

CBI MARKET SURVEY

THE PLANTS AND YOUNG PLANT MATERIAL MARKET IN ITALY

Publication date: September 2006

Report summary

This CBI market survey discusses, amongst others, the following highlights for plants and young plant material market in Italy:

- The value of the Italian market has been decreasing steadily at an annual rate of 2.7% since 1999. A major cause of this development is the increased demand for lower priced plants. Nevertheless, Italy is still the fourth largest market in the EU.
- Italy is the fifth largest producer of plants. Production is not sufficient to supply the entire domestic market. Imports are needed to answer all demand. Developing countries play a relatively important role in these imports. However, the decreasing consumption and subsequent decreasing imports hamper growth of supplies from developing countries.

This survey provides exporters of plants and young plant material with sector-specific market information related to gaining access to Italy. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The plants and young plant material market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>.

1. Market description: consumption and production**Consumption*****Total market size***

The value of the Italian market has been decreasing steadily at an annual rate of 2.7% since 1999. In 2005, the Italian market for plants was worth € 673 million, making it the fourth largest market in the EU. The factor explaining this development is the decreasing per capita expenditures on plants. Expenditures decreased from € 14 in 1999 to € 12 in 2005. The prognosis by the Flower Council of Holland is a growth of 1% per year between 2004 and 2009. Volumes are expected to increase at a higher rate. This discrepancy is caused by increasing demand for lower priced plants and the increasing market share of supermarkets selling lower priced plants.

Product groups

In 2001, 58% of Italian consumers purchased foliage plants. Flowering plants were bought by 45% of the Italian population. The top 5 plants sold in Italy were: Ficus benjamina, Cyclamen, Euphorbia pulcherrima, Rhododendron and Begonia.

Market segmentation

The following market segmentation was identified in the market for finished plants:

- Italians buy plants mainly for personal use and as birthday gifts.
- Another type of segmentation is the segmentation by region. In the Northwest and South of Italy, average expenditures on plants are higher than in the Northeast and in the middle.

- Consumers in the cities buy more plants in new retail channels. This is probably due to their openness to use unconventional sales channels as well as to the higher availability of these sales channels in cities.
- A pattern which differs from most other markets is the fact that younger people spend more on a plant than elderly people. In 2001, the group between 15-24 years spent on average 8% more on plants than people aged 45-64. A feasible explanation is provided by the different reasons to buy plants for both groups. Younger people often buy flowers and plants as gifts and are prepared to pay higher prices for plants resulting in higher expenditures.
- In contrast to most other EU markets, men spend more on plants than women in Italy. In 2001, the average expenditure on plants by men was 34% higher than that of women.
- Special days that push plant sales are Valentine's Day, Women's day, Mother's day, All Soul's Day and Christmas.

Patterns and trends in consumption

- The Italians buy just over 5 plants per year on average per person.
- Italian people relate plants to decoration, warmth, colour and cosiness.
- Flowering plants are becoming more popular among Italian consumers.
- The percentage of the population buying plants for personal use increased from 67% in 1998 to 71% in 2001. This development somewhat dampened larger decreases in the total consumption of plants in this period.
- Italian companies slowly switched from their consumption of real live plants to artificial plants. The percentage of Italian companies regularly buying plants decreased from 75% in 1996 to 68% in 2003, while consumption of artificial plants increased.

Production

Total production

The Italian production of plants amounted to € 249 million in 1999. A total area of 8,463 hectares was used for flower and plant production in 1998. The production of plants is concentrated in the north (70% in Veneto and Lombardia). Southern Italy produces large palms, like Kentia and Phoenix. Pelargonium and Primula are other plants being produced in the same region. Sicily, an increasing plant producing region, mainly produces citrus and semi-tropical plants. In recent years, the production of pot plants moved to the south benefiting from government subsidies. Italian growers, in general, are small, consume little energy and use relatively old-type greenhouses.

