CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN ROMANIA

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 Romania. 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

- Romania joined the European Union very recently. It is still a small market for cut flowers, however, its market is growing fast. Although Romania's per capita expenditure on flowers is still the lowest within the EU, it increased from € 3 in 2003 to € 5 in 2006. This resulted in an increase of consumption of cut flowers from € 58 million in 2003 to € 105 million in 2006. Other industry sources estimated that around 1.4 billion pieces of flowers were sold in 2006. Growth is expected to continue in the coming years. The market is estimated to be worth € 186 million in 2011 and € 262 million in 2016.
- Flower sales are concentrated around Bucharest, the capital of Romania. This is mainly because of the higher average income, high economic activity and high education levels in Bucharest.
- There are strong contrasts between poor and rich people in Romania. The rich people actually spend a lot of money on flowers and plants. Weddings are the particular occasion when people spend a lot of money on flowers.
- Flower sales peak before the major special days, because consumption is highly influenced by social events, and people hardly ever buy flowers for own use. Some of these special days are shown in Table 1.1. A particularly important special day in Eastern Europe is Women's Day on the 8th of March.

Table 1.1 Special days in Romania

Special Day	Date
Valentine	14th of February
Spring Festival	1st of March
Women's Day	8th of March
National Holiday	30th of April
Ascension	15th of August
National Holiday	12th of January
Christmas	25th of December

- Currently, the most popular flowers sold in the street markets (the most used sales channel) are Dianthus, Gerbera and Dendranthema, mostly in mono-bunches. Florists sell a more varied and sophisticated range of flowers.

Trends

- The consumption of cut flowers, as well as the expenditure on cut flowers, is increasing in Romania.

- Romanians increasingly demand higher valued products, although demand is still currently dominated by low-priced products.
- The foliage market also shows a growth trend, even faster than the cut flower market. Moreover, the market will diversify because of the higher demand for high-value products.

Production

- Since 1990, and the collapse of the communist system, production has shifted to private-owned companies. In 2006, there were approximately 678 businesses involved in floriculture and ornamentals. The area on which they cultivate cut flowers increased, from 175 hectares of open field in 2000, to almost 350 hectares in 2006. In the same period, production in greenhouses increased from 110 hectares to 160 hectares. In terms of stems, production is estimated to be over 88 million pieces in the open field and 27 million in greenhouses in 2006.
- The leading flower species cultivated in the open field is Dendranthema, while the greenhouses mostly produce Dianthus (67%), followed by Dendranthema, Rosa and Gerbera. Other species grown are Aster (Callistephus, Dahlia), Tulipa, Gladiolus, Narcissus, Hyacinthus, Paeonia and Calendula.
- The self-sufficiency rate of the Romanian flower market is estimated to be approximately 10%. The share of domestic production in the total flower market decreased in recent years, as the increases in demand for flowers were mostly met by imports. Domestic production lagged behind.
- According to the Dutch Ministry of Agriculture, the cut flower production in Romania is an attractive economic activity. However, the production costs are higher than for the imported cut flowers, indicating strong competition from foreign growers.

Trends

- More and more companies are private-owned instead of being owned by the state. This trend has been taking place since 1990, and still continues. The trend has been accompanied by increases in productivity of the flower growers, which have to become more competitive to survive. Moreover, new technologies have appeared to support the floriculturists in improving their flower production.
- Production in the open field is increasing much faster than production in greenhouses.

Opportunities and threats

\+ The Romanian flower market is an underdeveloped market with much potential for growth. Consumption as well as per capita expenditure is expected to increase in the coming years.

\- Currently, demand mostly consists for low-priced flowers. Thus, these flowers still offer the best opportunities in this market. However, an upgrading of the market is taking place and sales of more expensive flowers will increase in the coming years.

\- Domestic production in Romania is becoming more efficient. This could lead to a decrease in the need for imports. Moreover, Romanian companies are becoming strong competitors.

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. Keep in mind that Romania has only recently become a member of the EU and that, consequently, not all of the opportunities and threats are applicable to Romania.

