

## Which trends offer opportunities on the European cut flowers and foliage market?

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The European market for cut flowers and foliage is expected to grow further in the short and long term future. Digitisation, increasing sales in the unspecialised retail channel and growing demand for sustainably produced flowers are major trends that are changing the flower industry in Europe. Prepare to be a supplier of the future by studying the market trends and the implications for your business.

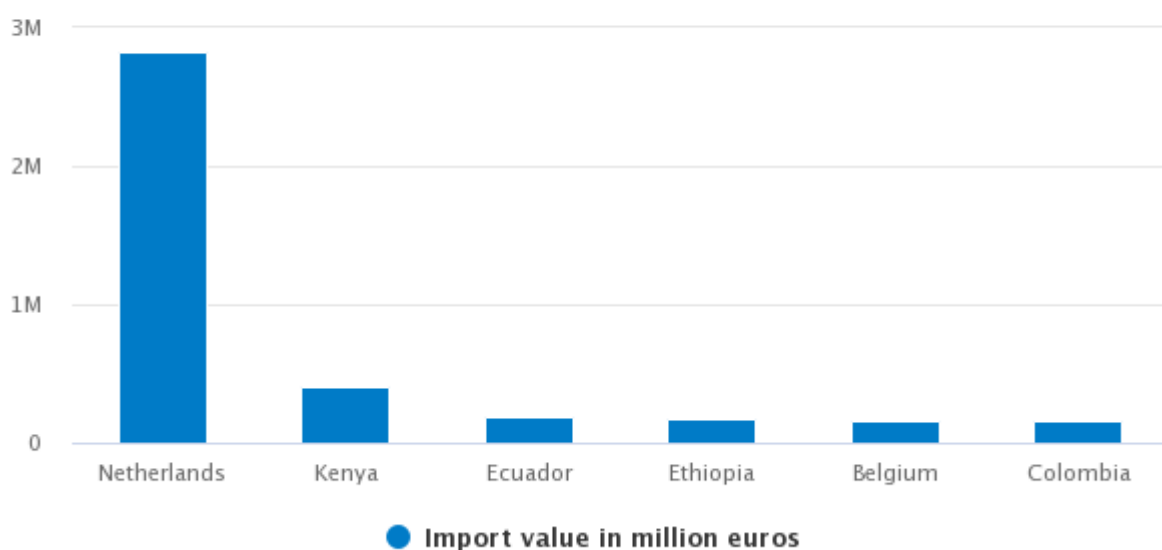
### The European market is recovering and imports from developing countries increasing

The European market for cut flowers and foliage is recovering. The share of flowers from developing countries in the European market is growing and expected to grow further in the future, while the Netherlands is strengthening its position as a major trade hub. The increase in demand in Europe offers opportunities for exporters from developing countries. But remember that the market is still very competitive. Quality, reliability and consistency in supply are very important.

European Union imports from developing countries have increased from €988 million in 2010 to €1183 million in 2015 (Eurostat). Market prices have increased for most products in 2016. Major suppliers Kenya, Ecuador, Ethiopia and Colombia have seen 20% to 60% growth in exports of flowers and foliage to Europe. Yet the Netherlands remains a major producer and the most important trade hub. About 60% of imports of flowers in Europe occurs from or via the Netherlands.

**Figure 1: Import value of cut flowers and foliage in the EU-28 by country of origin (including re-exports), 2015**

In million euros



Source: Eurostat Comext.

In the short run the European market as a whole is expected to keep growing. In the next 10 years, market growth is expected to be especially large in Central European and eastern European countries. Growing demand is also expected in some southern European countries and in Scandinavia. In countries like France, Spain and

Italy, the supermarket sales channel is relatively less developed and expected to see above average increase in sales in the next 5 to 10 years.

In eastern Europe, flowers are mostly bought as gifts for birthdays, Mother's day, Valentine's Day, First Day of School or other holidays. The specialised retail channel requires specialised small volume transport and logistics. The easiest way to enter the Central European and eastern European markets is through Dutch traders that have experience as suppliers of the specialised flower shops and a dominant market share in these countries.

Grower-exporters in developing countries should not get too carried away by prospects of growth and remember that much of the increase in prices is due to temporary shortfalls in supply from Ethiopia and a general increase in the quality of the flowers. The market is still very competitive.

### **Tips:**

- Although the market is growing and prices have been good for some time now, keep investing in improving your company as competition is still strong. Sending only one batch of flowers with quality issues to Europe might be devastating for your company's reputation. Invest in a sustainable relationship with your European buyers.
- Look for possibilities to expand exports to emerging European countries. The Dutch flower auction and its connected trade network are a good way to profit from the growth in demand in eastern European and Central European countries.
- Understand the dynamics of the European flower market. Be aware of the timing of peak days in the market and try to integrate these in production planning.

## **The long-term outlook for the European market is a bit more uncertain because of political and financial insecurity in some countries and weak demand from Russia**

The long-term outlook for the European market is a bit more uncertain. Political insecurity in some countries of the European Union and ongoing concerns about the stability of the financial markets may threaten the euro exchange rate. A weaker euro or pound exchange rate may decrease demand for imports from developing countries.

