

CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN THE CZECH REPUBLIC

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the market for cut flowers and foliage in the Czech Republic. The information is complementary to the information provided in the CBI market survey 'The market for cut flowers and foliage in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>

1. Market description: consumption and production**Consumption**

- The market for cut flowers and foliage of the Czech Republic was worth € 101 million in 2005. Compared to other EU countries it is a small market. After many years of growth, consumption decreased again in 2004 and 2005. Increasing costs of living were one of the main reasons that the consumption of flowers has been under pressure. The decrease in two consecutive years makes it less likely that a market value of € 145 million in 2009 will be reached, as was predicted by the Flower Council of Holland in 2004.
- The per capita consumption increased from € 9 in 2001 to € 10 in 2005. Although it is increasing, per capita consumption is still far below the EU average of € 26. In contrast, the penetration of flowers in the Czech market is relatively high. 67% of Czech consumers purchased flowers in 2003. The average of 10.3 flower purchases annually is also high. Prices are relatively low compared to other EU countries. Please refer to chapter 4 for more information on prices.
- Flowers are mainly purchased to give away (72%). Mono-bunches account for 50% of flower sales and mixed bouquets for 30%. The latter are increasing in importance.
- The most popular flowers according to florists are: Orchids (26%), Rosa (23%), Anthurium (10%), Dianthus (9%) and Gerbera (7%).

Production

- The production area for flowers consists of 37 hectares of land under glass.
- Growers in the Czech Republic and many other new East European EU member states have trouble competing with the supply from the old EU countries, particularly The Netherlands. Since they have become member of the EU, their market has opened up to Netherlands exports. The market share of locally grown products declined to 8% in 2002, partly as a result of increased imports.
- Another problem many growers face is the fact that many greenhouses need investments to modernise them. These investments, however, are difficult to make because of the relatively high interest rates and there is a lack of interest from foreign investors.
- The leading cut flower that is produced by Czech growers is Dianthus, followed at a distance by other products like Gerbera, Dendranthema and Rosa. There is also some production of foliage, like Asparagus.

Trends

- Over the long term, sales of mixed bouquets are increasing compared to sales of mono-bunches. This is due to higher purchasing power and to supermarkets selling low-priced mixed bouquets.

- In order to supply the market, domestic production is increasingly substituted by imports. However, there is little room for imports to gain a higher share in total supplies to the Czech market.

Opportunities and threats

- Although consumption of cut flowers in the Czech Republic is not developing as positively as was expected, the Czech market still offers good prospects. Economic growth figures, including purchasing power, of around 4% are estimated for the coming years. The flower business generally profits considerably from positive developments in purchasing power.

Useful sources

- Czech Statistical Office: <http://www.czso.cz/eng/redakce.nsf/i/home>
- Mendel University Of Agriculture And Forestry, Brno: <http://www.mendelu.cz/en/>

2. Trade: imports and exports

Imports

- Czech Republic is a small EU importer of cut flowers and foliage. It is the 13th largest EU importer of cut flowers, accounting for 1% of total EU imports. Its total imports increased by 36% between 2001 and 2005, amounting to € 33.9 million in 2005.
- The main suppliers are The Netherlands (87%), followed at a distance by Germany (3%) and Colombia (2.5%).
- Developing countries account for 6% of the supply of cut flowers. Developing countries' supply decreased by 16% annually in the period 2001-2005, amounting to € 2 million in 2005. The main developing country suppliers are Colombia, Thailand (2%) and Ecuador (1%). These suppliers faced considerable decreases in their supply of cut flowers and foliage to Czech Republic. The sharpest decrease was for Colombia, whose supply decreased by 17% annually between 2001 and 2005.
- Developing countries play a significant role in the supply of Dianthus, Orchids and foliage. However, these product groups are not so significant in terms of imported value and imports of them decreased strongly in the period revised.
- Developing countries account for 29% of the supply of Dianthus. Colombia is the only developing country supplying significant amounts of Dianthus. The amount imported decreased annually by 20% amounting to € 809 thousand in 2005. Thailand is the largest developing country supplier of Orchids, accounting for 40% of the import share. This supply decreased annually by 11% amounting to € 575 thousand in 2005. Developing countries account for 21% in the supply of foliage. This amount also decreased in the period revised, by 10% annually, amounting to € 232 thousand in 2005. The main suppliers are China (9%) and India (8%).
- The largest product groups imported into Czech Republic are 'other fresh cut flowers', with imports increasing by 11% annually, amounting to € 15.2 million in 2005. Imports of Rosa increased annually by 9%, amounting to € 9.6 million in 2005.

Exports

- Just as for many other smaller EU markets of cut flowers and foliage, Czech exports experienced growth between 2001 and 2005. Its exports increased by 407% in the period reviewed amounting to € 4 million in 2005. Czech Republic is a net-importer of cut flowers.
- Czech exports are mainly composed of 'other fresh cut flowers' (€ 2.3 million) and foliage (€ 1.5 million).
- Its main export destinations are Russia and Germany. Approximately half of Czech exports is destined to these two countries.

Opportunities and threats

Czech Republic is not really interesting for developing country suppliers of cut flowers and foliage, because of the following reasons:

- The cut flowers and foliage market is small and Netherlands suppliers hold a very dominant position.
- Total imports are increasing, whilst imports from developing countries decreased by 16% annually between 2001 and 2005.
- Developing countries only hold an import share in the product groups which are of less importance.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Czech Statistical Office: <http://www.czso.cz/eng/>

3. Trade structure

- Approximately 15 to 20 large importers and a large number of small importers are active on the Czech market. In recent years, importers have increased scales and smaller importers have disappeared. At the same time, competition from exporters supplying to the Czech market has increased.
- There are no wholesale markets in the Czech Republic, due to the lack of a strong domestic production. Most wholesalers are concentrated around Prague and a few other large cities. Recently, some of them have opened local affiliates in other areas of the country. The number of cash & carry outlets and companies from exporters in The Netherlands also increased.
- Florists are the leading retail channel for cut flowers in the Czech Republic. However, their market share of 75% and that of street markets (12%) are under pressure from supermarkets and do-it-yourself stores, which currently account for only 6% of flower sales.

4. Prices

- As in many other countries, The Netherlands auctions set the price for most flowers sold in the Czech Republic. This is particularly true, because many of the flowers traded in the Czech Republic pass through the auction system or have been supplied by Netherlands wholesalers. Refer to the VBN statistical yearbook for average prices paid for the auctioned products: <http://www.vbn.nl>.
- In 2005, the average expenditure on cut flower purchases by households was € 3.70. The average retail price for a mixed bouquet was € 5.90 and that of a mono-bunch € 3.90.
- In general, retail prices increased significantly over the last 10 years. Factors contributing to the price increases are the general increase in prices of flowers, the larger sizes of flower bunches and bouquets, and the increased consumption of more expensive flowers like Rosa.

5. Market access requirements

- Growers in developing countries should be aware of the market access requirements of their trading partners and the country's government. 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.
- The general VAT rate in the Czech Republic is 19%. The VAT rate generally applied to flowers is 5%.
- For more information, go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>

6. Business practices

Trade fairs

- Flora Olomouc Exhibition Grounds: <http://www.flora-ol.cz/en/>

Trade press

- Floristika: <http://www.agroweb.cz>

This survey was compiled for CBI by ProFound – Advisers in Development and Milco Rikken of ProVerde in collaboration with Mr. Jan Lanning.

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