



BTC TRADE FOR DEVELOPMENT



The European Market for

***FAIR AND SUSTAINABLE
FLOWERS AND PLANTS***



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EXECUTIVE SUMMARY

The present day flower industry is a global and dynamic industry, which has achieved significant growth rates during the past few decades. Global consumption of cut flowers is estimated at a staggering € 30 billion per year with Europe and North America being the leading markets.

Since the 1990s, production focus has been moving from the markets in the Northern hemisphere towards countries where climatic conditions are more favourable and production and labour costs are lower. As a result, the new centres of production are typically developing countries such as Colombia, Kenya, Ecuador and Ethiopia.

The character of flower production (use of chemicals, labour, water) has made the sector susceptible to criticism about working conditions and its environmental impact. As a response, a large number of social and environmental standards has emerged, both the result of initiatives in the market and in producing countries. Growers in developing countries are increasingly confronted with the question what is the relevance of these standards for their business.

Standards in the flower industry

Social and environmental standards differ significantly in origin, as well as in content, implementation and monitoring procedures. The early ones were mainly set by producer groups or buyers. Over time, standards expanded in line with retail demands for guarantees in the supply chain regarding social, quality and ethical practices. As a form of industry self regulation, producer associations in developing countries have also become quite active in introducing new standards and codes of practice.

The objective, scope and coverage of existing flower standards vary hugely. Many standards in the flower industry are so-called business-to-business (B2B) standards, which are not communicated to consumers. There are also a number of consumer labels such as Max Havelaar/Fairtrade, Fair Flowers Fair Plants (FFP), and Flower Label Program (FLP).

In addition, supermarket chains offer social and environmental flowers under their own private labels, which are communicated to the consumers. All major UK retailers have their own private label for sustainable products. In many cases, these unilateral retailer codes are based on one or a combination of industry standards.

Sales channels, market segments and individual buyers have adopted those standards which best meet their needs. Still, many standards deal more or less with the same issues of social and environmental conditions of flower production. As a result, there is some competition between standards that partly cover similar areas.

Production

Traditionally, flowers and plants are grown close to the market. For that reason, countries with large domestic markets like Japan, USA and Germany are also major flower and plant producers. The Netherlands is by far the largest producer in the EU, accounting for 40% of total production value. Other leading producers are Italy, Germany, and France.

Since the 1980s, production of flowers has started to shift towards other countries. These relatively new producing countries are typically developing countries with advantageous production conditions like lower labour costs, availability of land, good climatic conditions, and fiscal incentives.

Colombia is the largest flower exporter in South America and worldwide second after The Netherlands. In Africa, Kenya is the largest producer, followed at a distance by Ethiopia. Both the Kenyan and Ethiopian cut flower industry has grown rapidly in recent years, supplying a large percentage of Europe's flowers, above all roses and summer flowers. Other African countries with a sizeable flower industry are Zimbabwe, Uganda, South Africa and Tanzania.

Although the consumption of flowers and plants in the EU is still increasing, growers face a continuous downward pressure on their margins because of stagnant prices and rising costs. Recently, prices of cut flowers have been under pressure, partly because of the increasing (foreign) supply and because

of disappointing demand developments due to the economic crisis. These developments force European growers to make clear choices. Many growers opt to focus on cost leadership by means of scaling up and producing bulk products. Others decide to specialise in niche products targeting specific market segments. In addition, more and more growers choose to relocate production abroad.

Today, a vast majority of European flower and plant growers participate in one or more certification schemes. Some growers have chosen to participate as a form of self-regulation; others use certification schemes as a management tool to professionalise their business. Growers also obtain certification to profile their company as professional and sustainable. By building the company name as a quality brand, a grower expects better returns, for instance on the auction clock.

Most growers, however, participate in one or more certification schemes to comply with buyer requirements. Certificates open up market segments they otherwise would not be able to supply.

Despite the impact of the economic crisis, there is still an increasing demand on growers to provide certified products. Choice of standard depends for a large part on the buyer and for producers supplying several markets this can result in a multitude of different standard demands. It is not uncommon for African and Latin American producers to hold 5 or more different certificates.

On the other hand, many growers see themselves confronted with a reduction in sales and turnover. As growers in developing countries see their profits shrink, they look for ways to reduce costs. Several African and Latin American growers are now reconsidering or even dropping their certificates.

Among standards that aim at the European market, the environmental MPS-ABC scheme is by far the biggest in terms of number of certified producers. MPS is active in more than 50 countries, but The Netherlands, where the MPS scheme was developed, remains the largest market. GLOBALGAP, together with its benchmarked certification schemes, is the second largest standard in the floricultural industry. Other popular standards among growers are FFP, Ethical Trade Initiative (ETI), FLP, and the standards of the Fairtrade Labelling Organization (FLO), with its Fairtrade and Max Havelaar consumer labels.



Worker on an Ethiopian flower farm

Flower standards can affect competition in the market by altering the terms of participation. That this may also affect the prospects of developing country producers became apparent with the introduction of the FFP label. The relatively new FFP standard offers Dutch growers an opportunity to enter the market for flowers differentiated by social certification. This market segment was formerly restricted to producers in developing countries, who could gain a competitive advantage by obtaining social certification like FLO, FLP or ETI. The majority of certified FFP growers are Dutch.

Consumption

New patterns of consumption, media pressure, and campaigns by non-governmental organisation (NGOs) have generated consumer interest in the conditions under which flowers and plants are produced in the developing countries. Still, only 10% of consumers is aware of the fact that sustainable flowers and plants are available in the shop. Actually, most social and environmental standards in the ornamental sector are not communicated to consumers. Standards like MPS-ABC, GLOBALGAP and ETI are only used in the business-to-business environment. When buying flowers, European consumers are usually not able to see if the grower produces according to these standards .

No more than a handful of standards is explicitly communicated to European consumers by means of a consumer label. The leading label in terms of flowers sold is believed to be the Fairtrade label (Fairtrade, Max Havelaar), followed at a distance by FFP and FLP. According to recent surveys, general consumer awareness of the Fairtrade mark has exceeded 80% in some countries.