Causes of uncertainty are the British intention to leave the European Union (the 'Brexit') and the possibility of other countries leaving the European Union. In addition, some banks are still weak. A third factor of uncertainty is the economic developments in Russia. Since 2014 Russia has been in a financial and economic crisis that has yet to be resolved. Insecurity lowers the euro exchange rate.

A weaker British pound or euro exchange rate makes imports of cut flowers from developing countries more expensive and lowers demand. Growers that supply to the Dutch flower auction are generally paid in euros in which case their earnings are directly affected by a weaker euro.

### **Tip:**

- Selling to only one or a few end customers in specific countries will increase the risk of exchange rate changes. Selling through the Dutch auction and/or directly via Dutch traders will provide access to a large number of markets and consequently lowers the market risk.

## Digitisation of the sales process is growing rapidly

A large part of the cut flowers sold on the European market are sold initially through the Dutch flower auction. In recent years IT systems have been introduced into the auction and marketing processes. This has had a significant impact on trade.

Examples of digitisation include the auction's distance buying system, [FloraMondo](#) Auction Presales, the use of online shops by wholesalers, and other intermediary services of both the auction and wholesale traders. The auction clock will become fully digital in the near future. Suppliers of some products currently sell up to 30% of their shipments via auction presales prior to the actual auctioning at [Royal FloraHolland](#). An estimated 50% of wholesale trade now takes place through online shops.

Purchases are based on digital product information and images. Growers therefore need to pay constant attention to consistent quality and reliable information, as wholesalers prefer to work with the most reliable suppliers. Unreliable or false information about product quality may lead to a lower '[quality rating](#)' (if you are supplying the flower auction) or a general loss in buyer confidence. This will negatively affect your price and sales.

The trend of digitisation is expected to increase rapidly in the next few years. Wholesalers are increasingly selling through online shops that are connected to the supply of their growers, and both distance buying and pre-auction sales are quickly gaining importance at the flower auction.

### Tips:

- E-commerce requires information standards and reliability of information. Learn about buyer requirements, quality control and E-commerce related IT systems. [Floricode](#) is a sector initiative for the registrations, standards and codes for information management in the ornamental industry.
- Read more about [doing business digitally at Royal FloraHolland flower auction](#).
- IT systems are vulnerable to trust issues. Be consistent and as honest as possible when supplying digital information about product quality.
- The [Dutch Association of Wholesale Trade in Horticultural Products VGB](#) and the Dutch flower auction [Royal FloraHolland](#) can provide a range of information about software systems and electronic applications.

## The supermarket channel and direct trade are growing

European consumers usually buy flowers at florists and street and market stalls. However, in the last decade the market share of supermarkets and other unspecialised outlets such as filling stations has increased. It is important that you carefully determine which specific market channel you want to supply, that is specialised or unspecialised, and thoroughly explore the differences with respect to quality requirements, packaging and logistics and business practices.

The supermarket market share is especially large in the United Kingdom, with almost 60% of total sales of cut flowers and foliage. In Germany, Scandinavia and the Netherlands, the market share of supermarkets is about 20-25%. The market share of supermarkets is expected to grow further in the short and long-term future as more supermarkets are offering flowers and assortments are growing.

One of the effects of the increased importance of large supermarkets is a further growth in direct trade (meaning not via the auction clock). The Dutch flower auction plays a central role in the European flower trade, both as a marketplace and as a distribution hub for flowers from developing countries. In 2015, Royal FloraHolland turnover at the auction clock decreased by 1% to €2.1 billion (including indoor and outdoor plants),

while direct trade increased by 3.8% to €2.3 billion.

Supplying to supermarkets directly through a specialised wholesaler in Europe requires professional operations, excellent logistics and quality control, and long-term commitment. Only then can this market channel offer opportunities to exporters from developing countries.

Some retail buyers will offer longer term (seasonal) contracts. There is more focus on contracts that are aligned with the seasons in Europe. Especially large retailers are working with contracts with special offerings in certain periods (fixed planning means less flexibility!). As a grower you have to supply, or you risk being heavily fined.

### **Tips:**

- Find more information about the requirements of supermarket buyers in the CBI research on [Doing business](#), [Market channels and segments](#), and [Buyer requirements](#).
- Ask potential retail buyers about the required certifications and work towards obtaining these certifications. Be professionally organised before attempting to export to European retailers.

## **Online sales to consumers are increasing**

The number of retailers (florists, large supermarkets and online specialists) selling flowers through the internet is increasing. The assortment of flowers that can be purchased online is also growing. The internet is the fastest growing market outlet in many European countries, although current market shares are typically below 10%. The online sales trend increases the importance of product uniformity, supply chain efficiency and information exchange standards.

It is expected that online sales of cut flowers (both bouquets, mono-bunches and individual flowers) will further increase in the future. Internet sales often involve florists that collectively or individually produce the bouquets and flowers, or specialised bouquet producers. Online sales peaks during special days like Valentine's Day and Mother's Day. This trend increases demand for uniform quality flowers.

