

Essen, 25 January 2022

IPM Market Report 2022:

Record sales for the flower and plant market

The pandemic drives demand for greenery

Usually, IPM ESSEN would start today. The who's who of the international horticultural industry would be gathering at Messe Essen over the next four days, with expert discussions taking place, innovations being presented and explained, contacts being cultivated and deals being made. Unfortunately, the world's leading horticultural trade fair will once again not be taking place this year due to the coronavirus pandemic. A market description produced by the CO CONCEPT agency, and commissioned by IPM ESSEN, explains where the green sector stands after two years of the pandemic, lists the challenges that lie ahead and presents the opportunities for the sector moving forward:

Coronavirus is changing and accelerating the world – and the plant market has been particularly affected. For example, 2021 was another very strong year for flowers and plants. While the German market volume in 2020 – after many long years of stagnation – was already at €9.4 billion, which was believed to be a record high, this figure could be surpassed once again in 2021. Early indications and market observations are already pointing towards this being the case.

However, it remains to be seen whether the demand for flowers and plants brought about by the pandemic will continue to grow or whether it will prove to be merely a one-off effect. There is a lot of evidence to suggest that greenery will be a crucial quality of life factor in the future.

Swerving the catastrophe

At the beginning of the pandemic, it would have been almost impossible to anticipate the effects that the coronavirus protection measures would have on the horticulture sector. As sentiment swayed between hope and fear, there was a great deal of uncertainty as to whether the sales channels for “living” horticultural products would even be open on the one hand, and on the other hand, whether the consumers would want to spend money on flowers and plants during such financially uncertain times or whether their willingness to spend would decrease.



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We now know that – aside from the first lockdown – during all other lockdown phases, the classic selling times for green products went out the window, as green products and flowers established themselves as symbols of normality and a nice environment: Shops and consumers were keen on green!

Because consumers had fewer opportunities to spend money in other expenditure-intensive sectors such as travelling, gastronomy and cars, they increasingly turned their focus towards their own homes and gardens over the past two years.

Many people used the lockdown phases as an opportunity to busy themselves with work inside their house, on the balcony or in the garden, in order to compensate for the leisure activities that were no longer possible and increase their sense of well-being. Record levels of home improvement and gardening were reported.

According to AMI, consumer spending increased significantly in 2020, and the overall market experienced unprecedented levels of growth between 2019 – i.e. before the pandemic – and 2020 with a rate of growth of 5.1 percent. A veritable garden fever took hold. 2021 saw a 9 percent increase in the market volume compared to the previous year.

Could there be more to come?!

According to AMI, the per-capita expenditure for flowers and plants in Germany increased from €108 in 2019 to €113 in 2020 and finally to €124 in 2021. 2020 was a year in which many people first discovered their love for plants and gardening or maintaining their own home – i.e. their home office. During this year, the sharp rise in first-time customers boosted growth across the various segments. Experts estimate that the number of customers in the specialist retail sector increased by between 10 and 20 percent.

Together with the existing customer base, the influx of first-time customers resulted in increased spending in the various segments. In 2020, consumers in each segment spent one euro more per capita on perennials, deciduous shrubs, green houseplants, bedding plants and balcony plants than they did the previous year. According to industry experts, there has been a general increase in shopping on the whole. When translated to around 83.2 million German citizens, this represents a guaranteed increase in market volume.

2021 also showed that customers in the horticultural retail sector are willing to pay slightly more for plants. An analysis of till receipts shows that, depending on the type and location of the business, customers spent up to 20 percent more on average per

purchase compared to the previous year in 2020, which was already a strong year for sales. According to experts, the average purchase amount per receipt increased by at least 10 percent.

In terms of the customer numbers, a very high level of customers was still recorded. However, 2020 was a peak year for customer numbers, which meant that no significant increase was recorded in 2021. The record number of customers in 2020 was not surpassed in 2021.

“Best Mother’s Day ever” in the flower retail sector

In 2021, even the special selling days – apart from Valentine’s day during lockdown – went very well, as shown by the flash survey about Mother’s Day carried out by the Association of the German Flower Wholesale and Import Trade (BGI [Verband des Blumen- Groß- und Importhandel]). According to the survey, on Mother’s Day, supply was not able to keep up with the high demand. Several large retailers reported increases in sales of up to 40 percent compared to a normal Mother’s Day.

Consumers were willing to accept higher prices and long waiting times to get their hands on high-quality flowers as a gift for their mothers. Consumers’ propensity to spend increased significantly. In 2021, bouquets selling for between €30 and €40 were the norm rather than the exception.

Hungry for flowers

The purchasing behaviour seen in April 2021 is a good example of just how popular flowers and plants were among consumers in 2021. After the flower retail sector was able to open up fully again across the country in April, the amount spent on cut flowers increased by 24 percent compared to the previous year. Consumers had a hunger for cut flowers.