Standards that are communicated through a consumer label still represent a relatively small portion of the market. No exact figures exist, but an estimate puts their market share between 5% and 10%, depending on the country. However, the share of consumer labelled flowers has been rising quite rapidly over the last years. Sales of Fairtrade flowers, for example, more than tripled since 2004.

What's more, an increasing number of supermarket and garden centre chains have chosen to use their own private labels to communicate if an item is produced in a fair and sustainable way. These private supermarket labels are becoming increasingly important in the market for fair and sustainable flowers and plants. Private labels are usually based on one or more B2B standards like ETI, GLOBALGAP and MPS-ABC. In some cases, private labels are combined with a consumer label like the Fairtrade mark. Note that most private labels are not only used for flowers and plants, but for a broad range of products.

Per country, there are smaller consumer labels, mostly oriented towards environmental aspects such as the national EU Ecolabels (including Milieukeur, Nordic Swan, and Blaue Engel) and the organic EKO Quality mark.

Traditionally, the UK and Switzerland have been the two most advancing European countries in terms of consumption of fair and sustainable flowers and plants. Particularly UK supermarkets have played an important role in introducing requirements with respect to ethical aspects in the international flower trade. In Switzerland, the two biggest supermarket chains, Migros and Coop, have had Max Havelaar flowers on their shelves for several years.

Until recently, developments of sustainable flower consumption have been slower in other European countries. Most sales of certified flowers were confined to short-lived special promotions with Fairtrade flowers. Lately, however, this has been changing and a strong rise in interest can be noticed in other countries like France and Germany.

International trade

The floriculture sector is characterised by an increasing degree of internationalisation. The international trade is to a large extent organised along regional lines: African and European countries are the principal suppliers to the main European markets; the North-American market is supplied by Colombia and Ecuador; and Japan and Hong Kong source from Asia-Pacific countries.

In most European countries, local production of flowers and plants is not sufficient to meet domestic demand. Imported products, therefore, play an important role in most markets. Total EU imports of cut flowers and potted plants amount to € 3.3 billion and € 2.9 billion respectively. These figures comprise mainly imports from other EU countries, but also from outside the EU.

Germany is still the leading cut flower import country in the EU. Until the economic crisis hit the country, the UK was catching up fast. Since the crisis, UK imports of cut flowers have stagnated. Other major importing countries are The Netherlands and France.

The Netherlands plays a key role in the international flower trade, being both the largest importer of products from outside the EU and as the main supplier of flowers (and plants) to the different EU countries. The Netherlands supplies an impressive 67% of total EU imports. Demand of the Dutch traders is, to a high degree, met by local production, but the significance of imports is still growing. Much of these imports are re-exported to other EU countries.

Other leading cut flower suppliers are Kenya (11% of EU imports), Ecuador (4%), Colombia (3%) and Ethiopia (3%). The position of Kenya as an important supplier has been strengthened and imports from Ethiopia have boomed during the last couple of years.

In terms of market coverage, social and environmental standards have become mainstream in the international trade in cut flowers. A rough estimate puts between 50% and 75% of flowers imported into the EU as adhering to one or more of the social and environmental standards. In fact, the share of certified products in imports continues to grow in most countries.

Distribution channels

Historically, the Dutch auctions play a central role in the European flower and plant trade, both as a market place and as a distribution hub for flowers from developing countries. The auctions handle about 80-90% of local Dutch produce and 60% of flowers imported into The Netherlands. The auctions heavily influence global trade and serve as a price-setting institute for a large part of the flower market, in particular in Europe, where they have an estimated 30 to 40% market share in cut flowers.

Three standards are identified on the auction clock front and communicated to buyers: MPS-ABC, FFP, and Florimark. Still, participation in any certification scheme is not a mandatory requirement for supplying products to the auctions. Furthermore, only a small number of the wholesalers who buy on the auction clock pass the information about certification on to their customers.

So, no real market pressure exists to adopting standards. Nonetheless, a vast majority of auction suppliers adheres to one or more standards with MPS-ABC being by far the most popular standard. Estimates suggest that about 80% of flowers supplied to the auctions is produced by a grower who participates in the MPS-ABC scheme. Producers often consider obtaining MPS environmental certification a good way to enhance the farm's reputation.

However, the auctions are under pressure from other types of sales channels which bypass the auction system. Lately, the proportion of flowers imported into the EU passing through the Dutch auctions has declined, and direct sourcing by wholesale importers and large retailers is increasing. Growers in developing countries, exporting (part of) their produce directly, enter a sales channels in which standards often play a significant role. Without appropriate certification, several direct sales channels are not accessible to developing country exporters.

Florists vs. retail chains

On retail level, traditional florists still dominate the distribution of flowers in most EU countries. Special occasions and gifts are the most important reason for people purchasing flowers. Florists, with their creativity, product knowledge and wide assortment, are able to offer just what these consumers are looking for.

The main strength of supermarkets, on the other hand, is the convenience they offer. As a result, supermarkets tend to concentrate on the own use and impulse consumer segment. The importance of supermarkets and other types of retail chains like garden centres has been increasing for a number of years. Lately, this growth seems to have stabilised in some countries.

Being able to supply retail chains depends on the ability of an exporter to comply with their specific requirements, which are unlike those of the traditional flower retailers. Besides the need for considerable quantities of uniform products, supermarkets also have very strict quality requirements, not only with respect to stem length, bud size and other visual quality characteristics, but also vase life guarantee (7 days in many supermarkets). Other typical requirements for the supermarket channel are high performance logistics, and long-term planning.

Retail chains, therefore, have codified the knowledge required to meet their quality specifications into standards and grading systems. They also have a lot to lose in case of negative publicity about labour conditions and environmental impact of the flower industry. They have developed social and environmental standards into important governance tools through which they seek to reduce this kind of risks and ensure themselves of the quality of their suppliers' products and services.

While these issues are very relevant for retail chains, this consideration is less applicable to florists. Florists' interest in social and environmental standards is not based on risk reduction. Florists choose for certified products because of a general feeling of responsibility or to differentiate themselves. Overall, however, the vast majority of European florists is not actively engaged in social and environmental standards, not as a purchasing criterion, nor in their communication towards consumers.

