

CBI Tailored Market Intelligence: Tropical Flowers and Foliage from Colombia United Arab Emirates and other Middle East markets

Introduction

Producers of tropical flowers and foliage in Colombia are looking for export markets and initial trade in the Middle East. To increase this trade, market intelligence is needed on promising markets, market channels and segments, buyer requirements and tips for finding buyers.

The focus of this study is the United Arab Emirates (UAE). With a number of larger flower trading companies based in Dubai (one of the Emirates), the UAE functions to some extent as a hub for trade in flowers to surrounding countries. Key characteristics of the market in Saudi Arabia are highlighted where relevant. The UAE and Saudi Arabia are the two main markets in terms of size, market requirements and ways of doing business. The UAE is a more open and modern type market with similarities to other smaller Gulf States, such as Qatar and Oman, while Saudi Arabia represents doing business in more traditional Arab countries.

Contents

- Part 1: Market analysis
- Part 2: Buyer requirements
- Part 3: Doing business
- Part 4: Challenges and opportunities
- Useful sources

Part 1: Market Analysis

1.1 Market Description

Market Size

With a young and growing population, the Middle East is a growing market for cut flowers. This statement is based on interviews since there are no statistics on flower consumption. Flowers are particularly purchased for special occasions and increasingly for private use.

The global financial crisis of 2008 hit the UAE economy hard. In recent years, the economy has recovered strongly with annual growth rates in GDP of 3 to 5%. GDP per capita in UAE is among the highest in the Middle East.

With the economic crisis in 2008, flower sales have been under pressure, particularly in the UAE, and orders from hotels and businesses have been declining. In recent years, however, consumption has been recovering.

Table 1: Key figures of Middle East countries

United Arab Emirates	2012	2013	2014		Population	GDP per capita 2014
GDP	US\$ 566 bln	US\$ 590 bln	US\$ 617 bln	Bahrain	1.3 mln	US\$ 49,000
GDP growth	7.2%	4.3%	4.6%	Egypt	88.5 mln	US\$ 10,900
GDP per capita	US\$ 60,800	US\$ 63,400	US\$ 66,300	Iran	81.8 mln	US\$ 17,400
				Iraq	37.1 mln	US\$ 15,300
				Israel	8.0 mln	US\$ 33,100
				Jordan	8.1 mln	US\$ 12,000
				Kuwait	2.8 mln	US\$ 70,700
				Lebanon	6.2 mln	US\$ 18,100
				Oman	3.3 mln	US\$ 43,800
				Palestine	4.7 mln	US\$ 4,900
				Qatar	2.2 mln	US\$ 137,200
				Saudi Arabia	27.8 mln	US\$ 52,300
				Syria	17.1 mln	US\$ 5,100
				Turkey	79.4 mln	US\$ 19,700
				United Arab Emirates	5.8 mln	US\$ 66,300
				Yemen	26.7 mln	US\$ 3,800



Source: CIA World Factbook 2015

The UN estimated the UAE population at 9,157,000 at mid-2015. Immigrants make up almost 90% of the total population, according to 2015 UN data (2016). About 83% of UAE population are expatriates from all over the world, and this large contingent of expatriates strongly influences local demand for flowers.

Tropical flowers are a relatively small niche market. The lion's share of cut flowers sold in the Middle East are the traditional assortment very much in line with European markets, such as roses, chrysanthemums and carnations. Tropical foliage is more mainstream than tropical flowers and is used in bouquets and other arrangements together with traditional flowers. The Government of Saudi Arabia (religious police) has banned the sales of Valentine's Day items (celebration of a Christian saint), including flowers.

Market Segments

Because of their long vase life, tropical flowers are often used in flower arrangements in hotel lobbies, government buildings and office receptions. Tropical flowers are also popular for special occasions, as an eye-catcher in more exclusive arrangements and handmade bouquet for gift and decorative purposes. In this market segment, interesting new products that surprise the recipient are valued. Consumers are familiar with tropical flowers and do not consider most tropical flowers as new products.

Tropical flowers are not often used for weddings, as there is a preference for traditional flowers. Purchases of tropical flowers for personal use are only moderate. Consumers are more familiar with the traditional assortment, such as roses, chrysanthemums and carnations. However, the tropical flower niche segment is increasing slightly because of greater familiarity with the products, recovering tourism sector and increasing availability from Asia.