Business and consumer surveys conducted by the Education and Research Institute for Horticulture Erfurt (LVG) about the results of the bedding plant and balcony plant season showed that the results for 2021 were positive once again. 80 percent of those surveyed rated the season from good to very good. Due to the warm weather in March, spring business in 2021 was noticeably better than in 2020 and resulted in lots of companies needed to buy an unusually high amount of additional quantities to supplement their in-house production.

For April, the opposite was true: While April in 2020 was unusually warm, resulting in excellent sales, April in 2021 was much colder, which slowed down the number of

sales significantly. May, on the other hand, was characterised by good sales once again and resulted in most companies selling out of bedding and balcony plants before the end of the month.

Knock-on effect on wholesale demand

The high consumer demand had a knock-on effect on demand in the wholesale sector. For example, Landgard – one of the largest producer cooperatives and marketing organisations for flowers and plants in Germany – has already reported an increase in sales of 21 percent for the first quarter of 2021 compared to that of the previous year. The sales revenue of €508.5 million (previous year: €420.3 million) was therefore significantly above the cooperative's planned figures for the first quarter and demonstrates the strong pace of growth in the market.

Veiling Rhein-Maas also reported a very successful start to the year after the first quarter of 2021. Their product sales revenue, which amounted to €109 million, was significantly higher than the same figure for the previous year.

However, the positive sales increases in the first quarter of 2021 were far from an inevitability. Due to the lockdown at the beginning of the year, the start to the year was very reserved for the wholesale flower and plant sector. It was only when sales businesses around the country gradually began to open back up around Valentine's Day that the desired growth came back into the picture. Due to the higher demand and good prices, it was possible for the first few weeks at the beginning of the year that had to be sacrificed to be compensated for.

Reports from Royal Flora Holland – one of the largest marketing organisations for flowers and plants which is based in the Netherlands – show how intensively and quickly the backlog demand of consumers was dealt with at the wholesale level. As a central hub for the European flower trade, the marketplace reached the turnover threshold of €1 billion in the first weeks of March in 2021 – approximately three weeks earlier than in previous years. This was also largely due to the high price level. For example, the average price for cut flowers at the beginning of March 2021 was 48 percent higher than the same week in the previous year.

After the bumpy start to the year, sales continued without interruptions through 2021, resulting in the marketing organisations Landgard and Veiling Rhein-Maas also reporting significant increases in sales for the second and third quarters of 2021 compared to the previous year and achieving positive results.

All sales channels, such as auction clock sales, clock pre-sales, distance selling, online shop and cash and carry were well received by customers from special retail and large-scale retail. During 2021, there were no periods or sales channels that performed particularly badly.

New sales records at the hub for flowers and plants

The Dutch Association of Wholesalers in Floricultural Products (VGB) also reported record exports of around €4.1 billion for the first half of 2021 for the Netherlands, which is by far the most important European hub for the plant sector. The record results are even more noteworthy given the higher purchase prices for flowers and plants during the relevant period of time.

Despite higher purchase prices, transports costs and administrative costs – especially due to Brexit – the total exports from the Netherlands increased by 16 percent compared to 2019, i.e. the last normal year before the pandemic. In fact, during the third quarter of 2021, an increase of 18 percent compared to the third quarter of 2019 was recorded.

Great Britain as a surprise leading consumer

When you look at the increase in exports from the Netherlands sorted by the individual destination countries, you can see that Great Britain leads the rankings.

The demand of British consumers for flowers and plants was so large that there was a 30.6 percent increase in exports from the Netherlands to Great Britain in 2021. There was also a large demand for greenery in France. Exports to France increased by 19.5 percent. The increase in exports to Germany (8.4 percent) was significantly lower than the increases in Great Britain and France.

Experts struggle to predict the extent to which the high demand from Great Britain will continue in 2022. The fact is that flowers and plants will once again become significantly more expensive for Great Britain from July 2022 onwards. The reason for this is that, from this point onwards, the United Kingdom will introduce its “comprehensive and full monitoring of flowers and plants from the Netherlands”. This means that – from 1 July 2022 onwards – in addition to the requirement for a phytosanitary certificate, plants (potted plants, cuttings, trees, perennials, cut flowers etc.) to be imported into the United Kingdom must be physically checked at border controls. This policy was originally supposed to be introduced on 1 January 2021, however, the pandemic lead to significant problems for the implementation. As a result, the introduction of these measures was delayed. Therefore, the real additional

costs resulting from the increased administrative efforts brought about by Brexit will be reflected in prices from summer 2022 onwards.

