CBI MARKET SURVEY

THE CUT FLOWERS AND FOLIAGE MARKET IN AUSTRIA

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 Austria. 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

- Austria is a relatively small and mature market in the EU, with a value of € 324.4 million in 2006. Austria is one of the few countries where cut flower consumption has been decreasing over the long-term. After a short revival between 2002 and 2004, consumption continued the downward trend again after 2004. German companies as well as large D.I.Y. shops, which offer low-priced flowers, contributed to this decrease. The low value of their flowers results in a lower total market value. Nevertheless, an increase in consumption is expected for the coming years. The forecast of the Flower Council of Holland for the market value for 2011 is € 341 million.
- Other signs of saturation are the high level of per capita consumption and the high penetration level of flowers in the Austrian market. The per capita consumption is the second highest in the EU, after The Netherlands. In 2006, it amounted to € 39.6, which represents a small decrease compared to 2005. The share of households which purchase flowers has been decreasing over the past years, from 69% in 1999 to 56% in 2006. However, the annual amount of money households spend on flowers has been increasing since 2003. This also indicates that the remaining flower-purchasing households, buy more expensive flowers.
- As Austria is a mature market, it could be expected that the share of flower purchases for own use is high compared to other EU countries. However, figures show that this share is actually still low. In 2006, only 18% of the total value of flower purchases was for own use, while 48% was a gift for someone outside the family, 13% was a gift for the own family and 17% was for graveyards. In some other developed markets, shares of flower purchases for own use are as high as 20-50%. Nevertheless, these purchases are slowly increasing in Austria.
- For a long time, mixed bouquets were most popular in Austria. However, since 2006 the share of mono bouquets in total purchases (41%) has become larger than that of mixed bouquets (39%). The market share of compositions has also increased significantly over the past ten years, from 6% in 1995 to 18% in 2006.
- The top 10 flowers in mono-bunches in 2006 were: Rosa (55.5%), Tulipa (17.1%), Dianthus (4.4%), Dendranthema (2.9%), Gerbera (2.7), Lilium (2.5%), Narcissus (1.8%), Orchid (1.7%), Helianthus (sunflower) (1.5%) and Gladiolus (1.4%). Compared to 2003, the share of Tulipa has increased by 6%, also the share of Gerbera and Lilium increased. New in the list is Narcissus. Amaryllis does not belong to the top 10 anymore.

Trends

- A small shift in expenditure on flowers has taken place in recent years. Consumers spent slightly less per purchase than before, indicating increased demand for less expensive

flowers. This is also reflected in the increased popularity of the often less expensive mono-bunches compared to that of mixed bouquets, as well as the increased market share of supermarkets which mostly sell lower priced flowers. In contrast to this development, a group which has increased its demands regarding quality has also been identified. Exactly which of the two groups of consumers will grow stronger is not yet known.
- Another interesting fact is that the expenditure on flowers for funerals and graves has increased considerably in recent years. At the same time, expenditure on compositions has increased. As compositions are often purchased for funerals, the correlation seems clear.
- Austrian people are very conscious about their environment. Guidelines for the creation of ecologically decomposable flower arrangements are an example of this.

Production
- Austria is a small producer of cut flowers and foliage in the EU. Its production was valued at € 24 million in 2000. A total area of 100 hectares was used for the production of cut flowers and foliage in 2004. 53 hectares were open land and 47 hectares were under glass.
- In 1998, a total area of 177 hectares had been allocated to the production of flowers of which 90 hectares were open land and 87 hectares were covered. In other words, the production area decreased sharply. In the same period, the number of companies decreased from 710 to 451. This indicates that the average size of companies was smaller in 2004 (0.22 ha) than it was in 1998 (0.25 ha). This is the opposite to the development in most other EU countries, where company scales are increasing.
- Furthermore, local assortment consists mainly of Dendranthema, Narcissus, Tulipa, foliage, Dahlia and Gladiolus.

Trends
- Domestic production of flowers in Austria is decreasing.

Opportunities and threats

-/+ Austria is small, but stable market for cut flowers and foliage. However, there is little room for further development.