Pricing of certified flowers

Certified flowers and plants generally do not receive higher prices than regular products. In the direct trade channel, bypassing the auction system, certification merely functions as a key to access certain market segments. Naturally, producers and traders try to sell the added value that the flowers come

from guaranteed social and environmental friendly production, but the price is defined by the correlation of supply and demand.

Analysis of auction statistics has shown that higher prices are sometimes obtained by certified growers, but this was mostly thanks to differences in product quality. Several growers and wholesalers stated that certificates can add to the growers' reputation as a professional company, which then again could be reflected in a more positive price setting. In general, however, there are no significant price differences between certified and non-certified products in the auction channel.

Somewhat different is the price setting of FLO's Fairtrade and Max Havelaar flowers. In floriculture, as with conventional sales, farms negotiate a price with the buyers who purchase their flowers for the Fairtrade market. The Fairtrade price, however, includes an additional payment called the Fairtrade premium. The premium amounts to 10% of each sale to invest in community development.

Final remarks

Producers in developing countries targeting the European market are faced with an abundance of standards and need to make a decision which certificates are relevant for their export business to become successful.

In some cases, existing buyers directly ask suppliers to conform to specific certification schemes. Particularly, producers serving the supermarket channel have been introduced into certification this way. Other farms have gathered a collection of certificates hoping to find new customers and tap into new market segments.

For exporters from developing countries, it is crucial to understand that the European trade in flowers and plants is characterised by different sales channels, each with its very own set of requirements. The level of demand for social and environmental standards differs significantly between the florist channel and the supermarket channel. The different characteristics and governance structures of the two channels have influenced the types of standards that are applied in each.

The traditional florist channel still dominates the retail distribution of flowers in most European countries. Many products which pass through the auction system end up in this channel. When selling products via the auction system, there are no mandatory requirements with respect to certification. Information about participation in MPS-ABC, FFP and Florimark, however, is conveyed to buyers. Exporters supplying the florist channel have the opportunity to differentiate themselves with FFP and FLP certificates, which is communicated all the way to the end-consumers.

The lion's share of certified flowers and plants, however, are sold in supermarkets and other types of retail chains like garden centre chains. In the supermarket channel, Fairtrade has created a considerable market niche. Furthermore, large retailers increasingly require compliance with standards such as GLOBALGAP and ETI to ensure themselves of the quality of their suppliers' products and services and to reduce risks with respect to ethical aspects of production. In the supermarket channel, social and environmental certificates have become a real 'license to export'.

Consequently, for producers in developing countries, the selection of which standards to adopt has become a critical part of a sound export strategy. A producer needs to determine not only his target market and sales channel, but also specific demands and relevance of each standard in those sales channels. A grower should also consider if participation in certification schemes can assist his company in building a more efficient and professional organisation and enhance the farm's reputation.

Still, in these economically challenging times, costs of yet another standard can weigh heavy on the company's finances. In the end, each farm needs to evaluate which combination of certification schemes offers best value and fits their existing buyer portfolio and overall company strategy.

BTC - The European Market for Fair and Sustainable Flowers and Plants
by Milco Rikken, ProVerde
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INTRODUCTION

CONTEXT

The present day flower industry is a global and dynamic industry, which has achieved significant growth rates during the past few decades. Global consumption of cut flowers is estimated at an astonishing € 30 billion per year with Europe and North America being the leading markets.

Since the 1990s, production focus has been moving from the markets in the Northern hemisphere towards countries where climatic conditions are more favourable and production and labour costs are lower. As a result, the new centres of production are typically developing countries such as Colombia, Kenya, Ecuador and Ethiopia. Nowadays, the flower industry is one of the major industries in those countries.

The character of flower production (use of chemicals, labour, water) has made the sector susceptible to criticism about working conditions and its environmental impact. Kenya and Colombia, the two largest developing country producers, have been frequently targeted by campaigns demanding better environmental and social conditions.

As a response, a large number of social and environmental standards has emerged since the mid-1990s, both the result of initiatives in Europe and in developing countries. These labels and certification schemes are often adopted by different market parties. While some standards are required by supermarket channels, others can be relevant for growers marketing flowers via the auction channel. Consequently, growers in developing countries are increasingly confronted with the question what is the relevance of these standards for their business.



Access to accurate and relevant market information, therefore, is a virtual prerequisite to sustainable planning, production and trade. As producers become increasingly exposed to ever changing customer demands, there is a corresponding urgency in having up-to-date information about the importance of standards for their business.

Trade for Development Centre

To promote fair and sustainable development, both in developing countries and in Belgium, the Belgian government created the Trade for Development Centre.

The Trade for Development Centre seeks to:

- Increase professionalism of smallholders in developing countries as well as improve their access to markets.
- Disseminate information and increase people's awareness of the various forms of Fair and Sustainable Trade and Aid for Trade.
- Set up an exchange platform on issues of Aid for Trade, Fair Trade and Sustainable Trade.

The Belgian government entrusted the implementation of the programme "Trade for Development Centre" to BTC, the Belgium Technical Cooperation.

① Trade for Development Centre - www.befair.be

① Belgium Technical Cooperation (BTC) - www.btcctb.org

OBJECTIVES

The Trade for Development Centre gathers, analyses and produces market information to improve market access for producers in developing countries.

Given the importance of market transparency for producers aiming at selling their products overseas, this report wants to provide relevant information for producers - within the trade context. This report makes an attempt to capture all relevant information on the European market for fair and sustainable flowers and plants - ranging from economic structure of this market to production characteristics, and major trends in consumer preferences and behaviour.

Above all, the report aims to provide insight into the role of the various social and environmental standards in the main European flower and plant markets and sales channels.

METHODOLOGY

The market study was conducted through a combination of desk research and interviews:

- A series of interviews with relevant experts such as importers, traders, auction, and representatives of certifying organisations. The interviews were mainly conducted by telephone. A number of interviewees were visited for a face-to-face interview.
- Visits to import and wholesale companies, auctions (FloraHolland, Euroveiling), cash & carry wholesale centres (Cultra, Plantion, Herongen) and trade fairs (Hortifair, IFTF).

