CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN THE EU

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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 the 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, Orchids, etc.). 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 with 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. Total consumption decreased slightly between 2001 and 2005, but differences between countries exist. Of the leading cut flowers markets, Italy contributed most to the decrease in consumption. Consumption in the leading markets of 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 of some countries is the other. The two most important growth markets, according to absolute increases of the market, were the UK and Spain.

Per capita consumption is highest in The Netherlands, followed at a distance by other countries like Austria, the UK, Denmark and Belgium. The average per capita consumption in the EU decreased between 2001 and 2005.

Trends in EU consumption offer the following opportunities to developing country exporters:
- 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 answer this consumer demand.
- Exclusive or novelty products.

Potential threats are:
- Consumers tend to shift towards other gift items like chocolate, etc.
- Unpredictability of ever-changing fashion: which colours and variety will I need to grow?
- Increasing quality requirements.

The development of the production differs strongly between countries.

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

In Northwest European countries like France, the UK, Germany and Finland, 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, Ireland and 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 moer or less stable for the coming years.

Trends in EU production offer the following opportunities to developing country exporters:
- Decreasing number of producers.
- EU producers of Rosa are switching to large-budded varieties under pressure from developing country suppliers of 'sweethearts' (i.e. small-budded varieties).

Threats to developing country suppliers could be:
- Increasing production scale and higher productivity in competing European countries.
- High level of European research on production techniques.
- Application of high-tech production methods by European growers, which 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.

Imports

The EU is the world's leading importer of flowers and foliage. Although the economic slowdown and the subsequent decrease in purchasing power in many EU countries between 2001 and 2005 had a negative effect on consumption of cut flowers, imports increased slightly. Supplies of lower-priced flowers answer demand for lower-priced flowers in the EU, thus compensating for the decrease in purchasing power.

Germany was the largest European importer. However, considerable decreases in imports have placed Germany at nearly the same level as the UK regarding imports. Together they account for nearly half of EU imports.

Only a fifth of total imports was imported from outside the EU. The Netherlands was 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 was still the main supplier of cut flowers and foliage to other EU member states in 2005. The dominating position of The Netherlands as a supplier to the EU is, for a large part, the result of 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 2001 and 2005, imports of Rosa increased slightly.

Imports originating in developing countries have been increasing strongly over the past ten to fifteen years. Between 2001 and 2005 the share of imports from developing countries in total EU imports of cut flowers increased from 18.2% to 19.6% which was mainly attributed to increased supplies from Kenya.

Developing countries supply mostly Rosa, 'other fresh cut flowers' (like summer flowers) and Dianthus. Their relative importance in EU imports is highest for Dianthus, foliage and Rosa.

Opportunities for imports from developing countries are:
- Higher demand for low-priced 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

Part A: EU market information

1 INTRODUCTION TO CBI'S MARKET INFORMATION

CBI provides a wide range of documents containing EU market information. All CBI market information is targeted at developing countries. For the definition of developing countries used in CBI market surveys, see appendix B Lists of developing countries.

Sector specific market information
CBI publishes market information for about 36 market sectors.
For each market sector, the following kind of information is available:

- CBI market surveys on **the EU market in general**, focusing on developments and trends in the field of market size (consumption, production and trade), distribution and prices in the EU as well as on marketing. Example: The fresh fruit and vegetables market in the EU.
- CBI market surveys on **specific EU markets**, focusing on developments and trends in the field of market size, distribution and prices in the EU market concerned. Example: The fresh fruit and vegetables market in Spain. On average, about 20 documents per market sector are available. Those EU markets responsible for the highest share of total EU imports from CBI target countries are discussed in documents of about 10 pages. Less relevant EU markets are discussed in fact sheets of about 2 to 3 pages.
- CBI market surveys on **a specific product(group)** within the market sector concerned, focusing on developments and trends in the field of market size, distribution and prices in the EU and a number of specific EU markets as well as on business practices. Example: The EU market for papaya.
- Information on **market access requirements**, focusing on legislative and non-legislative requirements based on environmental, consumer health and safety and social concerns in the EU and in specific EU markets.

General trade related information
Besides information on specific market sectors, CBI also publishes more general trade related information, the so-called Export manuals. At the moment, the following Export manuals are available:

- Exporting to the European Union – trade-related information on the EU
- Export planner - how to plan your export process
- Your guide to market research - practical and low cost research methods
- Your image builder - how to present yourself on the EU market
- Your show master - selection, preparation and participation in trade fairs
- Digging for gold on the Internet - Internet as a source for market information
- Website promotion - how to promote your website in the EU

These Export manuals can be downloaded from the CBI website at www.cbi.nl/marketinfo
Go to 'Search CBI publications'.

How to use the different CBI market information tools
If you are new on the EU market, you are adviced to start by consulting the more general Export manuals, like *'Exporting to the European Union'* and *'Export planner'*, before consulting sector specific information. If you are a more experienced exporter, you can use these manuals as reference material while focusing on the specific information for your market sector.
Concerning the sector-specific information, you are advised to start with the information on the EU market in general. After consulting this information, you should have gained a better idea on which surveys on specific EU markets are most interesting to consult.You are also adviced to check if a survey on your specific product(group) is available. And you are strongly advised always to check the documents on market access for your product.

Finally, it is stressed that CBI market information serves as a basis for further research, meaning that you should - after consulting the CBI information - further research your EU target markets for more detailed and specific information related to your specific situation.

The cut flowers and foliage market in the EU

This CBI market survey, covers the EU market for cut flowers and foliage. It consists of two parts: EU Market Information (Part A), and Export Marketing Guidelines (Part B).

Part A EU Market Information

Part A surveys the EU market. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. Statistical market information on consumption, production and trade, and information on trade structure, prices and market access is provided. Opportunities and threats for developing country suppliers are highlighted and sources for more information are provided.

Part B Export Marketing Guidelines

How to get involved in the EU marketplace? Should exporting be part of a business plan? These are common concerns of manufacturers who realise the importance of international trade, but are not sure if exporting to the EU is right for them. That is what Part B is all about: to help you to evaluate whether or not to get involved in international business, and learn how to go about exporting to the EU.

The first Chapters 11, 12 and 13 deal with three out of four strategic steps in export marketing: the external analysis and internal analysis (Chapter 11 and 12), a SWOT analysis (Strenghts/ Weaknesses/ Opportunities/ Threats) and the decision-making process whether or not to export to the EU (Chapter 13).

Subsequently, Chapter 14 provides information and sources to enable you to further investigate what would be suitable to export, to which EU markets, through which channels, and at what prices. In other words, which marketing tools can be used for building a successful business relation in the EU? The combination of Chapters 11-13 and the elements of Chapter 14 provide tools that should enable you to draw up a Market Entry Strategy and Export Marketing Plan (fourth strategic step).

Keep in mind that the export marketing process is integrated; each individual part is inter-linked.

Part B is especially interesting for more experienced exporters. If you are a starting exporter, it is advised to read this survey together with CBI's *'Export planner'* and to use the interactive tool *'EMP Document Builder'* on the CBI website.

CBI market surveys covering specific EU markets, specific product(group)s or documents on market access requirements can be downloaded from the CBI website. Go to 'Search CBI database' on http://www.cbi.nl/marketinfo and select the market sector concerned and an EU country.

2 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 and Bulgaria and Romania will join in 2007. Negotiations are in progress with a number of other candidate member states. In this survey, the EU will be referred to as the EU25, unless otherwise stated.

For general information on EU member states, reference is made to CBI's Export manual *'Exporting to the European Union'*. Information can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopedia 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. In 2002 circulation of Euro coins and banknotes replaced national currency in these countries. Denmark, 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 2.1 Exchange rates of EU currencies in €

Country	Currency	January 2004	October 2006
Cyprus	CYP	1.69584	1.74040
Czech Republic	CZK	0.03088	0.03532
Denmark	DKK	0.13423	0.13413
Estonia	EEK	0.06390	0.06390
Hungary	HUF	0.00382	0.00379
Latvia	LVL	1.48845	1.44143
Lithuania	LTL	0.28962	0.28962
Malta	MTL	1.94715	2.33963
Poland	PLN	0.21310	0.25764
Slovakia	SKK	0.02425	0.02738
Slovenia	SIT	0.00413	0.00418
Sweden	SEK	0.11043	0.10812
United Kingdom	GBP	1.41890	1.48920

Source: Oanda http://www.oanda.com/ (October 2006)

Statistics
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, since it puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

3 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:

Fresh cut flowers	
General:	• Rosa (Rose) • Dendranthema (Chrysanthemum) • Dianthus (Carnation) • Orchid: Phalaenopsis, Cymbidium, Dendrobium, Oncidium, Paphiopedilum • Gladiolus • Anthurium • Other fresh cut flowers
Bulb flowers	• Tulipa • Freesia • Lilium • Iris • Narcissus • Other bulb flowers
Summer flowers:	• Solidaster • Eryngium • Limonium • Carthamus • Other summer flowers
Prepared cut flowers	
Foliage	
Cut foliage of:	• 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
On January 1, 1988, a unified coding system was introduced to harmonise the trading classification systems used world-wide. This system is called the Harmonised Commodity Description System (HS) and was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code, arranged in a legal and logical structure and is supported by well-defined rules to achieve uniform classification. More than 179 countries and economies use the system as a basis for their customs tariffs and for the collection of international trade statistics. After the six-digit code, countries are free to use further subheadings. The trade data of Eurostat uses an eight-digit

system. Most codes, however, end with two zeros, i.e. effectively only using 6 digits. In some countries even 10 digits are sometimes used.

Please refer to Appendix A for a list of the selected products and their HS codes.

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

4 CONSUMPTION

4.1 Market size

The European Union (EU) is believed to consume over 50% of the world's flowers and includes many countries with 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. Total consumption decreased by 3.2% between 2001 and 2005, but differences between countries exist. Of the leading cut flowers markets, Italy contributed most to the decrease in consumption. Consumption in Italy decreased by 5.9%. Consumption in the leading markets of 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 of some countries is the other. Please refer to Appendix B for GDP per capita in Purchasing Power Standards of EU25 countries.

Although lower purchasing power has lead 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 4.5 and 6.7% respectively.

Table 4.1 EU consumption of cut flowers and foliage, 2001-2005, in €

	2001		2003		2005	
	€ million	Per Capita (€)	€ million	Per Capita (€)	€ million	Per Capita (€)
Germany	3,224	39	3,017	36	3,014	36
UK	2,239	37	2,451	41	2,667	44
France	1,947	33	1,969	33	1,891	31
Italy	2,126	37	1,951	34	1,669	29
Spain	736	18	819	20	953	22
The Netherlands	958	60	860	53	893	55
Belgium	458	41	440	43	n.a.	n.a.
Austria	370	46	368	45	369	45
Sweden	301	34	308	34	346	39
Poland	277	7	264	7	299	8
Denmark	210	40	219	41	239	44
Greece	152	14	183	17	179	16
Finland	185	36	177	34	177	34
Portugal	160	16	164	16	171	16
Ireland	108	28	123	31	148	35
Hungary	113	11	133	13	148	15
Czech Republic	90	9	107	10	101	10
Slovenia	56	28	58	24	n.a.	n.a.
Slovakia	35	7	39	7	38	7
Estonia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Latvia	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.
Cyprus	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.
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total/average*	**13,745**	**28**	**13,650**	**28**	**13,302**	**26**

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 (2006)

Per capita consumption is highest in The Netherlands, followed at a distance by other countries like Austria, the UK, Denmark and Belgium. The average per capita consumption in the EU decreased by 7.1% between 2001 and 2005.

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. Table 4.2 shows the leading 15 cut flower species sold in 2005. Rosa is by far the most important cut flower traded at the Netherlands auctions, followed by Dendranthema, Tulipa, Lilium and Gerbera.

Table 4.2 Top 15 cut flowers species sold at the Netherlands auctions, 2005 € million

	2005	% change 2004-2005
Rosa	729	3.2
Dendranthema (Spray)	293	2.7
Tulipa	192	3.5
Lilium	164	3.7
Gerbera	121	4.5
Cymbidium	70	7.6
Freesia	57	-3.7
Dendranthema (Ind Grp GE)	47	20.2
Anthurium	41	3.1
Alstroemeria	39	2.0
Eustoma russellianum	34	5.3
Gypsophila	33	1.0
Zantedeschia	33	3.8
Dianthus	30	-6.8
Hypericum	29	-4.5
Other	489	2.1
Total	**2,401**	**3,0**

Source: VBN (2006)

4.2 Patterns and trends in consumption demand

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 of 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 chocolates, jewellery and wine, as these tend to be bought for the same purposes. 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, 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 C 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 with professional representation and sometimes even to create a more pleasant working atmosphere.

Women vs. men
Typically, the person who buys flowers will be a woman of older than 45 years of age, living in an urban agglomeration where there are medium to high incomes. 80% of flowers purchased in European countries is bought in bunches of one variety or by stem, the rest is in ready-made bouquets of mixed flowers and foliage.

Young people vs. older people
The sales of cut flowers to young people not older than 30 years of age is decreasing. The reasons could be found in the following:
- Young households are often couples who both work and are therefore less 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 home often.
- 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.

Consumer preferences and patterns can differ strongly 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.

Opportunities and threats for exporters in developing countries:
***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 answer this consumer demand. • Exclusive or novelty products.
***Threats*:**
• Consumers tend to shift towards other gift items like chocolate, etc. • Unpredictability of ever-changing fashion: which colours and variety will I need to grow? • Increasing quality requirements.

4.3 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

5 PRODUCTION

5.1 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 5.1 Production of cut flowers in the EU25
In € million

Country	Production (€ million)	Year	Average annual change in 5 most recent years (%)
The Netherlands	2,045	2005	2.6
Italy	858	1999	*4.9
Spain	323	2002	0.3
Germany	270	2004	-3.5
France	205	2003	-5.2
UK	83	2004	-14.8
Belgium	80	1999	*3.2
Poland	41	2004	*1.1
Finland	41	2002	-8.5
Sweden	30	2003	-3.5
Portugal	24	2003	9.5
Austria	24	2000	n.a.
Hungary	24	2004	n.a.
Denmark	22	2003	-4.3
Czech Republic**	10	2001	n.a.
Ireland	5	2004	17.4
Slovenia	4	2000	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	**4,097**	**n.a.**	**n.a.**

*Change in 3 most recent years
**Estimate
Source: Flower Council Holland (2004, 2005, 2006)

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 Northwest European countries like France, the UK, Germany and Finland, 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, Ireland and 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 5.2 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	7,670	2002	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	2,678	1999	3,825	1999	7,000	1999
Spain	2,300	1998	6,198	1998	3,711	1998
Portugal	1,700[1]	2003	n.a.	n.a.	n.a.	n.a.
Hungary	1,620[1]	2004	4,050	2004	n.a.	n.a.
Austria	100	2004	788	2004	1,269	2004
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.
Denmark	127	2005	67	2002	18,955	2005
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: AIPH Yearbook of the International Horticultural Statistics (1999, 2002) Flower Council of Holland (2004-2006), Statistisches Bundesamt Deutschland (2006), Danmarks Statistik (2006)

Most European countries show a decline or continuity in their production area, not only in Northern Europe, but also in other parts.

The following box shows the main products grown in a number of EU countries.

Table 5.3 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
France	Rosa, Dianthus, Tulipa, Gladiolus, Dendranthema
Italy	Dianthus, Rosa, Gerbera, Dendranthema, Gladioli, Anemone
The Netherlands	Rosa, Dendranthema, Tulipa, Lilium, Gerberas, Orchid, Freesias
UK	Narcissus, Gladiolus, Dendranthema, Alstroemeria, Dianthus
Poland	Rosa, Gerbera, Dianthus, Dendranthema
Hungary	Dianthus, Gerbera, Rosa

*Production under glass
Source: Flower Council of Holland (2004,2005)

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.

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.

5.2 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):
→ 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:

Table 5.4 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 (nr. of stems/ 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

[1] Output in number of Rosa stems sold at the association of Netherlands flower auctions (VBN)
Source: CBS (2005)

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.

Opportunities and threats for exporters in developing countries:
***Opportunities*:**
• Decreasing number of producers. • EU producers of Rosa are switching to large-budded varieties, under pressure from developing country suppliers of 'sweethearts'.
***Threats*:**
• Increasing production scale and higher productivity in competing European countries. • High level of European research on production techniques. • Application of high-tech production methods by European growers, which 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.

5.3 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

6 IMPORTS

6.1 Total imports

The EU is the world's leading importer of flowers and foliage, with imports amounting to € 3.3 billion in 2005. Although the economic slowdown and the subsequent decrease in purchasing power in many EU countries between 2001 and 2005 had a negative effect on consumption of cut flowers, imports increased by 3.3%. The volume of cut flower imports even increased by 44.4%. This indicates lower average prices of the imported flowers. Lower-priced flowers answer demand for lower-priced flowers in the EU, thus compensating for the decrease in purchasing power.

Regarding total imports (intra- and extra-EU), Germany was the largest European importer, accounting for 25% of total EU imports (in value). However, considerable decreases in imports have placed Germany nearly at the same level as the UK regarding imports. The UK accounts for 23% of total EU imports. The third largest importer in the EU was The Netherlands (14%), followed by France (13%).