Generally, at the beginning of the pandemic, exports from the Netherlands were subject to significant fluctuations due to the various lockdown periods and different regulations in different EU countries. Exports to France suffered enormously, as did exports to the USA and Russia. There was a positive trend in exports to countries in which the supply of supermarkets makes up a large percentage of exports, such as Great Britain. In 2020, the Netherlands was only able to achieve an increase in exports to four of the ten most important export countries. There was a negative trend in all other destination countries. Due to the pandemic, no reliable predictions about the trends for the coming years can be derived from the export statistics for 2020 and 2021.

Supermarkets as a driver of growth

When you look at the sales channels for exports from the Netherlands, you can see that supermarkets make up the largest share of exports with 34 percent. Wholesale trade follows with a share of 29 percent and then garden centres comes in at third place with a share of 14 percent. Flower shops and cash & carry markets make up the lowest share of exports at 7 percent and 8 percent respectively. The remaining 10 percent share of exports is split across “other sales channels”.

This raises the question of how the proportion of flower and plant sales made via supermarkets will develop over the coming years. According to initial estimates from experts, 2021 was a year in which large-scale retail, i.e. supermarkets, benefited disproportionately from the general hype around plants. It appears as though supermarkets were able to take advantage of the fact that they were the only stores allowed to sell flowers and plants during the first lockdown. During this time, they were able to establish themselves as suppliers of flowers and plants among consumers.

According to GfK panel data, large-scale retail in Germany – food retailers and discount stores – benefited from the closing down of specialist retailers during the lockdown period in the first quarter of 2021. For example, food retailers and discount stores saw an increase in the amount spent on decorative bouquets of over 80 percent compared to the same quarter in the previous year. Because decorative bouquets are ultimately a classic product group for specialist retailers, it can be assumed that at the beginning of the year/during lockdown consumers discovered

food retailers and discount stores as a new place to purchase product groups that were previously typically bought from specialist garden supplies retailers.

Even in 2020, large-scale retail experienced increases in its share of expenditure and its share of quantity for private consumers. Food retailers and discount stores increased their share by a total of 5 percent. Now, large-scale retail has a 40 percent expenditure share and a 70 percent quantity share, while specialist retail has a 60 percent expenditure share and a 30 percent quantity share.

Observations made by some flower wholesalers in 2021 suggest that the reallocation of expenditure and purchasing volumes for cut flowers to large-scale retailers will increase further. This is supported by the fact that, despite good sales figures for cut flowers in specialist flower retailers during the summer holidays and in autumn of 2021, these figures were not special. However, the demand for flowers in large-scale retailers was consistently good.

Fewer producers covering a smaller area

After its previous analysis in 2017, in 2021, the German Federal Statistical Office analysed the latest figures concerning the cultivation and production of ornamental plants in Germany as part of an ornamental plants survey. The results of the latest survey showed 3,120 holdings specialising in ornamental plants, which equates to a 15 percent decrease in the number of companies in 2017. The basic area for cultivation of flowers and ornamental plants was roughly 6,300 hectares, which corresponds to 4.8 percent decrease compared to 2017. With an area of 2,900 hectares – almost half of the total basic area – North Rhine-Westphalia remains a key area for production.

In terms of the products grown, there are three noteworthy developments:

- Perennials are now the most important outdoor plants, ahead of violets, pansies and heather. Growth of heather has reduced by 21.5 percent in the last five years.
- The cultivation of cacti, green plants and foliage plants increased by approximately 27 percent, almost reaching the peak figures for cultivation that were achieved in 2012.
- The cultivation of cut flowers has decreased by 9.5 percent since 2017. The cultivation area today is 2,810 hectares.

Staff and area are limiting factors

It remains to be seen how situation will look in terms of the cultivation areas for ornamental plants when the next ornamental plant survey is performed in 2026. Due to the current hype surrounding plants, it seems safe to assume that some producers will be flirting with the idea of gradually increasing their areas of cultivation. However, it remains to be seen whether this is realistic and logical, both in terms of the availability of personnel and the availability of cultivation areas. At any rate, the availability of personnel and cultivation areas are increasingly becoming limiting factors.

In 2021, some marketing organisations reported that they were no longer able to supply and provide logistics services for flowers and plants due to staff shortages. Even outsourcing these services to logistics service providers proved unsuccessful due to personnel shortages in the upstream and downstream supply chain. The stability of the supply chains was already at risk due to personnel shortages in 2021. The picture is much the same at the production level.

In terms of the expansion of cultivation areas, in addition to the problem of physical availability, there is also the issue of how the new areas will be funded. According to the Federal Office for Agriculture and Food, leasing rates for agricultural land in Germany have more than doubled over the last ten years. Purchasing prices for agricultural land increased even more steeply during this period. For example, where 1 hectare of land would have cost €11,854 on average in 2010, the same amount of land in 2020 would cost €26,777.

