CBI
Ministry of Foreign Affairs

CBI Tailored Market Intelligence:

Hortensia in the European market

Introduction

Currently, the Colombian hortensia export depends almost completely on the USA market. Only few growers have ventured into the European market. This market analysis shows the opportunities in four focus countries: the Netherlands, the United Kingdom, France and Switzerland. The analysis also highlights the challenges for Colombian growers to gain a share in these markets. Particularly Dutch hortensia growers are strong competitors for Colombian exporters. Only the strongest exporters in terms of consistently high quality and price competitiveness will find a sustainable market in Europe.

This document is the first of three modules about the European market for hortensia. In this module, you can find an analysis of the market. In the other modules, you can find buyer requirements and information on doing business in the European hortensia market.

Product description

Hydrangea (common name hortensia) is a genus of flowering plants native to eastern and southern Asia and the Americas. The flowers are cultivated as well, both for sales as cut flowers and as potted plants (indoor and outdoor). Most species grow to be 1-3 meters tall. The flowers of the plant grow in flower heads, either flat or in mop heads (see examples below).

Flat head flowers

Source: Almanac.com

Mop head flowers

Source: theplantingtree.com

Hortensia can have many different colours: white, blue, purple, pink and red, and green (immature flowers). All these colours are also available with different saturation levels (e.g. light pink and bright pink). In addition, many bi-coloured hortensia varieties are available with coloured fringes.

As the flowers ripen of some hortensia varieties, their colour becomes mixed with shades of blue/green (see example below). As such, the trade distinguishes between two types of hortensia: fresh and classic (overripe flowers with shades of green).

Fresh hortensia flowers

Source: Plantnewday.nl

Overripe hortensia flowers

Source: Hydrangeaworld.com

In Colombia, the range of colours is relatively small. The colours available from most farms are limited to few shades of white, blue, pink and green (immature flowers). Moreover, the colours often have a low level of saturation. Refer to the Trends section in this document for more information about colour preferences in Europe.

Harmonised System code

The Harmonised System (HS) provides codes for the registration of trade by customs authorities. Customs authorities in Europe do not apply a separate HS code for hortensia flowers specifically, but register the trade in hortensia under a code for a wider product group (0603.90). According to Asocolflores, Colombia has introduced a code (06039010) in response to the growing exports of hortensia, but respective trade statistics are not yet available.

What is the demand for hortensia in Europe?

Demand for hortensia

Until a decade ago, hortensia was primarily sold to European consumers as a pot plant. Cut hortensia was a very exclusive type of flower. Consumers only purchased these hortensia for special occasions such as funerals and weddings. As availability improved, consumers started to buy hortensia for other occasions as well. Hortensia became a mainstream product in many of the Northwest European markets.

According to sales data of Dutch auctions, which are expected to account for a large part of European hortensia trade, sales of hortensia flowers amounted to € 41 million / 39 million stems in 2014. That year, hortensia was the 10th largest product for the auctions in terms of sales value (FloraHolland Kengetallen 2014). Compared to the year before, sales grew by 13.4%. Auction sales of hortensia make up 2% of total auction sales of cut flowers.

According to industry sources, there is a healthy growth curve for sales of cut hortensia in Northwest European countries. These countries are coming out of a recession and consumer confidence is rising. Economic growth can be used as an indicator for development of sales of luxury products, such as hortensia.

Industry sources also witness an increase of hortensia in the assortment of florists. They ascribe this to the increased popularity of hortensia, hortensia's long vase life and the range in colours and varieties. Most industry sources expect the share of hortensia to grow or at least remain stable in the future.

Although country specific data on demand for hortensia are not available, per capita consumption data on flowers in general provide some useful insights:

Table 1: Annual per capita spending on flowers in focus countries

Focus countries	Annual per capita spending on flowers
Switzerland	€74 to €129
The Netherlands	€54
France	€47
United Kingdom	€45

Sources: Rabobank Industry Note, 2015, ITC, 2012

As flowers and particularly hortensia are luxury products, the relation between consumer affluence and expenditure on hortensia is strong. Data on per capita expenditure in Table 1 reflect the consumer affluence in these countries. Swiss people are estimated to show a particularly high interest in expensive flowers such as hortensia.