Table 6.1 EU imports of cut flowers and foliage, 2001-2005
€ million/ thousand tonnes

	2001		2003		2005		Average annual change in value
	value	volume	value	volume	value	volume	
Total EU	3,190.3	645.4	3,290.0	770.7	3,275.5	*931.9	1%
Intra-EU	2,465.5	476.1	2,587.1	586.2	2,543.6	*526.5	1%
Extra-EU	724.8	169.3	702.9	184.5	731.9	405.4	0%
Developing countries	582.0	133.0	591.8	154.1	642.9	357.1	3%
Germany	917.3	192.8	856.9	188.2	801.7	185.8	-3%
United Kingdom	661.8	114.4	805.1	219.8	761.2	158.6	4%
Netherlands	483.5	129.3	465.1	125.7	465.0	*338.0	-1%
France	427.2	83.1	446.6	97.5	421.2	80.2	0%
Italy	163.6	25.9	168.3	32.1	173.6	35.6	1%
Belgium	118.3	27.5	110.6	27.2	115.5	29.2	-1%
Austria	96.3	17.0	84.6	15.7	90.4	20.9	-2%
Denmark	73.8	11.1	73.3	12.9	83.8	13.6	3%
Spain	45.1	9.4	53.1	10.8	63.2	13.5	9%
Sweden	48.3	6.6	56.3	9.0	58.4	9.7	5%
Poland	0.0	0.0	0.0	0.0	45.7	11.0	n.a.
Ireland	35.5	4.9	31.5	4.2	36.1	3.4	0%
Czech Republic	25.3	5.7	30.3	6.3	33.9	8.1	8%
Greece	15.9	3.2	23.8	5.3	23.3	4.7	10%
Hungary	4.9	1.4	8.1	2.5	17.6	4.1	38%
Finland	14.4	2.0	14.4	2.2	17.5	2.5	5%
Portugal	20.0	3.4	21.9	3.7	16.1	3.1	-5%
Slovakia	9.1	2.0	9.5	1.9	12.1	1.9	7%
Slovenia	9.8	1.4	9.4	1.4	9.0	1.9	-2%
Luxembourg	7.1	0.6	7.5	0.7	7.6	0.6	2%
Latvia	5.4	1.9	5.2	2.0	7.5	1.8	9%
Estonia	4.1	0.6	4.0	0.6	6.2	1.3	11%
Lithuania	2.1	1.1	2.7	0.8	6.1	1.9	31%
Cyprus	1.1	0.2	1.3	0.2	2.0	0.3	17%
Malta	0.6	0.1	0.7	0.1	0.8	0.1	7%

*It is unlikely that actual imports were as large as Eurostat data indicate. It is assumed that the volume of imports remained approximately the same as in previous years.

Source: Eurostat (2006)

Of the total EU flowers and foliage imports in 2004, 78% consisted of imports from other EU member countries. In other words, only 22% was imported from outside the EU. With regard to extra-EU imports, meaning imports by the EU member countries supplied by countries outside the EU, The Netherlands was the leading importer, accounting for approximately 56% 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 20% of extra-EU imports, followed by Germany (9%). Between 2001 and 2005, total extra-EU imports remained stable, amounting to € 732 million in the latter year. Section 6.3 provides more information on imports from developing countries, which account for most of the extra-EU imports.

The Netherlands was the main supplier of cut flowers and foliage to other EU member states in 2005, accounting for almost € 2.3 billion or 71% 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-export of flowers. Besides The Netherlands, other cut flower suppliers to the EU contributing major shares were Kenya (8%), Colombia (3%), Ecuador (3%) and Israel (3%). Kenya increased its supply by 10% annually between 2001 and 2005. Israel decreased in importance in the same period, with supplies decreasing by 11% annually.

6.2 Total 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. In the EU, total imports of fresh cut flowers amounted to € 3.1 billion in 2005. Imports of these products increased by 1% annually over the period 2001-2005. Germany was the leading EU importer, accounting for 25% of total EU imports, followed by the UK (24%), The Netherlands (14%) and France (13%).

Table 6.2 EU imports and leading suppliers of cut flowers and foliage to the EU, 2001 - 2005, share in % of value

Product	**2001** € millions	**2005** € millions		**Leading suppliers in 2005** (share in %)	**Share in EU imports** (%)
Cut flowers and foliage	3,190	3,276	Intra-EU:	The Netherlands (71%), Italy (1%), Spain (1%), Belgium (1%), Germany (1%)	78%
			Extra EU excl DC*:	Israel (3%)	3%
			DC*:	Kenya (8%), Colombia (3%), Ecuador (3%), Zimbabwe (1%)	20%
Rosa	811	919	Intra-EU:	The Netherlands (61%),	64%
			Extra EU excl DC*:		1%
			DC*:	Kenya (20%), Ecuador (6%), Uganda (2%), Zimbabwe (2%), Zambia (1%), Colombia (1%)	36%
Dianthus	263	227	Intra-EU:	The Netherlands (28%), Spain (12%), Italy (2%)	46%
			Extra EU excl DC*:	Turkey (5%)	1%
			DC*:	Colombia (36%), Kenya (10%)	53%
Orchids	81	87	Intra-EU:	The Netherlands (71%), Germany (2%)	76%
			Extra EU excl DC*:	New Zealand (1%)	2%

Product	**2001** € millions	**2005** € millions		**Leading suppliers in 2005** (share in %)	**Share in EU imports** (%)
			DC*:	Thailand (20%)	22%
Gladiolus	9	8	Intra-EU:	The Netherlands (87%), Poland (2%), Spain (1%), Italy (1%), Denmark (1%)	95%
			Extra EU excl DC*:	Israel (1%)	4%
			DC*:	Colombia (2%), Kenya (1%)	1%
Dendranthema	233	268	Intra-EU:	The Netherlands (97%)	99%
			Extra EU excl DC*:		
			DC*:		
Other fresh cut flowers	1,550	1,589	Intra-EU:	The Netherlands (80%), Italy (2%), Belgium (1%)	87%
			Extra EU excl DC*:	Israel (5%)	5%
			DC*:	Kenya (4%), Ecuador (2%)	8%
Prepared cut flowers	167	97	Intra-EU:	The Netherlands (73%), United Kingdom (4%), Germany (3%)	94%
			Extra EU excl DC*:	Australia (1%)	1%
			DC*:	India (3%), South-Africa (2%), China (1%), Colombia (1%)	4%
Dried foliage	28	27	Intra-EU:	The Netherlands (11%), France (8%), Germany (8%)	40%
			Extra EU excl DC*:	USA (2%), Turkey (2%), Australia (1%), Israel (1%)	5%
			DC*:	India (20%), South-Africa (13%), China (11%), Brazil (3%), Philippines (3%)	54%
Other foliage	49	53	Intra-EU:	The Netherlands (24%), Italy (13%), China (11%)	64%
			Extra EU excl DC*:	Turkey (5%)	1%
			DC*:	India (10%), South-Africa (3%), Philippines (3%)	35%

Source: Eurostat (2006)
*DCs: Developing countries

Rosa
Since 1993, the EU imports of fresh cut flowers have been dominated by Rosa, the most popular flower in the EU. Between 2001 and 2005, imports increased by 3% annually, amounting to € 919 million in the latter year. The Netherlands surpassed Germany in 2003 and became the largest EU importer of fresh cut Rosa, accounting for approximately 26% of total EU imports in 2005. 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 (24%), France (13%) and the UK (12%).

Of the leading EU importers, only the UK increased its imports considerably over the period 2001-2005 (10% annually). Imports remained relatively stable in other leading markets. Imports by The Netherlands increased only slightly in value, but nearly tripled in volume. Data from the auctions in The Netherlands show considerable increases in both value and volume, although they are not actually as large as Eurostat data depict. Exceptional growth rates were recorded in the relatively small markets of Hungary and Lithuania, where imports increased by 34% and 42% respectively.

The Netherlands is still, by far the leading supplier of Rosa to the EU (61%). 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. Supplies by Kenya increased by 10%, and supplies by Uganda and Ethiopia increased by 15% and 78% respectively. Rose exports are decreasing considerably from other countries. Supplies from Zimbabwe and Zambia decreased by 17% and 9% respectively.

Note that the type of Rosa which is produced and exported from different countries may vary a lot. Uganda, Zambia and Zimbabwe are specialised in small-budded varieties, the so-called Sweethearts. Kenya grows a mix of small- and medium-sized budded varieties. Ecuador on the other hand is specialised in big-budded varieties (so-called Tea Hybrids). The top 5 small-budded Rosa species supplied to VBN (Association of Auctions in The Netherlands) in 2005 consisted of Chelsea, Red Calypso, Sunny Sher, Frisco and Poême!. The top 5 large-budded Rosa species supplied to VBN in 2005 consisted of Akito, Inka, Duett, Marie-Claire! and Shanti.

In The Netherlands, although some growers still grow Sweethearts, more and more of them are specialising in larger medium-sized and big-budded varieties.

Dianthus

Imports of Dianthus by EU member countries decreased by 4% annually between 2001 and 2005, amounting to € 227 million in 2005. The UK is by far the EU's leading Dianthus importing country, accounting for 43% of total imports. The second largest EU importer was The Netherlands (18%), followed by Germany (15%), Spain (6%) and France (5%).

The decrease in imports of Dianthus between 2001 and 2005 was not caused by one or only a few countries in particular. Of the top 10 countries, only Spain increased its imports of Dianthus. Imports by France nearly dropped to half of what they were before. Dianthus is rapidly losing market share in France and other countries. It is a traditional flower which has lost its popularity.

The main sources of imports were Colombia (36%), The Netherlands (28%), Spain (12%) and Kenya. Supplies from The Netherlands consist for a large part of re-exports. Supplies from Spain are decreasing considerably in contrast to supplies from Kenya, which are growing. 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 2% annually between 2001 and 2005, amounting to € 87 million in 2005.

Italy was the largest EU importer of fresh cut Orchid, accounting for 26% of total imports, followed by France (20%), Germany (13%) and the UK (12%). German imports consist mainly of higher-priced, high-quality Orchids.

The Netherlands was the leading supplier of Orchids to the EU in 2005, accounting for 71% of supplies to the EU. 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 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 20% of supplies to the EU. Thai producers hold a particularly strong position in Dendrobium Orchids. In general, developing countries are 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 € 8.3 million in 2005. Between 2001 and 2005, imports decreased by 1% annually.

The leading EU importers, according to their shares in total EU imports, were Germany (28%), the UK (23%) and France (22%). Germany's imports are decreasing by 5% annually. Imports by the UK and France are stable.

The Netherlands dominate supplies of Gladiolus to the EU. The Netherlands' supply of Gladiolus to the EU amounted to more than € 7.3 million in 2005, accounting for 87% of total imports into the EU. The major part of these supplies consist of Gladiolus produced in The Netherlands and are thus not re-exports. A notable development in the supply of Gladiolus was the emergence of Poland as a leading supplier, accounting for 2% of total supplies to the EU.

Dendranthema
Between 2001 and 2005, EU imports of Dendranthema increased by 4% annually, amounting to € 268 million in 2005. Imports of Dendranthema are dominated by the UK where Dendranthema is traditionally popular and which accounted for 53% of total imports in 2005, followed by Germany (14%) and France (10%). Imports by the UK increased by 10% annually between 2001 and 2005. This compensated for the annual decreases in imports by Germany and France of 8% and 7% respectively.

The supply of Dendranthema to the EU is dominated by The Netherlands which is a major producer of Dendranthema. In 2005, 97% of total imports of Dendranthema cut flowers was supplied by The Netherlands. Other countries have negligible shares. Note, however, that developing countries indirectly play an important role in this trade. A lot of the young plant material has been 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, 3.0% of total cut flower imports in 2005, 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 2005, all EU member states together imported prepared cut flowers worth € 97 million. These imports have been decreasing by 13% annually since 2001. However, strong fluctuations exist in the quantities of prepared cut flowers imported by the various EU member states. In 2005, the largest EU importers of prepared cut flowers were Denmark (24%), UK (13%), France (12%) and Belgium (11%). In 2002 and 2003, France had been the leading importer. Its imports decreased by 69% annually between 2001 and 2005. In the same period, imports by the UK decreased by 53% annually. In contrast, Austria increased its imports of prepared cut flowers by 43% annually between 2001 and 2005. Austria currently ranks 5th as importer of prepared cut flowers.

Although the supply from The Netherlands decreased sharply between 2001 and 2005 (14% annually), it is still by far the largest supplier, 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, is modest. Of the total imports of cut flowers and foliage in 2005, only 2.4% consisted of foliage. Imports of foliage remained stable

between 2001 and 2005, amounting to only € 79 million in 2005. In 2005, Germany was the leading EU importer, accounting for 26% of EU imports. The Netherlands is the second leading importer, with imports accounting for 16% of total EU imports in 2005.

The supply source of foliage is very diverse. The Netherlands is the leading supplier to the EU accounting for 19% of total EU imports. Other major suppliers are India (13%), China (11%), Italy (10%) and Germany (8%). Together, developing countries increased their share in supplies to the EU by 6% annually.

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.

6.3 The role of developing countries in imports per product group

Imports originating in developing countries have been increasing strongly over the past ten to fifteen years. Between 2001 and 2005 the share of imports from developing countries in total EU imports of cut flowers increased from 18.2% to 19.6%, amounting to € 643 million in 2005.

Table 6.3 Cut flowers and foliage supplied to the EU by DC*, 2001 – 2005
€ million/ thousand tonnes

	2001		2003		2005	
	value	volume	value	volume	value	volume
Total EU25 cut flowers and foliage	582	133.0	592	154.1	643	357.1
Rosa	295	65.2	302	72.0	328	171.9
Other fresh cut flowers	107	26.2	127	34.1	131	72.8
Dianthus	119	25.7	102	27.5	121	87.2
Foliage	26	8.5	32	13.5	33	14.6
Orchids	21	4.1	18	4.0	19	7.4
Prepared cut flowers	14	2.9	8	2.1	9	2.3
Dendranthema	1	0.2	1	0.3	2	0.8
Gladiolus	1	0.2	3	0.6	0	0.1

Source: Eurostat (2006)
*Developing Countries

Developing countries supply mostly Rosa, 'other fresh cut flowers' (like summer flowers) and Dianthus. Their relative importance in EU imports is highest for Dianthus, foliage and Rosa. Also refer to Table 6.2.

Imports from developing countries by product group

Main cut flowers
The main fresh cut flowers such as Rosa, Dianthus and summer flowers are exported in considerable amounts by countries like Kenya, 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 is rather difficult.

Most developing countries are specialised in certain species. However, Kenya, for example, exported primarily Rosa and Dianthus, but also many other products like various summer flowers. In Colombia, the assortment of flowers produced by companies is even considered to be one of the main qualities on which their sales depend, while in Ecuador some producers of Rosa produce as many as 50 Rosa varieties on a production area of just 10 hectares.

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 rather 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.

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.

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 full. 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 COLEACP study, endemic products from exporting ACP (Africa, Carribean, Pacific) countries would be ideal. Furthermore, small-leafed standardised foliage (low volume/value ratio) is recommended such as Tops of Dracaena Marginata, Sanderiana, etc., 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, warnings about possible climatic problems.

Imports from developing countries by country
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 85% of Colombia's exports and 69% of Ecuadors exports were directed at the USA in 2002. Other important developing country suppliers are: Uganda, South Africa, Ethiopia, Thailand, India, Zambia, China. Refer to Table 6.2 for more information on the leading developing country suppliers to the EU.

The increase in the share of developing countries in the supply to the EU, from 18.2% to 19.6% between 2001 and 2005, was mainly thanks to Kenya. Kenya, the leading developing country supplier to the EU, increased its market share from 5.6% to 8.1%. Other good performers among the major developing country suppliers in this period were Uganda (15% average annual increase), South Africa (11% average annual increase), Turkey (7% average annual increase) and China (12% average annual increase). Chinese companies are still in the process of developing the production necessary to supply their own huge market, but their export potential is big. Even faster growth was realised by Ethiopia (77% average annual increase) due to a combination of a favourable production climate and government policies promoting floriculture.

In contrast, some countries showed a decline in supplies to the EU. Zimbabwe's supplies decreased by 18% on average annually and Zambia's by 8% 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. Some Ugandan producers suffer from low prices for small-budded roses.

As shown in Table 6.2, developing countries played a relatively more important role in The Netherlands imports than in imports by other EU countries, thus illustrating The Netherlands' gateway function to the European market for imports from developing countries. The Netherlands is an important market for developing countries, because of its massive trading role in distributing imported flowers throughout Europe.

