



Information

Market Situation at Present: Pursuit Race in a Roundabout Way

- **Development and Trends on the Flower and Plant Markets in 2014 / 2015**

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The flower and plant markets are in a pursuit race but the same level as in 2012 has not yet been reached. 2013 remains an exceptional year. Mild, friendly weather throughout 2014 is ensuring good outline conditions. However, the political crises are inhibiting the pursuit race: Directly due to fewer exports from the Netherlands to Russia and indirectly since the purchasing mood in Germany as the largest consumption market will deteriorate as from the autumn of 2014. Here, the economic expectations in the September survey dropped as strongly as most recently in 1980. The market situation for flowers and plants is tending to be more friendly than in the previous year but is still tense.

Political Crises Are Throttling Market Recovery

The European market for flowers and plants is recovering in comparison with the same period in the previous year but is still behind the level in 2012 (Eurostat). That is also proven by the growth rates in the Dutch exports of flowers and plants for significant customer countries such as Germany, Great Britain and France. The demand for flowers and plants is rising once again in the states which are not as strongly affected by the economic crisis. In addition, mild weather and sunshine stimulate the purchasing mood of the consumers and promote the need for catching up on greenery. In Germany, Switzerland, Austria and Sweden, more flowers and plants have once again been purchased up to the autumn of 2014.

The political crisis in the relationship between the EU and Russia is leading to a loss in the value of the Rouble. Consequently, the Russian imports of flowers and plants from the Netherlands declined by 8.5 % in the first half of 2014. This decline cannot be compensated for by the EU market. Therefore, the prices are coming under pressure. However, in so far as the development until now continues, the export losses at the end of 2014 should turn out to be less extreme than expected because the Polish imports of flowers and plants have exhibited substantial growth rates since 2012. At the same time, the Polish exports of cut flowers to eastern states



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have more than trebled in comparison with the first half of 2012; the main countries of destination are the Russian Federation and Belarus.

On the other hand, the worldwide trouble spots (Ukraine, Middle East, Iraq and Syria) are having a direct impact on the economic forecasts and are ensuring that the consumption climate is cooling down. In September 2014, the OECD lowered the economic expectations for the entire EU region by 0.6 percentage points and is now assuming an economic growth rate of 1.1 %. In September, the GfK consumption climate index dropped by 0.3 points to 8.3 since the consumers are increasingly worried about the escalating conflicts.

In 2013, we experienced that the economic development has little influence on the demand on the flower and plant markets. The coming year will show whether the experience proves to be true.

Pot Plant Market: Relaxation is Taking Its Time

In the first quarter of 2014, Economisch Bureau Nederland still reported a 5.3 % value-related rise in the pot plant trade compared with the same period in the previous year up to Euro 552 million (ABN/AMRO). Even for Valentine's Day when pot plants traditionally do not play a major role, FloraHolland reported a 10 % increase in the turnovers with simultaneous rises in the quantities and the prices (on average, +17 ct/pot) for the number one amongst the pot plants, the phalaenopsis. However, according to Eurostat data, the EU's imports of pot plants shrunk to Euro 0.99 billion within the first half of the year. They decreased by 1 % compared with the same period in the previous year. In this respect, the outstanding subsequent reports will not be able to reverse the trend either. Compared with the first half of 2012, this resulted in a decline by 8 %. Eurostat indicated decreasing export figures for almost all the notable supply countries. In the half-year comparison between 2014 and 2012, Italy and Denmark exported 17 % fewer pot plants, Belgium 14 % fewer and the Netherlands 8 % fewer. A proportion of this decrease in exports might have been caused by horticulture itself if, for example, you think back to the competition disputes between the Danish association and FloraHolland. Merely Germany was able to raise its small export volume by 6 % to Euro 102 million. Anyway, the pot plant market in Germany seems to be stabilising. With an import volume of around Euro 0.4 billion in the first half of 2014, the market was on the same level as in 2012. That must not conceal the fact that the market in Germany is also in motion. The imports of pot plants from the Netherlands and Italy each rose by 3 % in relation to the first half of 2012, by Euro 11.4 million in total; on the other hand, the imports from Belgium and Denmark decreased by Euro 7.7 million in total.

The Political Situation is Changing the Trade Routes for Cut Flowers

With a 2 % value-related increase in the first half of 2014, the EU's imports of cut flowers proved to be stable compared with the two previous years (Eurostat). Obviously, the figures for the direct imports from third states to various EU countries continued to rise because ITC registered a 2.2 % decline in the Dutch turnover with cut flowers for the

same period. Due to a 1.5 % increase in the supply, the prices of cut flowers in the Netherlands dropped by 1 ct/stem on average. In the half-year comparison between 2012 and 2013, the German imports of cut flowers remained on a stable level. In this respect, imported goods from Italy decreased in favour of imports from Turkey and Poland.

On the basis of the figures from the Dutch auctions, particularly peonies, hydrangeas with double-figure growth rates as well as carnations will be amongst the rising stars in the consumers' favour this year.

Political crises, here above all in the Middle East, are nevertheless leaving their mark on the European market for cut flowers. Imports from Israel dropped by 14 % in the first six months and amounted to around Euro 30 million. With stable imports from Ethiopia, the shortfall in Israeli exports was principally compensated for by goods from Ecuador and Kenya. The EU's imports from these countries increased by nearly 37 % and 9 % respectively (Eurostat).