Per capita expenditure is lower in France and the UK. Compared to other European countries, per capita expenditure is average. Nonetheless, this average is based on large populations. Based on interviews with industry sources, it is estimated that consumer segments with interest in hortensia are actually bigger than in Switzerland. Based on per capita expenditure and population size, the Netherlands is also expected to have a considerable hortensia market. Moreover, the Netherlands plays an important role in the hortensia trade. Refer to the section on Market channels for more information.

European production

Over the last decade, European production of hortensia has grown tremendously. According to industry sources, the production area in the Netherlands, where European hortensia production is concentrated, increased from around 20 hectares in 2005 to 150 hectares in 2015. This increase in hortensia growing was largely a response to developments in the rose market. Due to the price competition from rose growers outside Europe and particularly African growers, many Dutch growers quit rose production. The empty greenhouses which were formerly used for growing roses became available for other purposes. Many farmers saw good growth potential for the hortensia market and decided to buy the empty greenhouses and use them for hortensia production.

The lower energy needs of hortensia production, compared to production of many other flowers, also stimulated this shift (FloraHolland, 2013). In the Netherlands, energy costs, which have increased over the past decade, account for a considerable part of total production costs.

Table 2: Global production of hortensia

Country	*Production estimate (ha)*	*Estimated percentage of production for European market*
Netherlands	150-170	90
Other European countries (incl. Germany and France)	50	100
Colombia	640 to around 1,400 (mostly grown on large farms and the rest on small out-grower farms)	1-5
Other South American countries (Ecuador/Peru)	100-200	1-5
Kenya	15-25	100

Sources: ProFound, 2015; CBI VCA Tropical Flowers & Foliage

Although European growers are capable of meeting demand for hortensia during summertime, supplies of hortensia have to come from outside Europe during wintertime. From mid-October to April, European production of fresh hortensia is insignificant. Between mid-October and Christmas, the very small supply from European growers only consists of 'extra ripe' or 'classic' hortensia.

Tip:

- Use the European wintertime as a window of opportunity to get a foothold in the market. During wintertime, European importers will be more open to try hortensia from Colombian growers than during summertime.

Colombian production

In Colombia, according to conservative data, some 640 ha are used for hortensia cultivation, which is 9% of total area for flower cultivation. However, according to industry sources, the actual area for hortensia cultivation may be as large as 1,400 ha. This includes the area of many small-scale growers which is not included in the official data.

One of the main differences between Colombian and European production is that Colombia produces hortensia year-round, whereas European production is limited to late spring-early autumn. Another difference with European production is that Colombian production is concentrated on 3-5 different varieties which are endemic to the country, whereas European growers use many different varieties developed by specialised breeders. Furthermore, European production takes place in greenhouses whereas Colombian production largely takes place in open area and in some cases under plastic. The production conditions in greenhouses are much more controlled than in the open area, which allows the European growers to create optimal growing conditions. This generally results in higher quality hortensia.

Colombian exports

According to new export data for hortensia, Colombia's total hortensia exports in August-September 2015 amounted to € 3.0 million /792 tonnes.

Overall, the Colombian flower industry is well-structured and has traditionally been focused on the USA. In more recent years, Colombia has somewhat expanded its exports to other countries, including Europe, to decrease dependency on demand in the USA. Moreover, the country is looking to expand production of tropical new species, such as Heliconia and Strelitzia to reach different markets.

In Europe, the United Kingdom is currently the major trade partner for Colombian growers of non-traditional flowers (other than roses, carnations, orchids, chrysanthemums and lilies). The UK currently imports 75% of Colombia's exports of these non-traditional flower types to Europe.

Which trends offer opportunities on the European market for hortensia?

Expanding colour preferences for hortensia

According to interviews with industry sources, colour preferences in the United Kingdom, France, the Netherlands and Switzerland are similar. White, blue and green are often mentioned as popular colours. However, consumer interest in new shades of these colours and red colours is clearly growing.

