CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN POLAND

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the market for cut flowers and foliage in Poland. 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

- Polish people are flower-minded; they like flowers more than inhabitants in many other EU countries. However, as general income levels are still lower than in most west European countries, flowers are still considered a luxury product by many people.
- Therefore, the Polish market is a relatively small market in the EU, worth € 322 million in 2006. The market value decreased by 16% between 2002 and 2004 due to increasing costs of living. However, the market recovered and experienced strong growth of 43% between 2004 and 2006. Increasing welfare and the recovery of consumer trust stimulated market growth. The strong growth was originally not anticipated by the Flower Council of Holland. It had to adjust its forecast from a market value of € 299 million in 2010 to € 475 million in 2011.
- The development of total consumption is also reflected in the per capita consumption. Between 2002 and 2004, per capita consumption decreased from € 7 to € 6. This was partly due to the strong euro. Expenditures by households on flowers in Zloty, the Polish currency, remained at approximately the same level. Between 2004 and 2006, per capita consumption increased again to € 8. Note that this is still far below per capita levels in leading EU markets. The penetration level is also lower than in other major markets in the EU. Only 54% of the Polish population purchased flowers in 2004, compared to 60 to 80% in countries like Germany, the UK and The Netherlands. Another major factor contributing to low consumption is the fact that own-home use of flowers is not very common. Only 6% of flower sales was for own use in 2004.
- In contrast, the share of flower purchases for funeral purposes and graves is relatively high (39%) compared to other EU countries.
- Flower sales consist for 37% of mono-bunches, for 33% of single flowers, for 25% of arrangements and for 5% of mixed bouquets. The most popular flowers, based on expenditures on mono-bunches are Rosa (54%), Dendranthema (10%) and Gerbera (7%). The popularity of Rosa and Tulipa is increasing; that of Gerbera is decreasing. Dianthus is associated with communism and is therefore not so popular.

Trends

- As the Polish economy is growing, the increasing disposable income stimulates further growth of flower consumption. Thanks to its sizeable population and traditional interest in flowers, the Polish flower market is showing interesting prospects for future growth.
- One of the main developments over the past decade has been the widening of demand and diversification of product assortment.

Production

- In the 1970s and 1980s, Poland was sometimes called "the Holland of Eastern Europe", referring to its considerable floricultural production sector. In those times, Dianthus and Gerbera were the main products cultivated. The increasing costs of energy after the fall of communism forced many growers to stop their production in the early 1990s.
- Between 2000 and 2004, the cut flower production in Poland increased again, but only by less than 1% annually. The value of production was estimated at € 41 million in 2004. Compared to other EU countries, Poland is currently only a small producer. Polish production is particularly strong in spring and in summer.
- According to a 2002 agricultural census, the total area of greenhouse production of floricultural products amounted to 1,417 hectares. It is estimated that cut flowers account for about 65% of this area. The field production of cut flowers amounted to about 500 hectares and is declining according to an article in Floraculture International[1].
- According to shares in total acreage, Poland produces mostly Rosa (27%), Gerbera (19%), Dianthus (19%), Dendranthema (14%), Freesia (6%) and Anthurium (5%). The total assortment of cut flowers produced in Poland is still limited, but a few crops are growing in importance like Eustoma (Lisianthus), Zantedeschia and Anthurium. One of the largest Anthurium farms in Europe is the 3.5 hectares big farm of JMP near Lublin.
- Although traditionally an important product with many Polish varieties, the cultivation of Gerbera is shrinking.

Trends

- The flower industry is momentarily advancing fast, not only in volume but also in terms of quality. An increasing number of companies is modern, efficient and uses new technologies. They are capable of delivering good quality products year-round. These developments are expected to drive production.

Opportunities and threats

\+ The small share of flower purchases for own use is bound to increase as consumer purchasing power increases and flowers become more affordable. Rosa and Tulipa are the most popular flowers for own use. Sales of these flowers will increase most in absolute terms.

\- The improvements in the domestic flower industry make it stronger and more competitive. The relatively large production of Dendranthema and Dianthus, in relation to the decreasing popularity of those flowers, also suggests there are limited opportunities for foreign supply of these flowers.

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

- You can find Polish growers in a online catalogue of the Polish Nurseryman's Association: http://www.zszp.pl/eng/index.phtml
- Wielkopolska agri-horticultural wholesale market PLC in Poznań: http://www.wgro.com.pl
- The website of the Polish Nurserymen Association gives a list of Polish member growers: http://www.zszp.pl

2 Trade channels for market entry

- Traditional wholesalers are the main distributors of flowers in Poland. It is not uncommon for wholesalers to perform different functions in the trade system. However, a trend can be seen in the specialisation of wholesalers in either import or distribution.
- Wholesale markets are common in Poland's larger cities. However, the facilities at most wholesale markets are rather primitive. A few modern wholesale markets have been opened