Finally, much of the information in the study is based on the expertise of members of the consulting team in the sector, both in the international markets and in exporting countries.

TEAM

This report is the result of an investigation by ProVerde - Trade Strategies.

ProVerde provides market research and trade development services to companies, organisations and Government institutes. Areas of specialisation are cut flowers, plants, foliage, fruits & vegetables, and biodiversity products.

① For more information - www.proverde.nl

1 PRODUCT CHARACTERISTICS

This report covers the European and Belgian market for fair and sustainable flowers and plants. Within this industry, a distinction can be made between the four main product groups:

1. Cut flowers
2. Foliage
3. Plants
4. Young plant material

In terms of volume, the position of developing countries as suppliers to the markets in the Northern hemisphere is particularly significant in the case of cut flowers. The focus of this report therefore lies on this product group. Where relevant, the markets for foliage, plants and young plant material will also be dealt with.

Note that in some cases, the naming of flower species can be confusing because the “trade” does not always use the official product names. The official name for carnation, for instance, is *Dianthus*. For the sake of clarity, this survey uses the official (botanical) names.

Cut flowers

The diversity of cut flower products and varieties on the market is enormous. Just to give an impression of the assortment: there are about 15,000 different product codes used for flowers traded at the Dutch auctions. Examples of important fresh cut flowers are *Rosa*, *Chrysanthemum*, *Tulipa*, *Lilium*, *Gerbera*, *Dianthus*, and *Orchid*.

Within the product group cut flowers, several sub groups can be distinguished:

- Bulb flowers (for example *Tulipa* and *Lilium*)
- Summer flowers (flowers that are traditionally grown outside, for example *Solidago* and *Limonium*)
- Tropical flowers (for example *Orchid*, *Anthurium*, *Heliconia*, *Strelitzia*, *Musa* and *Zingiber*)
- Prepared cut flowers: flowers that are dried, dyed or in any other way prepared

Cut flowers are sold as single flowers, mono-bunches, in mixed bouquets, or in compositions. Mono-bunches are bunches of a single type of flower. Mixed bouquets are bunches of different flower varieties, often combined with foliage. Compositions or flower arrangements are ornamental objects, consisting for a large part of flowers.

Depending on the product and the climatic condition, flowers are produced in glass or plastic greenhouses, under cover (plastic, shade nets), or in the open. Growers in Europe increasingly scale up and apply high-tech cultivation methods using technological advances like artificial lighting, automatic shade nets and additional carbon dioxide (CO₂). Producers in developing countries tend to compete on low production costs but are confronted with high transportation costs when exporting to markets in Europe. In most cases, both in the Europe and developing countries, cut flower production is a high-tech and capital-intensive industry.

Partly due to its international character, most standards discussed in this report have primarily been developed for the cut flower industry. In the course of time, the scope of some standards broadened to include pot plants, foliage and even young plant material (see also Chapter 2).

Foliage

The term foliage, also known as *greens*, *fillers* or *decorative material*, covers all leaves, branches, and ears of plants, which are used for decorative purposes and which are traded similarly to cut flowers. Foliage is mainly used in combination with flowers in mixed bouquets and in compositions. It is often applied as a filler bringing volume to a bouquet or to give the arrangement a natural look.

The assortment of foliage available on the European market is wide, consisting of more than 100 products. Foliage is often categorised according to the climate zone of origin:

- Tropical foliage: leading products are *Rumohra adiantiformis* (Leather leaf fern), *Asparagus* (Tree fern), *Chamaedorea* (Chico leaf, etc.), but also a very wide assortment of smaller products like *Codiaeum* (Croton), *Cordyline*, *Pandanus*, *Monstera*, *Aralia*, *Cycas* and *Phoenix*.
- Mediterranean foliage: *Eucalyptus*, *Ruscus*, *Pistacia*, etc.

- Temperate foliage: *Gaultheria shallon* (Salal), *Xerophyllum tenax* (Bear Grass), etc.
- Proteaceous foliage: Endemic foliage from South Africa (Fynbos, Cape greens), Australia and New Zealand.

Foliage is mostly produced in the open (sometimes under shade nets). In The Netherlands, specialist foliage growers produce high-quality foliage in greenhouses.

Gradually, foliage producers are showing an increased interest in social and environmental standards. If certified, foliage can be used as an ingredient in mixed bouquets for retail customers requiring certification.

Plants

The product group of plants includes all living plants, which enter the market as ready sellable products. In most cases, imported plants will need to be acclimatised before they can be sold on the European market.

A distinction can be made between flowering plants, which account for a major part of the European plant sales, and foliage plants:

- Flowering plants: Azalea, Cyclamen, Begonia, Hyacinths, (pot) Rosa, etc.
- Foliage plants: Dracaena, Yucca, Ficus, Hedera, Schefflera, and all kind of palms like *Chrysalidocarpus lutescens* (Areca palm), *Howea forsteriana* (Kentia palm), Cycas and Phoenix.

Another distinction can be made between plants for indoor and plants for outdoor use (garden and patio plants). Sometimes, this differentiation may not be very clear to exporters from tropical countries, as plants grown in tropical countries can be considered over there as outdoor plants, while they will be used as indoor plants in Europe.

Because of logistical limitations (volume/value ratio), hardly any small to medium-sized plants are imported from outside Europe. Larger sized tropical foliage plants are a bit of an exception and are increasingly supplied from tropical regions like Central America.

Young plant material

The term young plant material stands for plants or plant material, which still have to be cultivated in Europe before it can be sold to the consumer. The product group comprises rooted and un-rooted cuttings, canes and young plants. Young plant material usually targets European growers and wholesale nurseries that use the young plant material as starting material for the production of cut flowers or pot plants.

In the past, many growers propagated their own young plant material or sourced their starting material from specialised companies, the so-called breeders. In order to lower costs, growers and breeders have been looking for ways to outsource the production of young plant material to countries with more favourable conditions. Nowadays, cut flower cuttings, young plant material for flowering pot plants and outdoor plants are often propagated in tropical regions under license for European breeders.