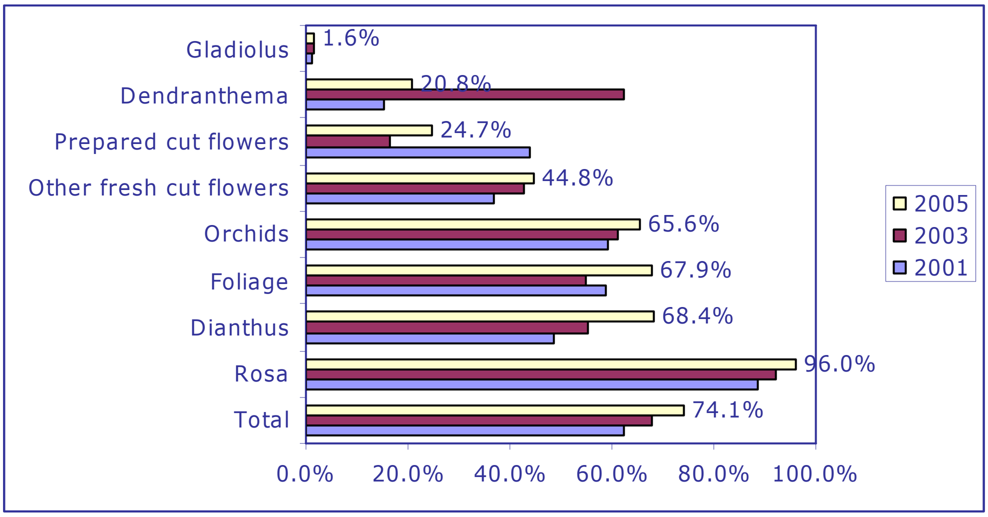
The leading developing countries exporting cut flowers and foliage to The Netherlands were Kenya, Ecuador, Zimbabwe, Colombia, Uganda and Zambia. In 2005, Kenya accounted for 48% of total imports into The Netherlands originating in developing countries. Ecuador, Zimbabwe, Colombia, Uganda and Zambia were responsible for 15%, 8%, 7%, 6% and 4% respectively.

Table 6.4 Leading developing country suppliers to The Netherlands, value in € thousand , share in % of total imports from developing countries, 2005

	1st supplier	€ 1,000	2nd supplier	€ 1,000	3rd supplier	€ 1,000
Rosa	Kenya	137,609 (60%)	Ecuador	25,847 (11%)	Uganda	21,752 (9%)
Dianthus	Colombia	21,460 (75%)	Kenya	2,735 (10%)	Gaza + Jericho	1,563 (6%)
Orchids	Thailand	2,837 (86%)	South Africa	338 (10%)	Malaysia	104 (3%)
Gladiolus	Brazil	3 (85%)	South Africa	1 (14%)		
Dendranthema	Tanzania	94 (39%)	Costa Rica	77 (32%)	South Africa	37 (15%)
Other fresh cut flowers	Kenya	25,652 (36%)	Ecuador	23,038 (32%)	Zimbabwe	9,560 (13%)
Prepared cut flowers	India	413 (55%)	South Africa	121 (16%)	China	48 (6%)
Foliage	China	2,958 (35%)	India	2,076 (24%)	Turkey	1,703 (20%)
Total cut flowers and foliage	Kenya	166,138 (48%)	Ecuador	50,404 (15%)	Zimbabwe	28,890 (8%)

Source: Eurostat (2006)

Figure 6.1 Share of developing countries in imports of cut flowers and foliage into The Netherlands, 2002-2004, % of imported value



Source: Eurostat (2006)

Rosa is the most important cut flower species supplied by developing countries to The Netherlands. However, Dianthus, foliage and Orchid from developing countries also attained a considerably higher share in 2005.

As shown by Figure 6.1, between 2001 and 2005, the share of developing countries in all main flower species increased, except for Dendranthema.

Opportunities and threats for exporters in developing countries:
***Opportunities*:**
• Higher demand for low-priced products • Shift of adding value from the wholesaler towards the growers in developing countries • Off-season supplies • Bouquets • Supplying via Netherlands' auctions
***Threats*:**
• 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 • Political instability in some developing countries • Fierce competition and low prices in market for Rosa and Dianthus

6.4 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 - 'external trade' - 'data – full view' - 'external trade - detailed data'.

7 EXPORTS

Exports of cut flowers and foliage by the EU are steadily growing and showed an increase of 1% annually between 2001 and 2005, in terms of value, amounting to € 2.7 billion in 2005. In terms of volume, exports increased by 3.8% annually, amounting to 716 thousand tonnes in 2005.

Table 7.1 Exports of cut flowers and foliage by EU member countries, 2001-2005, € million / 1,000 tonnes

	2001		2003		2005		Average annual change in value
	value	volume	value	volume	value	volume	
Total EU	2,604.5	616.7	2,875.2	742.1	2,716.4	715.9	1.1%
Intra-EU	2,115.5	536.1	2,396.4	653.1	2,325.2	658.7	2.4%
Extra-EU	489.0	80.6	478.7	88.9	391.2	57.2	-5.4%
Developing countries	28.1	6.6	35.4	8.3	38.0	8.0	7.8%
Netherlands	2,221.1	502.9	2,530.6	650.9	2,384.7	610.6	1.8%
Italy	109.5	16.7	88.6	14.5	77.9	12.5	-8.2%
Belgium	60.7	10.5	55.2	9.7	57.0	10.1	-1.5%
Spain	105.6	64.6	77.5	41.3	50.4	23.8	-16.9%
Germany	29.0	5.5	40.2	6.5	45.3	8.0	11.8%
United Kingdom	35.8	7.9	34.7	6.9	34.2	8.1	-1.1%
France	29.4	4.8	24.5	3.4	18.6	2.5	-10.8%
Portugal	1.5	0.4	3.5	1.1	14.4	27.5	76.1%
Poland	0.0	0.0	0.0	0.0	13.4	6.8	n.a.
Denmark	4.1	0.6	8.3	1.9	7.3	1.4	15.8%
Austria	1.7	0.4	3.3	1.3	4.8	2.0	29.5%
Czech Republic	0.8	0.3	2.2	1.0	4.0	0.9	50.1%
Lithuania	0.1	0.0	0.5	0.2	1.3	0.3	102.3%
Sweden	0.7	0.2	1.5	0.5	0.7	0.8	2.1%
Ireland	0.3	0.1	0.7	0.2	0.6	0.1	20.9%
Greece	0.3	0.1	0.4	0.2	0.5	0.1	18.7%
Hungary	2.1	1.2	1.8	1.2	0.3	0.3	-38.0%
Finland	0.6	0.1	0.3	0.0	0.3	0.0	-18.5%
Estonia	0.1	0.0	0.2	0.0	0.2	0.0	11.8%
Slovenia	0.0	0.0	0.0	0.0	0.1	0.0	77.1%
Luxembourg	0.3	0.0	0.2	0.0	0.1	0.0	-16.7%
Slovakia	0.7	0.3	0.8	0.9	0.1	0.0	-41.5%
Latvia	0.2	0.1	0.2	0.2	0.0	0.0	-65.5%
Malta	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	-45.3%

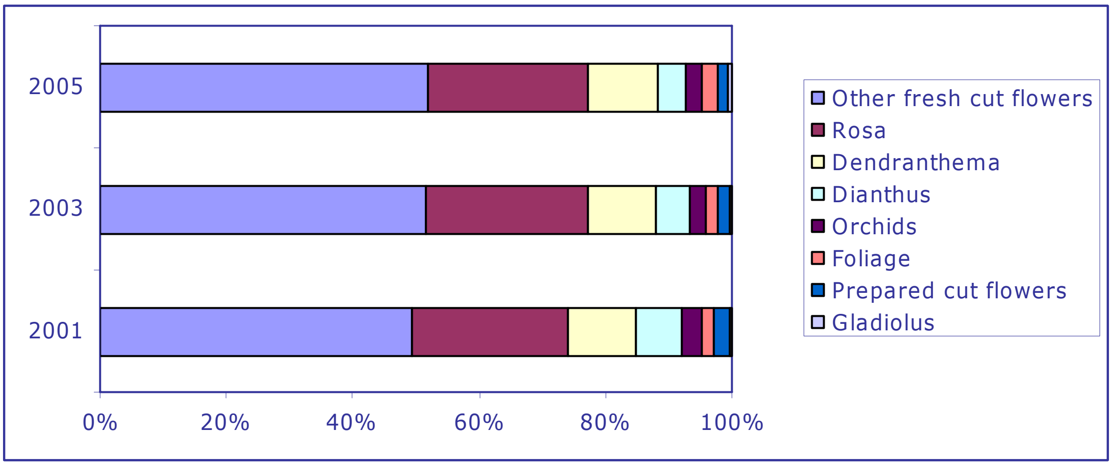
Source: Eurostat (2006)

The Netherlands dominates the EU trade in floricultural products, accounting for 88% of total EU exports of cut flowers and foliage in 2005.

The main export destinations of EU exports were other EU member states. Intra-EU exports of cut flowers and foliage accounted for 86% of total EU exports. While extra-EU exports are decreasing, the relative importance of intra-EU trade is growing. Germany was the major market, accounting for € 697 million or 26% of total EU exports. Other major destinations for EU exports were the United Kingdom (19%), France (14%), and to a lesser extent Italy (5%). The most important destinations outside the EU were Switzerland (4%), Russia (4%) and the USA (3%).

Figure 7.1 illustrates the relative importance of the five fresh cut flowers species, which are reported in Eurostat trade statistics. They accounted for 44% of total fresh cut flowers exports in 2005. EU exports of Rosa amounted to € 685 million, representing 25% of all fresh cut flowers exports. The second most exported fresh cut flower is Dendranthema with an export value of € 298 million. The share of Rosa in total exports slightly increased, while the share of Dianthus decreased between 2001 and 2005.

Figure 7.1 EU exports of cut flowers and foliage, 2001-2005, % of total value



Source: Eurostat (2006)

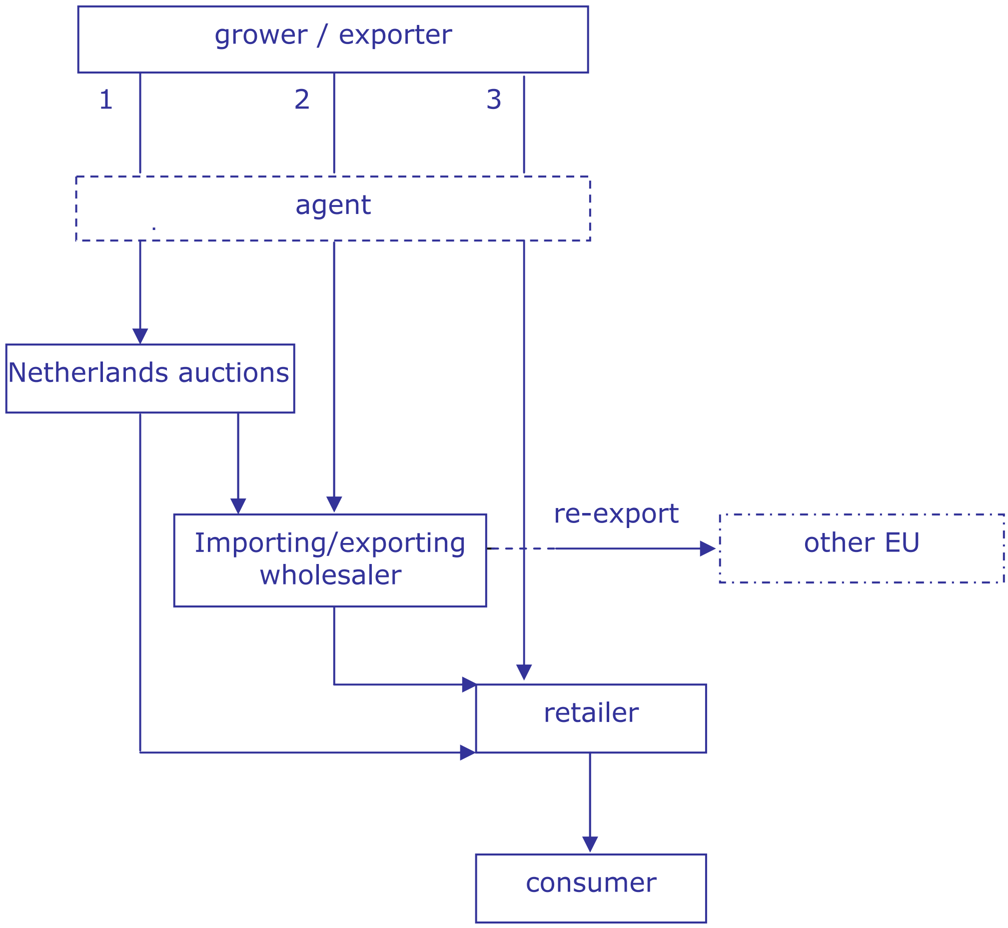
8 TRADE STRUCTURE

8.1 Distribution channels

In this chapter, we will discuss a number of distribution channels in the EU market for cut flowers and foliage. In general, 4 different actors in the distribution chain can be identified:

- Auctions
- Wholesalers
- Retailers
- Agents

Figure 8.1 Distribution network of the cut flower trade in the European Union



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, 4 of which are in The Netherlands. Names and adresses of auctions and wholesale markets in EU countries are provided in the CBI market surveys covering the market in the respective countries.

The Netherlands auctions now handle about 89% 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. Because of increasing direct sales, the market share of the auctions is, however, slightly decreasing.

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 complex 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.

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 small, but growing. FloraHolland forecasts the share of the Intermediary Office at 35% in 2020. Marketing & Verkoop Aalsmeer (MVA) forecasts this to be 25%. 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 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. The Federation of Netherlands Flower Auctions (VBN) is the co-ordinating centre.

The Netherlands' wholesalers are the 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.

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 2005, the total turnover of cut flowers at the Netherlands auctions amounted to € 2.4 billion, a 3% increase compared to the previous year. Supply decreased by 0.6%. The 11.8 billion stems supplied were traded at an average price of € 0.21. The share of cut flowers in the total turnover of the auctions was 64% in 2005.

Table 8.1 Turnover of VBN auctions concerning cut flowers (including auctioned imports), 2001-2005, in € million

	2001	2002	2003	2004	2005
FloraHolland	1,284	1,334	1,297	1,279	1,317
VBA	977	1,021	995	1,009	1,041
VON	21	22	23	24	24
Vleuten	17	17	16	18	18
Total	2,299	2,394	2,331	2,330	2,401

Source: VBN (2006)

In October 2006, FloraHolland and VBA decided to merge in order to be able to withstand international competition, particularly from Asia. The merger still has to be approved by the Netherlands Competition Authority (NMA) and is expected to be executed at the end of 2007.

Of the flower auctions in the EU, four are of particular interest to exporters in developing countries. These four auctions also have their own import departments which can facilitate foreign suppliers with necessary support when supplying the auction:

- FloraHolland: Internationally oriented auction with 5 branches in Naaldwijk, Rijnsburg, Bleiswijk, Venlo, and Eelde in The Netherlands: http://www.floraholland.nl.
- The Aalsmeer Flower Auction (VBA) is also an internationally oriented auction: http://www.vba.nl
- Landgard: Germany's leading sales organisation and auction. The annual turnover of the flowers and plants department was € 820 million in 2005: http://www.landgard.de.
- Tele Flower Auction (TFA): computerized auction focusing on imports from outside Europe: http://www.tfa.nl

The other auctions are mainly oriented towards the marketing of local production.

The Netherlands auctions in particular function as a pivot around which the international floricultural trade revolves. Through their concentration of supply and demand, they act as a price-setting mechanism for the trade and have developed into a major centre for the distribution of domestic and foreign grown products to the European markets. It is vital to understand the importance of the Netherlands auctions as an international distribution hub for products from developing countries.

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. The auctioning is done through a computer network and the buyers are selected amongst the 100 biggest Netherlands wholesalers. TFA does not impose any quantitative restrictions on imports and it buys on a contract basis. Supply criteria and commissions are comparable with the traditional auctions.

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.

Since its starting period, 1995-1996, TFA has continued to grow. TFA is part of the Oserian Group and a substantial part in the supply of TFA comes from Oserian Farm. Top growers located in the countries 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.

Wholesalers

Local wholesalers and export wholesalers are vital links in the chain from growers to consumers. Wholesalers arrange for the products to be transported to their (foreign-based) clients. When the flowers are delivered to a wholesaler, the products have already been prepared for further shipping in the right form, quantity and packaging. Domestic destinations are the retailers, whereas export wholesalers (re-)export their cut flowers and foliage to wholesalers and retailers abroad.

The importance of deliveries by export wholesalers to retailers abroad is 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.

The big (export) wholesalers send their purchasing agents to all important flower auctions, in order to buy the best products at the best prices. Wholesalers wanting to buy products at auctions where they do not have a purchasing agent, often use so-called commissioners. In this way, they are able to offer a broad assortment to their clients.

The wholesale trade is becoming more concentrated. In Europe, this strong tendency towards concentration and operating with 'short communication lines' is clearly recognisable. The fastest growing companies are the ones working with 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, 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.

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.

Wholesalers provide exporters with an alternative to the auctions. When imported flowers are sold via the Netherlands auctions, handling costs can be high (20-25% of the auction revenue). When flowers are sent directly to other European countries, prices are not augmented by such costs.

