CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN PORTUGAL

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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 Portugal. 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 Portugal is small compared to other EU countries and developments are mixed. Between 2002 and 2006, the market value fluctuated between € 156 million and € 147 million, amounting to € 147 million in the latter year. Per capita consumption amounted to € 14 in 2006. This is relatively low compared to Northwest European countries, where per capita consumption amounts to between € 30 and € 50.
- Future prospects are only moderately positive. The Flower Council of Holland predicts the market to be worth € 163 million by 2011, with a per capita consumption of € 15. Factors contributing to the positive outlook are growth in purchasing power, increasing purchases for own consumption and improving availability. Another factor indicating potential for growth is the low penetration level of flowers. An estimated 25% of Portuguese consumers currently buy flowers, compared to rates of 50 to 75% in Northwest Europe. Moreover, the share of disposable income spent on flowers is relatively low, compared to other EU countries.
- Furthermore, the assortment on offer in Portugal is mostly traditional. Around 55% of the flower sales consist of mono-bunches in 2006. The remaining 45% of the consumption was in the form of mixed bouquets. The most popular flowers according to the sales of florists are Rosa, Gerbera, Dendranthema, Lilium and Anthurium. The popularity of Dendranthema and Dianthus are increasing. Major criteria for purchasing flowers are type of flower, colour and freshness.
- Interesting details are that Portuguese consumers generally are very price-oriented and tend to prefer local products or products from Spain and Brazil, i.e. countries with strong ties to Portugal.

Trends
- Consumers are increasingly looking for broader assortments and higher quality.
- Flower purchases for own consumption are increasing in relation to the increases of purchasing power.

Production
- The production of cut flowers and foliage in Portugal is small compared to other EU countries. It amounted to € 25 million in 2006. The Portuguese government is investing strongly in the floricultural sector and stimulates foreign growers to shift their business to Portugal. As a result, local production is growing and becoming more professional. Between 2002 and 2006, production increased by 1% annually. This growth is expected to continue, as existing producers are expanding and growers from The Netherlands are starting new businesses in Portugal.

- Approximately 1,700 to 1,800 hectares are allocated to the production of flowers and plants in Portugal, of which 1,000 hectares is protected by plastic tunnels. Most production takes place around Montije (50%).
- Portuguese growers mainly produce Gerbera, Rosa, Dianthus, Lilium, Gypsophila, Gladiolus, and Dendranthema. Portuguese growers mainly produce for the domestic market. Export plays a small role and the assortment is limited.

Trends
- Portuguese production is expanding, modernising and diversifying.
- Production under glass is expected to increase, since climate regulation will be easier this way.

Opportunities and threats
+ Overall, the market for flowers in Portugal is developing. Consumer demand is steadily increasing in quantity and quality.
- Domestic production is developing fast and has considerable advantages over foreign suppliers, as the latter regularly have problems with transport. However, connections with the rest of Europe are improving.

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
- National Statistics Institute: http://www.ine.pt

2 Trade channels for market entry

- The wholesale market in Portugal experienced a decrease in sales of cut flowers because of the difficult economic period that Portugal is going through. This caused a transformation in the Portuguese market, resulting in a more dynamic, aggressive and competitive market. The wholesale market is under pressure, due to players competing on quality and price aspects. Furthermore, direct imports from growers, as well as direct sales at growers, are growing in importance.
- There are 3 types of wholesalers in Portugal. The first type competes on price and serves the lower end of the market. The second type, mostly large wholesalers, is more adventurous, deriving new ideas from related markets like the market for decoration and supplying emerging retail channels like supermarkets. The third type of wholesalers is medium-sized and concentrates on quality and service; this last type is growing in number.
- The major purchasing channel for importers is export from The Netherlands, and dominance of this channel is expected for the future as well.
- Florists and markets are the most important retail channels for the cut flower market in Portugal. In 2006, florists had a market share of 65%, which is a small increase of 1% since 2002. In 2002, markets and street sales accounted for 21% of total sales, and in 2006 markets accounted for approximately 19%.
- It is expected that the cut flower market will grow in the wholesale segment, at cost of the florists.
- Currently, the most-sold flowers at florists are Rosa, Gerbera, Dendranthema, Lilium, and Anthurium. Florists expect Rosa still to be the most popular flower in the future, followed by Dendranthema, Gerbera, Dianthus, and Anthurium.
- 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. Please refer to the survey covering the EU market for more specific information on margins.
- An interesting source for finding Portuguese companies is the ‘Directorio de empresas y productos del sector hortícola ornamental de España y Portugal’: http://www.cosagro.com. Another potentially useful source is the SAPO website. Follow Directório > Economia e

Negócios > Comércio > Floristas e Artesanato for an overview of floricultural companies (http://directorio.sapo.pt).