[1] Floraculture International - "Poland's Market for Ornamentals", March 2005

like the the Wielkopolska Wholesale Market in Poznań (WGRO S.A.). Other important wholesale markets are in Warsaw, Lodz, Gdansk, Wroclaw and Tychy.
- Some 75% of the turnover of importing wholesalers consists of the sales of flowers from The Netherlands.
- Florists buy approximately 80% of their flowers at the wholesale markets.
- In 2006, the major retail channels in Poland were florists (66%), street markets and kiosks (18%), supermarkets (8%) and growers (1%). The share of florists has decreased mainly due to the increasing share of supermarkets. However, this development came to a halt in 2004. The market shares of florists and supermarkets remained stable until 2006.
- Around 20% of the florists is member of a flower association such as Interflora, Euroflorist, and Fleurop.
- Kiosks, market stalls and street vendors are also relatively important in Poland. Popular flowers at these sales points are Rosa, Tulipa, Iris and Narcissus. Dianthus has lost some popularity over the past years, but seems to be recovering.
- 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. For example, florists apply an average margin of 81% to their purchase price, according to a recent survey by the Flower Council of Holland. Please refer to the survey covering the EU market for more specific information on margins.
- The website of the Wielkopolska Wholesale Market in Poznań gives, amongst others, an overview of the wholesalers who are located at the market (look for *Lista sklepów*): http://www.wgro.com.pl. The Polish Yellow pages are also a good starting point to find Polish wholesale companies: http://www.yellowpages.pl

3 Trade: imports and exports

Imports

- Although it is one of the larger EU countries in terms of inhabitants, Poland is still a small EU importer of cut flowers and foliage. It is the 11th largest EU importer of cut flowers, with imports amounting to € 52.3 million in 2006. The Polish market depends for a considerable part on imports. It is estimated that at least 30% of cut flowers sold comes from abroad. According to a 2007 survey by the Product Board of Horticulture in The Netherlands, florists in Poland actually prefer flowers from The Netherlands rather to those from local growers.
- Between 2004 and 2006, the imported value increased by more than € 20 million, whereas imported volumes decreased by 3 thousand tonnes. This implies an increase in import prices.
- Polish imports of cut flowers and foliage show an increase in all product groups between 2004 and 2006. The largest product group imported into Poland is Rosa. Imports increased from € 14.6 million in 2004 to € 23.1 million in 2006. Furthermore, imports of Dendranthema increased from € 6 million in 2004 to € 11 million in 2006 and imports of ‘other fresh cut flowers’ increased from 6 million in 2004 to 10 million in 2006.
- The Netherlands was responsible for 91% of all Polish imports in 2006, for a large part due to re-exports. Developing countries only play a small role in the supply of cut flowers, accounting for 4% of Polish demand, with imports amounting to € 2 million / 669 tonnes in 2006. The main developing country suppliers are India (1.1% import share) and Thailand (1.1%). Imports from India decreased between 2004 and 2006, whereas imports from Thailand slightly increased in this period. Other developing country suppliers are China (0.8%), Costa Rica (0.3%) and South Africa (0.2%).
- Developing countries have the largest import share in the supply of prepared cut flowers (40%), foliage (34%), and Orchids (15%). Polish imports of ‘prepared cut flowers’ from developing countries amounted to € 364 thousand in 2006. The main developing country suppliers are China (28%), India (6%) and South Africa (4%). Imports of foliage from developing countries were valued at € 913 thousand in 2006. The main developing country suppliers of foliage are India (19%) and China (6%). Imports of Orchids from developing countries were valued at € 548 thousand in 2006. Thailand accounts for the entire share.

Exports

- Poland's exports are relatively large compared to its import market, amounting to € 13.2 million / 5.9 thousand tonnes in 2006. Exports increased by 30% since 2004. Polish imports account for a share of 0.5% in total EU imports. Comparable exporters, in size, are Portugal and Austria.
- Its main export destinations are Germany (€ 4.3 million) and Russia (€ 2.7 million). Half of the Polish cut flowers and foliage exports is destined to these two countries. Nowadays, you can find Polish Rosa alongside African and Netherlands quality products in the cash & carry outlets of the Landgard in Germany.
- Foliage is by far the most important product of Poland, accounting for 55% of exports.

Opportunities and threats

\+ Local consumption is growing at a fast rate. A large part of this demand has to be met by imports.

-/+Currently, developing countries play only a moderate role in the supply of cut flowers and foliage into Poland. Most imports are sourced in The Netherlands. However, a considerable part of Netherlands supplies consists of re-exports. It could thus be interesting to supply through The Netherlands.

\+ Furthermore, Polish imports from developing countries increased slightly between 2004 and 2006. And Poland sources from a large variety of developing countries.

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

4 Price developments

- There are no sources giving specific price information on prices and price development in the Polish market. In general, price development is in line with the North European markets. Many flower importers have direct lines with suppliers who buy at the Netherlands auctions. The Netherlands auctions therefore have an important role to play in price-setting in Poland (http://www.vbn.nl).
- Retail prices of flowers remained around 2.9 Zloty per stem from 2001 to 2004. In Euros, prices decreased from € 0.8 to € 0.6.

5 Market access requirements

- As a manufacturer in a developing country preparing to access Poland, you should be aware of the market access requirements of your trading partners and the Polish 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 Poland 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 Poland is 22%. The VAT rate applied to flowers is 3%.

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 Poland, visit the following websites:

Trade associations
- Zwiazek Szkolkarzy Polskich (Polish Nurserymen's Association): http://www.zszp.pl

Trade fairs
- Polagra (international agri & horticultural mechanisation fair): http://www.polagra-premiery.pl
- Flowertarg (garden fair): http://www.flowertarg.mtk.katowice.pl
- Ogrod I Ty (garden fair): http://www.ctk.com.pl/targi/ogrod/en

Trade press
- Florum: http://www.florum.pl
- Rosliny Ozdobne: http://www.hortpress.com

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