It is difficult to say whether the further increasing leasing rates and purchase prices will be reflected in the retail prices of flowers and plants. The fact is that, as was the case before, it remains difficult to establish adequate prices for flowers and plants, despite the fact that 2020 and 2021 have shown that trade customers and consumers are willing to accept slightly higher prices and price thresholds that have held firm for decades have suddenly been surpassed.

Prices for plants increased significantly

The Education and Research Institute for Horticulture Erfurt (LVG) also recorded the prices for the bedding plants and balcony plants season in 2021 and attested to the fact that further price adjustments were a possibility for 2021.

At the consumer level, prices for bedding plants and balcony plants were at least stable and, in some cases, increased compared to the previous year. In many areas,

price increases of 5 percent were successfully implemented with little resistance from consumers.

When looking at an average of all product ranges, a price increase of 13 cents per pot was observed. Therefore, in 2021, the average price per bedding plant or balcony plant was €2.62 rather than €2.49.

The fact that a threshold value of €2.49 was often used for bedding and balcony plants shows that other threshold prices increased significantly, resulting in a price increase of 13 cents per pot.

Necessary price adjustments were also successfully implemented in 2021 in retail tree nurseries. Even sales prices for specimen plants were corrected upwards due to increased purchase prices. In isolated cases, price increases of 100 percent were achieved through attractive and high-quality presentation and accepted without complains by customers.

Even wholesale flower markets reported increased prices. Here, the prices were at least at an equally good level as those in 2020, and in some cases they showed increases of 10 percent.

Current price level is insufficient to compensate for increased production costs

However, initial analyses by the Centre for Business Management in Horticulture and Applied Research in Hanover (ZBG) showed that the current price level is not high enough to compensate for the increased production costs. This was reflected in the balance sheet of many companies at the end of the year.

At the beginning of 2021, reports of raw materials shortages were already doing the rounds in a number of industries and companies. In the case of construction materials, metals, plastics and semiconductors in particular, the demand brought about by the global economic revival far exceeded supply. The consequences of this were and continue to be delivery difficulties, delivery delays and price increases.

It is very difficult to think of a product or service that is not affected by the increasing costs of raw materials. It stands to reason, therefore, that the horticulture sector must also factor these increased costs into its calculations.

Everyone is aware of the increasing logistics costs (10 to 20 percent more expensive compared to the previous year), increasing heating costs (heating oil 50 percent more expensive than in the previous year) and increasing costs for plant pots (20 percent more expensive than in the previous year), however, not all plant

nurseries pass these costs on to customers. As a result, the average price increases of 10 percent for flowers and plants are not enough to cover the increased production costs in most cases.

As early as 2020, the Centre for Business Management in Horticulture and Applied Research in Hanover (ZBG) pointed out that even though all horticultural businesses had significantly higher sales figures, this did not always translate into more profits. Quite the opposite, in fact: 33 percent of the horticultural businesses achieved significantly lower profits than in previous years despite the “explosion in sales”. The situation is expected to become even more critical as a result of further increases in production costs in 2021.

Plants and gardens are more relevant than ever

Regardless of the price situation, the trend towards having more plants in home environments is continuing unabated. Green plants in particular are experiencing a renaissance.

For example, industry experts, such as those from the Fachverband Raumbegrünung und Hydrokulturen (FvRH) (EN: specialist association for indoor plants and hydroculture), found that the trend towards improving one's home with green plants is continuing. This trend was already observed before the COVID-19 pandemic hit, but has been amplified by the restrictions of the pandemic.

Driving factors behind the trend include sustainability, upcycling and a desire to have more nature and life in our personal surroundings or urban jungle. When it comes to sustainability in particular, more and more people are recognising that green plants can live for a very long time when they are cared for properly, which has a positive effect on our well-being and on the climate.

The FvRH association reported sales increases of five to ten percent per year over the past five years in this product range – which was viewed as a shelf warmer just a few years ago.

Green plants with large leaves are particularly popular with consumers (Monstera, Ficus, Philodendron, etc.). In September 2021, sales of Monstera increased by 60 percent compared to 2020. The demand for rare plants and split-leaf green plants also increased continuously.

Thankfully, the increasing demand is not just down to the younger private customer base, looking to spruce up their home office. It is also due to commercial

customers that are increasingly viewing green interior spaces as a means of promoting well-being and using this as a method to make themselves more attractive as an employer. As a result, demand is increasing significantly.

In August 2021, the Flower Council of Holland commissioned an exciting and representative market research project into consumers between 18 and 70 years of age and the topic of green plants in the home office. This research project didn't just focus on consumers in Germany, but also in the Netherlands, France and Great Britain.

The result: 68 percent of those surveyed consciously placed one to two plants in the area of their workplace. The result showed that women in particular like to surround their home office with plants. It was not uncommon for the women surveyed to have up to five plants in their immediate surroundings. One interesting finding is that 26 percent of those surveyed first decided to buy plants for their home office during the pandemic. In Germany, this figure was 32 percent.