Trends in production

The total production area in Italy remained relatively stable. Italian producers are now concentrating more on quality and efficiency improvements. The cultivation takes place in a more professional way, as the number of greenhouses is increasing.

Opportunities and threats

- There is a higher demand for lower priced plants.
- The increasing popularity of flowering plants is a disadvantage for producers in developing countries, who are mainly supplying cuttings and foliage plants. The barriers to the export of flowering plants over large distances are structural.
- A large area in Italy is in use for the production of flowers and plants. This would suggest a large production. However, production is often inefficient and the total value of the production is relatively small. Producers in developing countries have the opportunity to compete with Italian producers by competing on efficiency.

Useful sources

- The Istituto Nazionale di Economia Agraria (INEA) offers more information on Italian agriculture: <http://www.inea.it>

- Useful links on website Piante e Fiori D'Italia:
<http://www.pianteefioriditalia.it/INGLESE/link.HTM>

Please refer to Section 6 for a list of trade magazines.

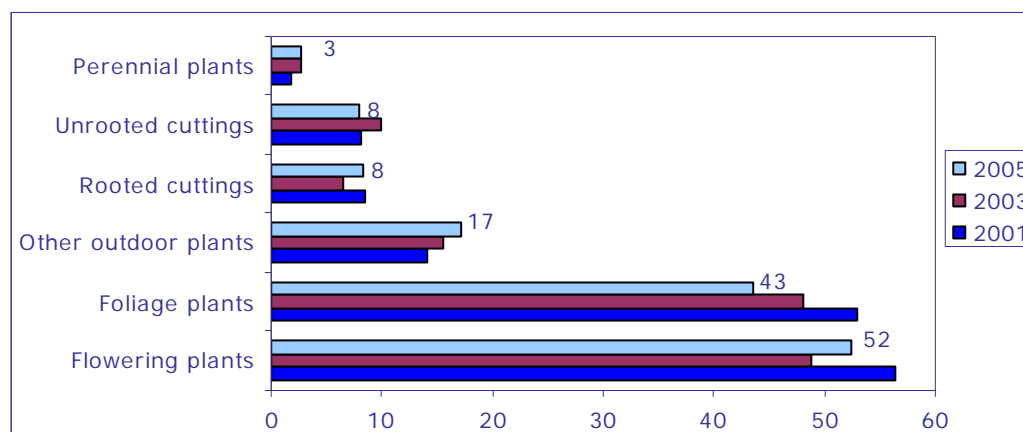
2. Trade: imports and exports

Imports

Total imports

Italy ranked sixth on the list of leading EU importers of plants and young plant material with imports amounting to € 132 million in 2005. Developing countries supplied 7% of these imports. Compared to 2001, Italian imports decreased by 7%. This is in line with the decreasing consumption of plants and young plant material in Italy.

Figure 2.1 Italian imports of plants and young plant material, 2001-2005, € million



Source: Eurostat (2006)

Just like most other EU member countries, Italy mainly imported finished indoor plants, which accounted for 73% of total imports in 2005. However, foliage plants showed a sharp decrease. Between 2001 and 2005, imports of foliage plants decreased by 18%. Imports of flowering plants decreased by 7%.

Imports by product group

Table 2.1 Imports by Italy and leading suppliers to Italy, 2001 - 2005, share in % of value

Product	2001 € thousand	2005 € thousand		Leading Suppliers in 2005 (share in %)	Share in Italian imports
Unrooted cuttings	8,104	7,999	Intra-EU:	Spain (14%), The Netherlands (10%), Germany (5%)	33%
			Extra EU excl DC*:	Israel (12%),	12%
			DC*:	Brazil (25%), Kenya (12%), Morocco (4%), Indonesia (3%), Tunisia (3%), Costa Rica (2%)	55%
Rooted cuttings	8,425	8,262	Intra-EU:	The Netherlands (74%), Germany (15%), Belgium (3%)	93%
			Extra EU excl DC*:		1%