\+ Labels stressing the organic production of flowers offer good opportunities to answer demand for environmentally friendly produced flowers.

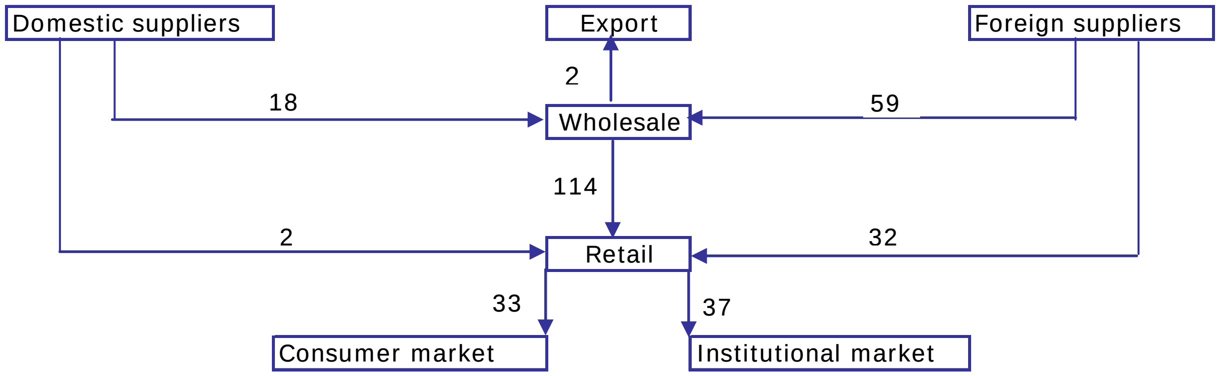
\+ Domestic production is too small to pose a serious threat to foreign suppliers.

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
- Statistik Austria: http://www.statistik.at/index_englisch.shtml
- Wirtschaftskammer Österreich: http://portal.wko.at
- Blumenbüro Österreichs: http://www.blumenbuero.or.at

2 Trade channels for market entry

Figure 2.1 Distribution of flowers in Austria, 2005, in € million



Note: Figures are indications and can only be applied to get an idea of the importance of different trade channels.

- As Figure 2.1 shows, a considerable share of foreign produce entering Austria is directly supplied to retailers. In general, retailers, who have the means to bypass wholesalers, are large in scale. Supermarkets account for 25% of sales in Austria. However, measured in volume, their share is higher. It is therefore expected that supermarkets account for the relatively large direct imports. The leading supermarkets, according to their share in flower sales, are REWE (23.2 %), SPAR (19.7%), Hofer (Aldi) (10.6%), Metro Group (8.3%), and Edeka (7.6%).
- The Austrian distribution network always had a traditional structure, which implied high market shares for florists and growers. However, due to the removal of import barriers, foreign flowers became cheaper thereby threatening the Austrian production. This resulted in florists and growers losing market share, while supermarkets are gaining market share (an increase of 11% from 2000 to 2006).
- Although direct trade is increasing, there is still a major wholesale market (Blumengroßmarkt Wien) located near Vienna. Its members consist of 90 growers, 9 wholesalers, and a supplier of florists' articles. The market mainly targets florists, which accounted for 54% of flower sales in 2006. They mainly compete on service and quality.
- Note that 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.
- The Austrian Wer-Was-Wo website can be used as a starting point to find local companies: http://www.austria-www.at. Another potentially useful site is the Austrian company directory Klammeraffe: http://www.klammeraffe.at.

3 Trade: imports and exports

Imports

- Austria is an average EU importer of cut flowers and foliage, being the 7th largest EU importer of cut flowers and foliage and accounting for 3% of total EU imports. Its imports decreased by 0.4% between 2002 and 2006, amounting to € 93.7 million / 20.2 thousand tonnes in 2006. The small decrease in imports coincides with the decreasing consumption and the decreasing production area.
- Austria's main supplier is The Netherlands (77%), followed at a distance by Germany (10%).
- Developing countries account for 8% of the supply of cut flowers. This is low compared to the EU average of 22%, although supplies from developing countries increased by 13% annually in the period reviewed, amounting to € 7.2 million / 2.5 thousand tonnes in 2006.