Hydrangea World, a collective promotion campaign by hortensia suppliers, gives a wide range of colours of hortensia flowers, both in the 'fresh' and 'classic' varieties. These are mostly Dutch varieties. Colombia has a relatively narrow range of colours available. Most growers only offer traditional white, blue and sometimes green colours. In this respect, European growers have a comparative advantage. They can offer more colours to buyers.

During the period around Valentine's Day in Europe, but also Mother's Day in the UK (Fourth Sunday of Lent), demand for pink varieties is relatively high.

There is limited interest in Europe for dyed hortensia, although some traders do offer these "tinted" hortensia. Rather, consumers, florists and other retailers prefer flowers with their natural colour. Different flower varieties are developed to get new colours. The Dutch hortensia grower Vollering does offer dyed hortensia during November and December months, as part of Christmas decorations. These are dried flowers.

Tips:

- Test new natural varieties and varieties from breeders with different colours. Note that domestication of imported varieties can take years. The European varieties need cold winters for hibernation and have difficulty coping with the different climate in Colombia. The stems of European varieties often do not reach 60 cm in Colombia, which is the standard in the European market (see Buyer Requirements module).
- Determine the acidity of your soil to find out how suitable it is for producing certain colours. You need a high acidity to be able to grow strong saturated colours. Changing the acidity is most feasible in controlled growing conditions, such as in greenhouses.

Familiarity with hortensia is growing

Traditionally, many consumers in the four focus countries thought of hortensia flowers as 'classic', due to their popularity as garden plants. However, with growing supplies, varieties and colours of cut hortensia flowers, this attitude has started to change. Driven by florists, where most hortensia flowers are sold, hortensia is becoming trendy among consumers. Consumers do still strongly associate these flowers with summer and autumn season, when Dutch and European production is highest.

Tip:

- Educate consumers about applications, colours and varieties of the cut hortensia flower. Also inform consumers about the applications of Colombian hortensia outside of the summer and autumn seasons.

New varieties and niche products

The flower industry in Europe is focused on innovation and new varieties, to differentiate products to those from the competition. On the supply side, there is a trend towards developing varieties that have a better fit with certain cultivation or transportation aspects (e.g. sea freight).

Along with new varieties, there is an opportunity on the European flower market for niche products and specialities. Consumer demand for unique products is growing, especially in the high-end market segment.

Tip:

- On sector level, organize breeding of new varieties for the Colombian production environment. Find out if the stakeholders have sufficient interest in setting up a breeding programme and if the necessary resources are available.

Sustainability remains of secondary importance

In general, consumers in Europe still show limited interest in sustainable flowers compared to the market for food. Sustainability covers social and environmental circumstances during production of flowers, such as safe and minimum use of pesticides. Certifications and codes include ETI, GlobalG.A.P. and MPS-A (see Buyer requirements module). In the food sector, sustainability currently receives high priority, because consumers also associate it with health. As consumers do not eat flowers, in contrast to fruit and vegetables, the health issue is not relevant in the flowers market.