In addition to advising on the best method of selling the product, the importing wholesaler acts as a valuable link with the market place, providing the foreign exporter with information about the required quality standards, packaging, presentation and assortment. He can also help the foreign exporter to obtain suitable technical advice on the growing of flowers and the young plant material. Furthermore, he can give advice regarding transportation, handling and care. Note that many importing wholesalers also function as export wholesalers or wholesalers.

Please refer to the CBI market surveys covering the market in individual EU countries for adresses 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 five years. 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, initiative of auctions and wholesalers used by 108 producers and 15 buyers in 2004).

Retailers

Traditional florists still dominate the retail distribution of flowers in most EU countries. However, the shares of nurseries, 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 growing 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 offer flowers of higher quality, a broader assortment, 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 information and advice about their products to consumers. They are usually more prepared to accept novelties than other retail outlets.

As 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 flower assortment used to be very narrow in 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.

There is a clear trend that European retail chains (supermarket chains, do-it-yourself stores or garden centres) increasingly purchase large volumes of flowers directly from growers; they co-ordinate logistics across diverse markets, thus bypassing the auctions altogether.

The expansion of direct cut flower sales reflects supermarkets' initiatives to broaden their product portfolios. 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 have tailored their operations to sell directly to retail outlets in Europe. Being able to supply this chain depends on the ability of the grower to comply with specific requirements of these retail chains (MPS, EUREPGAP).

The entry of the supermarkets offers the prospect of substantial market growth. However, their quality specifications are high and they are primarily interested in sourcing from large suppliers, who can offer both single-species bunches and mixed bouquets.

Please refer to the individual CBI market surveys covering the 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. In recent years, 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 "new" 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.

The expanding role of agents in the supply chain is largely a product of the increasing sophistication of packing requirements. Agents play an important role in transferring flowers from air-transport-based to auction-based packaging: 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. However, agents are often involved so as to make supply and demand more compatible and have therefore assumed a more important role in the international flower trade.

8.2 Useful sources

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

Auctions

- Aalsmeer Flower Auction: http://www.vba.com
- FloraHolland: http://www.floraholland.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

9 PRICES

9.1 Prices

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:	
• 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	• 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, has now expanded to match or exceed what has been relatively slow growth in demand during the past few years. Nevertheless, average prices remained at the same level between 2001 and 2005.

Table 9.1 below gives prices of a selection of products and varieties at the Netherlands auctions for 2001 to 2005. 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 C. There is, for example, a structural decline in prices of red roses between Valentine's Day and Mother's Day. 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 April 2005, the average price per stem was € 0.16. In December 2006 the average price per stem was € 0.26.

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.

See also Section 11.5 which explains how to analyse the price structure in the international flower business.

Table 9.1 Average annual prices of selected products at Netherlands auctions, 2001-2005 in euro cents, per stem

	'01	'03	'05		'01	'03	'05
Main products:				**Selected other:**			
Dendranthema				Aconitum	24	22	20
Spray	19	21	22	Alstroemeria (big budded)	15	15	15
Euro	24	23	21	Anthurium (andreanum)	63	67	53
Euro Sunny	22	22	22	Aster	22	20	20
Reagan Sunny	18	21	21	Carthamus tinctorius	14	15	15
Reagan White	18	20	21	Chamelaucium	15	15	15
Santini	16	19	18	Cymbidium (big-budded)	326	308	329
Dianthus				Cymbidium (small-budded)	139	129	138
Standard	14	15	15	Eryngium	28	23	24
Desio	13	9	10	Eucalyptys	13	9	8
Spray	9	10	10	Euphorbia (fulgens)	29	31	35
West Diamond	8	8	9	Eustoma russellianum	28	28	30
Gypsophila				Gladiolus (large budded)	12	12	14
Million Star	23	20	18	Heliconia	98	122	109
Perfecta	21	19	18	Liatris	15	14	15
Hypericum				Limonium sinuatum	20	19	19
Excellent Flair	16	13	15	Nerine	23	25	28
Pinky Flair	22	18	16	Ornithogalum	15	16	14
Lilium				Paphiopedilum	81	72	58
Asiatic Group	27	29	29	Phalaenopsis	41	52	38
Oriental Group	58	50	61	Phlox	16	13	13
Longiflorum Group	37	40	40	Protea	119	114	108
Rosa				Ranunculus	15	14	14
Large-budded	28	27	26	Ruscus	9	9	8
Akito	26	21	19	Solidago	13	13	13
First Red	28	28	23	Tanacetum	17	15	17
Grand Prix	43	45	46	Trachelium caeruleum	23	19	19
Passion	36	35	33	Veronica	14	13	13
Red Berlin	33	30	26	Zantedeschia	48	52	46
Sphinx	27	21	20				
Small-budded	13	11	11				
Black Beauty	14	10	10				
Escimo	11	10	10				
Frisco	12	10	10				
Golden Gate	15	13	12				
Lambada	10	9	8				
Sacha	14	13	13				
Spray	19	20	24				
Diadem	15	12	9				

Source: VBN (2006)

9.2 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
- Landgard: http://www.nbv-uga.de
- International Association of Horticultural Producers (AIPH): http://www.aiph.org

10 MARKET ACCESS REQUIREMENTS

As a manufacturer 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.

10.1 Legislative requirements

European legislation is compulsory for all products traded within the EU. Therefore, as an exporter in a developing country you have to comply with the legislative requirements which are applicable to your products. For information on legislation for cut flowers and foliage, go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector and the EU in the category search, click on the search button and click on legislative requirements for an overview of all documents on 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.nl/marketinfo

10.2 Non-legislative requirements

Social, environmental and quality-related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to cut flowers and foliage, go to 'Search CBI database' at http://www.cbi.nl/marketinfo, select your market sector and the EU in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned.

10.3 Packaging, marking and labelling

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 flowers 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 should be 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.

As of March 1, 2005 a new amendment was made regarding new phytosanitary measures for all wooden packaging material that is used in the import of goods into the EU from third countries. The background for this legislation is to protect the EU from the introduction of organisms harmful to plants and plant products via wood packaging material. The Directives 2004/102/EC and 2005/15/EC require heat treatment or fumigation and marking of wooden packaging materials (including for example packing cases, boxes, crates, drums and similar packings, pallets, box pallets and other loader boards, pallet collars). The requirements refer to the international standard ISPM 15.
As of March 1st 2006, the additional requirement applies that round wood packaging material shall be made from round wood from which the bark has been removed.

→ Since changes in the environmental policy follow each other at a rapid pace, exporters are advised to ask their importer about the latest legislation and/or requirements related to packaging.

You can download information on requirements on packaging, marking and labelling in specific EU markets from the CBI website. Go to 'Search CBI database' at http://www.cbi.nl/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. Also refer to http://www.intracen.org/ep/packaging/packit.htm for more information.

10.4 Tariffs and quota

In general, all goods entering the EU are subject to import duties. External trade conditions in the European Union are mostly determined by EU regulations. The level of the tariffs depends on:

- country of origin
- product

In order to support exports from developing countries, the EU operates the Generalised System of Preferences (GSP). As from 1 January 2006, a new GSP system became applicable, which consists of 3 schemes instead of 5 as in the years between 1995 and 2006.

The general scheme covers roughly 7,200 products which can be divided into non-sensitive products and sensitive products. Non-sensitive products enjoy duty-free access, while sensitive products benefit from a tariff reduction of 3.5% points on the MFN tariff.

As from 1 January 2006, a new 'GSP Plus' scheme applies to especially vulnerable countries with special development needs. It will cover around 7,200 products which can enter the EU duty free. The beneficiaries must meet a number of criteria including ratification and effective application of 27 key international conventions on sustainable development and good governance.

There is a special scheme for Least Developed Countries (LDCs): 'Everything but Arms'. This allows for the world's 50 poorest countries duty-free access to the EU for all products except arms and ammunition

More information about the GSP and the countries falling under the GSP scheme can be found at http://europa.eu.int/comm/trade/issues/global/gsp/index_en.htm

In order to apply for the GSP preferential tariff, the evidence of origin has to be submitted to the EU Customs by a Certificate of Origin, known as 'Form A' or 'EUR 1'. This form must be completed by the exporter and subsequently be endorsed by the authorities of the exporting country which have been nominated by the European Commission to issue 'Form A' or 'EUR 1'. Two conditions attached to the application of the GSP preferential tariff are:

- only goods originating in a beneficiary country are eligible for GSP treatment;
- the goods must be transported directly from the exporting country to the EU.

If there is not a special trade agreement in force, the general import tariff (conventional duty) applies. The following table presents the import duties for the cut flowers discussed in this study.

Table 10.1 Import tariffs by product group

HS code	Product description	Conventional import duty (%)	Country group	
			SPGA/ SPGE*	SPGL*
0603 10	**Fresh cut flowers**			
0603 10 10 10	Rosa (large)	12	0	8.5
0603 10 10 20	Rosa (small)	12	0	8.5
0603 10 20 10	Dianthus (one flower)	12	0	8.5
0603 10 20 20	Dianthus (many flowers)	12	0	8.5
0603 10 30 00	Orchids	12	0	4.2
0603 10 40 00	Gladiolus	12	0	8.5
0603 10 50 00	Dendranthema	12	0	8.5
0603 10 80 30	Proteas	12	0	8.5
0603 10 80 90	Other fresh cut flowers	12	0	8.5
0603 90	**Prepared cut flowers**			
0603 90 00 10	for the use in potpourri	10	0	6.5

HS code	Product description	Conventional import duty (%)	Country group	
			SPGA/ SPGE*	SPGL*
0603 90 00 90	not for the use in potpourri	10	0	6.5
0604	**Foliage**			
0604 99 10 00	Not further prepared than dried	10	-	-
0604 99 90 00	Other foliage	10.9	0	7.4

Note: SPGA: excluding Myanmar, SPGL: excluding Chile and Moldavia
Source: http://hbi.douane.nl/tarieven/aktueel/M/S2/C6/Chapter_6_3FS.htm (September 2006)

SPGA
Afghanistan, Angola, Bangladesh, Burkina Faso, Burundi, Benin, Bhutan, Congo, Central African Republic, Cape Verde, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Equatorial Guinea, Guinea-Bissau, Haiti, Cambodia, Kiribati, Comoros (excl. Mayotte), Laos, Liberia, Lesotho, Madagascar, Mali, Myanmar, Mauritania, Maldives, Malawi, Mozambique, Niger, Nepal, Rwanda, Salomon Islands, Senegal, Sudan, Sierra Leone, Somalia, Sao Tomé & Principe, Chad, Togo, Tuvalu, Tanzania, Uganda, Vanuatu, Samoa, Yemen, Zambia.

SPGE
Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Guatemala, Nicaragua, Pakistan, Panama, Peru, Venezuela.

SPGL
United Arab Emirates, Antigua and Barbuda, Anguilla, Armenia, Netherlands Antilles, Antarctica, Argentina, American-Samoa, Aruba, Azerbaijan, Barbados, Bahrain, Bermuda, Brunei, Brazil, Bahamas, Bouvet Island, Botswana, Belarus, Belize, Cocos Islands, Congo (Republic), Ivory Coast, Cook Islands, Chile, Cameroon, China, Cuba, Christmas Island, Cyprus, Dominica, Dominican Republic, Algeria, Egypt, Fiji, Falkland Islands, Micronesia, Gabon, Grenada, Georgia, Ghana, Gibraltar, Greenland, South Georgia and the South Sandwich Islands, Guam, Guyana, Heard and McDonald Islands, Indonesia, India, British Oceania, Iraq, Iran, Jamaica, Jordan, Kenya, Kyrgyz Republic, St. Kitts-Nevis, Kuwait, Cayman Islands, Kazakhstan, Lebanon, St. Lucia, Sri Lanka, Libya, Morocco, Moldavia, Marshall Islands, Mongolia, Macao, Montserrat, Mauritius, Mexico, Malaysia, Namibia, New Caledonia, Norfolk, Nigeria, Nauru, Niue Island, Oman, French Polynesia, Papua-New-Guinea, Philippines, Pakistan, St. Pierre and Miquelon, Pitcairn, Palau, Paraguay, Qatar, Russia, Saudi-Arabia, Seychelles, St. Helena, Senegal, Surinam, Syria, Swaziland, Turks & Caicos Islands, French Southern Areas, Thailand, Tajikistan, Tokelau Islands, Turkmenistan, Tunisia, Tonga, Trinidad and Tobago, Ukraine, Uruguay, Uzbekistan, St. Vincent (VC), British Virgin Islands, Virgin Islands (USA), Vietnam (VN), Wallis and Futuna Islands, Republic of South Africa, Zimbabwe.

LOMA
Antigua en Barbuda, Angola, Barbados, Burkina Faso, Burundi, Benin, Bahamas, Botswana, Belize, Congo, South Africa, Ivory Coast, Cook Islands, Cameroon, Cape Verde, Djibouti, Dominica, Dominican Republic, Eritrea, Ethiopia, Fiji, Federal States of Micronesia, Gabon, Grenada, Ghana, Gambia, Guinea, Equatorial-Guinea, Guinea-Bissau, Guyana, Haiti, Jamaica, Kenya, Kiribati, Comoren, St. Kitts and Nevis, St. Lucia, Liberia, Lesotho, Madagascar, Marshall Islands, Mali, Mauritania, Mauritius, Malawi, Mozambique, Namibia, Niger, Nigeria, Nauru, Niue Island, Papoea-New-Guinea, Palau, Rwanda, Salomons Islands, Seychelles, Sudan, Sierra Leone, Senegal, Somalia, Suriname, Sao Tomé and Principe, Swaziland, Tsjaad, Togo, Tonga, Trinidad en Tobago, Tuvalu, Tanzania, Uganda, St Vincent, Vanuatu, Samoa, Zambia, Zimbabwe.

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 (as established in the GATT valuation code). In the case of an importer who buys FOB, the import duty will be calculated on the basis of the FOB price, increased by the shipment costs up to entrance into the EU. An importer buying CFR or CIF will have to pay import duties calculated based on the CFR/CIF price, minus the shipment costs made within the EU.

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. For more information about payment methods see Section 14.4.

It is very important to realise that this information is more complex than indicated above (because of exceptions and special rules) and that this information is subject to continuous changes (like the exhaustion of quota). Therefore, this information can only be considered as an indication of the actual situation. To obtain exact and up-to-date information on import duties one should contact the local Chamber of Commerce or Trade Promotion Office. Information can also be obtained from the Chamber of Commerce in Rotterdam, the European Commission or the Customs department. Another option is to consult the Internet site of the Netherlands Customs where the General Customs Tariffs for all products are listed, including exceptions that are made for import from specific countries. This information, written in he Dutch language, is up-dated everyday.

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 10.2 VAT rates (in %) applied in the EU as of 1st February 2006

	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	15
Latvia	-	5	18	18
Lithuania	-	5/9	18	18
Malta	-	5	18	18
Poland	3	7	22	22
Slovakia	-	-	19	19

Slovenia	-	8.5	20	20

Source: European Commission (2006)

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%.

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.nl/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.

- Netherlands Custom Services: http://www.douane.nl/english/
- Directorate General XXI: http://europa.eu.int/comm/taxation_customs/index_en.htm

Part B: Export marketing guidelines

11 EXTERNAL ANALYSIS: MARKET AUDIT

The external analysis or market audit assists the exporter to identify market opportunities, suitable sales channels and much more relevant information on the market and the external environment.

11.1 Market developments and opportunities

As a first step towards the identification of the most suitable export markets, the exporter needs to research the importance of potential markets and understand the ongoing developments that shape the European cut flower market structure. This should be done by means of systematic market research, involving a preliminary screening of potential markets, followed by a more detailed assessment of the targeted markets.

Markets should be researched using primary as well as secondary data sources. Primary market research consists of a company collecting data directly from the foreign marketplace through interviews, surveys, and other direct contact with market participants. In general, European cut flower importers and agents are quite willing to give information on market developments.

Another potentially interesting source of information is the auctions. Auctions wich have an import department have so-called 'area managers', i.e. staff co-ordinating imports from different non-European regions. These area managers can give you useful insight into specific market developments for your products.

Note that there is no information available on specific varieties imported into the various European countries. However, you could try to obtain import statistics from individual auctions to gain an impression of the amounts of specific products which are imported.

Primary research has the advantage of being tailor-made to meet your company's needs and provides answers to specific questions, but this data collection can be very time-consuming and expensive.

In order to obtain a global scan of the market, most companies make use of secondary data sources, such as trade statistics, to focus their marketing efforts. This type of research is a valuable and relatively easy first step for a company to take. Specific market developments as described in Chapters 4, 5, 6 and 10 of this market survey, for instance, should be used as a starting point for your export market research.

Keep in mind that, already in the early stages of market research, it is important to focus on your product group. There is no point in putting effort into the analysis of the European market for all products if you are specialised in a certain product.

Section 4.2 identifies a number of general consumption patterns and trends. It is important to assess the implications and opportunities of important general trends for your products and situation.

Results of the research inform the company of the largest markets for its product, niche markets, the fastest growing markets, market trends and outlook, market conditions and practices, and competitive firms and products. Based on all the information, a company must decide which markets are the most promising.