Lots of these respondents who will continue to work either entirely or occasionally from home stated that they will continue to buy plants for their home office in 2022. While 50 percent are still considering what they will purchase, 17 percent already have concrete plans. Therefore, it can be deduced that the demand for plants for the home office has not yet reached its peak.

The Flower Council of Holland developed a campaign based on the results of the research project: "Thanks plants – for making my office feel more like home!" is therefore a logical interpretation of consumer wishes and will continue to fuel demand.

Gardens and parks are important for well-being

In addition to plants for the home office, one's own garden or just green areas in general have become increasingly important during the pandemic. Hochschule Geisenheim University conducted a study into this directly after the first lockdown in 2020. In total, around 500 people from all segments of the population – i.e. sorted according to age, gender, income and region – were surveyed about the importance of gardens and green spaces during the coronavirus pandemic.

The results were clear: The respondents with a garden (53 percent of those surveyed) have a higher average level of contentment with their life than those without a garden. In addition, more than half of all of the garden owners surveyed

stated that their garden has been more important to them during the pandemic than it had been the previous year.

Individuals without a garden stated that the public green spaces held a similar importance for them as their own garden would. On average, they spent around nine hours per week relaxing and playing sport out in the open.

The importance of green spaces and urban forests also increased for half of the garden owners. In addition to spending an average of eight hours in their own gardens for hobbies, they also spent around nine hours per week in green spaces and urban forests, which means that they spent almost twice as much time outside in nature as they did before the pandemic.

The real estate market also provides evidence for the important role that gardens play in our lives currently. During lockdown, it was observed that houses with gardens sold much quicker than apartments without a balcony or garden.

Green quality of life

It is becoming increasingly apparent that plants and gardens are considered to be an important factor in people's quality of life. For example, the city of Copenhagen has decided to renovate some streets in the middle of the city and turn them into parks. Barcelona has also had initial successes in creating pedestrianised streets with beautiful greenery.

Paris has set itself the objective of becoming a "15-minute city". According to this concept, all public facilities in a major city should be within a 15-minute walk from one's home. Parks and greenery are firmly anchored within this concept.

Young people are becoming increasingly interested in greenery

Green occupations are becoming increasingly attractive for young people. As a result, according to the Federal Office for Agriculture and Food, the number of trainees in the horticultural sector has been increasing since the start of the COVID-19 pandemic and now stands at over 13,000. Experts attributed the increased popularity of the profession to climate change and the discussion surrounding the environment, both of which are making young people think more about plants and food, and giving them more of an insight into the green sector.

Bloggers create more hype for greenery

The interest in all things green is not just down to climate change and the discussion surrounding the environment, but is also partly due to the activities of various influencers and bloggers that have increasingly discovered a love for all things relating to plants and gardens over the last two years.

If you're looking for evidence of how on-trend horticulture is at the moment, then look no further than the 30 gardening bloggers who met up for the first time as a community at the Park of Gardens in Bad Zwischenahn to discover and report on the world of plants.

Turning the initial boost from coronavirus into sustainable demand

Even though the hype surrounding flowers and plants certainly wasn't all drummed up by the industry itself, but was more a result of the pandemic, there are early indications that the suddenly increased amount of interest in greenery will have a long-term impact.

The summer months of 2021 provide an example of why this is believed to be the case. During this period, despite consumers once again being able to travel as they used to be able to, the demand for flowers and plants at wholesale flower markets stayed at around the same level as it was in the record year of 2020, when the majority of consumers were not allowed to travel, which led to them choosing to make their own gardens, terraces and balconies look nice with plants. This shows that consumers learnt to appreciate flowers and plants in the summer of 2020, and therefore viewed the purchase of these items in 2021 as a given.

This "sustainability of the plant trend" is even more evident when one takes into account the sales declines for the German building supplies and garden supplies stores in the Heimwerken, Bauen und Garten (BHB) trade association. According to the BHB trade association, the sector achieved 16 percent less revenue in the first half of 2021 than it did in the previous year. This is attributed to the fact that consumers' desire to renovate their homes was decreased, on the one hand, by poor weather conditions and high prices for raw materials, and on the other hand, by the fact that this desire had to be weighed against consumers' desire to travel. As a measure to counter this development, one major DIY store is targeting children and youths with a YouTube campaign to win over this age group as future customers.

While DIY stores are losing out in favour of the old behaviour patterns of consumers, living green plants are certainly not on the losing team. However, it remains to be

seen how the sales of specimen plants will develop over time. According to experts, large planting areas in garden seem to be a thing of the past. People are increasingly replanting instead of starting from scratch and planting new specimen plants and trees.

A glimpse into the future: How will things develop?

Even though the weather is definitely the most important factor influencing demand for flowers and plants, there are also other influencing factors: One of these is the general state of the economy. When it comes to predicting future demand, therefore, it is essential to consider important economic parameters.