Product	2001 € thousand	2005 € thousand		Leading Suppliers in 2005 (share in %)	Share in Italian imports
			DC*:	Costa Rica (4%), Guatemala (1%)	6%
Perennial plants	1,790	2,781	Intra-EU:	The Netherlands (68%), Germany (6%), France (6%)	92%
			Extra EU excl DC*:	New Zealand (1%)	1%
			DC*:	Egypt (5%), Argentina (1%)	6%
Other outdoor plants	14,047	17,192	Intra-EU:	The Netherlands (39%), Germany (18%), Spain (8%)	78%
			Extra EU excl DC*:	Japan (8%), Taiwan (1%)	11%
			DC*:	Egypt (5%), Argentina (2%), Uruguay (1%), Chile (1%)	11%
Flowering plants	56,353	52,396	Intra-EU:	The Netherlands (89%), Denmark (6%), Germany (2%)	100%
			Extra EU excl DC*:		0%
			DC*:		0%
Foliage plants	52,991	43,485	Intra-EU:	The Netherlands (81%), Spain (3%), Germany (2%)	90%
			Extra EU excl DC*:	Israel (1%), Taiwan (1%), USA (1%)	4%
			DC*:	China (3%)	6%
Plants and young plant material	141,711	132,116	Intra-EU:	The Netherlands (74%), Germany (5%), Denmark (3%)	89%
			Extra EU excl DC*:		4%
			DC*:		7%

Source: Eurostat (2006)

*DCs: Developing countries

Trade relations with The Netherlands are strong. Imports originated mainly in The Netherlands, amounting to € 97 million in 2005. The share of imports from The Netherlands increased slightly to 74% in 2005. The share of imports from Denmark decreased considerably from 10% in 2001 to 3% in 2005.

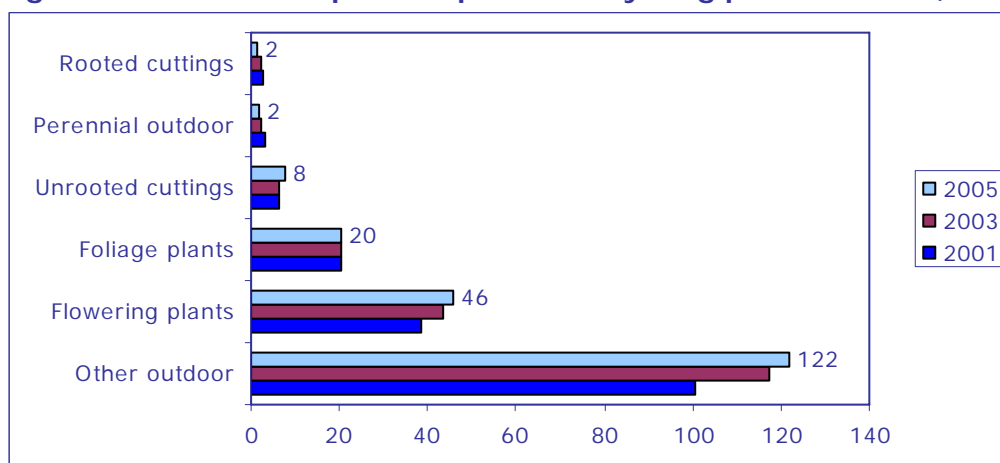
Developing countries are most important for Italy's imports of unrooted cuttings. However, Italy also imports relatively large amounts of perennial plants and other outdoor plants from developing countries compared to other EU countries. Leading developing country suppliers are Brazil and Kenya for unrooted cuttings and Egypt for perennial plants and other outdoor plants. Kenya increased its share in unrooted cuttings imports from 9% in 2001 to 12% in 2005. Morocco is also becoming a leading supplier of unrooted cuttings. Its market share increased from 0% to 4%. Egypt became a leading supplier of perennial plants, increasing its market share from 0% to 5% between 2001 and 2005. Egypt also increased its market share for other outdoor plants from 1% to 5%.