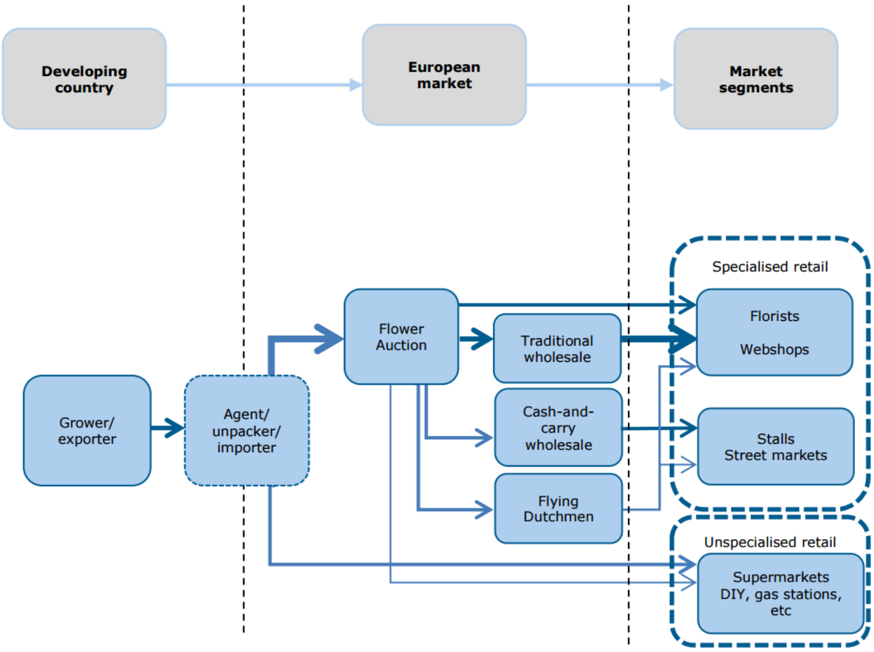
Nonetheless, retail chains demand sustainable flowers. These chains represent an estimated 40 to 60% of the flowers sold in the Northwest European market. According to supermarket supplying wholesalers, certification for sustainable production has become a 'must' to gain or maintain access to the supermarket channel. In contrast to retail chains, florists are not actively promoting sales of sustainable flowers.

Tip:

- Obtain a certificate for sustainable production to become competitive in the European supermarket channel. Refer to 'CBI Buyer requirements for hortensia' for more information.

What do the trade channels and interesting market segments look like in Europe?

Figure 1: Market channels for hortensia



Direct vs. indirect trade

The main distinction in European trade channels for hortensia is between direct trade and indirect trade (Figure 1). Direct trade is trade between retail chains (i.e. supermarkets) and exporters, involving a wholesaler specialised in supplying supermarkets or a purchasing organisation acting on behalf of the supermarket chain. Indirect trade involves more intermediaries such as agents, auctions, traditional wholesalers, Cash-and-Carry wholesalers and Flying Dutchmen (wholesalers delivering flowers to specialised retailers). New technologies, especially the digitalisation of the marketing process, have an impact on trade and channels involved. Purchases are increasingly based on a digital product image (see Doing Business module).

Typically, trade towards specialised retail channels is indirect, whereas trade towards unspecialised retailers is mostly direct. Specialised market channels are those channels that focus on flowers as main products (e.g. florists and street markets), whereas unspecialised market channels offer a much wider range of products aside from flowers (e.g. supermarkets). For them, flowers are not the main product.

Specialised channels (traditional florists) still dominate the retail distribution of flowers in the focus countries of this study (see table 3). The share of hortensia sold through the direct channel to unspecialised retailers differs per European country. In the Netherlands and France, where most flowers are sold to specialised channels, direct trade plays a much smaller role in total trade than for example in the UK.

Table 3: Main retail channels for cut flowers

Focus countries	Main retail channel for cut flowers
the UK, Switzerland	Unspecialised channels (approx. 60% of total flower sales)
the Netherlands, France	Specialised channels (approx. 70-80% of total flower sales)

Source: CBI, 2014

As hortensia is a relatively expensive flower, compared to other flowers on the market, the actual share of direct trade in the hortensia market is considerably lower than in the overall flower market. Moreover, industry sources indicate that hortensia that are sold in supermarkets are mainly sold as part of bouquets. Even in the United Kingdom, where sales through unspecialised channels are much higher than in the other focus countries, direct trade in hortensia is estimated to account for a small share of total hortensia trade. Nonetheless, supermarket chain Tesco has already had several promotions with hortensia in the United Kingdom.