Opportunities
• Growing demand for bouquets (see Section 4.2 and 6.3) • Consumer concern for environment (see Section 4.2) • Specialties / novelty products (see Section 4.2) • Decreasing number of competiting producers (see Section 5.2) • Higher demand for low-priced products (see Section 6.3) • Shift of adding value from the wholesaler towards the growers in developing countries (see Section 6.3) • Off-season supplies (see Section 6.3)
Threats
• Changing colour fashions (see Section 4.2) • Shift to other gift items (see Section 4.2) • High-tech production methods and increasing production scale (see Section 5.2) • High level of European research on production techniques (see Section 5.2) • Shift of production from central Europe towards peripheral Europe (see section 5.2) • A threat of overproduction and downward price pressure particularly in the case of roses (see Section 5.2) • Poor image of LDC sources (logistical problems, lack of professionalism, poor/ inexperienced commercial attitude) (see Section 6.3) • Increasing airfreight rates (see Section 6.3) • Retail chains increasingly require suppliers and products to be certified (see Section 6.3) • Political instability in some developing countries (see Section 6.3) • Fierce competition and low prices in market for Rosa and Dianthus (see Section 6.3)

Questions that need to be answered:

- Market size: What is the (estimated) market size for your potential export products? Try first to focus on your product group, then on your specific products/varieties.
- Market developments: How has the total market volume developed during the last 3-5 years? What are the specific trends for your product?
- What are the price developments for your product?
- Imports: How have imports developed during the last 3-5 years?
- Are importers and potential business partners in the EU interested in new suppliers of your particular products?

Where to find information?

ⓘ The market information described in the first part of this market survey can be very useful as a starting point for your export market research. Where applicable, the sources of this market information are also mentioned in the specific chapters.

ⓘ For more general information, you can use the EU statistics bureau **Eurostat**: http://europa.eu.int/comm/eurostat

ⓘ For a list of the European **national trade statistics bureaus**, please refer to the Eurostat Internet site.

ⓘ **Flower auctions** provide information on sales of finished cut flowers and pot plants. A starting point is the Internet site of the VBN: http://www.vbn.nl

ⓘ In some cases, **trade associations** are able to assist you with more specific information on product trends. For a list of trade associations please refer to Appendix 2.3

ⓘ **Trade press**
Useful sources of information on market developments are (international) trade magazines which can be relevant for exporters who want to develop a better insight into the EU markets. Some of the most interesting magazines for exporters of cut flowers and foliage are:

- Floraculture International (English, free subscription)

- Horticultura Internacional (Spanish)
- Grower (English)
- Taspo (German)
- Lien Horticole (French)
- For more information, also refer to Chapters 3.1 and 3.2 of CBI's *Export planner*, Chapter 3 of *CBI's EMP document builder* and Chapter 3.1.1 to 3.1.6 of *CBI's Your guide to market research*.

Market access requirements

Quality standards and other non-tariff barriers

The CBI database describes a wide array of non-tariff barriers which could be applicable to exporters of cut flowers and foliage in developing countries. It is important to determine which standards and regulations apply to your situation. Not all standards are compulsory or widely recognised by your potential customers.

A compulsory regulation like phytosanitary regulations can embody a major obstacle for exporters when exporting to the European Union. Not only general regulations which prohibit the import of certain species and soils, but also the costs of inspection at the border could represent a major barrier.

Keep in mind that regulations and standards are continuously changing. Therefore, we recommend that you check the up-to-date situations with importers or the relevant organisations.

Opportunities
• Certified products (search CBI database) • Quality management systems (search CBI database)
Threats
• Increasing quality requirements (see Section 4.2) • Phytosanitary requirements (search CBI database) • Breeder's regulations (search CBI database)

Questions that an exporter should answer are:
- What quality standards are required by the European market (VBN product specifications, importers)?
- To what degree do phytosanitary regulations apply to the products? What are the costs of the phytosanitary checks in the various European countries?
- Do breeders' rights apply to your varieties (UPOV, CPVO)? Who is the owner of the varieties you produce?
- What is the importance of environmentally sound production methods (MPS, EUREPGAP, etc.)?

Where to find information?
- For general information, refer to Chapter 2.5.4 and 3.3. of CBI's Export planner, Chapter 3 of CBI's EMP document builder and Chapter 3.1.7 of CBI's Your guide to market research.

Tariff barriers

Two different parties are involved in the payment of Customs duties: the party which is charged with the duties (i.e. the one that bears the financial burden) and the party which actually makes the payment.

In the EU, importers must bear the financial burden of Customs duties. However, they settle the duties with their supplier, the exporter(s), in the case that the goods were shipped on consignment conditions. The forwarding agents mostly handle all the import formalities, i.e.

they collect the goods from the seaport or the airport, deal with the Customs formalities and pay the respective Customs duties on behalf, and for account of, the importer.

At present, in the case of exporting floricultural products from most developing countries to the EU, import tariffs do not apply (see Section 10.4).

Questions that an exporter should answer are:
- Are there import restrictions which limit sales opportunities?
- Which import tariffs apply to your export products?

Where to find information?
- Refer to Chapter 8 for information on potential sales channels.
- For general information, refer to Chapter 4.6 and 4.7 of CBI's Export planner, Chapter 3 and Chapter 7.7 of CBI's EMP document builder and Chapter 3.3.3 of CBI's Your guide to market research.

11.2 Competitor analysis

In many cases, growers of cut flowers in developing countries benefit from their climatic conditions. This is often one of the most important factors which positively distinguishes your company from competitors in other countries, particularly from competitors in Europe. Other positive factors are for example labour costs, low electricity costs, availability and costs of land, etc.

Needless to say, there are also factors which weaken your competitive position. European companies, for instance, have the advantage of being close to their customers which, in general, facilitates the marketing of products and communication. Another important difference is the fact that cultivation technology and input is readily available to European companies.

Growers of cut flowers in other developing countries also represent a significant group of potential competitors. You can find useful information in Chapter 6 on product streams originating in these countries.

As an initial step towards understanding your competition, you should prepare a list of all the competition and then pinpoint who your main competitors are. To learn more about competition, you can do a secondary research study and ask customers and suppliers for their opinions. You can also prepare a list of your main competitors' strengths and weaknesses.

Due to its trade structure, the cut flower industry is relatively open to new entrants and you should expect increased competition. Constantly check with customers, suppliers and your competition to see if they have heard of any new businesses. These sources may also give you some insight into where and how the competition is selling their products. Which trade channels are used by your competitors, and why?

Of course, trade shows can be helpful for making contact with new customers and learning about market developments. They can furthermore also be used to find out more about competition. If you sell cut flowers, take the time to attend industry trade shows, to see what your competition is like.

Opportunities
• Increasing shortage and costs of land in main European production areas
Threats
• Customers more and more demand short-term (immediate) deliveries ('short lines')

Important questions to be answered are:
- How many suppliers are currently active in the market?
- Who are your main competitors? What assortment are they able to supply? What production techniques do they use? What are their strengths and weaknesses compared to your company?
- To what degree is the sector in the target market supported by the local government?

Where to find information?
- For general information, refer to Chapter 2.5.4 and 3.3. of *CBI's Export planner*, Chapter 3 of *CBI's EMP document builder* and Chapter 3.1.7 of *CBI's Your guide to market research*.

11.3 Distribution channel assessment

Having assessed the prospective markets and market segments, it is now also important to understand the trade structure and chains supplying these market segments. After the assessment of the exporter's capabilities (next chapter), the exporter is able to determine the most suitable sales channel.

The information provided in Chapter 8 should be used as a starting point. As was explained in Chapter 8, there are roughly four sales channels for exporters of cut flowers to the European Union markets:
1) via one of the auctions;
2) via an agent;
3) via an import wholesaler; or
4) via an importer/exporter;
5) directly to a European retail chain.

The auctions can be an attractive sales channel, because they can sell everything you are able to send during a specified season, providing you can comply with the quality requirements. Furthermore, the price is made on an open market, payment is secure and reasonably quick, there are no problems with cash collection and quality disputes, and air transport can be paid in advance.

In general, auctions prefer to work with larger exporters of (mass-produced) flowers, like some of the larger Kenyan exporters of Rosa. Nevertheless, if they are able to regularly supply good and interesting products, medium-sized exporters can also supply the European market through the auction system.

Both agents and auctions have their advantages and disadvantages. Although auctions are generally more strict in their payment terms, agents often have good payment terms as well. Both provide interesting information. Auctions offer extensive information regarding market requirements, prices, marketing, etc. Agents do not always offer this information, but sometimes have information regarding the trade in young plant material which is of particular interest for many exporters in developing countries. The auctions do not have this information. Risk management is the same for auctions and agents.

In order to supply an auction, the exporter has to have an annual licence to supply specific varieties over a specific period. He should supply three times per week, and must supply an agreed percentage of his output. Failure to comply can mean that the licence is not renewed the following year.

Exporting directly to European wholesalers is suitable for large as well as small and medium-sized exporting companies. In general, European import / wholesale companies, which offer a wide assortment of products to their customers, mostly prefer to do business on an arm's-length basis, i.e. without long-term contracts. Importers are often on the lookout for specific products to complete their assortment. As the products which importers are looking for can vary per company, information on the type of products and varieties can best be obtained from these companies themselves.

When cut flowers are sent directly to the consumer countries, rather than via the auctions, they leave out a number of links in the chain. This can save time and costs of preparation related to the auctions and onward transport. However, besides the advantages, it also presents problems of its own, like the need to get all the boxes to the buyers and dealing with claims and collecting the money.

Supplying large retail buyers often requires that exporters have the capacity for volume growth, however this requires significant investment in production and post-harvest facilities and operational quality systems (ISO). Retail buyers often have specific wishes in the field of packaging (marking, labelling).

Important questions to be answered are:
- Which potential sales channels exist?
- Which products do the different sales channels trade?
- What are the most important requirements of the identified sales channels? What are the conditions for an exporter to take part in a specific supply chain?
  - What quality standards do the sales channels demand?
  - What kind of packaging is used in the various sales channels?
  - What are the requirements concerning production process (environmental, ISO, MPS, EUREP-GAP, etc.)?

- Refer to Chapter 8 for information on potential sales channels.
- For general information, refer to Chapter 4.6 and 4.7 of *CBI's Export planner*, Chapter 3 and Chapter 7.7 of *CBI's EMP document builder* and Chapter 3.3.3 of *CBI's Your guide to market research*.

11.4 Logistics

When transporting products overseas, the exporter ideally looks for the fastest and most efficient mode(s) of transportation which will deliver the product in perfect condition at the lowest possible costs. The actual selection will be a compromise between these factors.

As cut flowers are highly perishable products, almost all products are transported by air cargo. Freight rates vary depending on the products being shipped, their value, level of service provided, destination, weight, and seasonal variations in demand for cargo space. In the case of airfreight, the costs of a shipment are mostly calculated on the actual weight (in kilograms).

Freight forwarders
It is a good idea to use a freight forwarder to arrange transportation services on your behalf. They can simplify the shipping process because they are familiar with import and export regulations. It is important to use a forwarder who is experienced in handling cut flowers and foliage, as well as one who is experienced in the destination country. Freight forwarders can also assist you in handling all the documents. Freight forwarders are cost-effective to use, because they can negotiate the best rates with shipping and airlines.

In Kenya, for example, approximately 90% of the flowers is handled by four specialised air-freight forwarders, which consolidate consignments from various growers, palletise them and load them directly onto commercial or charter airlines. Freight forwarders check quantities, varieties and temperatures, and keep flowers in a conditioned atmosphere until they are transported to the plane. They also facilitate Customs and inspection by the Kenya Plant Health

Inspectorate Service (KEPHIS) and the provision of phytosanitary certificates. Smaller exporters, which cannot afford the services of freight forwarders, use the fresh produce cargo shed of Kenya Air-freight Handling Ltd. (a subsidiary of Kenya Airways). This cargo shed, however, does not provide adequate cold storage, thus resulting in higher flower temperatures and reduced quality.

In handling highly perishable products, maintaining a cold chain is, of course, a major logistical issue. It determines for a large part the quality of the product as it arrives at the European retail shop. The saying is "one hour lost in departure to being refrigerated will be one day less for the sale in the destination". Your freight forwarders must be able to manage the cold chain.

Important questions to be answered are:
- How often does the sales channel require delivery? What cycles of delivery does this channel require?
- What lot sizes does this sales channel demand?
- What formalities does the sales channel require to be handled by the exporter?

- Also refer to Chapter 8, Section 10.2 and 14.4 for information on sales channel requirements.
- Airfreight forwarders and air carriers are the best sources for obtaining freight rates. There are also companies which specialise in publishing air cargo tariffs. These publishing companies charge a fee for their services.

11.5 Value chain / Price structure

As discussed in Chapter 9, which deals with price developments and sources of price information, different prices and margins apply throughout the various trade channels. It is therefore important to grasp the essence of the pricing structure as it also influences the price of your export product. Also refer to Section 14.3, which includes information on price setting.

Figure 11.1 shows two examples of a supply chain and its price structure: Kenyan roses for the German market exported via the Netherlands auctions (taken from a 2000 Worldbank study[1]).

[1] Worldbank - "*Equatorial Rose: The Kenyan-European Cut Flower Supply Chain*", 2000

Table 11. 1 Value chain analysis for exporting Kenyan roses to the German market

SUPPLY VIA NETHERLANDS AUCTION

Exporter	FOB Nairobi	€ 0.08
Freight forwarder	+ Freight costs	€ 0.04
Auction	C&F Auction + auction costs (15%) auction price	€ 0.12 € 0.02 € 0.14
Dutch wholesaler	+ Dutch wholesale margin (22%)	€ 0.03
German wholesaler	C&F German wholesaler + margin (20%)	€ 0.17 € 0.03
German retailer	+ German retail margin + VAT	100-200% 7%
Consumer	Consumer Price	€ 0.44 - € 0.64

Many exporters consider marketing directly to the German market to be more attractive than via the Netherlands auctions. While the market price in Germany is based on the auction price, German importers are usually able to undercut the margins of the auction exporters and offer overseas suppliers higher FOB prices. However, this price structure obscures a few factors which work in favour of the auctions.

First, the auction price achieved can be up to 20% higher for regular reliable overseas suppliers than for irregular suppliers of average quality flowers. This comes from the fact that the auction system is a vehicle for obtaining premium prices, not for channelling poor quality. Second, the costs of marketing (telephone and fax) and finance (auction payments are weekly in contrast to monthly payments for direct sales) are typically not included in an integrated cost price calculation. Third, in contrast to direct sales, quality inspection and product rejection are transparent in auction sales. This also applies to market information, which is freely provided by the auction and subject to censorship by importers.

11.6 Product profiles

In this section, we give two examples of product profiles: Rosa and Leatherleaf ferns. These stand as a model for the product profiles the exporter should develop for his own (prospective) export products. By constructing an overview of the most import products, exporters are better able to determine which products to export to the EU.

PRODUCT PROFILE: ROSA	
1. Product information:	**Rosa** (rose) **Main large-flowered varieties:** European production: 1. Passion; 2. Grand Prix; 3. Sphinx; 4. Avelanche+; 5. Red Berlin Imports: 1. Akito; 2. Inka; 3. Duett; 4. Marie-Claire!; 5. Shanti **Main small-flowered varieties:** European production: 1. Frisco; 2. Sacha; 3. Wizzard; 4. Surprise; 5. Abrakadabra Imports: 1. Chelsea; 2. Red Calypso; 3. Sunny Cher; 4. Frisco; 5. Poême! *Source: VBN (2006)*
2. Market requirements:	European quality standards: - standards of the Dutch auctions - standards of individual importers Minimum labelling: - Identification (name and address) of the exporter and/or packer - Nature of the produce (if not visible from outside) - Name of the variety - Origin of the produce - Commercial classification: class, size, minimum and maximum lengths, number or net weight Packaging: **-** The specific type of packaging is determined by the importer. In general, packaging size specifications are influenced by EU pallet sizes and air-freight pallets and containers. In The Netherlands, cardboard boxes ('A' boxes) with dimensions: 100 x 25-50 x 20-25 cm are usually used. - After packaging, the stems should be secured tightly in the box, either with a strong rubber band attached to plastic hooks pierced through the sides of the box, or with a plastic-foam-covered wooden stick pressed on top of the stems and nailed in place through the sides of the box. - Import regulation: refer to Chapter 10.
3. Market structure:	Consumption calendar: - All year round - Peaks in the flower sales during public holidays Average price at the auctions in The Netherlands (2005, per stem): - (The Netherlands): € 0.29 - Roses (import): € 0.13 Market trends: - Still the number one cut flower in most EU countries. No change expected in the near future. - Many EU consumers are getting used to, and appreciate, large-flowered roses. - Trendy colours are increasingly important. - More and more roses are supplied by African growers, especially small- and medium-flowered varieties.
4. Main suppliers:	The leading supplying countries of roses are The Netherlands, Kenya,

	Ecuador, Zimbabwe and Uganda.
5. Quality improvement:	Harvesting: Roses are best cut in bud stage, opening up after storage, transport or distribution. Packaging: Measures to protect the product during transport. Storage: Successful rose exports require an unbroken cool chain from grading to retail shop. This involves a cold store at the production site, with the capacity for pre-cooling produce after packing, refrigerated transport and access to cold storage at airports. The recommended storage temperature for roses is 2-4ºC. Transport: Shipping without transfer is preferred. In general: Experience, practical and theoretical knowledge are the most important factors for improving the quality.