In case of foliage plants, a lot of young plant material is sourced from independent suppliers in tropical developing countries, particularly Central America. Examples are Dracaena, Yucca, Aglaonema, Beaucarnea, Codiaeum (Croton), Dieffenbachia.

Until five to ten years ago, relocation of propagation mainly resulted in importing unrooted cuttings. We see, however, that the trade in young plant material is gradually developing towards importing rooted cuttings and even semi-finished and finished plants.

Young plant material is the starting point for the production of a finished product. There is an ongoing discussion if, in order to produce fair and environmentally sound end products, the starting material should comply as well. In case of the MPS-ABC scheme, for instance, the use of certified young plant material is incorporated in the calculation of the final MPS score. At the moment, some leading breeders produce certified young plant material¹.

¹ One of the forerunners is KP Holland (www.kpholland.nl) who produces Anthurium, Kalanchoe and other pot plant cuttings according to all MPS standards (MPS-Florimark production) and has obtained certification for FFP and Milieukeur.

2 SOCIAL AND ENVIRONMENTAL STANDARDS IN FLORICULTURE

2.1 ABOUT FLOWER STANDARDS

Standards are a documented set of rules, requirements or agreements, which must be met in order to achieve something like access to particular markets, the ability to sell to certain buyers or qualification to use a particular label.

The social and environmental standards covered by this report are typically so-called *process standards*. They are essentially criteria for the way flowers and plants are produced. These process criteria might or might not influence the characteristics of the end products.

Another type of standards, not further covered in this report, are *product standards*. Product standards are specifications and criteria for the characteristics of products themselves. An example of product standards in the flower industry are the quality requirements of the Dutch auctions (VBN). The Dutch growers and traders have made agreements concerning the minimum requirements of the products which are offered for sale at the auctions. These agreements, which relate to the products' quality, their grade, packaging and information provided, have been laid down in the VBN product specifications.

Since the 1990s, a variety of standards and labels has emerged in the flower industry. Social and environmental standards differ significantly in origin (both in terms of geography and actors involved), as well as in content, implementation and monitoring procedures. The early ones were mainly set by producer groups or buyers. These first standards tended to be relatively weak on social issues and relied mainly on internal monitoring. Over time, however, standards expanded in line with retail demands for guarantees in the supply chain regarding social, quality and ethical practices. New actors, including NGOs and trade unions, got involved in setting flower standards. Parallel to the appearance of these multi-stakeholder initiatives, a strong appeal for third party monitoring and certification arose.

Moreover, as a form of industry self regulation, producer associations in developing countries have also become quite active in introducing new standards and codes of practice. Examples are the Kenya Flower Council with their KFC Code of Practice and Asocolflores in Colombia with their Florverde standard. The latest addition is the Code of Practice for Sustainable Flower Production by the Ethiopian Horticulture Producer and Exporters Association (EHPEA).

Business-to-business standards and consumer labels

The objective, scope and coverage of existing flower standards vary hugely. Many standards in the flower industry are so-called *business-to-business (B2B) standards*, which are not communicated to consumers. There are also a number of *consumer labels* like Max Havelaar/Fairtrade, Fair Flowers Fair Plants (FFP), Flower Label Program (FLP), EKO, etc.

In addition, more and more supermarket chains offer social and environmental flowers under their own *private labels*, which are communicated to the consumers. All major UK retailers have their own private label for sustainable products (e.g. Tesco Natures Choice). In many cases, these unilateral retailer codes are based on one or a combination of industry standards.

Certificates and labels

Certification is a procedure by which a third party gives written assurance that a product, process or service is in conformity with the standards. The organization performing the certification is called a *certification body* or certifier. The certification body might do the actual inspection, or contract the inspection out to an inspector or inspection body. Certification is always done by a third party.

The *certificate* demonstrates to the buyer that the supplier complies with certain standards, which might be more convincing than if the supplier itself provided the assurance.

A certification *label* is a label or symbol indicating that compliance with standards has been verified. Use of the label is usually controlled by the standard-setting body.

While the certificate is a form of communication between seller and buyer, the label is a form of communication with the end consumer.

Sales channels, market segments and individual buyers have adopted those standards which best meet their needs (or set up their own private standards). Still, many standards deal more or less with the same issues of social and environmental conditions of flower production (see Table 1). As a result, there is some competition between standards that partly cover similar areas. An example is the competition between FLO, FFP, and FLP which all sell 'fair' flowers to consumers in Europe.

On the other hand, this overlap in standards has also led to collaboration and attempts at harmonisation. Several producer associations have benchmarked their standards to GLOBALGAP, and quite a few standards claim to be based on the International Code of Conduct for Cut Flowers (ICC). Additionally, an ambitious harmonisation attempt was set up by means of the development of the Fair Flowers Fair Plants (FFP) standard.

Due to the sheer number of different standards, this report has to focus on the most relevant ones for exporters targeting the European flower market. Standards which are not very common in the European market are not further discussed. An example is Veriflora, an environmental and social certification system mainly found in shops in the USA and Canada.

International Code of Conduct for the production of cut flowers (ICC)

In 1998, a coalition of non-governmental organisations in Switzerland, Germany, The Netherlands, United Kingdom, Sweden and the international trade union IUF proposed the International Code of Conduct for the production of cut flowers (ICC).

The ICC for cut flowers is mainly a social code and is based on the ILO-conventions and UN Universal Declaration of Human Rights.

Table 1 gives an overview of the social and environmental standards that are currently most relevant in the European flower and plant market. In the following section, a short description of the main characteristics of these standards is given.

Table 1 Overview of social and environmental standards in the flower industry (alphabetically sorted)			
	Aspect covered		
	Social	Environmental	Quality
Consumer labels			
EU Ecolabel / national ecolabels (Milieukeur)			
EKO			
Fair Flowers Fair Plants (FFP)			
Fairtrade Labelling Organization (FLO), Max Havelaar			
Flower Label Programme (FLP)			
Rainforest Alliance - Flowers and Ferns			
B2B standards			
Ethical Trade Initiative (ETI)			
GLOBALGAP			
ISO 14001			
MPS family: MPS-ABC			
MPS family: MPS-SQ			
MPS family: MPS-GAP			
MPS family: MPS-Florimark			
SA8000			
Developing country initiatives			
EHPEA Code of Practice			
FlorEcuador			
FlorVerde			
KFC Code of Practice			

2.2 DESCRIPTION OF STANDARDS

Below, you will find a description of the main characteristics of the leading social and environmental standards in the European flowers trade. The overview starts with the leading consumer labels, followed by standards developed in Europe and some examples of standards developed in developing countries.