The role of the Netherlands

Though not a major end-market, the Netherlands plays a large role in the European hortensia trade as a re-exporter. The Netherlands imports over half of the total European imports of flowers. Dutch actors play a role in both direct trade and indirect trade. In direct trade, Dutch specialised wholesalers specialised in supplying supermarkets operate European-wide, competing with supermarket supplying wholesalers in the target country. Such specialised wholesalers often supply mono-bunches as well as mixed bouquets to supermarkets. Especially for the mixed bouquets, they often also source indirectly to get access to a wider range of flowers, such as hortensia. Direct supplies from hortensia growers or exporters are not very common, as supermarkets usually do not have hortensia in their everyday assortment.

In indirect trade, the (Dutch) flower auctions (e.g. Flora Holland) play a particularly important role. In 2015, Flora Holland had a turnover of € 4.5 billion. The auctions provide a very wide assortment and valuable services to both suppliers and buyers. Suppliers will always find buyers for their hortensia through the auction, because of the auction clock system which enables very competitive price setting. If suppliers receive low prices due to the presence of hortensia of inferior quality in the lots, they can hire agents from the auction or outside the auction to sort them out before auctioning.

Many traditional wholesalers, which still dominate the wholesale landscape in Northwest Europe, purchase some or all of their flowers from auctions. The distribution network for flowers in Europe consists of thousands of such wholesalers which supply their customers either from their trucks or at cash-and-carry's (i.e. wholesale markets). They mainly sell their flowers to florists and to a lesser extent to street markets.

Trends in market channels

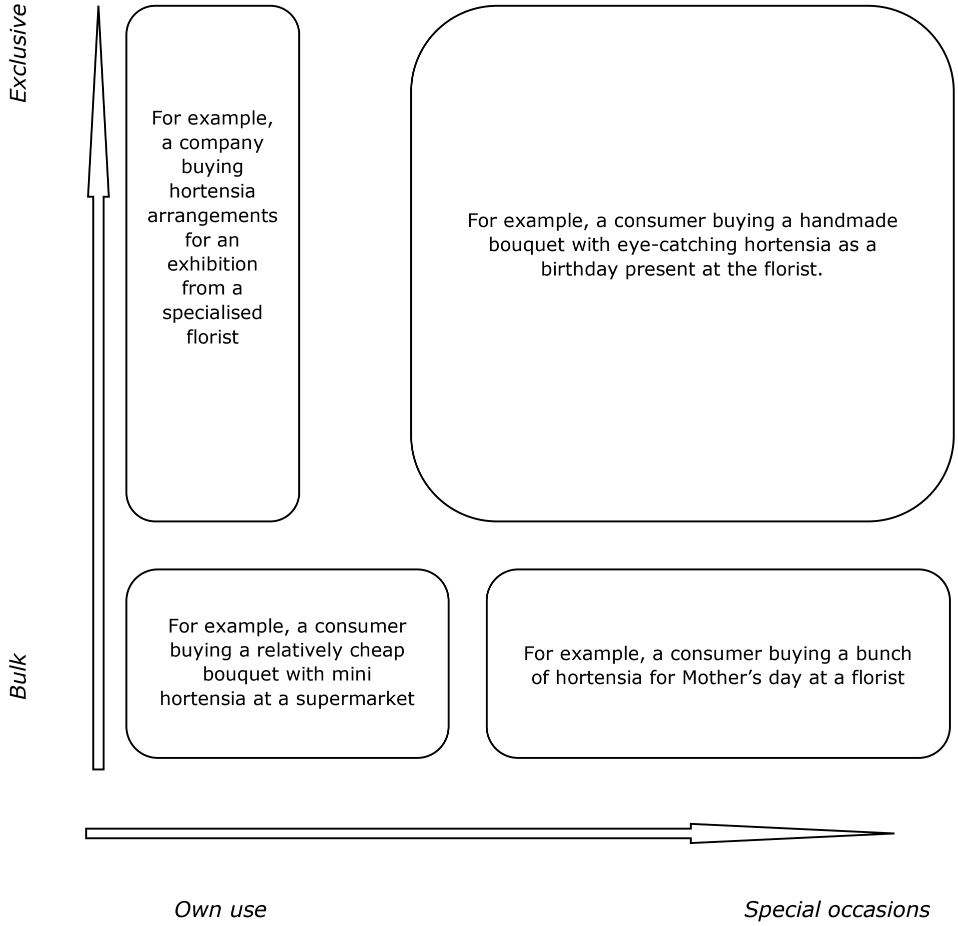
- *Unspecialised channels* (e.g. supermarkets) are gaining market share across Europe. However, florists are still the most important market channel, particularly in France and the Netherlands. More and more, European wholesalers are specialising in supplying either supermarkets or florists.
- *Direct trade* with European supermarkets is increasing, while clock sales at the auctions are under pressure. However, direct trade in hortensia is considerably less common than direct trade in traditional flowers such as roses, chrysanthemums and carnations. The supermarkets target the low-end market for impulse purchases, whereas consumers purchase the relatively expensive hortensia flowers mainly for special occasions. This market is supplied by specialised retailers which are in their turn supplied through indirect channels.
- *Supermarkets increase sustainability requirements.* Especially in the supermarket channel, certification is becoming a 'license to supply'. For example, in the United Kingdom, certification schemes such as GlobalG.A.P. and ETI audits are becoming crucial requirements.
- *Trade in flowers is digitalising.* Particularly during peak days, such as Valentine's Day and Mother's Day, many consumers order flowers online, which allows them to choose from a wider assortment of flowers. Not only does this trend cover consumer sales, trade between online shops and importers/wholesale traders is increasing as well. To be able to sell through this channel, you need uniform products, supply chain efficiency and information exchange standards.