The German economy is growing again and slowly recovering from the 2020 economic slump brought about by coronavirus. However, the economic upturn in 2021 may be less pronounced than previously hoped. Accordingly, for their economic forecast for 2021, the former federal government joined forces with leading economic research institutes and revised the level of predicted growth to a significantly lower level. They are now predicting an increase in gross domestic product (GDP) of 2.6 percent in Germany. In April, the government were still predicting growth of 3.5 percent. For 2022, however, the government is now expecting to see growth of 4.1 percent, rather than the previously predicted 3.6 percent.

The main reasons given for this correction were the ongoing coronavirus pandemic, supply bottlenecks and shortages of raw materials. Therefore, significant economic recovery is not expected to take effect until the coming year. Furthermore, it remains to be seen how the nationwide restrictions put in place to tackle the fourth wave of coronavirus will affect the economy further down the line.

The prices for mineral oil products and other energy-based raw materials, which have increased significantly compared to the previous year, are further reasons for the constantly high level of inflation since July 2021. As a result of these factors, in November 2021, consumer prices in Germany increased by 5.2 percent compared to the previous month. Nevertheless, the decrease in value added tax compared to the previous year introduced in response to the coronavirus pandemic and the price decreases for many goods resulting from this must be taken into consideration in this comparison.

In contrast, the job market is on the path to recovery. According to preliminary calculations by the German Federal Statistical Office, in October 2021, around

45.2 million people living in Germany (domestic concept) were in employment. Despite this positive development, the number of persons in employment is still below the coronavirus pre-crisis level. On a seasonally adjusted basis, the number of persons in employment in October 2021 was down by 0.8 percent, or 368,000 persons, on February 2020, the month before the coronavirus crisis began in Germany. In November 2021, there were 302,000 fewer persons in employment – or a 0.7 percent decrease in employment – on a seasonally adjusted basis compared to February 2020.

Nevertheless, there is a marked positive trend. For example, taking seasonal adjustments into account, unemployment and underemployment decreased significantly in November 2021 (day of the count was 11 November) compared to November 2020. In November 2020, the unemployment rate was 5.9 percent, while in November 2021, this figure stood at 5.1 percent.

However, there are notable differences between the federal states. While an unemployment rate of 9.9 percent was recorded in Bremen, in Bavaria, the unemployment rate was three times less at 2.9 percent.

When compared against other countries, Germany is performing well. Adjusted for seasonal and irregular effects due, for instance, to weather conditions or strikes, the number of unemployed persons in Germany – calculated by the German Federal Statistical Office in accordance with the ILO employment concept – stood at 1.4 million persons in October 2021, which corresponded to an unemployment rate of 3.3 percent. Out of the EU member states, the Czech Republic recorded the lowest unemployment rate with 2.6 percent, while Spain recorded the highest rate of unemployment with 14.6 percent.

What consumers will love

Assuming that the economy remains stable and that customers continue to consume at a similar level, the question remains as to which products will be in particularly high demand in 2022.

Considering the fact that there aren't really any "flop sellers" at the moment, it is difficult to make predictions in this regard. However, certain trends can be predicted:

In general, 2021 has shown us that the top sellers from before the pandemic will continue to experience increased demand and their popularity is likely to increase even further in 2022. According to the findings from this year, flowering perennials,

bedding and balcony plants, herbs, vegetable plants and snack garden plants will continue to perform particularly well.

One thing that is noteworthy is the fact that larger plants are in particularly high demand. For example, experts have observed that consumers are now more likely to want lavender in a 2-litre pot rather than in a small T12 pot.

“Ready to enjoy” is an increasingly important topic in the sector. In 2021, garden centres noticed a significant increase in sales of items that could be given as gifts or used for celebrations. In terms of celebrations, the items tended to be in a small container but with elaborate flowers and plant decorations. This observation was also confirmed by Veiling Rhein-Maas, who reported that the trend towards high-quality trays and arrangements would continue to strengthen in the third quarter of 2021.

In addition, the trend towards easy-care plants increased yet again in 2021. The topic of insect-friendly plants also gained momentum as part of the coronavirus pandemic. This trend is expected to increase further in 2022 due to the wide public discussions surrounding climate protection.

In general, consumers appear to be shopping more consciously. Sustainable and individual products are increasingly in demand. According to experts, even over 50s are sensitive to the topics of sustainability and organic products and are increasingly interested in such products.

The sparing use of natural resources during the production of flowers and plants has been an important factor for several years and continued to gain in importance in 2021. Reducing the use of peat and plastic is an important topic for all gardeners.

Sustainability as a trend

The 2021 Sparkassen (savings banks) report once again analysed the industry and concluded that, in addition to location, quality of product range and advisory expertise, sustainability, regional product origins as well as environmentally and socially responsible production are important factors for success in the green economic sector.