Note that more detailed information about grower participation in standards is discussed in Chapter 3 on production. The market position of the consumer labels is covered in Chapter 4 on Consumption. Finally, in Section 5.3 on distribution channels we will look at the role of standards in the business-to-business environment.

2.2.1 Consumer labels

EU Ecolabel and national ecolabels

Organisation: European Commission, national organisations.

Focus: Environmental standard to assert compliance with minimum requirements for sustainability or reduction of harm to the environment.

Description: The **EU Ecolabel** is a consumer label that makes it easier for consumers to identify and choose green products. It is a voluntary scheme designed to encourage businesses, services and market products to advertise they are kinder to the environment.

Ecolabel criteria are not based on one single factor, but on studies which analyse the impact of the product on the environment throughout its life-cycle.

There are a number of national ecolabel schemes in Europe, which co-exist with the EU Ecolabel. The Ecolabel Regulation requests Member States and the European Commission to ensure coordination between the EU Ecolabel and other national schemes, particularly in the selection of product groups and the development and revision of the criteria.

Examples are the **Nordic Ecolabel** (Scandinavia) and **Blaue Engel** (Germany). The national ecolabel most relevant for the flower industry is the Dutch ecolabel **Milieukeur**.

Release: 1992 (EU Ecolabel)



EKO

Organisation: Skal is a private non-profit foundation with a public task as certification and inspection body for the organic production in The Netherlands.

Focus: Organically produced flowers.

Description: Organic flowers are grown without the use of synthetic fertilisers and pesticides. The grower uses crop rotation (each year a different crop), strong varieties and natural solutions to control diseases and pests. The use of the *EKO Quality Mark* is restricted to 100% organic companies. The EKO Quality Mark is only allowed on products containing more than 95% organic ingredients. Placement of the newly introduced *EU logo for organic products* is mandatory from 1 July 2010. Gradually, this new logo will replace the familiar EKO-label.

Bioflora is a Dutch growers association with 4 members, all organically certified cut flower growers. The Bioflora label is allowed on mixed bouquets that have at least 25% EKO certified flowers. The remainder (maximum 75%) is required to be MPS-A certified.

Released: 1985



Fair Flowers Fair Plants (FFP)

Organisation: Foundation that originates from the initiative of a group of international stakeholders in the flower industry, amongst which Union Fleurs (the International Floricultural Trade Association), European flower trade organisations, NGOs and unions. An overview of all 40 stakeholders involved with the development and application of FFP can be found on their website. FFP is co-financed with support from the European Community and the Dutch Horticultural Commodity Board.



Focus: Environmental and social labelling scheme based on both the ICC and MPS-A criteria.

Description: FFP is not just a consumer label but acts as an umbrella label for production, trade and retail. Certification includes regular reports by the company and inspections of the company.

FFP has chosen for an international standard at the level of:

- Environmental certification: Certification at MPS-A or comparable level.
- Social certification: Meeting the requirements of the International Code of Conduct, for instance with MPS-SQ.

Other social and environmental schemes are in the process of being benchmarked against the FFP standard; for example, Fiore Giusto in Italy (recently approved) and the Kenya Flower Council Code of Practice.

Traceability is a must within FFP. Products produced according to FFP standards are sold through affiliated FFP traders and retailers, who also satisfy the requirements of the FFP label. The FFP label is added to the product not before it has arrived at the retailer. A special grower's logo has been developed for growers to be used in combination with their participant number to mark their products as FFP products.

Release: 2005

Fairtrade Labelling Organization (FLO), Max Havelaar

Organisation: The Fairtrade Labelling Organizations International (FLO) is an association of 3 producer networks and 21 national labelling initiatives that promote and market the Fairtrade Certification Mark in their countries. Fairtrade labelling organizations exist in 15 European countries as well as in Canada, the United States, Japan, Australia and New Zealand.

To ensure transparency and independence, Fairtrade Labelling Organizations International was divided in January 2004 into two independent organisations:

- **FLO International** develops and reviews Fairtrade standards and assists producers in gaining and maintaining certification and in capitalising on market opportunities on the Fairtrade market.
- **FLO-CERT** ensures that producers and traders comply with the FLO Fairtrade Standards and that producers invest the benefits received through Fairtrade in their development.



Focus: Social standard according to the principles of Fairtrade including a minimum price and a Fairtrade premium.

Description: Fairtrade aims to protect and benefit workers on flowers farms by certifying those farms which ensure safety and good working conditions for their employees.

The Fairtrade movement intends to provide market access to otherwise marginalised producers, connecting them to customers and allowing access with fewer middlemen. It aims to provide higher wages than typically paid to producers as well as helping producers develop knowledge, skills and resources to improve their lives. This includes a *Fairtrade premium* (on top of the Fairtrade price) for producers to be invested in social and environmental improvements. For larger production units an additional aim is to improve the conditions for workers.

There are two distinct sets of Fairtrade standards, which acknowledge different types of disadvantaged producers. One set of standards applies to smallholders that are working together in co-operatives or other organizations with a democratic structure.

The other set applies to workers, whose employers pay decent wages, guarantee the right to join trade unions, ensure health and safety standards and provide adequate housing where relevant.

The *Max Havelaar* Foundation is a member of the FLO and complies with their international Fairtrade standards. The name of *TransFair* is used in some countries including Austria, Germany, the USA, Canada and Japan instead of Max Havelaar. In January 2003, Max Havelaar reached agreement with all international Fairtrade organisations, which are part of the FLO, to use one logo.

Release: 1997 (FLO)

Flower Label Programme (FLP)

Organisation: Association of human rights organisations, labour unions, churches, flower producers and flower retailers, mainly in Germany.

Focus: Social and environmental certification system, benchmarked to the ICC base code for the production of cut flowers, foliage and pot plants.