3 Trade: imports and exports

Imports

- Portugal is only a small EU importer of cut flowers and foliage, accounting for 0.5% of total EU imports. Its total imports decreased by 7% annually between 2002 and 2006, amounting to € 16.1 million / 3.1 thousand tonnes in 2006. Finland and Hungary are comparable countries in size. The decrease in imports coincides with the small decrease in consumption, and the slightly growing production in Portugal.
- Portugal's main suppliers are The Netherlands (73%) and Spain (11%). Imports from both countries decreased, by 6% and 10% annually respectively between 2002 and 2006.
- The largest product groups imported into Portugal are 'other fresh cut flowers' valued at € 6.2 million and Rosa, valued at € 4.7 million in 2006. Imports of 'other fresh cut flowers' decreased by 7% annually, whereas Rosa increased by 1% annually during the review period. Other products imported by Portugal are Dendranthema (€ 2.4 million) and Orchids (€ 1.4 million).
- Developing countries account for 12% of the supply of cut flowers. Their supply decreased by 5% annually in the period 2002-2006, amounting to € 1.9 million / 383 tonnes in 2006. The main developing country suppliers are Ecuador (4%), Brazil (4%) and South Africa (3%). Imports from Brazil and South Africa experienced a decrease, while imports from Ecuador stayed stable. An emerging country is Kenya, from which the Portuguese imports increased by 194% annually, with imports amounting to € 40 thousand in 2006.
- Developing countries have a significant share in Portuguese imports of Rosa (27%), foliage (25%) and 'other fresh cut flowers' (9%). The main developing country suppliers of Rosa to Portugal are Ecuador (11%) and Brazil (9%). The imports of Rosa from developing countries is decreasing, by 6% annually between 2002 and 2006. Imports of foliage from developing countries is also decreasing, by 19% annually during the review period. The most important developing country supplier is India, accounting for a share of 18%. The imports of 'other fresh cut flowers' from developing countries increased by 10% annually. The most important developing country suppliers of this product group are Brazil (3%), Ecuador (2%) and South Africa (2%).

Exports

- Portugal's exports are still small, although they grew at a fast rate of 48% annually between 2002 and 2006. Portugal is currently the 8th largest EU exporter of cut flowers and foliage, obtaining a share of 1% of EU total exports, with exports amounting to € 15.8 million / 20.2 thousand tonnes in 2006. It is remarkable that, in contrast to almost all other countries, the exported volume is large compared to the exported value, thus indicating low prices.
- Portugal's main export destinations are Spain (€ 9.5 million), The Netherlands (€ 3.8 million) and Italy (€ 2.0 million). Between 2002 and 2006, exports to these three countries increased by 309%, 6%, and 473% annually respectively.
- Portugal mainly exports foliage (€ 11.4 million in 2006). Exports of foliage increased by 335% annually during the review period.

Opportunities and threats

- \- Portugal is a small importer of cut flowers and foliage. Moreover, total imports are decreasing and imports from developing countries as well.
- \- Domestic production is increasing and export is developing fast. Local production has considerable advantages over foreign suppliers.
- \+ Portugal imports from a large variety of developing countries, and their share in imports is considerable.
- \+ Products offering opportunity are 'other fresh cut flowers' and Rosa, which are important product groups for Portugal in terms of value, and developing countries have a considerable share in these imports.

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
- Portuguese florists can be found at: http://directorio.sapo.pt (click on the following links: directorio – economia e negocios – comercio – floristas e artesanato)
- Wholesale market in Lisbon: http://www.marl.pt/informacoes/mercado.asp?id=3
- Directory of companies and products in the horticultural sector of Spain and Portugal: http://www.cosagro.com

4 Prices

- There are no sources giving specific price information on prices and price development in the Portuguese 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 Portugal (http://www.vbn.nl).

5 Market access requirements

- As a manufacturer in a developing country preparing to access Portugal, you should be aware of the market access requirements of your trading partners and the Portuguese 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 Portugal 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 VAT rate that is generally applied to flowers is 12%.

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 Portugal, visit the following websites:

Trade fair organisers
- Expo Jardim (Trade Fair for Plants, Flowers, Urbane and Articles for the Garden, Swimming Pools, Equipment and Gardening Tools): http://www.exposalao.pt/website/en/index.php?id=1

Trade press
- Arte Flores e Jardíns: http://www.arteflores ejardins.com
- Arte Floral & Comércio: http://www.deusa.pt

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