PRODUCT PROFILE: LEATHERLEAF FERN (FOLIAGE)	
1. Product information:	Common name: Leatherleaf Fern Botanical name: *Rumohra adiantiformis* (Dryopteris fern family) Fronds (i.e., fern "leaves") are triangular, coarsely toothed, 3-4 pinnate at base, 10-24 inches long. Sori are located on the dorsal (bottom) side of the fronds. Stipes (i.e., fern petioles or "stems") are somewhat woody. Availability: year round Decorative life: 7-21 days
2. Market requirements:	European quality standards: Minimum labelling: - Identification (name and address) of the exporter and/or packer - Nature of the produce (if not visible from outside) - Name of the variety - Origin of the produce - Commercial classification: class, size, minimum and maximum lengths, number or net weight Packaging: - Special packaging requirements on request of buyer or auction. Waxed or plastic coated cartons are not accepted due to the difficulties this poses to the recyclement of these materials. Import regulation: Refer to Chapter 10.
3. Market structure:	Consumption calendar: - All year round - Peaks in the flower sales during public holidays Average prices at the auctions in The Netherlands: - Price per stem is approximately € 0.05 Market trends: Leatherleaf ferns have been a leader for over ten years. It is the archetypal foliage, especially for supermarkets. The market for foliage is increasingly demanding quality. Foliage requires a minimum level of quality equivalent to that of cut flowers and especially a standardisation of products and careful packing. The main criterion is vase life.
4. Main suppliers:	The leading suppliers are Costa Rica, Israel, Guatemala, South Africa and USA.

5. Quality:	Harvesting: Leatherleaf ferns should be matured and hardened. Most leatherleaf is dipped after harvest in various mixtures of water, mineral oil and surfactant to both clean and, hopefully, extend subsequent vase life. Packaging: Measures to protect the product during transport. Storage: High relative humidity facilitates lasting up till 6 weeks if packed. Temperature between 2°C to 4°C is advised. Re-cut stems frequently. Transport: Shipping without transfer is preferred. In general: Experience, practical and theoretical knowledge are the most important factors for improving the quality.

12 INTERNAL ANALYSIS: COMPANY AUDIT

The internal analysis or company audit is a review of the company's strength and weaknesses in terms of all company resources such as export marketing capabilities, finance, personnel, internal organisation, management, infrastructure, etc. As a result of this internal analysis, you will be able to assess to which extent your company is able to take advantage of the opportunities identified in the former chapter. Furthermore, with a thorough understanding of your company's unique capabilities, you will be able to invest in opportunities which exploit your strengths.

12.1 Product standards, USP and production capacity

A means to assess your company's potential in exporting is by examining the unique or important features of your company and products. If those features are hard to duplicate abroad, then it is more likely that you will be successful overseas. A unique selling proposition or USP defines what makes your business unique from every other competitor in the field. It spells out the precise niche you seek to fill, and how you aim to fill it.

There are two major benefits in developing the USP. First, it clearly differentiates your business in the eyes of your current and potential customers or clients. Second, it focuses your staff on delivering the promise of the USP, thus helping to improve your internal performance.

What a USP could look like:
- One sentence.
- Clearly written, so that anyone can understand it.
- It should be believable.
- Composed of one benefit that is unique solely to your company or product.

How to develop your USP? Sit down with a notebook and:
- ☐ Brainstorm.
- ☐ List all the benefits your company or product can offer.
- ☐ Prioritise those benefits in order of what is the strongest, and most unique to your business.
- ☐ Write one sentence that conveys the first benefit on the list.

Together with your prices, quality is probably the main competitive factor on which you will compete in the flower trade. It is important to consider to which extent your company is able to deliver the quality which is required in the identified markets and sales channels.

Note that quality not only means product quality. Management quality is just as important. Delivery reliability and the ability to learn and adapt are important selection criteria for European companies looking for new (long-term) suppliers. Furthermore, keeping to the agreed quality is indispensable for building up a long-term business relationship.

Check your current quality standards against the voluntary and compulsory standards in the CBI database. Also refer to Chapters 10 and 11 for information on the importance of the various quality standards for your product-market combinations.

Questions an exporter needs to answer:
- What management quality standards does your company fulfil (ISO)?
- What is the general level of your product quality compared to other products in the identified market? Does your product have any official quality standards?
- In case environmental labelling could significantly improve the competitiveness of your export product, which one is the most interesting for your product-markets combination?

Production capacity
The foreign buyer is seldom looking for a 'spot' purchase. Instead, he is looking for a quality product at a fair price with continued availability. If you are merely seeking to market your sporadic surplus capacity, then the entry into the foreign trade market will probably be a disappointment. On the other hand, if the company is willing to devote even 10% of its production capacity to foreign markets and the servicing of these accounts, it can reasonably expect to build substantial and permanent trade in those markets suited to its products. However, keep in mind that:

Often, the volume of the product marketed is not as important as a consistent and reliable supply of the actual product.

Questions that need to be answered:
- How is the present capacity being used?
- Will new export activities hurt domestic sales?
- What will be the costs of setting up additional production capacity and is it possible at all?
- What cycles of production apply to your products? Is there a seasonal emphasis and how does this match up to the demand in the target market?
- Are there fluctuations in the annual workload? When? Why?

Post-harvest treatment
The care and handling between harvesting at the nursery and delivery to the country of import is often the weakest point in the relationship between importer and producer.

Proper post-harvest care can considerably extend the vase life of imported cut flowers. Cut flowers need enough carbohydrate reserves to develop fully. Flowers harvested at the right stage of maturity have enough carbohydrate reserves, but flowers harvested when they are immature may lack both the reserves they need to bloom fully and the hormonal signalling which guides their development. Flowers harvested when they are too mature may be more sensitive to transport damage and ethylene. Most flowers are best cut in bud stage, opening up after storage, transport or distribution. During transport, they experience water stress, darkness and fungal and bacterial pathogens.

Temperature control is the most important measure in post-harvest care, as this factor provokes the greatest loss of quality in cut flowers. Generally, high temperatures accelerate biochemical reactions and thus, by speeding up the ageing process, the final vase life is reduced. Low temperatures slow the development and depletion of carbohydrate reserves. They also decrease flower ethylene production and sensitivity and limit pathogen growth. Correct temperatures need to be maintained all through the distribution chain. If not, the effort and expense of providing the right conditions at one point of the chain, will be completely wasted at another point, where little or no attention is given to maintaining these values.

Optimum temperatures for most common flowers are near freezing point, from 0º C (32º F) to 5º C (40º F). Note that some tropical crops such as Anthurium, Strelitzia, some Orchids and Gingers, suffer chilling injury and should not be kept below 10º C (50º F).

Carbohydrate levels are minimal in cut flowers and are consumed through respiration. Due to high temperatures and possible embolism in the vascular system, harvesting at the end of the day is not recommended. After harvest, cut flowers should be pulsed in a sucrose solution. This improves the vase life in most cases, but it also enhances microbial growth. Refrigeration is the most practical solution. Another possibility is a controlled atmosphere (i.e. reduced oxygen) to prevent respiration and consumption of carbohydrate supply.

General factors affecting post-harvest quality
- Flower maturity at harvest
- Temperature
- Food supply
- Light
- Water supply
- Ethylene
- Growth tropism (bending of stems)
- Mechanical damage
- Diseases
- Flowers becoming to dry

Cut flowers with leafy stems have a large surface area, so they lose water and wilt very rapidly. To prevent this, cut flowers should be stored above 95% relative humidity. In some cases re-hydration after dry storage is possible. Note that storage in hard (alkaline) water generally reduces vase life.

Cleanliness is also an important measure. Immediately after harvest, place cut flowers in clean containers. Any adverse conditions during packing and transport can cause bacteria growth, which blocks flower stems, or encourages fungi growth, infecting flower blooms.

- For general information, refer to Chapter 2.1 to 2.4, Chapter 2.5.2 and Chapter 4.2 and 4.3 of *CBI's Export planner* and Chapter 4.1 and Chapter 7.5 of *CBI's EMP document builder*.

12.2 Logistics

Availability of low-cost and high-quality freight services between your country and the destination country is a major criterion for a successful export business. In the case of highly perishable goods like cut flowers, air freight is often the only option. However, sea freight can be an option for some foliage types.

Cold chain
Maintaining the quality of harvested flowers requires effective cooling systems to keep flowers at optimum temperatures until they reach European consumers. Cold storage is a key factor driving a more tightly managed supply chain. Because flowers are rapidly perishable, product quality hinges on the methods available for storing a product. As a result, consistency in the cold chain is essential to ensure that the quality loss between harvest and consumption is minimal. Cut flowers must embark upon an intricate cooling chain within a few hours of harvest and remain in a temperature-controlled environment to avoid product damage. It is essential that products be transported in a refrigerated (or at least insulated) vehicle to packing houses, where the product is hydro-cooled, graded and packed under temperature and humidity controlled conditions. In Kenya, for example, large exporters have invested in state-of-the-art cold rooms to ensure continuity of product temperature. In general, small and medium-sized exporters do not have the facilities needed to provide post-production processing and, as a result, have difficulty meeting the quality standards of overseas buyers.

Questions that need to be answered:
- How often are you able to deliver?
- What lot sizes do you generally produce or are you able to produce?
- Are there cold-room facilities at your production base?
- Are you able to maintain a cold chain during the transportation of the products? (air-conditioned domestic transport, cold-room facilities at the airport)
- What are the typical costs of logistics? (Check with freight forwarders)

Packaging
Packaging is used to protect against mechanical damage and to create a more favourable microclimate. It is an essential factor in determining the product's quality. However, according to the way in which packaging sometimes is applied in developing countries, it can also be a risk to quality, due to bruising and less-than-optimum conditions of temperature and humidity.

The packaging has to satisfy conditions in the field of handling. The transportation volume must be as efficient as possible and a high level of uniformity of packaging is essential. In order to optimise transportation, EU grower and traders generally use boxes of which the measurements are in accordance with airfreight pallets and auction carts.

Packaging design should take the following into account:
- Proper storage and transport;
- Standard packaging sizes;
- Recyclable materials or two-way systems.

Most cut flowers and foliage are packed in bunches, which are then put in cardboard boxes (single or double wall). The boxes should be able to withstand rough handling and net tie-down by air-carriers. Often, newspapers, or other material is used to further protect the products against mechanical damage during transport.

The exporter should always discuss the preferred type of packaging with his customer!

Points of interest when choosing the right packaging:

Have your importers ever complained about the quality of your products? Have they ever received spoiled or blemished products?
Look for possible causes:
- □ Unsuitable packaging material
- □ Insufficient ventilation during transport
- □ Too many products in a box
- □ Wrong climatic conditions during transport
- □ Problems with the product itself (diseases for examples)
- □ Other causes

Do you use different packaging methods for different products?
- → Different products require different climatic conditions (temperature, ventilation) during transport.
- → Some products need more space than others (bruising, ventilation).

In case of marine transport, different kinds of products shipped together in one container should have compatible:
- □ Temperature needs
- □ Ethylene sensitivity
- □ Relative humidity needs
- □ Airflow characteristics

Does your importer use special transport packaging?
- → Perhaps you could use this special transport packaging as well? Using the wrong packaging size can have a negative effect on your business.
- → Maybe you could make use of the import's packaging know-how.
- → Are the cardboard boxes forwarded directly to the wholesalers?

Fully recyclable packages must be used when trading with certain business partners.
- → In case of one-way systems, use cardboard and avoid plastic foil if possible.
- → Colouring materials, used for printing, should not be harmful to the environment.

→ Use glue which does not harm the environment or, preferably, no glue at all.
→ Do not use metal clips for the cartons.
→ Avoid waxed boxes or any combined packaging materials

Useful information on packaging for marine container transport can be found at:
ⓘ http://postharvest.ucdavis.edu/Pubs/Marine_Transport/Marine_Transport.shtml

12.3 Marketing and sales
How do you sell to current export markets? What works in one European market is likely to work in another, subject to refinement based on market intelligence and knowledge about specific trade channel requirements.

What existing contacts does the company have in the target markets - relatives, friends, suppliers, etc? It is an advantage to have some local presence in the target market which can gather information, monitor progress and follow up leads.

A serious export marketing campaign requires substantial management time to execute it properly. Therefore, the company needs to be realistic as to how much time can be devoted to export marketing.

More information on how to make use of your marketing tools to foster your export activities will be described in Chapter 14.

Questions that need to be answered:
- Does your company have people specifically assigned to marketing and sales activities?
- Which persons do you know in the target markets?
- What sales support material is available?

- For general information refer to Chapter 2.1 tot 2.4 and 2.5.2 of *CBI's Export planner* and Chapter 4.1 of *CBI's EMP document builder*.

12.4 Financing
Export marketing is expensive. Expenses can include the development of new promotional material, added administrative costs, travel costs, modification of packaging, etc. In many cases, starting to export will also mean that short-term profits will have to be subordinated to longer-term gains.

If financial resources are limited, then marketing plans will have to be modest. It is no good developing five new markets if the company only has the money to develop one.

For methods and terms of payments, please refer to Section 14.4.

Questions that need to be answered:
- What amount of money can be tied up to setting up new export activities?
- What level of export operating costs can be supported?
- How should the initial expenses of export effort be allocated?
- What other new development plans are in the works that may compete with export plans?
- Is outside capital necessary to support efforts?

- For general information, refer to Chapter 2.1 tot 2.4 and 2.5.2 of *CBI's Export planner* and Chapter 4.1 of *CBI's EMP document builder*.

12.5 Capabilities

Commitment to export

It is important to consider whether or not the company has staff which is able to sell and develop an international business. The company should be able to generate the physical and administrative infrastructure to deal with increased activities related to exporting - not only in dealing with orders, but also with processing Customs and shipping documentation. If this type of infrastructure is limited, then it is a weakness in developing sustained export activities.

Questions that should be answered are:
- What kind of commitment is the top-level management willing to make related to an export effort? How much senior management time should be allocated? How much could be allocated?
- What organisational structure is required to ensure that export sales are adequately serviced? Who will be responsible for the export activities (export department's organisation and staff)?
- What are the management's expectations of the effort?

Export experiences

It is important to learn from past experience, not only from your own company but also from colleagues in your country. If the company has tried and failed to penetrate an export market previously, this can be analysed to determine where things went wrong.

Questions that should be answered are:
- In which countries has business already been conducted?
- From which countries have inquiries already been received?
- What general and specific lessons have been learned from past export experience?

Language skills

When dealing with European trade partners in the cut flower business, English is the language most used. Although most European trade partners will not be native speakers themselves, the vast majority speaks English fluently. In almost all cases, foreign language skills, particularly English, are essential when entering the European market. When dealing with France, knowledge of the French language is a distinct advantage. If you can communicate in Spanish, you have a competitive advantage if you target the Spanish market.

On the few occasions when correspondence and documents in English will not suffice, exporters can usually find sources of translation capabilities for the more popular European languages. Language capability can be advantageous since it facilitates cultural and social relationships.

Questions that should be answered are:
- Which language skills are necessary when dealing with your selected markets?
- Which language capabilities are available within the export company?

- For general information, refer to Chapter 2.1 to 2.4 and 2.5.2 of *CBI's Export Planner* and Chapter 4.1 of *CBI's EMP document builder*.

13 DECISION MAKING

Answers to the questions mentioned in Chapters 11 and 12 can help an exporter not only to decide whether or not to export, but also determine what methods of exporting should be initially used. A SWOT analysis can be used as a tool to analyse the identified opportunities and threats and the company's identified relative strengths and weaknesses. Carrying out an analysis using the SWOT framework helps an exporter to focus his activities into areas where he is strong and where the greatest opportunities lie. It should be noted that the matrix included in Section 13.1 should be treated as an example and that it should be adapted to the exporter's own situation.

Questions that should be answered:

***Strengths*:**
- What are your advantages?
- What do you do well?
- What relevant resources do you have?
- What do other people see as your strengths?

☞ Consider this from your own point of view and from the point of view of the people you deal with. Do not be modest, but be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths.

☞ In looking at your strengths, think about them in relation to your competitors. For example, if all your competitors provide high-quality products, then a high-quality production process is not a strength in the market, it is a necessity.

***Weaknesses*:**
- What could you improve?
- What do you do badly?
- What should you avoid?

☞ Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

***Opportunities*:**
- Where are the good opportunities awaiting you?
- What are the interesting trends you are aware of?
- Useful opportunities can come from such things as: changes in technology and markets on both a broad and narrow scale, changes in government policy related to your field, changes in social patterns, population profiles, lifestyle changes, etc.

☞ A useful approach to looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating the weaknesses.

***Threats*:**
- What obstacles do you face?
- Are you close to the market (logistical costs, dependency on air freight costs)?
- What is your competition doing?
- Are the required specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

☞ 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.
☞ You can also apply SWOT analysis to your competitors. This may produce some interesting insights.