Description: The ICC defines the universal standards, whereas FLP provides more detailed information on the specific objectives and requirements. When national law and the above standards address the same issue, the most stringent provision applies.

The implementation of FLP standard is checked on a yearly base by independent audit organisations. FLP conducts unannounced spot checks by random choice. Farms that produce according to FLP standards may sell their products with the Flower Label. They become member in FLP Association and are represented in the Board of Directors. Farms that are certified according to Fairtrade standard may apply for FLP membership on the base of the FLO-CERT-inspection.

FLP recently introduced two new initiatives, **FLPlocal** and **FLPorganic**:

- FLP regional / FLPlocal: Local suppliers satisfying the FLP standards and marketing within a radius of 200 km of their production site.
- FLP bio / FLP organic: Certified organic producers, who fulfil the social criteria of FLP, in addition to the organic farming guidelines.

The new modules are part of the pilot project “*Flowers. Of course, naturally*” (www.blumen-natuerlich.de).

Release: 1996

Rainforest Alliance - Flowers and Ferns

Organisation: Rainforest Alliance, an environmental NGO, in partnership with the Sustainable Agriculture Network (SAN).

The Rainforest Alliance is the coordinator of the Sustainable Agriculture Network (SAN), a coalition of leading conservation groups. The SAN awards the Rainforest Alliance Certified seal to farmers who meet certain guidelines for sustainability.



Focus: Certification system for conservation of biodiversity and sustainable livelihoods.

Description: The set of standards for responsible flower and fern farm management includes measures to reduce water pollution, soil erosion, waste and the use of pesticides, to protect local wildlife, to increase efficiency and to provide better conditions for workers.

The seal assures consumers that the products they are buying are produced according to criteria that balance ecological, economic and social considerations.

Release: 2001

2.2.2 B2B standards

Ethical Trade Initiative (ETI)

Organisation: ETI is a coalition of UK-based companies, trade union organisations and NGOs, and supported by the British government.

Focus: Generic code of labour practice, which is internationally recognised as a model code. The ETI focuses on ethical sourcing by companies, in particular retail chains.

Description: All members of the ETI alliance and many other retailers and brands have adopted the Base Code and have committed to making sure their suppliers work towards it over time.

The ETI Base Code consists of nine principles, based on ILO conventions. The Base Code was first published in 1998, and is similar to the SA8000 standard.

Companies involved in the ETI execute internal business evaluation programmes to assess compliance with the ETI Base Code and subsequently try to address non-conformities encountered in the evaluations.

ETI is not a certification scheme. Nevertheless, as mentioned above, ETI members will require their suppliers to comply with ETI standards. This means that they will probably require that the supplier is audited. These audits are used as a way of diagnosing problems, not as a 'pass or fail' test.

After an audit, the supplier may receive a certificate of compliance with the ETI Base Code from the auditing company. However, ETI does not formally endorse any certificate that claims that a company is 'compliant with ETI' or 'compliant with the ETI Base Code'.

The ETI scheme has become significant in the sourcing of African products such as horticulture, as many of the UK's largest retailers have agreed to apply the baseline code to their suppliers.

Release: 1998



GLOBALGAP

Organisation: Coalition of several of the biggest retail chains in Europe, amongst which Tesco, Sainsbury's, Safeway, Albert Heijn, Delhaize and others (supermarkets). GLOBALGAP members include retail and food service members, producers/suppliers and associate members from the input and service side of agriculture.

GLOBALG.A.P.

The members' product base ranges from crops to livestock and aquaculture to compound feed and plant propagation material.

Focus: The GLOBALGAP protocol defines the elements of Good Agricultural Practices (GAP). It includes topics such as Integrated Crop Management (ICM), Integrated Pest Control (IPC), Quality Management System (QMS), Hazard Analysis and Critical Control Points (HACCP), worker health, safety, welfare and environmental pollution and conservation management.

Description: The objective of GLOBALGAP, previously known as EurepGAP, is to reassure consumers about the environmental impact of farming, and bring about a responsible approach to worker health and safety as well as animal welfare.

Among the wide range of product scopes which GLOBALGAP offers for certification, fruit and vegetables is by far the leading category. The *GLOBALGAP Flower and Ornamental standard*, however, has been growing strongly.

GLOBALGAP is a pre-farm-gate standard, which means that the certificate covers the process of the certified product from farm inputs like seedlings and all the farming activities until the product leaves the farm. In order to obtain certification, producers must meet the general Control Points and Compliance Criteria, plus the specific criteria for the Crops Base category, as well as for the "sub-scope," Flowers and Ornamentals. Important for the certification of flowers and ornamentals are the issues around worker health and safety as well as environmental issues.

GLOBALGAP is a business-to-business label and is therefore not directly visible to consumers.

Several national and international flower and ornamental schemes have applied for benchmarking against the GLOBALGAP standard. Florverde (Colombia), MPS-GAP (The Netherlands) and SWISSGAP HORTIKULTUR have achieved the status of “fully approved standards”, which means that producers who are certified against any of these standards also comply with the GLOBALGAP standard. KenyaGAP and Kenya Flower Council Silver standard are provisionally approved.

Release: 2003.

ISO 14000 family

Organisation: The International Organization for Standardization (ISO) is a network of national standards institutes from about 160 countries with the objective of eliminating technical barriers to trade through coordination and unification of industrial standards. Its members are organisations from both the public and the private sector.



Focus: Environmental management systems (EMS): ISO 14000 is a series of environmental management standards that addresses various aspects of environmental management.

Description: ISO 14001 is by far the most widely used environmental management system (EMS). It is part of the ISO 14000 series which addresses environmental management; ISO 14001 provides the requirements for an EMS and ISO 14004 gives general EMS guidelines. The other standards and guidelines in the family address specific environmental aspects, including: labelling, performance evaluation, life cycle analysis, communication and auditing. ISO 14001 does not specify levels of environmental performance. The standard does not assure environmental performance improvement. The standard, therefore, can be implemented by a wide variety of organisations, whatever their current level of environmental maturity. However, a commitment to compliance with applicable environmental legislation and regulations is required, along with a commitment to continuous improvement – for which the EMS provides the framework.