Note that the European import market for tropical young pot plant material is for a large part dominated by Netherlands importers. These importers not only supply Netherlands growers, but also many growers in other countries like Italy. Besides the supply via Netherlands importers, some relatively small numbers of tropical pot plant cuttings are imported by local Italian importers and growers directly.

Exports

In 2005, Italian exports amounted to € 199 million or 178 thousand tonnes, indicating an increase of 16% compared to 2001. Italy is the fourth largest exporter of plants and young plant material in the EU.

Figure 2.2 Italian exports of plants and young plant material, 2001-2005, € million



Source: Eurostat (2006)

Over 61% of Italian exports of plants and young plant material consisted of finished outdoor plants other than perennial plants. This product group is also responsible for much of the growth in total exports recorded over the period 2001 to 2005.

Opportunities and threats

Decreasing consumption in Italy has its effect on imports. Imports of the two most important product groups experienced considerable decreases, although flowering plants experienced some revival after 2003 due to increased popularity among consumers. Moreover, exports of all product groups except for cuttings are increasing, indicating a surplus of particular plants. These facts mean that, based on trade figures, Italy is currently not an attractive market for exporters.

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'.)

3. Trade structure

Trade channels

Wholesale level

In Italy, many domestic growers market their personal products. They sell them either directly to retailers or collecting wholesalers, or export the products themselves. Sometimes, growers even sell directly to consumers. Consequently, growers often fulfil multiple functions in the distribution of their products.

Table 3.1 Functions of Italian importers, 2002, % of total importers

Function	Percentage of importers
Delivering wholesale	40
Florist	12
Wholesale at market	30
Ambulant	5
Supermarket	-
Grower	34
Garden centre	46
Other	15
Total	182*

*The sum amounts to more than 100, because some importers fulfil multiple functions

Source: Flower Council of Holland (2006)

Wholesaler markets play an important role in the Italian distribution of plants. Two kinds of wholesaler markets exist in this country: "dispatch markets" and "wholesale markets". Italian dispatch markets, where growers offer their produce to the wholesalers, are mainly situated in the production areas (San Remo, Pescia, Viareggio, Ventimiglia, Kari, Vittoria and Napels). The other wholesale markets are situated in the major cities (Genoa, Milan, Messina, Rome and Turin), where retailers buy flowers from wholesalers.

About 30% of the local production is distributed through the dispatch market. Since the products are often of inferior quality, this market has no influence on the market price.

Retail trade

At retail level, the main share is traded by florists. Many florists are small businesses. Larger florists are mainly located in the north. 65% of all florists is a member of one or more organisations. Interflora is the largest organisation.

Florists are followed by garden centres and growers. Italy has a total of 1,000 garden centres, of which 200 are large and professional outlets. These garden centres import parts of their supply themselves. Supermarkets are increasing their market share. The higher price awareness of Italian consumers drives this development. Do-It-Yourself (or DIY) is also a sales channel in development. Sales through these channels are highly seasonal in nature; most plants are sold in spring. Street vendors and supermarkets are of minor importance in Italy. However, street vendors play a more important role in the market for cut flowers.

Table 3.2 The Italian market shares at retail level, 2002, % of value

Retail channel	Market share
Florist	53
Grower/ Garden centers	22
Streetmarkets	12
Supermarkets	9
DIY	0
Other	4

Source: Flower Council of Holland (2006)

The Italian retailers are now being confronted by modernisation. There is a fundamental division between the economy and development in the north (stable/flourishing) and the poorer south. Most of the hypermarkets, supermarkets and retail chains are located in the north of the country: Piemonte, Toscane and Veneto. Foreign retail chains are gaining in importance in Italy. Leading supermarkets are Coop Italia, Groupe Auchan, Carrefour, Conad, Esselunga and Metro Group.