Due to the climate crisis and the subsequent shift in values towards more ecological sustainability, the concept of gardening in harmony with nature has become increasingly more important in 2021: Using rain water to water your garden and plants, using your own compost as a means of natural fertilisations and creating a habitat for insects that reflects their natural habitat by using regional and native plants

are just some of the topics that have come to the forefront. There is an increasing need for plants bought for one's own garden to be hardy, so that they are able to withstand the changes to the climate.

As in previous years, the topic of digitalisation for the purpose of reducing the use of resources remains an important topic for both consumers and horticultural businesses. For example, robotic lawn mowers or digitally controlled irrigation systems are used in some gardens. In terms of production facilities, drones are employed as a means of enabling the targeted use of plant protection products and fertilisers.

Gardening as a means of counteracting the negative effects of the pandemic

A study performed by Hochschule Geisenheim University showed that during the first year of the COVID-19 pandemic, time spent in gardens, on balconies and in public green spaces was an important part of people's free time and provided a means of counteracting the effects of being forced to work from home and stay inside during lockdown phases. According to the German company Statista, in 2021, around 15 million people aged 14 and over in Germany spent time working in the garden several times per month, and around 9 million people did work in their garden several times per week. The number of people that never do any gardening in their free time has decreased by around three million in the last five years.

And why are people spending so much time in their gardens? The industry knows the answer: Gardening has demonstrable positive effects on our health. The increasing amount of media on the topic of gardening is evidence of its increasing popularity. For example, National Geographic recently published an article about how gardens can help to relieve both the mental and physical stress that we experience during lockdown. Gardening also increases our sense of self-efficacy. It shows us the real-life results that our actions can have.

The shift in values continues

The recent increase in appreciation for green spaces is also having an impact on the consumption of gardening products. In June 2021, the German company Statista performed a survey in which they questioned people in Austria about the expected changes in trade and consumer behaviour due to the COVID-19 pandemic. The responses to the survey reflect the shift in values that has occurred in recent years: 52 percent of those surveyed predicted a stronger focus on regionality and 40 percent on sustainability.

In the “Sustainable gardening” market research study, 1000 gardeners across Germany were surveyed during summer of the first year of the pandemic. This survey also showed that sustainability is becoming an increasingly important topic when it comes to gardening. One thing that many consumers already have in common is an appreciation for environmental sustainability. However, this is strongly linked to a higher level of education and lower age groups. Therefore, an important objective of creating a convincing sustainability strategy is to win over young customers. Even in cases where environmentally sustainable and eco-friendly methods of production are demanded, 47% of those surveyed confirmed that they would be willing to pay a higher price for this. In addition to this, recyclable materials and peat-free compost are becoming increasingly important factors for consumers.

Sustainability as a point on the political agenda

However, the shift in values is not only evident from the perspectives of customers – on the political stage, too, a new wind is blowing with the formation of the new coalition government. The new government has included the following topics on its political agenda: Reducing peat usage and extraction, increasing the use of recycled materials while reducing the use of primary raw materials, reducing the use of pesticides and promoting environmentally friendly alternatives.

Other important components of the coalition agreement include a circular economy, regional value chains and a reduction in waste through reusable packaging or deposit systems. All of these topics are also becoming increasingly important for the horticulture sector.

How will things develop?

Environmental awareness has shifted from the focus of a certain group of individuals to a social movement. The Zukunftsinstitut (Future Institute) refers to this megatrend as neo-ecology. A restructuring of values is taking place in everyday life, in society and in politics. However, companies also need to rethink their basic approach and adjust it where necessary if they want to keep doing business in a sustainable way. The COVID-19 pandemic acts as a kind of magnifying glass in this case and is bringing new attention to this megatrend. According to the Zukunftsinstitut, this is paving the way for our post-COVID society, which is characterised by a slower pace of life and sustainability.

The coronavirus pandemic hasn't just led to an increased importance of one's own garden or garden plot. The idea of social gardening – mainly in urban spaces – will

also be a possibility in our post-COVID society. This concept complements the positive effects of gardening in general by adding a social element, as is commonly seen in allotments or communal gardens.

Online trade is playing an increasingly important role

In the horticulture sector, the sale of flowers and plants online has previously played a relatively minor role when viewing the market as a whole. However, the latest figures show that an increasing trend towards online shopping can be expected in the horticulture sector.

The fact is that the coronavirus pandemic has significantly accelerated the growth of online retail in general. The steep €13.6 billion increase in online retail sales in 2020 compared to the previous year culminated in total online retail sales of €73 billion in Germany. According to the latest figure, in the first half of 2021, online retail sales have increased by a further 23.2 percent.

It should also be noted that the coronavirus pandemic has resulted in shifts in demand across the overall markets. While there is a low demand for fashion items, DIY/gardening equipment and food products have seen a high level of demand.