☞ **Simple rules for successful SWOT analysis**
- Be realistic about the strengths and weaknesses of your organisation.
- Analysis should distinguish between where your organisation is today, and where it could be in the futures.
- Be specific. Avoid grey areas.
- Always analyse in context to your competition i.e. better than or worse than your competition.
- Keep your SWOT short and simple.

- For general information, refer to Chapter 2.5.5 of *CBI's Export planner*, Chapter 4.3 of *CBI's EMP document builder* and Chapter 3.1.9 and 3.2 of *CBI's Your guide to market research*.

13.1 SWOT and situation analysis

A SWOT analysis is a framework for analysing strengths and weaknesses, the opportunities and threats an exporter is facing. This will help an exporter to focus on his strengths, minimise weaknesses, and take the greatest possible advantage of opportunities available. A SWOT analysis is just one of many good techniques which can help an exporter to build a strong competitive position for his organisation. An example of a SWOT analysis for an exporter of cut flowers in a developing country is given in the next table. Within the SWOT matrix, a distinction is made between internal factors (strengths and weaknesses) and external factors (opportunities and threats).

Table 13.1 Example of a SWOT analysis for exporters of cut flowers in developing countries

INTERNAL FACTORS	
Strengths	**Weaknesses**
• Low labour costs • Low or zero import duty in target country • Low land costs • Favourable climatic conditions	• Distance to market (freshness, transportation costs) • Negotiation skills • Language and communication • Lack of market knowledge, information on regulations, etc. • Low level of organisation in the sector • Access to finance / banking systems
EXTERNAL FACTORS	
Opportunities	**Threats**

• Growing demand for bouquets • Consumer concern for environment • Specialties / novelty products • Decreasing number of competing producers • Higher demand for low-priced products • Shift of adding value from the wholesaler towards the growers in developing countries • Off-season supplies • Certified products • Quality management systems • Increasing shortage and costs of land in main European production areas	• Changing colour fashions • Shift to other gift items • High-tech production methods and increasing production scale • High level of European research on production techniques • A threat of overproduction and downward price pressure particularly in the case of roses • 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 • Political instability in some developing countries • Increasing quality requirements • Phytosanitary requirements • Breeder's regulations • Customers more and more demand short-term (immediate) deliveries ('short lines')

The analysis should be adapted to your personal circumstances, since the factors differ for each exporter in the world. While for an exporter of fresh cut roses "lack of cold room facilities" will be a major weakness, this problem does not apply to an exporter of dried cut foliage.

Please note that, also within a company, a threat or weakness can change into an opportunity or strength. A good example concerning this is MPS or other certification. Not being able to supply certified products can be a barrier for exporting to certain channels in the EU. However, when an exporter has obtained certification, he will have access to these channels, so that the factor of certification can be seen as an opportunity instead of a threat.

Price setting is difficult in the cut flower business. In most cases, the exporter will have to follow market prices. Keep in mind, however, that the prices you are able to obtain for you product may differ per market.
Another important factor determining the viability of exporting is the costs of exporting, particularly logistics, which can differ markedly from those of your competitors. In the end, it is all about returns per stem at your farm gate that will determine whether exporting is a viable option.

Through conducting the external analysis (market audit) and internal analysis (company audit) (Chapters 11 and 12), you will be able to come to a decision whether or not to export.

☑ You have identified products suitable for export development. Also, you know what modifications, if any, must be made to adapt them to overseas markets.
☑ You know what countries and market segments you are going to target for sales development and/or co-operation agreements.
☑ You have identified the best sales channel (direct exporting or co-operation agreements).
☑ You know what special challenges pertain to the selected markets (competition, import controls etc.) and what strategies you will use to address them.

Once a company has determined that it has exportable products, it must still consider whether the development of an export business adheres to the company objectives. In order to arrive at this conclusion, the management should ask itself the following questions:
- What does the company want to gain from exporting?
- Is the goal of exporting consistent with other company goals?

- Are the benefits worth the costs or would company resources be better spent developing new domestic business?

Advantages and disadvantages of exporting	
Advantages:	**Disadvantages:**
• enhance domestic competitiveness • increase sales and profits • gain information on foreign competition • reduce dependence on existing markets • sell excess production capacity • extend the sales potential of existing products • stabilise seasonal market fluctuations • enhance potential for expansion • gain information on new assortment	• the need to develop new promotional material • subordinate short-term profits to long-term gains • incur added administrative costs • allocate personnel for travel • wait longer for payments • modify your product or packaging • apply for additional financing • obtain special export licences

Be aware that success in export is by no means guaranteed, even though you take into account all the factors mentioned so far. Your environment consists of other critical conditions and success factors, which are often more difficult to influence as an individual company than changing, for example internal factors. Some of the critical conditions such as low level of organisation in the industry and financing have already been included in the figure above. However, other factors (sector-specific) which should also be included in the SWOT analysis are:

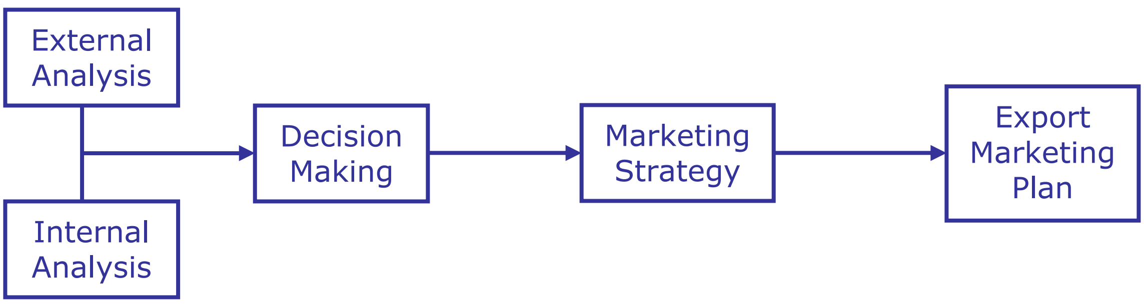
- sector policies;
- availability of sector/branch organisations;
- clustering/co-operation within the sector, organisation of supply and production, value chain management (please also refer to Section 11.5);
- know-how and technical assistance;
- foreign trade assistance;
- financing.

☞ Inquiring at local business support organisations or colleague exporters can be a good starting point in being aware of other critical conditions for successful exporting.

- For general information, refer to Chapter 2.5.5 of *CBI's Export planner*, Chapter 4.3 of *CBI's EMP document builder* and Chapter 3.1.9 and 3.2 of *CBI's Your guide to market research*.

13.2 Strategic options & objectives

Companies can waste a lot of time and money attempting to enter markets which do not have potential or for which their product is not suitable. To be successful in export marketing, exporters need to focus on specific products and markets and be prepared to deal with all foreseeable situations. Therefore, several possible strategies have to be considered.



The above figure could be summarised in the following strategic steps:

- External analysis (market audit, Chapter 11) and internal analysis (company audit, Chapter 12)
- SWOT analysis (Chapter 13)
- Decision making & formulation objectives (Chapter 13)
- Elements which can be used as inputs for the Market Entry Strategy and Export Marketing Plan (Chapter 14).

If you have come to the decision to export, the next phase of the export marketing process is to draw up an Export Marketing Plan (EMP) which defines a marketing strategy stating how the company is going to penetrate the identified market. The marketing strategy is designed around the information collected in the internal and external analysis and the marketing tools will be described in the following chapter.

An international business plan should define your company's:
- readiness to export
- export pricing strategy
- reason for exporting
- potential export markets and customers
- methods of foreign market entry
- exporting costs and projected revenues
- export financing alternatives
- legal requirements
- transportation method
- overseas partnership and foreign investment capabilities
- corporate commitment to the exporting process

Formulating an export marketing strategy based upon sound information and its proper assessment increases the chances that the best options will be selected, resources will be utilised effectively, and efforts will consequently be carried through to completion.

For assistance in writing an EMP and formulate answer on the questions asked in this chapter, please refer to the CBI's "*Export Planner*".

- For assistance in writing an EMP and formulating answers on the questions asked in this chapter, please refer to the Chapters 4 and 6 of CBI's "*Export Planner*".
- For general information on formulating a MES and EMP, refer to *CBI's EMP document builder* and Chapter 3.3 of *CBI's Your guide to market research*.

14 EXPORT MARKETING

Which marketing tools can you use to successfully build your export business? This chapter will provide you insight and give tips how to make use of your marketing tools to promote the sales of your products and to build a favourable trade relationship.

14.1 Matching products and the product range

In the company audit (see Section 12.1), the exporter reviewed the company's product range and product characteristics. The aim of this review was to enable the exporter to match market opportunities with the company's products on offer. This review can also be used as a starting point for considering opportunities for improving the exporter's product range.

In most cases, exporters will find out that the current product range does not match the demand of the identified market segments and sales channels. The cause of this mismatch can, for example, lie in the fact that currently produced varieties are outdated.

In the case of exporters who are looking for varieties to improve their product range, a couple of possible sources exist:
- ⓘ **Trade magazines** like 'Floraculture International' (free subscription) often give useful information on new and popular varieties and pack trials organised by European young plant producers. For a list of trade magazines, see Appendix 2.5.
- ⓘ Visiting **trade fairs** is also a good way of becoming informed about potentially interesting varieties.
- ⓘ Get in touch with **breeding companies** or their agents. They supply you not only with the (new) varieties, but they can also advise you which varieties can best be grown under your local circumstances.
- ⓘ By using more **detailed trade statistics** (for instance auction sales), you can often determine which varieties are most popular in the target markets.

Note that one of the most important issues in selecting new varieties is the question whether or not the variety can be successfully produced under your production circumstances.

- For general information, refer to Chapter 4.2 to 4.4 of *CBI's Export planner*, Chapter 7.4 and 7.5 of *CBI's EMP document builder* and Chapter 3.2 of *CBI's Your guide to market research*.

14.2 Building up a relationship with a suitable trading partner

One of the most ominous obstacles for exporters can be the search to contact, attract and secure a good importer or trade partner. Many avenues are available for locating trade partners. You should employ any and all, which seem appropriate for your product-market combination.

How to find a potential trading partner
The best ways for exporters in developing countries to approach potential trading partners in the European cut flower and foliage market are:
- Direct mail: You can write a letter, e-mail, fax, or phone directly a European company. Most companies will probably respond that they are not interested or that they already carry a competitive line. However, only a few positive replies are needed to continue your search and evaluation of prospective distributors.
- Personal visits: Once you have received a number of "interested" replies, plan a trip to that market. Try to combine that trip with, for instance, an important trade fair like the Hortifair. Additionally while travelling, stop in other potential markets to assess the situation as well

as attempt to make contacts. Many times a personal visit will pay for itself in terms of the benefits gained.
- In the case of contacting flower auctions, the import department is the place to go.
- Invite EU importers or potential business partners to visit your company.
- Build a network in order to extend your contacts.
- Visit international trade fairs (for a list see 14.5).

How to identify the most suitable trade partner?
Evaluate the potential trade partners for which you have obtained information, using the following criteria:
- Is the information complete? (full address, telephone / fax number, e-mail address, contact person)
- Is the importer active in the country and trade channel you selected?
- Does the importer focus his activities on the corresponding products?
- What kind of trade relation is the potential trade partner interested in (arm's-length, co-operative agreement, contract basis)? Does this correspond with your preferred type of relationship?
- What is the position of the potential trade partner in the market?
- What is the financial status and credibility of the company?

Using these criteria, draw up a priority list of the contact addresses you have received.

Using the priority list, you must identify the trade partners which best match your own company profile, product range and export strategy. Particularly in the case of future long-term close co-operation, it is important to get a clear picture of the company you are dealing with and understand their business activities.

For more information on how to built a business relationship, please also refer to the recently published CBI manual "*Your image builder*".

- For general information, refer to Chapter 5 of *CBI's Export planner*.

14.3 Drawing up an offer

There are two different kinds of offers:
1. general offers; and
2. specific offers.

(a) Drawing up a general offer
- The purpose of a general offer is to make the first contact with potential trading partners who the supplier does not yet know personally.
- A general offer consists of sending a short profile of your own company and a summary of your product range.
- In a personal letter, briefly introduce your company and what you have to offer, like area under production, types of production facilities and cultivation techniques (pad, fan, heating, shade nets, etc.).

(b) Drawing up a specific offer
A specific offer is legally binding for a certain period of time. You must therefore be capable of fulfilling the terms of contract. You should make up a specific offer only when you know the business partner personally or after you have made the initial contact.

When sending a specific offer, it should include:
- Name of the person responsible in your company;
- Exact description of the products offered;
- Price of the products offered in accordance with the Incoterms 2000 (if applicable, split up

by delivery quantities or quality); and
- Possible delivery date and terms of delivery.

Some more tips to increase the effectiveness of your offer:
- A telephone call to ask whether the offer (and the samples, if applicable) has arrived.
- An invitation to visit your company.
- Possibly propose a visit to the country of destination.
  In that case:
  - If necessary, hire an interpreter.
  - Ask your own consulate, business support organisation, or other intermediary for assistance.

Price setting
Importers tend to handle part of the imported products at fixed prices, which are based on longer term forecasts and auction prices. Consequently, there is little room for the exporter to influence the price. The first objective for an exporter must be to offer a suitable product and assortment policy which meets the needs of the customer.

Nevertheless, when establishing an overseas price, you need to consider many of the same factors involved in pricing for the domestic market. These factors include competition; costs such as production, packaging, transportation and handling, promotion and selling expenses; and most important in the flower market: the demand for your product and the maximum price which the market is willing to pay.

How you price your product is worth considerable thought and effort since it directly affects your ability to make a profit. Take some time to research the following management questions:

Questions to ask when setting your price

How much does it cost to grow your product?
→ Cost-price calculation should not only include costs for growing, but also for packaging, distribution and promoting your products.
→ Also the costs of unsold products should be included.

What are your profit goals?
→ A profit goal states how much a business should earn.
→ You can set the profit goal as a percentage (margin) above the product costs or set the total profit figure for the entire business.
→ A profit goal can guide decisions on the amount of produce you will grow and the price you will charge.

What price do competitors charge?
→ Relate your pricing to the sector as a whole when researching what competitors are charging.
→ By walking through the steps indicated in Section 11.2, you will know the prices competitors charge and why they charge what they do. Use the competitive analysis to develop the upper limit of your price range. Be sure you compare your products to competitors'.
→ Competition is intense in the floricultural trade. You should therefore try to price at the lower end of the price range, unless you can distinguish your product through quality or a unique selling feature.

What is the customer demand for my product?
→ How unique is your product or assortment?
→ To price according to demand, you have to know more about the size and nature of your customer base and their feelings about pricing.
→ You will need to keep an eye on general market trends. See also Chapter 3.

You must continually monitor your price including your costs of production, your competition and your customers and be prepared to make adjustments. In competitive businesses like the floricultural trade, the successful company is the one which can adapt and continue to operate profitably.

Below, you find an overview of the way you can calculate the price of your export product (for information on Incoterms see the next Section).

Export price calculation
Total costs per unit + Profit + Commissions + Banking fees + Palletisation / export packing + Freight forwarding and documentation fees + USDA inspection and phytosanitary certificate fees + Other direct expenses related to special shipping requirements such as temperature recorder charges = EXW price (Ex Works) + Inland transportation = FAS price (Free Alongside Ship) + Terminal handling charges = FOB price (Free On Board) + Ocean freight charges + Ancillary charges = CFR price (Cost & Freight) + Insurance = CIF price (Cost, Insurance, Freight)

- For general information refer to Chapter 4.5 of *CBI's Export planner*, Chapter 7.6 of *CBI's EMP document builder* and Chapter 3.3.2 of *CBI's Your guide to market research*.

14.4 Handling the contract

In the case of selling via the auction system, it is important to note that imported merchandise is traded on the basis of an annual contract between the seller and the auction. A standard form of contract, issued by the Federation of Dutch Flower Auctions (VBN), is used by all Netherlands auctions. In applying for a licence each year, the importer must provide details regarding the name and location of the grower, the product species, the area under cultivation, the number of pieces to be delivered, the share this will represent in total production, the period that the product will be auctioned, and the number of shipments per week.

When selling directly via European importers, the use of written contracts is not a widespread practice. Most importers prefer to work on a trust base without written contracts, arguing that it is not efficient to put a contract together each time a deal is made. An exporter should keep in mind, however, that in the case of a conflict with you importer, communication via e-mail, fax or even by telephone, also functions as a contract.

In the case contracts are used, the following terms should be considered:

(a) Contract terms:
- Conclude the delivery conditions according to international guidelines (e.g. Incoterms 2000).
- When delivering for the first time, it is common to deliver the goods free on commission and freight-paid.

(b) Contract fulfilment:
- Procure the delivery documents in good time.
- Comply strictly with all parts of the supply agreement.
- If you cannot comply with any part of the agreement (e.g. delivery delays or quality problems), inform the customer clearly and in good time.
- Co-operate on a partnership basis and seek a common solution even if conflicts arise.
- Fulfilling the contract should have a high priority, particularly when delivering for the first time.