Tip:

- Refer to CBI Cut Flowers and Foliage Market Channels and Segments for more information.

Market segments

Figure 2 Segmentation of hortensia market; size of box indicates size of segment



The primary segmentation of the hortensia market is by purchasing motive. Consumers buy hortensia for own use or for a special occasion.

Most hortensia are purchased for special occasions. For example, consumers buy a bouquet with hortensia as a gift for someone's birthday. Special days, such as Mother's Day (see Table 4) and Valentine's Day (February 14th), usually cause a peak in flower purchases, including hortensia. Consumers mostly purchase hortensia for special occasions at florists.

Table 4: Mother's day in focus countries

Focus countries	Mother's day
United Kingdom	Fourth Sunday of Lent (period for fasting before Easter): 6 March 2016
the Netherlands, Switzerland	Second Sunday of May: 8 May 2016
France	Last Sunday of May: 29 May 2016

The own use market for the relatively expensive hortensia is estimated to be much smaller than for traditional flowers such as small-budded and medium-size roses. European consumers typically purchase hortensia for own use impulsively at supermarkets when also shopping for other groceries. To a much lesser extent, they also purchase Dutch hortensia in the summer season at street markets. However, impulse purchases of hortensia are not very common, as hortensia is a relatively expensive flowers while impulse purchases mostly comprise more traditional, lower-priced flowers: the low-end segment of the market.

The secondary segmentation of the hortensia market is by exclusivity. There is a market for very exclusive high-end hortensia and a market for traditional low-end hortensia.

Consumers usually purchase medium-quality or less exclusive hortensia for special occasions such as birthdays, hospital visits and graduations. These purchases comprise the middle segment of the market.

Weddings, funerals and business events form the main segment for the highest quality and most exclusive hortensia. In this high-end segment, price is a less important purchasing criterion compared to quality. As weddings mostly take place during summer, demand for high-quality exclusive hortensia is highest during the summer period. During this season, European growers can generally supply very high quality hortensia from their greenhouses at competitive prices. Refer to CBI Buyer requirements for hortensia for specifications of high-quality hortensia and to the section on competition below for more information on the respective subject.

Trends in market segments

- Hortensia is becoming a mainstream product in the focus countries the United Kingdom, France, the Netherlands and Switzerland. A decade ago, suppliers used to target the high-end segment exclusively. Since recently, the middle-segment is growing particularly fast. The low-end segment remains small.

Tip:
- Know your market segment and its requirements. Obtain relevant certifications and be organised before exporting to the EU.

What are the market prices for hortensia?