Trends

- Netherlands exporters have built a strong position in Italy due to their large assortments and quick delivery. They account for 38% of the plants bought by wholesalers. More and more Netherlands exporters are supplying Italian wholesalers.
- Many Italian growers supply young plant material or semi-finished plants to growers in northern European countries.

Useful sources

- Interflora: <http://www.interflora.it>
- Florinfo: <http://www.florinfo.it>
- Italtrade (Italian trade promotion agency): <http://www.italtrade.com>
- San Remo wholesale market: <http://www.sanremoflowermarket.com>

Please refer to Section 6 for Italian trade magazines regarding horticulture.

4. Prices and margins

Prices and margins

Average prices of flowers sold in Italy are decreasing. The higher demand for lower priced flowers and the emergence of supermarkets in the flower market are the major causes of this development.

Useful sources

- A few European organisations publish prices for finished plants on a regular basis. ITC in Geneva collects prices at the wholesale level on EU markets and publishes a weekly bulletin. These prices should be seen only as indicative for the products traded in Europe and are an average of the different sizes traded. The International Association of Horticultural Producers (AIPH) publishes information on prices and trends of plants in their statistical yearbook.
- ITC Market News Service (MNS): <http://www.intracen.org>
- International Association of Horticultural Producers: <http://www.aiph.org>

5. Market access requirements

As a manufacturer in a developing country preparing to access Italy, you should be aware of the market access requirements of your trading partners and the Italian government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. 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 plants and young plant material go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

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 plants and young plant material, go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>, select your market sector and the EU country of your interest 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 in your country of interest.

Packaging

Packaging can serve two functions. First, it protects plants from damage during transport. Second, consumer packaging can improve presentation of a product. However, consumer packaging rarely takes place in supplying countries as it often increases volume and subsequently, transport costs. Packaging specifications should always be set in consultation with the buyer.

Tariffs and quota

Tariffs and quota applicable in Italy are the same as for the EU. Information regarding these market requirements can be found in the EU survey. The standard VAT rate in Italy is 20%. However, the VAT rate generally applied to plants is 10%.

Useful sources

Italian Chambers of Commerce (<http://www.italcham.org.il/lacamera/english/italtax.html>)

6. Business practices

General information on business practices can be found in the EU Survey, CBI's Export Planner and CBI's Image Builder manual.

Selecting a suitable trading partner

Finding a trade partner in Italy should not deviate from the general EU method as described in the EU survey. As an alternative for supply by Netherlands and Danish companies, some Italian importers look for new suppliers in developing countries. Their preferred mode of looking for new suppliers is through trade fairs, through recommendations or sometimes by visiting the country of interest. The most common ways for developing country exporters to approach Italian customers are through direct (e)mail, personal visits as follow up, inviting potential Italian customers to visit them, building a network and visiting international trade fairs.

After obtaining contacts, evaluating potential trade partners should be done according to criteria such as information quality, geographic coverage, the kind of trade relation the partner is interested in, the position of the partner and the financial status and credibility.

Coming to terms with your trade partner

As in the rest of Europe, both general and specific offers are common in Italy. Therefore, common practices as detailed in the EU survey apply. When establishing an overseas price for your products, factors involved are: competition; costs such as production, packaging, transportation and handling, promotion and selling expenses; the demand for your product or service and the maximum price which the market is willing to pay. Conformity to market prices depends on the product's novelty. How you price your product is worth a good deal of thought and effort since it directly affects your ability to make a profit.

The most commonly used terms in the plant trade are *open account* and *payment in advance*. Selling on open account carries the greatest risk for the exporter. Sometimes, initial export shipments are partly pre-paid before the products are shipped. In the case of co-operation agreements with overseas companies, payment terms could also include periodical payments.