For example, in the “Garden” product group, the previous level of online sales in this product was around 8.5 percent, with flowers, plants and garden accessories only accounting for a small percentage of sales in this segment. However, it is clear that online sales in this product group are experiencing above-average rates of growth. The average annual growth in the “Garden” product group stands at 20.2 percent.

Although the largest revenue drivers are found in the consumer electronics (+ €3.5 billion) and fast-moving consumer goods/FMCG (+ €2.3 billion) sectors, in the rankings for highest drivers of growth, the market for DIY and gardening supplies occupied second place with a score of +30 percent. First place was occupied by FMCG, with a score of +44 percent. And there is still plenty of room for growth: In the market for DIY and gardening supplies, the percentage of online sales increased from 6 percent in 2019 to 7.1 percent in 2020. This corresponds to an increase of €760 million. However, when you look at the percentage of the market for DIY and gardening supplies in relation to total online sales, with a figure of €3.3 billion, or 4.5 percent, the share is still very low.

However, there is still plenty of room for growth in the DIY and gardening supplies market for specialist retailers in particular (small-scale specialist retailers, specialist

retail chains, specialist stores, but not department stores). At 2.8 percent, the online share for this market in 2020 is still very low compared to other sectors.

The fact that online trade grew disproportionately in 2021 suggests that consumers have come to accept online retailers as reliable partners during the pandemic and will be more willing to use them than they would have been before the pandemic. In this context it was also mentioned that there was a 16 percent increase in online shopping among over 60s.

48 percent of people in Germany see Amazon as a crucial component in ensuring supply during the pandemic. Of the 49 million online shoppers in Germany, 94 percent shop on Amazon.

Product availability guaranteed in 2022?!

A big question for the 2022 is whether goods will continue to be available. 2021 showed that it is not always the case that everything is available all of the time, and that this can cause a minor panic in the market. This means that those with fixed growing contracts or supply contracts were in a fortunate position.

However, in recent months it has become clear that the discussion surrounding availability has focused on possible shortages. Furthermore, in 2021, due to the nervous sentiment surrounding the availability of goods, many retailers stopped relying exclusively on their regular suppliers and began to make enquiries with different suppliers. Therefore, suppliers were of the belief that availability was extremely limited.

In accordance with the laws of supply and demand, the prices for selected products or popular key items increased dramatically.

In the meantime, some suppliers have adjusted their “excessively high” prices from the summer back to “normal prices” and are actively advertising the goods.

However, the situation is different in each region. While there have been significant increases in the percentage of reserved goods in some regions, other regions have not reserved any goods. We will find out which of these tactics was better in spring of 2022.

Conclusion: The future is not especially bright, but it is certainly green!

2021 is characterised by record sales figures in the horticulture segment: The population has gained a love of live plants, which has triggered an unprecedented

level of demand. Reports of record sales are circulating at all levels and in all segments of the horticulture sector. At the same time, however, the horticulture sector is facing increased costs for raw materials as well as shortages of operating materials, personnel, logistics units etc. It is not without reason that the inflation rate currently stands at over five percent, which is the highest it has been in 30 years.

“In this situation, price increases for flowers and plants are absolutely necessary and will be implemented in most cases and accepted by consumers. Despite this, it can be seen that the costs are only passed on, even in the best cases. Urgently required margin increases are not taking place. In this way, despite the euphoria surrounding increased sales, all of this is just leading to the physical and financial exploitation of plant nurseries. A larger market now needs to be served by fewer employees and with higher costs. This is a shame, since consumers seem to be willing to pay higher prices for their new favourite hobby”, says Andreas Löbke, author of the market report and horticultural specialist.

We can only hope that an increasing number of key players in the industry recognise the importance of economic sustainability for their company and calculate their prices accordingly in future. It is also important now to consolidate the popularity of plants and flowers with consumers and to attract younger customers to the sector. The industry must not rest on its laurels, as the pendulum can swing back at any time, forcing us to accept the hype surrounding green plants and flowers as merely a one-off effect brought about by the pandemic.

“If we are able to create a sustainable enthusiasm for our products among young customers, then we will have cracked it. Then the future won’t just be green, it will be rosy too!”, Löbke concludes.

Note

The market report was commissioned by Messe Essen and produced by:

Andreas Löbke, CO CONCEPT, Luxembourg, 22 December 2021

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- Dutch Association of Wholesalers in Floricultural Products (VGB)
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- Industrieverband Garten e.V. (IVG)
- Publications from the GABOT horticulture portal
- A wide range of discussions with experts involves in the sale of flowers and plants from tree nursery companies, ornamental plant nursery companies, garden and landscape companies, retail garden centres, marketing organisations, flower wholesale companies and consultant from the specialist flower retail sector