Trends and Developments

Flower sales are stimulated by the growth in population and the continued growth in GDP and disposable income. Consumers are gradually developing a more refined taste for flowers. Higher quality requirements by both wholesalers and retailers, and competitive prices have become increasingly important. There is also a demand for novelties and less-known varieties.

In the foliage market, there is increasing demand for year-round availability of the major species. These foliage species are in the standard assortment of many wholesalers and are used in mixed arrangements with standard flowers. Gradually, more flowers and foliage are being sold through the increasing number of retail outlets, both supermarkets and hypermarkets.

An increasing number of foreign pilgrims are visiting the two holy cities (Makkah and Medina) in Saudi Arabia, an estimated 8 million per year. This influx of pilgrims increases the flower demand, for instance, because these visitors are staying in hotels. Hotels are important customers of flower arrangements.

The Middle East market for tropical flowers is a buyers' market. There is sufficient supply, but demand is lagging behind. As a consequence, and mainly because of increasing supply from Asia, prices are under pressure. This downward price trend is expected to continue as long as production continues to expand in those countries.

Figure 1: Examples of online assortment



'Exotic Bunch'
Standard: 6pcs. heliconia
AED 191.00 / US\$ 52.00
Source: [Black Tulip Flowers](#)



'Exotic Arrangement'
Content: 2 Heliconia, 4 Anthurum, 6 Delistar, 3 Sunflowers, 9 Roses, 1 Dicko with Basket & Greens
Price: AED 520.00 / \$140,40
Source: [Swefflora](#)



'Spring Flower Basket'
Standard 7 ornithogalum, 10 roses, 10 orchids, 1 hydrangeas, 6 calla lily, 1 stem cymbidium, 5 ginger
Price: AED 664.00 / \$181.00
Source: [Black Tulip Flowers](#)

Local production

UAE has about 30 ha of greenhouses for floriculture production including plants. The major challenges in flower production are the extreme temperatures and water scarcity. The few high-tech flower producers do not grow tropical flowers. Local production is almost exclusively for national and regional markets, and UAE will remain highly dependent on imports of tropical flowers and foliage.

Most other Middle East countries have a modest number of small farms with one or two high-tech producers of traditional flowers:

- Israel is a major producer of flowers and foliage. While the flower assortment does not compete with the exotic flowers assortment in Colombia, foliage production is directly in competition with a number of key products from Colombia, such as Ruscus, Aralia and Eucalyptus. Israel mainly exports to the EU. Arab nations import virtually no flowers from Israel.
- Saudi Arabia has 5,500 ha of greenhouses, mostly plastic with some glass greenhouses.

1.2 Trade Data | Imports

The total market for imported cut flowers has grown considerably in the Middle East in the last few years, and reached about €117 million in 2014. This value is dwarfed by the total EU imports of €4 billion that year.

Based on available statistics, the HS group 060319 'other fresh cut flowers', which includes tropical flowers, represents an estimated 35 to 40% of total cut flower imports.

Dubai (UAE) and the Dubai Flower Centre is a relatively modest trade hub. Some tropical flowers and foliage are re-exported to other countries in the region.

Saudi Arabia is the largest importer of cut flowers in the Middle East and imports are increasing strongly. However, the import assortment is traditional with few imports of tropical flowers (less than €200,000 of imports from countries supplying tropical flowers in 2014).

The main supply countries of 'other cut flowers' to the UAE are the Netherlands and Kenya, together accounting for more than half of the market. These are not tropical flowers.

There are no trade data on tropical flowers. From interviews, we found that tropical flowers are mainly imported from Asian countries, notably Thailand, Malaysia, Sri Lanka and Mauritius. Leading importers, such as Al Lokrit, have sourcing offices in Thailand and Malaysia. Total UEA imports from these countries amounted to about €2 million in 2008, including non-tropical flowers. More recent data are not available.

Importers know about producers of tropical flowers in Colombia and other Latin American countries, but have very little experience with imports because of the high price compared to exotic flowers from Asia. In contrast, importers have experience with traditional flowers, such as roses, and increasingly with hydrangeas, which are currently imported directly from Colombia.

