

CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN THE CZECH REPUBLIC

Publication date: November 2007

Introduction

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

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

- The market for cut flowers and foliage in the Czech Republic was worth € 125 million in 2006. Compared to other EU countries it is a small market. After almost a decade of growth, consumption decreased in 2004 and 2005. Increasing costs of living was one of the main reasons that the consumption of flowers has been under pressure. However, the market recovered in 2006 and is expected to continue to grow again in the coming years. The Flower Council of Holland forecasts a market value of € 160 million in 2011.
- The per capita consumption remained relatively stable at € 12 in the review period. Note that per capita consumption is still far below the EU average of € 29, although Czech consumers spend a relatively large part of their incomes on flowers compared to other Central-European countries; 24 cents of every € 100. Moreover, the penetration of flowers in the Czech market is relatively high. 69% of Czech consumers purchased flowers in 2005. This could be related to the relatively low prices of flowers compared to other EU countries. Please refer to section 4 for more information on prices.
- As in most other EU countries, flowers are mainly purchased as a present (86%) in the Czech Republic. The flower purchases mainly consist of mono-bunches (52% of flower sales) and mixed bouquets (30%).
- The most popular flowers used in mono-bunches are: Rosa (37%), Dianthus (23%), Gerbera (16%), Dendranthema (8%), and Lilium (3%). The most popular single flowers are: Orchids (26%), Rosa (23%), Anthurium (10%), Dianthus (9%) and Gerbera (7%).

Trends

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

Production

- The production area for flowers in the Czech Republic is estimated to be 36 hectares of land under glass (Flower Council of Holland, 2006).
- The market share of locally produced flowers is estimated at 10% in 2005. Growers in the Czech Republic and many other new East European EU member states have trouble competing with the supply from the old EU countries, particularly The Netherlands. Since they have become members of the EU, their market has opened up to Netherlands exports.
- The leading cut flower produced by Czech growers is Dianthus, followed at a distance by other products like Gerbera, Dendranthema and Rosa. There is also some production of foliage, like Asparagus.

Trends

- Czech growers face problems of depreciation of greenhouses and machinery, higher production costs, the withdrawing of subsidies and, above all, an increase in imports. As a result, production has decreased in recent years.

Opportunities and threats

- + The Czech market offers good prospects. Economic growth figures, including purchasing power, of around 4% are estimated for the coming years. The flower business generally profits considerably from positive developments in purchasing power.
- + The increasing sales of mixed bouquets indicate that consumers have particular interest in these bouquets. These sales consist for a large part of low-priced mixed bouquets by supermarkets. Supplying low-priced flowers in large quantities to supermarkets could therefore be a good opportunity.

Also refer to Sections 1.4 and 2.3 of the CBI market survey 'The cut flowers and foliage market in the EU' for general information on opportunities and threats in the EU.

Useful sources

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

2 Trade channels for market entry

- Approximately 15 to 20 large importers and a large number of small importers are active on the Czech market. In recent years, importers have increased scales and smaller importers have disappeared. At the same time, competition from exporters supplying to the Czech market has increased.
- Most wholesalers are concentrated around Prague and a few other large cities. Some of them have opened local affiliates in other areas of the country. The number of cash & carry outlets and companies from exporters in The Netherlands also increased. A recent survey indicated that florists nowadays purchase almost half of their flowers from wholesalers which are located at wholesale markets.
- Florists are the leading retail channel for cut flowers in the Czech Republic, with a market share of 74% in 2006. However, their market share is under pressure from supermarkets, which currently account for 10% of flower sales. Florists are expected to remain the most important retail channel in the next few years, although their market share will continue to decrease.
- The leading super/hyper markets in the Czech Republic are Metro Group, Ahold, Schwarz group, with a market share between 8% and 9%. These leading supermarkets are all foreign owned.
- Cut flowers and foliage pass through various intermediaries from the moment of export to the moment that the final consumer purchases the product. All of the intermediaries add value to the product and the prices paid for the product are thus different at every stage. According to a recent survey by the Flower Council of Holland, Czech florists apply an average margin of 70% to their purchase price. Please refer to the survey covering the EU market for more specific information on margins.
- The website Inform CZ offers a database of Czech export companies. You can find flower companies under the header 'agriculture': <http://www.inform.cz>. Another interesting contact can be the Czech Chamber of Commerce, which can be found at <http://www.komora.cz>