Trading relations between exporter and importer are based on trust and can only be built up by meeting the high expectations of the importer. If an importer finds that the product does not meet his expectations, this will immediately backfire on the business relationship with the exporter.

It is important that an exporter discusses the 'what ifs' with his trade partner: what if there's a problem with inspection, what if a claim is necessary because the logistical service provider mishandles the products during shipment, and what if your customer has a problem with product quality after arrival.

Other more practical questions that should be asked are:
- When is the shipment needed?
- Does the customer have a preferred freight carrier?
- Which airport is most convenient?
- Does he have an agent to clear the shipment through Customs?
- Does the customer want to pay for the shipment to be insured?

Methods of payment
The determination of payment conditions for a regular export transaction is part of the package of negotiations between seller and buyer, who actually have more or less opposing interests. The seller wants to have the largest possible guarantee of financial coverage for the goods he has to supply according to his sales contracts. The buyer wants to be sure about availability, quantity and quality of the goods he buys, before he pays the agreed price.

There are various methods of receiving payment for your exports. However, the most commonly used terms in the floricultural trade are open account and payment in advance.

- ***Open Account***
  Selling on open account carries the greatest risk for the exporter. Under this method the buyer does not pay for the goods until they have been received. If the buyer refuses to pay, the only recourse by the exporter is to seek legal action in the buyer's country. Thus, the open account method should only be utilised when there is an established relationship with the buyer and the country of the buyer possesses a stable political and economic environment. If your sales must be made on open account, the date upon which the payment is due should be stipulated.

- ***Payment in advance***
  This method is the most desirable from the seller's standpoint, because all risk is eliminated. While cash in advance may seem most advantageous to you, insisting on these terms may cost you sales. Just like domestic buyers, foreign buyers prefer greater security and better cash utilisation. Some buyers may also find this requirement insulting, especially if they are considered credit worthy in the eyes of the rest of the world. Advance (partial) payments and progressive payments may be more acceptable to a buyer, but even these terms can result in a loss of sales in a highly competitive market.

Most export shipments are partly pre-paid before the products are shipped. Because collections from customers are more difficult overseas, it is recommended to get a minimum of 50% in advance. Once on-going business and trust is established, exporters should grant their foreign customers standard payment terms. Because of the possible complications and costs, letters of credit are often avoided.

Terms of delivery
Export terms of delivery determine what costs are covered in the price of the cargo. They also indicate at what point ownership transfers to the buyer and at what point responsibility for the cargo transfers. International commercial terms (Incoterms 2000) provide "the international rules for the interpretation of trade terms".

The most commonly used trade terms are:

- **CIF (Cost, Insurance, Freight)**
  Under this term, for shipments to designated overseas port of import, the seller quotes a price for the goods, including insurance costs and all transportation and miscellaneous charges, to the point of debarkation from the vessel or aircraft. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, then they fall to the account of the buyer.
- **FOB (Free on Board)**
  Under this term, the seller quotes a price for goods that includes the cost of loading at the port of departure. The buyer arranges for transportation and insurance.

Other trade terms less frequently encountered are:

- **CFR (Cost and Freight)**
  For shipments to designated overseas port of import, the seller quotes a price for the goods that includes the cost of transportation to the named point of debarkation. The buyer is responsible for the cost of insurance. This is referred to as C&F in the old Incoterms. The seller pays for the cost of unloading cargo at the port of destination, to the extent that they are included in the freight charges. If the charges are separate, then they fall to the account of the buyer.

Most agents work on a commission basis, which places the risks of transport with the shipper. Insurance is rare due to the high premiums (4%) and risks are typically averted through claims. Nevertheless, claims are rarely awarded since most air transport related problems result from *force majeur*, which absolves the forwarder of responsibility. Only in cases of culpable negligence, which are unusual, may claims be awarded.

It is recommended that quotations to new European customers should be made on a CIF basis. However, supplier and importer are free to negotiate and agree whether quotations and subsequent trade are based on CIF or FOB prices.

- For definitions of payment methods and delivery terms, refer to Appendix 1 and 2 of *CBI's Export planner*.

14.5 Sales promotion

One of the major critical success factors for exporters of cut flowers to the European Union is attention to customer requirements and the ability to maintain good relationships with their European business partners. Sales promotion revolves around developing and expanding these customer relations and thereby maintaining and increasing sales volume.

Some tips for developing customer relations:

- Take good care of existing contacts. This includes for example expressions of thanks to business partners, regular information on the company developments like product range, quality improvements, etc.

- Always reply to a letter of inquiry. If you cannot supply this contact, say so, explaining that you will get in touch with him for the next campaign.

Communication
It is advisable to commence with communication measures, which only require a small amount of planning and co-ordinating, such as revising the company's standard printed matter:
- Standardise all printed paper used outside the company (letterheads, visiting cards, fax form, etc.)
- A brochure of your company (including photos of production sites and produce) can be useful for promoting new contacts and sales.

Constant, prompt and reliable communication is a vital prerequisite for maintaining a long-term business relationship with your customers. If possible, smaller firms should also try to be reachable by (mobile) phone at office hours.

Sales organisation
The term 'sales organisation' refers to the organisational system that carries out the sales of the company's products. A sales organisation usually consists of back office and sales force.

As most sales are conducted by telephone, fax or e-mail, having well-functioning sales staff is an absolute precondition for successful market participation. This also applies to smaller companies, where one person has to take up different (sales) functions.

An essential tool used in sales is a detailed and up-to-date customer database. This database can vary from a simple collection of customer data sheets to an advanced customer relation management system. However, the customer database should at least contain the following information:
- Basic information on the customer: name, address, telephone numbers, etc.
- Changing data on the customer: data resulting from business activities with the customer, such as telephone calls, offers, sales information, etc.

The customer database should give the sales person a quick review of the most important customer information, when making or answering a telephone call or planning a visit.

If possible, the database should be computerised, because this simplifies changes, updating, sorting and selection procedures, etc. If computerisation is not possible, the customer database should be on file cards.

Internet
As a source of information and means of communication, Internet is generally considered to have many opportunities for companies in developing countries. The main advantages of the Internet are:
- Low cost of communication;
- Fast delivery of information;
- Independence of distance and timeline;
- Multimedia possibilities.

Besides one-to-one communication through the use of E-mail, Internet offers opportunities for presentations, (market) research, distribution, sales and logistical improvements. If your target group consists of importers/auctions in overseas countries, you can advertise for (new) customers on your Internet site, showing your company, product range and indicating the production circumstances.

Trade fairs
Visiting or even participating in a trade fair abroad can be an efficient tool for communicating with prospective customers. It provides more facilities for bringing across the message than

any other trade promotional tool. It can also be an important source of information on market developments, production techniques and interesting varieties.

Important motives for companies visiting European trade fairs are:
- Establishing contacts with potential customers;
- Orientation on the European market;
- Gathering information on specific subjects.

Although significant costs are involved, actually participating in a trade fair could be interesting for a number of companies to meet, for example, European companies interested in setting up cut flower farms in tropical regions. One of the major advantages of participating yourself in a trade fair is the ability to present your company and products in a more extensive way (3-D presentation, company video, and product displays).

Floricultural trade fairs are organised in many European Union countries. The most relevant fairs for exporters are listed in the box below. Horti Fair is probably the biggest international trade fair in the floricultural business.

Main European trade fairs:

Horti Fair
International trade fair for cut flowers, plants, equipment and florists' requisites.
Internet: http://www.hortifair.nl

IPM
International trade fair for cut flowers, plants, equipment and florists' requisites.
Internet: http://www.ipm-messe.de

Flormart-Miflor
International trade fair for cut flowers, plants, equipment and florists' requisites.
Internet: http://www.flormart.it

Four Oaks Trade Show
Horticultural trade fair
Internet: http://www.fouroaks-tradeshow.com

Iberflora
Garden and horticultural technology trade fair
Internet: http://iberflora.feriavalencia.com

Salon du Végétal
International horticultural trade fair
Internet: http://www.salon-du-vegetal.com

Florissimo
International exhibition for exotic flowers and plants.
Internet: http://www.dijon-congrexpo.com

More comprehensive overviews of world-wide trade fairs can be found on the following Internet sites:
- http://www.flowercouncil.org
- http://www.cha-hort.com
- http://www.floracultureintl.com

For additional information on trade fair participation, please refer to CBI's Handbook "*Your show master - a guide for selection, preparation and participation in trade fairs*" and the recently published CBI manual "*Your image builder*".

Assistance with market entry

Local business support organisations
Before approaching organisations abroad, an exporter should first check with local business support organisations (trade promotion organisations, Chambers of Commerce, etc.) and foreign representatives in his or her country.

Import Promotion Organisations
In most EU countries, there are organisations that promote imports from developing countries through specific export promotion programmes:

- Supplying information on: statistics and other information on national markets, regular news bulletins, importer databases, and market opportunities;
- Individual assistance: management training, testing products by display and adaptation services; and
- Establishing contacts: collective trade fair participation and selling missions.

Branch organisations
In most European countries, producers, wholesalers and often also retailers are organised in so-called branch organisations. These organisations can be of use to new exporters to the EU. An example is the Fresh Produce Consortium (UK), which can give you information on the UK wholesale markets.

- For additional information on trade fair participation, please refer to *CBI's Handbook Your show master - a guide for selection, preparation and participation in trade fairs.*
- For general information refer to Chapter 4.8 of *CBI's Export planner*, Chapter 7.8 of *CBI's EMP document builder* and Chapter 3.3.4 of *CBI's Your guide to market research*.

APPENDIX A DETAILED HS CODES

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

APPENDIX B GDP per capita in Purchasing Power Standards

	2001	2002	2003	2004	2005	2006	2007
EU (25 countries)	100	100	100	100	100	100	100
EU (15 countries)	109.6	109.3	109	108.6	108.3	108.1 (f)	107.5 (f)
Belgium	117.2	117.5	117.9	118.1	117.6	117.6 (f)	117.3 (f)
Czech Republic	65.9	67.7	68.3	70.5	72.9	75.1 (f)	76.9 (f)
Denmark	124.9	121.4	120.8	121.5	124.3	125.5 (f)	125.6 (f)
Germany	110	108.5	108.1	108	109.3	109.0 (f)	107.7 (f)
Estonia	43.7	46.8	50.3	53	60.1	64.4 (f)	68.3 (f)
Greece	73.2	77.2	81	81.8	82	82.9 (f)	83.6 (f)
Spain	93.2	95.2	97.5	97.7	98.6	98.5 (f)	98.3 (f)
France	113.9	112	111.6	109.5	108.8	108.1 (f)	107.3 (f)
Ireland	128.5	132.3	133.7	135.8	137.6 (f)	138.5 (f)	140.1 (f)
Italy	112	110	107.6	105.5	102.6	101.7 (f)	100.6 (f)
Cyprus	82.8	82	79.8	82.6	83.3	83.2 (f)	82.8 (f)
Latvia	37.1	38.7	40.8	42.8	47.2	50.3 (f)	53.1 (f)
Lithuania	40.1	41.9	45.2	47.7	52	54.4 (f)	56.6 (f)
Luxembourg	214.7	220.2	233.4	238	247.4 (f)	251.6 (f)	255.6 (f)
Hungary	55.8	58.1	59.2	60	60.8	62.5 (f)	63.8 (f)
Malta	74.6	75.6	73.7	70.2	69.5	68.6 (f)	67.8 (f)
Netherlands	127	125.3	124.7	124.4	124.2	124.8 (f)	125.3 (f)
Austria	122.1	120	120.3	121.7	122.5	122.5 (f)	122.0 (f)
Poland	46.1	46.3	46.9	48.7	49.8	51.1 (f)	52.3 (f)
Portugal	79.9	79.5	72.7	72.3	71.2 (f)	70.0 (f)	68.9 (f)
Slovenia	73.9	74.5	75.9	79	79.8	81.5 (f)	82.8 (f)
Slovakia	48.5	51	51.9	52.9	55	57.2 (f)	59.5 (f)
Finland	115.5	114.7	112.6	113.7	113.4	114.9 (f)	115.4 (f)
Sweden	115.2	113.6	115.7	117.2	114.5	115.7 (f)	116.1 (f)
United Kingdom	113.1	116	116.5	117.2	116.6 (f)	116.6 (f)	116.8 (f)

(f) Forecast
Source: European Commission (2006)

Appendix C Main european public holidays of importance to the floricultural trade (2007)

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
7 January	Ioannis Name Day	GR
February:		
8 February	Culture Day	SI
14 February	St. Valentine's Day	International
19 February	Rosenmontag	DE, AT
March:		
1 March	St. David's Day	UK
4 March	Grandmother's Day	BE, FR
8 March	Woman's Day	International
17 March	St. Patrick's Day	UK, IE
18 March	Mother's Day	UK, IE
19 March	Father's Day	IT, ES
19 March	San José's Name Day	ES
25 March	Mother's Day	SI
25 March	Evangelos Name Day	GR
April:		
1 April	Palm Sunday	DE, FR, AT
6 April	Good Friday	AT, GE, NL, SK, IE, GR, FI, UK, ES
8 April	Easter	FR, BE, AT, CZ, DE, IT, PT, GR, FI, SK, SI, NL
9 April	Easter	UK, IE, ES
19 April	Secretary's Day	BE, FR, NL
23 April	Saint George's Day	UK, ES
25 April	Revolution Day	PT
30 April	Queen's Day	NL
May:		
1 May	Labour Day	AT, BE, CZ, DE, FR, FI, GR, L, NL, ES, PT, IT, SK, SI
4 May	Commemoration Day	NL
5 May	Liberation Day	NL
6 May	Mother's Day	ES, PT
8 May	Victoire	FR, CZ
13 May	Mother's Day	BE, AT, CZ, DE, IT, GR, FI, NL, SK, SI
17 May	Ascension Day	BE, DE, FR, AT, NL, FI
17 May	Father's Day	DE
21 May	Constantin and Helena Name Day	GR
27 May	Pentecost	AT, DE, FR, NL, SI, SK
28 May	Spring Bank Holiday	UK, IE
June:		
3 June	Mother's Day	FR
4 June	Spring Bank Holiday	IE
15 June	Publication of final exams results	NL
17 June	Father's Day	BE, AT, UK, IE, FR, NL
21 June	Feast of the Music	F
22 June	Midsummer	FI

July:

14 July	National Holiday	FR
21 July	National Holiday	BE
26 July	Grandparent's Day	FR

August:

15 August	Ascension Day	AT, DE, ES, FR, GR, IT, PT, SI

September:

9 September	Patient's Day	BE, NL
15 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
26 October	National Holiday	AT
28 October	Independence Day	CZ

November:

1 November	All Saints' Day	BE, DE, FR, IT, AT, PT, ES, SI, SK
11 November	Father's Day	FI
11 November	Armistice	FR, UK
12 November	Father's Day	FI
15 November	Holiday of the German Cult. Comm.	BE
18 November	Grandparent's Day	BE
18 November	Memorial Day	DE
21 November	Buss und Bettag	DE
25 November	Totensonntag	DE
30 November	St. Andrew's Day	UK

December:

6 December	Saint Nikolas	BE, AT, DE
6 December	Day of the Spanish Constitution	ES
8 December	The Immaculate Conception	AT, ES, IT, DE
23 December	Advent	DE, AT
25/26 December	Christmas	International
31 December	New Years' Eve	International

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

Appendix D LISTS OF DEVELOPING COUNTRIES

OECD DAC list - January 2006 - **When referred 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
Albania
Algeria
Angola
Anguilla
Antigua and Barbuda
Argentina
Armenia
Azerbaijan
Bangladesh
Barbados
Belarus
Belize
Benin
Bhutan
Bolivia
Bosnia & Herzegovina
Botswana
Brazil
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African rep.
Chad
Chile
China
Colombia
Comoros
Congo Dem. Rep.
Congo Rep.
Cook Islands
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Djibouti
Dominica
Dominican republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Georgia
Ghana
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
India
Indonesia
Iran
Iraq
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Korea, rep of
Kyrghyz Rep.
Laos
Lebanon
Lesotho
Liberia
Libya
Macedonia
Madagascar
Malawi
Malaysia
Maldives
Mali
Marshall Islands
Mauritania
Mauritius
Mayotte
Mexico
Micronesia, Fed. States
Moldova
Mongolia
Montenegro
Montserrat
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Nicaragua
Niger
Nigeria
Niue
Oman
Pakistan
Palau
Palestinian Admin. Areas
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Rwanda
Samoa
São Tomé & Principe
Saudi Arabia
Senegal
Serbia
Seychelles
Sierra Leone
Solomon Islands
Somalia
South Africa
Sri Lanka
St. Helena
St. Kitts-Nevis
St. Lucia
St. Vincent and Grenadines
Sudan
Surinam
Swaziland
Syria
Tajikistan
Tanzania
Thailand
Timor-Leste
Togo
Tokelau
Tonga
Trinidad & Tobago
Tunisia
Turkey
Turkmenistan
Turks & Caicos Islands
Tuvalu
Uganda
Ukraine
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Wallis & Futuna
Yemen
Zambia
Zimbabwe

List of CBI countries – January 2006 - CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

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