Table 2: Cut Flower imports (HS0603) in €1,000

	2010	2011	2012	2013	2014	Avg annual growth '10-'14
Saudi Arabia	12,375	14,424	14,538	21,330	45,277	66%
Utd Arab Emirates	14,502	14,056	11,337	25,582	30,804	28%
Qatar	6,517			10,086	13,055	25%
Kuwait	6,753	7,055	9,828	11,178	11,951	19%
Turkey	550	1,029	1,564	1,930	4,771	192%
Bahrain	3,597	3,915	3,787	2,624	3,926	2%
Oman	1,960	2,271	2,652	3,202	3,136	15%
Iraq	8,538	5,365	391	501	1,149	-22%
Lebanon	1,193	1,034	1,307	884	803	-8%
Israel	261	313	676	688	784	50%
Jordan	652	567	711	556	664	0%
Palestine	462	383	358	488	480	1%
Yemen	97	71	263	658	442	89%
Egypt	237	226	269	75	141	-10%
Syria	175	235	34	9	46	-18%
Iran	96	147			7	-23%
Middle East	57,965	51,089	47,716	79,791	117,435	26%

Source: Trade Map 2016

The market for foliage is much smaller than for cut flowers, with a total import value of only €8.7 million for the entire Middle East. UAE is the largest importing country followed at a distance by Saudi Arabia. Other countries import less than €1 million of foliage annually.

UAE foliage imports are growing considerably compared to the stagnant market conditions in other countries.

Table 3: Foliage imports (HS0604) in €1,000

	2010	2011	2012	2013	2014	Avg annual growth '10-'14
Utd Arab Emirates	1,090	1,661	1,620	1,428	3,510	56%
Saudi Arabia	1,929	3,239	4,496	2,162	1,955	0%
Bahrain	535	237	538	601	788	12%
Kuwait	456	467	360	619	620	9%
Qatar	899			693	576	-9%
Turkey	382	324	531	478	541	10%
Oman	118	23	22	31	191	15%
Jordan	135	97	144	145	119	-3%
Lebanon	133	143	118	130	114	-4%
Israel	270	145	100	78	97	-16%
Iraq	1,701	641	23	120	94	-24%
Egypt	34	29	19	17	26	-6%
Yemen	3	-	3	-	21	150%
Iran	29	1	6	14	2	-23%
Palestine	-	4				
Syria	-	145	44			
Middle East	7,716	7,155	8,024	6,517	8,654	3%

Source: Trade Map 2016

Data on imports of fresh cut foliage are incomplete, but indicate that about half of all foliage imports are fresh products, and the rest is prepared foliage (dried, dyed or otherwise treated).

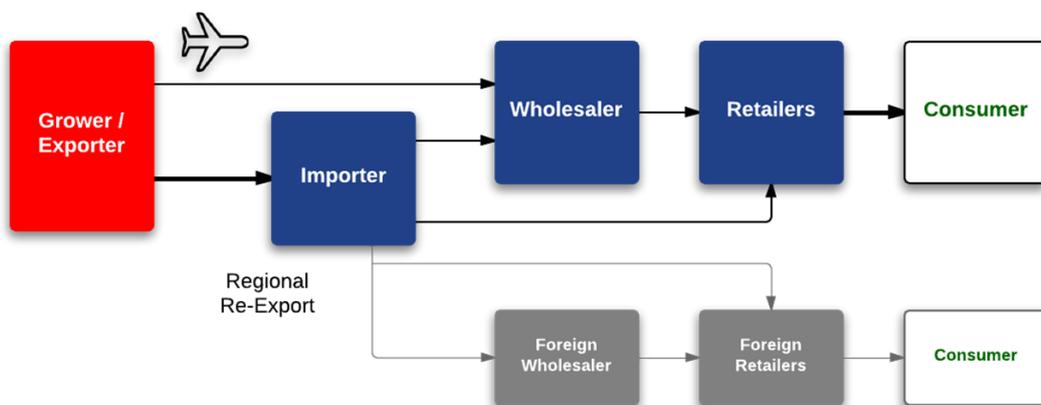
According to trade data, the main foliage supplying countries to the UAE and the rest of the Middle East are the USA, Sri Lanka and the Netherlands, followed at a distance by Thailand and the UK.

Importers of tropical foliage (no trade data) mentioned Sri Lanka, Malaysia, Thailand and to a lesser extent Indonesia as the main sourcing countries.

1.3 Trade Channels

Tropical flowers and foliage are mainly imported by specialised importers, who supply local wholesalers and retailers. A small share is re-exported to neighbouring countries.