3 Trade: imports and exports

Imports

- Czech Republic is a small/medium EU importer of cut flowers and foliage. It is the 13th largest EU importer of cut flowers, accounting for 1% of total EU imports. Ireland and

Greece are comparable importers. Total imports by the Czech Republic increased by 5% annually between 2002 and 2006, amounting to € 35.4 million / 3.9 thousand tonnes in 2006. The increase in imports coincides with the expected increase in consumption and with the strong competition for domestic produce.

- The main supplier is The Netherlands (85%), followed at a distance by Germany (3%). Imports from both countries increased, by 10% and 5% annually respectively. According to a 2007 survey by the Product Board of Horticulture in The Netherlands, florists in the Czech Republic prefer flowers from The Netherlands rather than from local growers.
- The largest product group imported into the Czech Republic is 'other fresh cut flowers', with imports increasing by 9% annually, amounting to € 15.9 million in 2006. Imports of Rosa increased by 7% annually, amounting to € 10.2 million in 2006.
- Developing countries account for 5% of the supply of cut flowers, which is low compared to the EU average of 22%. Moreover, supplies from developing countries decreased by 21% annually in the period 2002-2006, amounting to € 1.9 million / 392 tonnes in 2006. The main developing country suppliers, according to their shares in total imports, are Colombia (2%), Thailand (2%), Ecuador (1%), and China (1%). These suppliers faced considerable decreases in their supply, except for China for which the imports increased by 37% annually.
- Developing countries play a significant role in the supply of Dianthus, Orchids and foliage. However, these product groups are not that significant in terms of imported value. Developing countries account for 21% of the supply of Dianthus, although imports decreased by 30% annually. Colombia is the only developing country supplying significant amounts of Dianthus, with imports amounting to € 602 thousand in 2006. Thailand is the largest developing country supplier of Orchids, accounting for 40% of the import share. This supply decreased annually by 11% amounting to € 582 thousand in 2006. Developing countries account for 27% in the supply of foliage. This amount also decreased in the period reviewed, by 6% annually, amounting to € 326 thousand in 2006. The main developing country suppliers are China (16%) and India (8%).

Exports

- Czech exports of cut flowers and foliage increased by 33% in the period reviewed, amounting to € 4.5 million / 1.1 thousand tonnes in 2006. The Czech Republic is a net importer of cut flowers.
- Czech exports are mainly composed of foliage (€ 3.0 million), 'other fresh cut flowers' (€ 560 thousand) and Rosa (€ 450 thousand). Exports of these product groups increased by 27%, 97%, and 62% annually respectively.
- Its main export destinations are Germany (€ 3.2 million) and Slovakia (€ 980 thousand). Exports to both counties increased by 34% annually during the review period.

Opportunities and threats

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

- The cut flowers and foliage market is small and Netherlands suppliers hold a very dominant position. The share of developing countries is small.
- Total imports are increasing, whilst imports from developing countries decreased by 21% annually between 2002 and 2006.
- Developing countries only hold an import share in the product groups which are of less importance.

Useful sources

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

4 Price developments

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

5 Market access requirements

- As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the Czech government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select 'cut flowers and foliage' and Czech Republic in the category search, click on the search button and click on market access requirements.
- Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>
- Information on tariffs and quota can be found at <http://export-help.cec.eu.int>. The general VAT rate in the Czech Republic is 19%. The VAT rate generally applied to flowers is 5%.

6 Business practices

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in the Czech Republic, visit the following websites:

Trade fairs

- Flora Olomouc (International flower and ornamental plant exhibition): <http://www.flora-ol.cz/en/>

Trade press

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

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

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