### **Tips:**

- Online sales requires product uniformity and reliability in terms of quality and the information provided. When targeting this market, being a consistent and reliable supplier is very important.
- The online sales market segment has its own requirements in terms of facets such as product range and stem length, and has its own market dynamics. Learn about specific buyer requirements by visiting potential buyers that are targeting this market segment.

## **Corporate social responsibility becomes mainstream**

All actors in the cut flower value chain agree that it is of great importance to apply good agricultural practices to protect the impact on the environment as well as good labour conditions. Large retailers are increasingly demanding that suppliers of cut flowers and foliage adhere to environmental and social responsibility standards. Corporate social responsibility (CSR) is about your company's impact on the environment and society.

There is increasing consumer awareness of the environmental and social impact of production and worldwide trade of goods. A growing number of consumers is willing to pay for responsibly produced flowers. This trend will continue as more retailers around Europe start offering Fairtrade, FFP or otherwise certified flowers. For

exporters of sustainable flowers and foliage from developing countries this trend offers opportunities, although in most countries it is still a small niche at the moment.

### **Tips:**

- See our study on [Buyer Requirements for cut flowers and foliage in the European market](#) for more information on different certification schemes.
- Find more information about certification schemes at [ITC Standards Map](#).
- A choice for one or the other certification scheme depends on your target market segment. Investigate which certification schemes your buyers ideally require.
- Prepare for the future and consider producing your flowers in an environmentally friendly way. Buyers and consumers agree that this will be of increasing importance in the future.
- Be aware that exceeding the residue limits set by buyers will impact your reputation as a supplier.

## **Consumers are looking for products with a special story**

Consumers are willing to pay for products that come with a story. This can be related to locally produced items, products grown by smallholders, or products with special characteristics such as unique colours or longer vase life. Storytelling connects consumers with a product and often justifies a price premium. Products originating from developing countries can obtain a distinctive position in the market by emphasising their origins and good agricultural practices.

Growing demand for niche products gives opportunities for growers to distinguish themselves. With increasing competition from other gift products, it becomes ever more important to emphasise the special characteristics of your products by providing additional product information through storytelling on the packaging or your website. Demand for Fairtrade flowers, for example, is still growing and expected to keep growing at a higher rate than total market demand.

### **Tip:**

- Know the added value of your product and learn to communicate through packaging and storytelling. Visiting trade fairs and websites of competitors is a good way to learn how competitors brand their products and collect ideas about how to brand your own products.

## **Tracking and tracing of products in the supply chain has become very important**

Supermarkets want to know where products come from. Yet it is also very important for wholesalers and growers to keep track of the product quality and logistics process throughout the chain. A wide range of traceability solutions and tools are available. Some of these solutions will make the product traceable back to you as a producer through, for example, a barcode. Others will give you the opportunity to track where the product is going after you have shipped it.

In the cut flower industry barcodes on packaging are frequently used to integrate information from producer and buyer. Often the article code, selling price and other details imposed by the supermarkets are already printed on labels and barcode by the grower. The trend towards tracking and tracing is linked to the increase in certification and is expected to become even more important in the near future. It requires more collaboration on using the same product information standards.

Keeping products cool throughout the supply chain is crucial for product quality (except for e.g. some tropical

flowers which suffer chilling injury at low temperatures). [Time-temperature indicators](#) combined with radio-frequency identification ([RFID](#)) tracking systems, as well as simpler sensors and [data loggers](#), can monitor the temperature. You may use these to monitor your products throughout the supply chain. Poor product treatment by other supply chain participants will reflect on your product's price.

### Tips:

- Contact your buyers to see if you can add value by labelling products in advance. Also use the possibilities offered by tracking and tracing to monitor your own product quality.
- Cooperation from buyers is often required to obtain the information collected by data loggers and smart labels, but this will certainly increase their attention to maintaining the cold chain as increased product quality will benefit both you and your buyer.

## The assortment of cut flowers from developing countries is increasing because of improved varieties and cultivation

The production areas in East Africa and South America are characterised by different cultivation conditions and have a longer distance to the markets compared to traditional flower production areas in Europe. This requires varieties with an improved transport and vase life. As a result, breeders of cut flowers are developing varieties specific for East African and South American growing and transport conditions.

This has led to an increase in the number of varieties that are successfully exported to Europe. Combining the right varieties with excellent cultivation techniques may offer opportunities for growers in developing countries, even for products that are traditionally grown in Europe.


There is a tendency for breeders to reserve new varieties for a selected group of 'exclusive' growers. These new varieties are offered on the market exclusively by one grower, resulting in high prices. These varieties are then released to other growers at a later stage, resulting in an increase in supply and lower prices. This trend is likely to continue and will lead to breeders increasingly looking for reliable growers to partner with.

### Tips:


- Selection of the best varieties is very important for the success of your business, especially for common flowers like roses. Keep track of the latest breeding innovations by contacting your suppliers, and visiting trade fairs.
- Work on close relationships with your suppliers (breeders). They sometimes have exclusive agreements on varieties for selected growers.
- Note that breeders usually own the exclusive intellectual property rights to their plant varieties. Violating these rights (e.g. by not paying the necessary royalties) will disqualify you from exporting to Europe.

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