2 Trade channels for market entry

- The flower sector in Romania is highly fragmented, unorganized and affected by the transition from old traditional mechanisms to modern instruments and structures. At the same time, there are major differences between the capital city Bucharest and the rest of the country regarding the organisation of the sector.
- The majority of importers also functions as wholesaler or even distributes merchandise through their own retail outlets. In most cities, with the exception of Bucharest, importers deliver directly to flower shops and the open market (either organised local-produce markets

or traditional selling points at street corners). The Central and Western regions of Romania differ from the market in Bucharest. In those regions, direct sales by local producers to consumers are still very common, although conventional flower shops are common as well.
- In Bucharest, trade goes via the Cosbuc market which functions as a wholesale market. The street commerce is the major channel for cut flowers distribution. About 700 sales points exist on street corners of the city. Furthermore, Bucharest has about 57 local-produce market outlets. Many local producers also sell their flowers here. Sales at these markets consist mostly of simple bunches of a limited variety. The Roma people (gypsies) in Romania dominate the street markets, which is partly informal and poses a threat to legitimate trade.
- The market shares of the different retail channels in Romania are presented in Table 2.1. The traditional markets and street sales still dominate the flower market in Romania with a 70% market share. They are large in number and compete on price. Quality does not have a high priority for these retailers.

Table 2.1 Market shares of retail channels in the cut flower market of Romania, 2006, in %

Retail channel	Market share (%)
Florist	25
Supermarket	1
Market / street	70
Garden centre / D.I.Y.	0
Grower	2
Other	2

- Hypermarkets and supermarkets are not yet used to selling cut flowers. They do not have enough customers with money to spend on flowers for own use and are not in a strong enough position to compete with florists for flowers as gifts.
- The expectations for the sales channels for flowers in Romania are a growth in the number of florists and supermarkets at the cost of markets/street sales. This is caused by two simultaneous developments. First, the growing welfare leads to a higher demand for high-quality flowers and flowers for own use, which are often purchased at supermarkets. Secondly, street sales are becoming more regulated, undermining the position of street kiosks.
- The following players are important for the retail distribution of cut flowers in Romania: Flora Sercom (www.florasercom.ro), Roel Koers, Sere Codlea and Sere Vitan. In Bucharest, there are two private companies which opened more than 1 outlet and are well known among city inhabitants. These are the Iris Flower Shop with 11 outlets, and Tria's Flowers Shop with 7 outlets.
- An upcoming trend is the sale of flowers through the Internet. High-value products are sold through this channel and are based on direct connection with an importer. Furthermore, the street kiosks are being modernized, and the Florist's Association is planning to set up an auction in Bucharest.
- 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.
- When looking for prospects in Romania, the following websites can be of use:
  - http://www.trade-romania.biz/subdomain.php?id_domain=1&lang=LANG_EN
  - http://www.europages.com
  - http://www.alibaba.com
- A number of interesting companies could be: Alstroemeria (http://www.alstroemeria.ro), Semperflorens (http://www.semperflorens.ro), Aldirom Import (Aldirom@yahoo.com).