Export terms of sale which determine costs are covered in the price of the cargo, at which point ownership transfers to the buyer and at which point responsibility for the cargo is transferred. The most commonly used term of sale is FOB (Free on Board), CFR (Cost and Freight) and CIF (Cost, Insurance, Freight). Special attention should also be given to contract

fulfilment in reference to contingencies which might occur while the sale order is being processed, shipped etc.

Culture differences

A profound knowledge of Italian business culture is one of the main keys to a durable relationship. In spite of all modern communication tools, the personal relationship with a trading partner often makes or brakes a durable co-operation. Some key aspects are listed below.

- Although punctuality is taken seriously, your Italian counterparts, especially in the South, may not always adhere to this rule.
- In the north of the country, people are direct, see time as money, and get down to business after only a brief period of social talk. In the south, people take a more leisurely approach to life and want to get to know the people with whom they do business.
- The Italian bureaucracy and legal systems are rather slow; therefore you should expect decisions and business action to take time.
- Italian business organisations are often hierarchal; only the most senior managers make decisions, furthermore they like doing business with high-ranking people.
- Personal relationships in Italy are critical for successful business negotiations, but take a long time to develop. Therefore, a third party introduction is very useful.
- Personal interest is appreciated and will also be shown.
- Initial business meetings are often informal opportunities for evaluating colleagues and establishing relationships, not for reaching decisions. Meetings are meant for a free flow of ideas, to let everyone have their say, and can even erupt in heated debates.
- When greeting your Italian business colleagues, use their last names and, if known, appropriate, professional titles, until invited to do otherwise.
- Appearances matter in Italy, therefore dress well. First impressions are lasting impressions in Italy. Greetings are enthusiastic yet rather formal.
- Wait until invited to move to a first-name basis. Italians are guided by first impressions, so it is important that you demonstrate propriety and respect when greeting people, especially when meeting them for the first time.
- Bargaining over price and delivery date is common.

Internet provides many sources on business practices and culture, such as

<http://www.communicaid.com/italian-business-culture.asp> and

<http://www.kwintessential.co.uk/resources/global-etiquette/italy-country-profile.html>. Please keep in mind that these pages only give general remarks. Therefore, when conducting business, use your intuition and an understanding attitude.

Sales promotion

Common practices of trade promotion should not differ considerably from other European countries. Although most Italians are able to speak some English, it is of course preferable if export/sales personnel of your company is capable to speak Italian. It is recommended that you hire an interpreter if both parties do not have a shared language. In general good care should be taken of existing contacts, by using prompt, constant and reliable communication. Letters of inquiry should always be replied to. An essential tool used in sales is a detailed and up-to-date customer database.

Visiting and participating in a trade fair can be an efficient tool for communicating with prospective customers or even trading. It can also be an important source of information on market developments, production techniques and interesting plant varieties.

Assistance with market entry can also be sought through local business support organisations, import promotion organisations such as CBI and branch organisations focusing on the horticultural sector.

Trade associations:

- FEDERFIORI (Federazione Nazionale Fioristi): <http://www.federfiori.it>
- AEFI (l'Associazione Enti Fieristici Italiani): <http://www.aefi.it>
- ANCEF (Associazione Nazionale Commercianti Exportatori Fiori): <http://www.ancef.it>
- Assofioristi: <http://www.assofioristi.it>
- ONCFV (National Liaison Body for Floriculture and Ornamental Horticulture): <http://www.pianteeffioriditalia.it>
- National Farmers Confederation: <http://www.coldiretti.it>

Trade fairs and events:

- Flormart/Miflor: <http://www.flormart.it/index-ing.htm>
- Euroflora 2011: <http://www.fiera.ge.it/euroflora>
- Ortogiardino: <http://www.fierapordenone.it/orto/index.html>

Trade press:

- Flortecnica: <http://www.flortec.it>
- Il Floricoltore: <http://www.ilfloricoltore.com>
- Il Fiorista: <http://www.federfiori.it>
- Green Up: <http://www.spaziotre.it>
- Linea Verde: <http://www.linea-verde.net>

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

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