INFORMATION

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IPM ESSEN 2019:

Good Economic Environment for the World's Leading Fair for Horticulture

Market Data and Observations for the Green Sector in Germany

Sunny to bright with local clouds – this is how the market and the garden year in 2018 can be described. The weather has a very big influence on the garden market and, with its extremes in 2018, led to a strenuous but eventually also good season. The general consumer climate is still outstanding and the wish for "green products" is unwavering. "Green products" are becoming ever more established as a fixed and diverse constituent of life - they simply belong to everyday life. After a successful year in 2017 in which the total turnover of flowers and plants in Germany was approx. Euro 8.6 billion, 2018 will also probably finish with similar success. This is being indicated by initial figures. In 2018, two cornerstones are being shown to be basically responsible for this: the good mood of the consumers keen on green products and the weather.

The consumer climate continues to be good in spite of global economic uncertainties and dynamics as well as of the fact that the global economy has lost a little momentum at the end of 2018. For Germany, there is an economic forecast of 1.8 percent for 2018 and 2019. This still constitutes an economic boom which is being borne, above all, by private consumption and construction investments.

In combination with the fiscal measures of the federal government, at least the German consumers, as one group of the strongest consumers of green products in Europe, are making optimistic assessments of their own situations. Low unemployment with real wage and salary increases and only slight rises in the cost of living are ensuring a great willingness for high expenditure and consumption. Particularly compared with other EU member states, the Germans' propensity to buy may be rated as stable on a high level. According to experts, Germany remains "on the path into a golden decade" in spite of slight weaknesses.

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The Plant Sector Was Characterised by Exceptional Weather

After a mild start to 2018, a late-winter March was followed by an extremely warm April with mid-summer temperatures. In April, the temperatures in Germany were already around five degrees Celsius above the long-term average. 1.5 times more sunshine than normal was registered. The around 40 litres of rain per square metre which did fall was hardly 70 percent of the quantity of rain otherwise customary for this month. This was seamlessly followed by an exceptionally long phase with above-average temperatures until the end of July and passed into an extreme heat wave, associated with a distinct drought right into the late summer. Other parts of Europe such as the British Isles and the countries from Scandinavia to Greece were also characterised by really hot and dry conditions. As far as the weather was concerned, the spring of 2018 was cancelled. This inevitably had a considerable influence on the garden market and was characteristic of the first half of 2018.

Climatic Vagaries and Their Effects on the Business in the Green Sector

After "frozen" business in the spring, the business with bedding and balcony plants took place in a concentrated form in April and May. The sudden onrush became a major challenge for the companies and the logistics in the value added chain. The demand was very compact between Easter and the middle of May. Supply bottlenecks occurred occasionally and were reflected in the prices too. Precisely in the case of pot roses, greater supply bottlenecks were established at the wholesale markets at times.

In the operative business, it was not easy to organise the lack of the early spring season and the immense backlog as from April. It was a difficult season in which there were great demands on the wholesalers as service providers between the producers and the retail trade. Wholesalers with good market knowledge and reliable, loyal supply connections were able to distinguish themselves here and to show what they can achieve.

Extreme summers with absolutely distinct heat and drought periods, in combination or alternation with heavy rainfall events and floods, are phenomena which will always have to be taken into account in the future. All the participants in the horticultural sector will have to adapt to this and to find solutions: not only on the production level but also on the product range and trading levels. The "drought of the century" in 2018 may accelerate the structural change in German horticulture even further.

The Weather Determines the Sales of the Big Marketers

The influence of the weather can be clearly read off the turnovers of the big marketers. For example, Landgard, as one of the biggest marketers of flowers and plants in Germany, is reporting that a turnover plus of around twelve percent at the beginning of the year was followed by turnover minuses of around six and ten percent in February and March respectively. In April, it was possible to compensate for these once again with a 21-percent plus.

Similar statements can be heard from Veiling Rhein-Maas too. Here, the strong April 2018 supplied an approx. 60-percent rise in the quantity of pot plants compared with the previous year. In total, Veiling Rhein-Maas was able to achieve a 1.9-percent increase in turnover in the first half of 2018 compared with the previous year. The records set in 2017 were thus surpassed once more. Moreover, the Royal FloraHolland auction house is reporting a good first half of 2018 which is on the same level as in the previous year.

Mother's Day Indirectly Good

Traditionally, certain festive days are particular sources of turnover for the trade. On Mother's Day in 2018 too, the gift buyers focused on flowers once again. However, because of the bridging day on the Friday before Mother's Day, many people used the weekend for a short holiday. Thus, the turnover on Mother's Day itself in 2018 lagged behind the florists' expectations in part. However, the days before and after Mother's Day were frequented to a greater extent. For this reason, it was possible to rate the total turnover around Mother's Day as very good. It can only be guessed whether this was due to the advertising campaigns such as the initiatives entitled "Flowers - 1,000 Good Reasons!" or "Naturally Beautiful Moments" or those launched by the Holland Flower Office.

Slight Price Rises

The Federal Statistical Office (Destatis in Wiesbaden) regularly publishes price indices for the agriculture and forestry sectors. In the spring of 2018, it was possible to establish slightly rising prices for plant cultivation products (reference year 2010 = 100). For example, pot plants achieved an index of 112.2 in April 2018, corresponding to a 2.7-percent plus in comparison with the previous year. According to marketers of flowers and plants, the prices of high-quality plants were once more extremely high particularly at the end of the season. Otherwise, the 2018 season has pleasingly been characterised by stable prices.

A market survey in Thuringia indicates that it was possible to slightly raise the price level in the bedding and balcony plant business. On average, eight cents more was taken per plant. In the case of cultures produced in small quantities, the trade was, in part, able to implement substantial markups of 20 to 30 cents per plant compared with the previous year.

With an index of 99.2, tree nursery products were also approx. 6.3 percent above the level in the previous year. Only cut flowers achieved lower prices than in the previous year. With an index von 114.3, this value is nevertheless higher than in 2010. However, in June, the Dutch marketer Plantion surprisingly reported that stable prices were being paid in spite of high temperatures which usually exert negative effects on the pricing of cut flowers. This phenomenon is explained, amongst other reasons, by a new trend towards summer bouquets of flowers (demand) and, at times, by a reduced supply from Africa where fewer exportable goods could be offered because of lower temperatures and high precipitation. Thus, the average price of roses in June 2018 was almost 30 percent higher than in June 2017. The average prices of the top-15 cut flowers were 22 percent higher than in the previous year and yielded a 10-percent increase in turnover.

The economic survey regularly conducted by the Association of the German Flower Wholesale and Import Trade (BGI) also describes stable to rising prices in the wholesale trade in pot plants and cut flowers in 2018.

Further information at: www.ipm-essen.de

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Sources:
Interviews with experts as well as EUROSTAT, AMI, BGI, BBH, GfK, VGB, TASPO, IVG, Gabot