3 Trade: imports and exports

Imports

- Romania is one of the smaller EU importers of cut flowers and foliage, accounting for a share in total EU imports of 0.3%. Imports amounted to € 11.4 million / 6.9 thousand tonnes in 2006. Comparable importing countries are Slovenia, Latvia, and Luxembourg which also have a market share of 0.3%.
- Nevertheless, imports by Romania showed an increase of 16% annually between 2002 and 2006. The increase in imports is in line with the increase in consumption of cut flowers in Romania. Moreover, more flowers were produced, which could cover the increase in exports.
- The largest product groups imported into Romania are Rosa (€ 4.3 million), 'other fresh cut flowers' (€ 3.2 million), Dianthus (€ 1.6 million) and Dendranthema (€ 1.0 million). Except for Dianthus, The Netherlands is by far the main supplier of these product groups. Between 2002 and 2006, imports of Rosa increased by 35% annually. Imports of 'other fresh cut flowers' and Dendranthema increased annually by 22% and 27% respectively. Imports of Dianthus decreased annually by 14% annually during the review period.
- Romania's main suppliers are The Netherlands (75%), Turkey (9%), and Italy (6%). Imports from The Netherlands and Italy increased by 35% and 18% annually respectively. Imports from Turkey decreased by 24% annually.
- Developing countries account for 13% of the supply of cut flowers. Supplies from these countries decreased by 17% annually in the period reviewed, amounting to € 1.5 million / 1.9 thousand tonnes in 2006. Next to Turkey, Romania also imports from Thailand (2%), India (1%), Ecuador (0.3%), Kenya (0.3%), and China (0.2%). The largest increases in imports were for the Philippines (364% annually), India (201% annually), and South Africa (194% annually).
- Developing countries have a share of 52% in Romania's imports of Dianthus, which is entirely accounted for by Turkey. However, imports from Turkey decreased by 25% annually between 2002 and 2006, whereas the share of EU countries increased by 29% annually. Furthermore, Thailand has a share of 51% in imports of Orchids, with imports amounting to € 266 thousand in 2006. Finally, developing countries have a share of 20% in imports of foliage. Imports of this product group increased by 154% annually. Imports come from India (10%), China (3%), Costa Rica (2%), and several other countries with a small share.

Exports

- Romania is a very small exporter of cut flowers and foliage, with a negligible market share within the EU. Exports increased though by 44% annually between 2002 and 2006, amounting to € 331 thousand / 184 tonnes in 2006.
- Romania's exports are composed of foliage (€ 317 thousand) and prepared cut flowers (€ 14 thousand).
- Its main export destinations are Germany (€ 171 thousand), Belgium (€ 53 thousand), and France (€ 50 thousand).

Opportunities and threats

\- Romania is a very small importer of cut flowers and foliage and, therefore, does not look very attractive to exporters. Moreover, the share of developing countries in imports is decreasing, whereas the imports from EU countries are increasing. Due to the accession to the EU, Romania has become a much more interesting market for EU exporters. It can be expected that the activity of EU exporters on the Romanian market will increase further in the coming years. This will significantly increase the competition.

\+ Developing countries still have a considerable market share though, and Romania imports from a large variety of countries. Some countries experienced a large increase in imports between 2002 and 2006.

\+ Foliage looks like a promising product, which Romania increasingly imports 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

- High-value products are becoming more important for the consumers, but average to low qualities and prices are still dominating the market. The retail prices vary with the different seasons. For carnations the price ranges from € 0.80 to € 1.50, for Rosa the price ranges between € 2.50 and €3.00, and the price for Orchids ranges from € 10 to € 12.
- Retail prices of locally produced flowers are low compared to imported products, since the quality and consistency of the domestic products is lower. For example, retail prices of carnation lie around € 0.30 and € 0.50.
- The average import price into Romania increased from € 0.06 per piece in 2005 to € 0.08 in 2006.
- As there are no auctions or other major price-setting institutes in Romania, exact prices are difficult to determine. Moreover, the accession to the EU has had a major impact on prices. Due to the improved access for foreign suppliers, competition has increased, pushing flower prices downwards.

5 Market access requirements

- As a manufacturer in a developing country preparing to access Romania, you should be aware of the market access requirements of your trading partners and the Romanian 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 Romania 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 Romania is 19%.

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 Romania, visit the following websites:

Trade fairs
- Indagra, floricultural exhibition, held in Bucharest, Romania. In 2006, the exhibition took place from 8 to 12 November: http://www.indagra.ro/engleza
- Another well known exhibition is 'Simfonia Lalelor', held in Pitesti, concerning flowers and ornamentals, and landscape gardening - www.primariapitesti.ro
- Primavera Floricola is a fair for flowers, ornamentals and landscape gardening, held in Cluj-Napoca - www.expo-transilvania.ro
- Florist Day, for cut flowers and pot flowers, is held in Bucharest - www.ps2.ro

Trade association
- Florist's Association (FA), is a professional association of street florists in Bucharest, founded in October 2006.

Trade press
- Gradina mea de vis - http://burda.ealliance.ro/article--Revista_Gradina_mea_de_vis--67.html

- Hortipedia online magazine - www.hortipedia.ro

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