INFORMATION

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IPM ESSEN 2019:

The Climate Influences the Turnover in the International Green Sector

Market Data for the European and International Trade

Exciting times lie ahead of the international green sector. For example, the turnover in the green sector has been characterised by the exceptional weather in 2018 to a decisive extent. Moreover, there are new players on the market. In order to compensate for turnover losses in existing markets, the companies are also trying to expand their business in promising regions even further.

The heat and the drought in the summer of 2018 took their toll on the European trade. For example, the Dutch Association of the Wholesale Traders in Ornamental Plant Products (VDG) is reporting that the hot summer has really burned the Dutch exports. In the case of cut flowers, the Dutch organisation was thus unable to report positive export developments in any of its top-ten sales countries. The hot temperatures had disturbed the normal purchasing and selling routines. Retailers were considerably more reserved in placing orders in the risky summer months. Even in the sum for the first half of the year, only Poland and Russia amongst the top ten had positive export developments with regard to the cut flowers. In contrast, pot plant exports increased amongst the top-ten destination countries of the Netherlands, with the exception of Great Britain and Sweden. The fact that the export value of the Netherlands in 2018 is on the same record level as in 2017 is explained by the circumstance that the minus with cut flowers is less than the growth with the house and garden plants.

Traditional Paths Are Being Left

It is interesting that the exporters have undertaken great endeavours in an attempt to find other markets outside the core destination countries (the top-ten sales markets make up 80 percent of the export value). These efforts were successful. For example, the value of the exports to the top ten declined by one percent but the four-percent growth in other countries was able to compensate for this.

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Dutch experts are certain that the difficulties in the plant exports to the traditional destination countries will increase and can only be compensated for by switching to new, emerging markets like those in Asia and the Middle East. Precisely in destination countries outside Europe, there are special budgets for flower decorations at large-scale events which are still permitting growth.

The first unambiguous tendencies are already emerging: While Great Britain was the only sales market amongst the top ten to decline for the Dutch exporters in 2017, this development already applies to five more countries in the top-ten sales markets in 2018. In this respect, it is unaccustomed and alarming that, amongst these sales markets, three of the five most important export countries (Germany, Great Britain and Italy) are affected. The business is stagnating in France - also one of the five biggest destination countries. There are no concrete indications of the causes of the decline in the top-five sales markets.

In particular, the dwindling economic power in Russia and the associated declines in Russia's demand as well as the further drop in the demand in Great Britain due to Brexit are being rated as centrally decisive for the future. The British market is under considerable pressure because of the low exchange rate of the British pound.

In 2019, this will constitute a challenge which will affect not only the Netherlands as the hub for the international trade in flowers and plants in Europe.

Potential in the East

A lot of people see promising sales markets in Poland and Eastern Europe. Poland has around 38 million inhabitants, the economic growth is approx. four percent, the unemployment rate is around five percent and the wage level is rising. The key economic data is sending positive signals although the Poles' per-capita expenditure on plants is still well below that in a few Western European countries. According to the Polish Garden Centre Association, the consumers' mentality has changed from predominant price orientation to quality orientation in recent years. That is offering potential which is being confirmed from the viewpoint of the Dutch wholesalers too. From their experience, Eastern Europeans may generally be characterised as flower lovers who are finding it increasingly easy to gain access to flowers not only because the retail chains are extending their branches but also because the incomes are rising; a market on the up.

Japan as a Prospective Customer

It remains to be seen to what extent the Japan-EU Free Trade Agreement (JEFTA) newly concluded between the EU states and Japan will have a positive influence on the sales of horticultural products. According to initial model calculations, the distinct intensification of the trade relationship and increases in the fields of agriculture and food are to be expected when the agreement comes into force in 2019. However, it is basically the European pork and poultry sectors and not so much the horticultural products which will profit from the doubling of the agricultural exports.

Turkey Consolidates Its Position

Turkey's aspirations in wanting to perform a hub function for flowers and plants between the EU and the Middle East and Asia seem to becoming even stronger in 2018 and 2019 too. For example, the Turkish Ornamental Plant Growers Association (SÜSBIR) became a member of the European Nurserystock Association (ENA) in 2018 in order to be able to follow all the EU regulations in the plant sector in a better way and to adapt to European production standards.

The objective is still to extend the foreign trade volume of flowers and plants from US$ 190 million at present to over US$ 500 million by 2023. Sooner or later, Turkey could become an interesting trading partner.

Further information at: www.ipm-essen.de

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CO CONCEPT on behalf of Messe Essen on the occasion of IPM ESSEN 2019

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