European wholesale prices (i.e. CIP) for hortensia usually range between € 0.70 and € 2.00 depending on the grade and time of the year.

In 2015, the average price of hortensia at the FloraHolland auctions amounted to € 1.03 /stem. This is the typical price for 'Select' grades during European summertime. The same grade can fetch prices of € 1.5 - 2.00 /stem during European wintertime. Hortensia grades depend on the size of the flower head, see the Buyer Requirements module.

Prices of the lowest grades (Mini), but also 'Select' of a low quality (e.g. bent stems), usually amount to € 0.70 – 0.90 during summer.

Along with colour, price is one of the determining factors to buy cut flowers for consumers. According to florists, the price of hortensia is rather high when compared to other cut flowers on the market. Particularly French florists are discontented with the price of hortensia cut flowers. A high cost price for cut flowers increases the consumer price of the final bouquet or reduces the margin for the florist.

Transportation costs make up a considerable share of the final price you can offer your customers in Europe. Costs depend on the destination and size of the order (over 100, 300 or 500 kg). Generally, air freight to Amsterdam (the Netherlands) is cheaper than to other destinations. To illustrate, air freight of flowers from Medellín (through Bogotá) to Europe costs €1.98 – 2.50 ($2.10-2.70) per kg (Cargex).

Tip:
- In your price calculation, include both direct costs (e.g. labour costs of farm workers) and indirect costs (e.g. promotion costs). Prices based on direct costs only are not sustainable in the long-term.

What competition do I face on the European market for hortensia?

Market entry

Compared to the USA market, currently the main market for Colombian hortensia, market access requirements are much higher in Europe. In general, quality requirements are higher, while prices are often lower according to Colombian hortensia exporters. Refer to CBI Buyer Requirements for hortensia for more details. Therefore, additional investments need to be made to become competitive in the European market.

Tips:

- Maximise control over growing conditions for your hortensia. Implement a strict quality management system to constantly improve quality. Consider hiring external experts to help you with this.
- Obtain lower rates for transport to Europe by consolidating orders of different flowers or even different growers in Colombia.

Product competition

Product competition is quite strong for flowers as many substitute products exist. These range from other flowers, plants to completely different products, for example small presents such as chocolates.

Competition is strongest with other flowers. The flower market consists of a wide range of flowers, which are a threat of substitution for hortensia flowers. The main threat comes from other exclusive big flowers, such as large roses.

Company competition

In general, Colombian growers are not able to compete with European growers during summer. As European growers use greenhouses, advanced technology and have access to very strong hortensia varieties from professional breeders, they can grow very high quality hortensia. Especially Dutch growers set quality standards for the European market. Globally, this country is the main producer of cut hortensia flowers and is well suited to target the European market.

Colombia's competitive advantage is the country's ability to produce year round, whereas European production is limited to April-November.

Aside from competition from Dutch producers, Kenya is a small, but upcoming competitor for Colombian hortensia growers. According to industry sources, the country currently produces hortensia on 15-25 ha.

Kenya is already a strong competitive force for other flowers sold on the European market, such as roses, and is now expanding its product offering. Similar to Colombia, it can grow hortensia year-round.

Companies in Kenya have a competitive advantage over Colombian producers in both logistics and costs. Due to the shorter distance and existing trade routes, transport of hortensia can be less expensive. Moreover, labour costs in Kenya are lower.

Despite the competitive advantages, Kenya is not expected to become a major supplier of hortensia in the short-term, as they do not yet have a significant range of varieties that result in strong high-quality hortensia.

Due to concentration in the European retail and wholesale market, many buyers are becoming bigger. They are scaling up and need matching supplies. Their power enables them to negotiate better prices, while also applying stricter quality requirements and delivery terms. The number of buyers that allows more room for negotiation by the supplier is decreasing.

Tips:

- Focus on the winter period to gain access to the European market. Use the experience with supplies in that period to further improve your offer.
- Learn from your competitors by hiring independent experts from Europe such as breeders and consultants.
- You need to be well organised to target large buyers in Europe. Plan your production carefully to meet delivery terms.

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