In contrast, the demand side proved to be largely unaffected by the political developments. Although the Ukrainian imports from the Netherlands dropped by 5 % in the first half of 2014 compared with the same period in the previous year, they were thus still 20 % above the comparable value for 2012. Although exports from the Netherlands to Russia have decreased, at least some of the trade was compensated for via the Polish market. Polish imports from the Netherlands rose by 40 % compared with the first half of 2013. In the same period, the Polish exports of cut flowers to Russia rose by 39 %. That was more than three times higher than in the first half of 2012. It remains to be seen to what extent Russia's initiation of trade with Africa (as was announced in the middle of the year) will be successful.

It will be worth considering the Polish market for cut flowers more exactly in the future and this not only because the development of prosperity in Poland has been growing discernibly for years and more freely disposable income is thus available for spontaneous purchases, such as flowers. Rather, increasing significance is being attached to Poland as a trade location, even if on a low level compared with leading EU states in the trade in cut flowers. In addition to the exports to Russia, the exports to essential eastern countries of destination also increased and, including Russia, reached a volume of approx. Euro 3 million. The exports to Germany also grew from Euro 2.5 million in the first half of 2012 to Euro 4.6 million for the comparable period in 2014 (Eurostat). It is not known to what extent Dutch traders were involved via Polish branches.

The Demand in Germany: Friendly With Well-Known Weaknesses

Outstanding weather and a good consumption mood (at least right into the autumn of 2014). The signs are thus indicating a rising demand for flowers and plants in Germany as an important consumption market. Increases are expected for pot plants in particular because the greatest need for catching up exists here due to the poor weather in the previous year. However, the cut flowers which usually make up somewhat more than one third of the per-capita expenditure on flowers and plants should also increase slightly. At present, no figures are available from AMI or the GfK Plant Panel but there are a few signs leading to a positive mood:

The traders showed that they were extremely satisfied with the demand for cut flowers on the important sales dates of Valentine's Day and Mother's Day (CO CONCEPT and BGI). With slightly increased supply quantities, the prices stagnated on both days on the wholesale level. In 2014, Valentine's Day fell on a strong-selling Friday, there were no clashes of dates with the carnival and the friendly weather whetted people's appetite for flowers. Flowers, particular in bouquets, continued to be the most popular gift on Mother's Day. 71 % of German citizens decided in favour of them and spent an average of around Euro 14 on the Mother's Day bouquet. 75 % were bought in the stationary trade and 25 % of the purchasers ordered bouquets on line (Deals.com).

German imports of cut flowers remained stable; at the same time, the outdoor production in Germany has grown since 2011 (AMI). Even if the "regional" purchasing trend for cut flowers is still being discussed in expert circles, there are increasing signs of an origin preference on the part of the consumers.

On the German pot plant market, everything is indicating that the same level as in 2012 will be reached. With regard to the sales channels in which the specialised retail trade has slightly predominated over the system trade for years, the good weather situation was detrimental to the specialised trade in 2014. Experts are stating that the chain business's strategy of regularly staging big plant campaigns before the actual season seems to have come off this time. Good weather caused the ultimate consumers to make spontaneous purchases and, unlike otherwise, did not serve to create the right mood for the coming season in the specialised trade. In view of the persisting mild temperatures, the specialised trade also lost out on any possible subsequent purchases.

As far as the pot plants were concerned, the vast majority of the purchases consisted of flowering plants, primarily "outdoor goods", which, in part, were also used as decoration in rooms. Green plants stagnated with a market share of 11 % of all the pot plants. German consumers showed greater interest in ready-to-use planting combinations which not only exhibited a substantial increase in the Dutch trade statistics but were also mentioned in the AMI reports. Considered pessimistically, that might suggest decreasing knowledge about and interest in plants. Optimistically, planting combinations at least offer leeway for a greater value added.

However, the market still has two major sticking spots: firstly, more commitment is required in order to address young consumers and, secondly, it has not yet been possible to achieve any real market growth. Both are imperative in the terms of economic sustainability.

The real market growth is being prevented by the structural problems with which the sector has to contend: a stagnating demand is being confronted with production extensions, a low price level and the lack of strategic orientation to the different sales channels.

Conclusion

2014 illustrates that good weather only means that almost everything is good.

The demand for flowers and plants may have been stimulated by the friendly weather; the markets are once again moving towards the same level as in 2012. Thus, 2013 actually was an exceptional year.

In absolutely general terms, it is true that trade and economic growth blossom optimally in reliable, constant outline conditions with regard to legal certainty, trade agreements, the development of prosperity and political stability. The markets for plants and, even more, for cut flowers are global markets. Therefore, they do not remain unaffected by the various crisis regions in the world. Trade routes change in crisis situations on the purchasing and sales sides. Thus, the overall market does not shrink automatically. However, political conflicts inhibit the growth rate to a considerable extent. And they have a distinct impact on the mood of the consumers and on their willingness to spend.

How can the sector react? On the one hand, what it is already doing in order to set out on new paths and to be able to meet the existing demand is certainly correct and important. On the other hand, in these times, it is also still necessary to work on well-known objectives. The consumers' demand for more sustainability is being echoed, for example, in the EU policy which financially promotes the sustainable orientation of the production companies. The companies in the sector are dealing with these questions, not least against the background of emerging discussions about colony collapse disorders, neonicotinoids and emissions harmful to the climate. Because of the numerous crises, these subjects have not yet been played out in the media. Thus, sensible answers can be found in the meantime.

In summary, that means: It is necessary to become aware of the current market situation. However, if the weather gets rougher, there are better things to do than to complain about this - and the fields of action are well-known.

Sources

Eurostat, AMI ("Agricultural Market Information Company"), BGI ("Association of the German Flower Wholesale and Import Trade"), GfK ("Society for Consumer Research"), ITC, OECD, ABN, AMRO, Buziness Africa as well as surveys of experts

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