	100	102 ^(f)	103 ^(f)
Cyprus	87	86	85	88	90	90	92 ^(f)	93 ^(f)
Greece	75	79	80	81	83	85 ^(f)	88 ^(f)	91 ^(f)
Slovenia	74	76	78	80	81	83	87 ^(f)	90 ^(f)
Czech Republic	67	68	71	73	74	76 ^(f)	80 ^(f)	84 ^(f)
Malta	75	76	75	73	73	73	74 ^(f)	76 ^(f)
Portugal	74	74	74 ^(b)	72	72	72 ^(f)	73 ^(f)	74 ^(f)
Estonia	44	48	52	55	60	65	71 ^(f)	77 ^(f)
Slovakia	50	52	53	54	57	60	66 ^(f)	70 ^(f)
Hungary	56	59	61	61	62	63	65 ^(f)	66 ^(f)
Lithuania	40	42	47	49	52	56	60 ^(f)	64 ^(f)
Latvia	37	40	42	44	48	54	59 ^(f)	64 ^(f)
Poland	46	46	47	49	49	51	54 ^(f)	57 ^(f)
Romania	26	28	30	32	33	36 ^(f)	39 ^(f)	41 ^(f)
Bulgaria	28	30	31	32	34	36	38 ^(f)	41 ^(f)

(f) Forecast

Source: European Commission (2007)

E Main european public holidays of importance to the floricultural trade (2008)

date	holiday	country
January:		
1 January	New Year's Day	International
6 January	Feast of the Epiphany	GR, ES, FR, DE, FI, IT, SK, SI, RO, SE, AT
7 January	Ioannis Name Day	GR
21 January	Grandmother's Day	PL
22 January	Grandfather's Day	PL
February:		
3 February	Carnival	NL
5 February	Carnival	DE, ES
14 February	St. Valentine's Day	International
March:		
1 March	St. David's Day	UK
2 March	Mother's Day	UK, IE
2 March	Grandmother's Day	BE, FR, IE
8 March	Woman's Day	International
16 March	Palm Sunday	FR, PT, DE, DK
17 March	St. Patrick's Day	UK, IE
19 March	Father's Day	IT, ES
21 March	Good Friday	International
23 March	Easter	International
25 March	Mother's Day	SI
25 March	Independence Day	GR
April:		
17 April	Secretary's Day	BE, FR, NL
23 April	Saint George's Day	UK, ES
25 April	Good Friday	GR
25 April	Revolution Day	PT
25 April	Liberation Day	IT
27 April	Liberation Day	SI
27 April	Easter	RO, GR
30 April	Queen's Day	NL
May:		
1 May	Father's Day	DE
1 May	Labour Day	International
1 May	Ascension Day	BE, DE, FR, AT, NL, FI, SE
3 May	Constitution Day	PL
4 May	Commemoration Day	NL
4 May	Mother's Day	PT, HU, ES
5 May	Liberation Day	NL
8 May	Victoire	FR, CZ
11 May	Pentecost	SI, NL, FR, HU, SE, SK, BE, AT, DE
11 May	Mother's Day	BE, AT, CZ, DE, IT, GR, FI, NL, SK, SI, DK
22 May	Corpus Cristi	AT, DE, PT, PL
25 Day	Mother's Day	FR, FI
26 May	Mother's Day	PL
June:		
1 June	Teacher's Day	HU
5 June	Father's Day	DK
8 June	Father's Day	BE
15 June	Publication of final exams results	NL

15 June	Father's Day	UK, IE, FR, NL
20 June	Midsummer	SE, FI
21 June	Feast of the Music	FR
21 June	National Holiday	FR
23 June	Midsummer	DK
23 June	Father's Day	PL
25 June	Independence Day	SI
July:		
21 July	National Holiday	BE
August:		
15 August	Ascension Day	International
20 August	Constitution Day	HU
September:		
14 September	Patient's Day	BE, NL
20 September	Grandparent's Day	UK, IE
27 September	Holiday of the French Cult. Comm.	BE
October:		
2 October	Grandmother's Day	IT
5 October	Saint Fleur	FR
12 October	National Holiday	ES
14 October	Teacher's Day	PL
23 October	National Holiday	HU
26 October	National Holiday	AT
28 October	Independence Day	CZ
31 October	Halloween	NL, RO, UK, FR, BE, IE
November:		
1 November	All Saints' Day	International
1 November	Memorial Day	SI
9 November	Father's Day	FI, SE
11 November	Independence Day	PL
11 November	Armistice	FR, UK
15 November	Holiday of the German Cult. Comm.	BE
16 November	Grandparent's Day	BE
19 November	Buss und Bettag	DE
30 November	St. Andrew's Day	UK, RO
30 November	Advent	HU, SE
December:		
1 December	Day of the Reunion	RO
1 December	Independence Day	PT
6 December	Saint Nikolas	BE, AT, DE, SK
6 December	Day of the Spanish Constitution	ES
8 December	The Immaculate Conception	AT, ES, IT, DE
25/26 December	Christmas	International
31 December	New Years' Eve	International

AT	Austria	FI	Finland	PL	Poland	SE	Sweden
BE	Belgium	DE	Germany	PT	Portugal	UK	United Kingdom
CZ	Czech Republic	GR	Greece	RO	Romania		
DK	Denmark	IT	Italy	SK	Slovakia		
EE	Estonia	IE	Ireland	SI	Slovenia		
FR	France	NL	The Netherlands	ES	Spain		