Austria's main developing country suppliers are Turkey (5%), Ecuador (0.6%) and China (0.4%). Turkey's supplies increased by 16% annually, amounting to € 4.5 million in 2006.
- The largest product groups imported into Austria are 'other fresh cut flowers' (€ 47.8 million) Rosa (€ 23.1 million) and 'prepared cut flowers' (€ 8.0 million). The Netherlands is by far the main supplier of these product groups. Between 2002 and 2006, imports of Rosa decreased by 8% annually. Imports of prepared cut flowers and 'other fresh cut flowers' increased annually by 17% and 3% respectively.
- Ecuador is Austria's largest developing country supplier of Rosa. Its supply increased by 7% annually in the period reviewed, amounting to € 1.3 million in 2006, signifying an import share of 5%. Turkey is the largest supplier of Dianthus, accounting for a share of 54%. Its supply increased considerably by 20% annually, amounting to € 4.1 million in 2006. Furthermore, imports of foliage from China increased considerably by 75% annually during the review period.

Exports
- Austria is a small producer of cut flowers and foliage, while its per capita consumption is high. Consequently, Austria is a net-importer of cut flowers and exports only small amounts of flowers. However, exports increased by 13% annually between 2002 and 2006, amounting to € 6.3 million / 2.4 thousand tonnes in 2006.
- Austria's exports are mainly composed of Dianthus (€ 4.2 million), which increased by 18% annually during the review period.
- Its main export destinations are the UK (€ 3.1 million), The Netherlands (€ 1.2 million), and Germany (€ 966 thousand).

Opportunities and threats
+ Austria could be an interesting market for developing country suppliers, since domestic demand is much larger than domestic consumption. Austria therefore relies heavily on imports for its consumption of cut flowers and foliage. Furthermore, the share of developing countries is increasing, although still relatively small.
- On the other hand, overall imports slightly decreased between 2002 and 2006 and the Austrian cut flower market shows signs of saturation.

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 Prices

Table 4.1 Cut flower prices, 2000-2006, in €

	2000	2003	2004	2006
Mono bunches	4.6	5.3	5.3	4.9
Mixed bouquets	8.6	9.9	10.4	10.9
Compositions	17.3	17.3	15.7	14.5

Source: Flower Council Holland (2007)

- As can be seen in Table 4.1, prices of mono-bunches do not show a clear trend; after an increase between 2000 and 2003, prices decreased again in 2006. Prices of mixed bouquets show a steady increase in price from 2000 to 2006, while prices of compositions are slowly decreasing. The convergence of prices of mixed bouquets and compositions could explain the shift of expenditures from mixed bouquets to compositions, as was identified earlier. In general, prices of cut flowers increased from 2000 to 2004 and decreased again in 2006.
- As most flowers are imported, the auctions in The Netherlands and in Germany, Austria's main suppliers, offer the most interesting information about prices of flowers in Austria. The statistical yearbook of the Federation of Dutch Flower Auctions (http://www.vbn.nl) offers information on prices at the Netherlands auctions. The German auction Landgard (http://www.landgard.de) publishes some of its prices in its annual report.

5 Market access requirements

- As a manufacturer in a developing country preparing to access Austria, you should be aware of the market access requirements of your trading partners and the Austrian 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 Austria 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 Austria is 20%. The VAT rate generally applied to flowers is the reduced rate of 10%.
- Also visit http://www.umweltzeichen.at for more information on Austrian environmental labels

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 Austria, visit the following websites:

Trade associations
- Association of Austrian Horticultural Producers and the Flower Council of Austria: http://www.gartenbau.or.at

Trade press (including some from Germany which sometimes cover the Austrian sector)
- Gardeners and florists: http://www.gaertner-und-florist.at
- Taspo: http://www.taspo.de/
- Gestalten & Verkaufen: http://www.g-und-v.de/
- Monatszeitschrift: http://www.monatsschrift.de/

Trade fair organisers
- IGM (International Horticultural Exhibition): http://www.tulln.at/messe or http://www.gartenbaumesse.at/

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