Figure 2: Trade structure for tropical flowers and foliage



Wholesale and import

In UAE, and in most other Middle East countries, there are a number of specialized importers/wholesalers, who trade directly with producers and export agents in Africa, Asia, Europe and South America. Dubai stands out as a trading centre with more importers than in other regional countries.

As many importers are Indian, there is a strong focus on Africa, India, Sri Lanka and other countries of Asia where Indians have a strong presence. Some of the largest importers have direct or close relations with African and Asian producers (Al Lokrit, Black Tulip Flowers, Upendo).

A few larger retailers (including florists) import themselves, but mostly from export agents in the supply countries. The market is dominated by wholesale operators. There is no formal auction market, and wholesalers/importers do trade with one another.

Key players in the UAE are:

- Black Tulip Flowers (Dubai, Qatar) - imports, online shop and a number of florist shops in Dubai: www.blacktulipflowers.com
- Al Lokrit (Dubai) - imports, wholesale, retail: www.lokrit.com
- Allisar (UAE, Qatar, Jordan, Syria, Lebanon) - import, wholesale: www.alissarflowers.com
- Oleander Group (Dubai) - import, wholesale, supermarket supplier: www.oleandergroup.com
- Hansa Flowers (Dubai, Ethiopia) - imports, wholesale, production: www.hansaflowers.com
- Flowers by Contempo (Dubai) - events, retail: www.flowersbycontempo.com

Key players in other Middle East countries:

- Bloomax (Saudi Arabia) - imports, wholesale: www.bloomaxflowers.com
- Maktab al Qatari al Hollandi (Qatar) - imports, wholesale, retail: www.hollandi.com

Retail

In the UAE, tropical flowers are sold mainly by high-end florists and event planners. Many florists are located in shopping malls, near large hotels or in the business district. Several florists are part of a larger wholesale company. Black Tulip flowers, for instance, has about ten outlets throughout Dubai and Sharjah.

Supermarkets mostly sell mainstream flowers/bouquets, and sometimes offer bouquets that include tropical foliage. Supermarket bouquets are mostly produced in the UAE by specialised companies, such as the Oleander Group (flowers and foliage imported separately).

Leading retail chains in the Middle East are:

- French hypermarket Carrefour (www.carrefour.com, 13 in UAE and 12 in SA)
- Dubai-based Lulu Hypermarket (<http://uae.luluhypermarket.com>, 11 in UAE and 4 in SA)

There are many other international and locally-based supermarket chains, such as: Choithram (UAE, www.choithram.com), Al Othaim (www.othaimmarkets.com), Panda (www.panda.com.sa), Tamimi (www.al-tamimi.com), Danube (www.danubeco.com), Géant (www.geant-uae.com), Masskar (www.masskarhypermarket.com), Lifco (www.lifco.com), Spinneys (www.spinneys-dubai.com), and Al Safeer (www.safeergroup.com).

Prices and Margins

Import and wholesale prices are quite volatile and loosely related to European market prices, which is an important source of more traditional flowers and foliage. Longterm price trends are in line with global market developments.

The market for tropical flowers in the Middle East is a buyers' market, with demand lagging behind and prices are under pressure because of the increasing supply from Asia. This downward price trend is expected to continue as long as production continues to expand in those countries.

Some importers have branches in the supply countries, enabling them to purchase directly from growers and to negotiate attractive prices. For instance, one importer indicated that they do not distinguish between varieties of heliconia and most other tropical flowers. They calculate one price for medium to large heliconias (typically 80-100 cm).

Heliconia prices in Dubai from Thailand and Malaysia:

- Medium-to-large heliconia about US\$ 1.30 and more or less stable year round.
- Hanging heliconia (*Heliconia rostrata*) about US\$ 3.75 and stable year round.

Ginger prices in Dubai from Thailand and Malaysia:

- 80 cm gingers about US\$ 0.85.

Importers mentioned that the quality of Asian heliconias is similar to that of Latin American heliconias. The quality of gingers from Latin America is probably better than that from Asia.



CBI Market Intelligence

P.O. Box 93144
2509 AC The Hague
The Netherlands

www.cbi.eu/market-information

marketintel@cbi.eu

This survey was compiled for CBI by ProVerde
in collaboration with PROCOLOMBIA and ASOCOLFLORES

Disclaimer CBI market information tools: <http://www.cbi.eu/disclaimer>

May 2016