Release: 2004

MPS family: MPS-ABC, MPS-SQ, MPS-GAP, MPS-Florimark

Organisation: MPS, short for ‘Milieu Project Sierteelt’ (or ‘Floriculture Environmental Project’), was set up as an environmental project by the Dutch auctions. Nowadays, MPS is an international organisation active in more than 50 countries.

MPS works closely together with its two limited companies MPS-ECAS and MPS-HCS. MPS-ECAS is responsible for the entire registration and certification process; MPS-HCS provides advice about the correct choice of certificate and supervises the implementation of the certification requirements at the farm or nursery.



Focus: Series of certificates in the areas of quality assurance, the environment and social aspects, not only for growers, but also for traders and auctions.

Description: The MPS strategy is to give growers a modular construction of certification. The best known is the environmental management system MPS-ABC with optional modules for social qualification MPS-SQ (based on the ICC code) and MPS-GAP (benchmarked to GLOBALGAP).

Standards for growers:

- **MPS-ABC:** Environmental registration system where A is the most environmentally friendly. MPS-ABC works like a rating scale, indicating the level of sustainability of operations management. The system is based on data recording and reporting by the participants. Based on their achievements, they are awarded points. The requirements include usage of crop protection agents, fertilisers, energy and waste. Points may be allocated differently for countries outside north-western Europe, with respect to different themes (water, chemicals, etc.). Participants are awarded a

qualification four times a year namely MPS-A, B or C based on the total number of points achieved.

- **MPS-Socially Qualified (SQ):** Sets standards concerning good working conditions. These include requirements on health, safety and terms of employment. MPS-SQ is based on universal human rights, the codes of conduct of local representative organisations, and International Labour Organisation (ILO) agreements. Furthermore, MPS-SQ is almost identical to ETI (Ethical Trading Initiative), another commonly required label. The MPS organisation also certifies according to ETI.
- **MPS-GAP:** Certification for compliance with demands from the retail sector. The MPS-GAP certification scheme is based on the criteria formulated by the European retail organisation EUREP for safe, sustainably-cultivated, high-quality and traceable products. These criteria are expressed in Good Agricultural Practice (GAP), GLOBALGAP. MPS-GAP is benchmarked with the GLOBALGAP flowers and plants scheme.
- **MPS-Quality:** Quality assurance system that includes sector-specific requirements for floriculture. Participating in MPS-Quality means producing descriptions of a number of business processes such as purchasing, harvesting, sorting and packaging, sales, dealing with complaints, customer satisfaction and shelf life tests.
- **MPS-Qualitree:** Quality assurance system with sector specific for the nursery stock industry. The requirements are further similar to MPS-Quality.
- **MPS-Florimark production:** Awarded upon certification for the following modules for MPS-A, MPS-GAP, MPS-Quality (quality care certificate), and MPS-SQ.

Note that MPS-A together with MPS-SQ has been benchmarked to FFP.

Standards for traders:

- **Florimark TraceCert:** Certificate for traceability.
- **Florimark GTP (Good Trade Practice):** Quality management system with supplementary requirements for traceability and social/environmental issues.
- **ISO 9001:2008:** Certificate in the field of quality care and chain quality.
- **MPS-Florimark trade:** Awarded upon certification for Florimark TraceCert, Florimark GTP and ISO 9001:2008.

The Belgian partner organisation **VMS (Vlaams Milieuplan Sierteelt)** coordinates the MPS standards in Belgium.

Release: 1995

SA8000

Organisation: Social Accountability International (SAI) is a global, multi-stakeholder, standards setting organisation whose mission is to advance the human rights of workers around the world. In 1996, SAI convened an international multi-stakeholder Advisory Board to develop the SA8000 standards.

Focus: Social standard for managing working conditions.

Description: SA8000 is a voluntary workplace certification for companies seeking to guarantee the basic rights of their workers throughout the supply chain. These include prohibition of child or forced labour, enforcement of safe and healthy working environments, rights to freedom of association and to collective bargaining, and criteria on working hours, wages, freedom from discrimination and the requirement for a social management system.

The system provides social standards that are applicable to all industries and is based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization (ILO) conventions. Additionally, SA8000 requires a company strategy for managing social workplace issues.

The standards were initially developed for the manufacturing industry, and approved for use in the agriculture sector in 2000. The standards were revised in 2001 and another revision of the guidance documents is underway.

Release: 1998



2.2.3 Developing country initiatives

EHPEA Code of Practice

Organisation: Ethiopian Horticulture Producer and Exporters Association (EHPEA): a non-profit and non-governmental horticultural producer organisation (with support from The Netherlands through the Dutch Ethiopian horticulture partnership).



Focus: Environmental and social certification system: Broad-based requirements, GAP, management systems, environment and employment conditions.

Description: EHPEA Code was designed and introduced to guide the sustainable development of the Flower and Cuttings export sector in Ethiopia and to provide a tool for monitoring and communication progress and standard achieved. The EHPEA Code is designed to have three levels of requirements, Bronze, Silver and Gold. In 2007, only the bronze level was launched as it was judged that emphasis should be placed on getting all farms in the sector to meet a good basic standard. Now the sector is preparing to introduce the two higher levels of the Code. EHPEA has been proactive in helping farms to meet the requirements of the Code (training for farms is provided by the EHPEA team). Independent external audits are performed by Control Union Certification (CUC). Farms are motivated to use the CoP as a first step towards achieving relevant international market labels.

Release: 2007

FlorEcuador

Organisation: Expoflores: Association of Ecuadorian flower producers and exporters.

Focus: Environmental and social certification system.

Description: FlorEcuador is a program of self management that strives to achieve the fulfilment of social and environmental standards in flower farms in Ecuador. FlorEcuador integrates the following aspects of compliance:

1. Environmental Management and Good Agricultural Practices
2. Human Management and Social Responsibility
3. Legal Aspects



FlorEcuador promotes corporate social responsibility, improves the working conditions of the flower worker, and looks to generate a clean production process that includes the optimisation of resources and agricultural supplies. It prohibits the use of toxic agrochemicals and promotes the application of the Integrated Disease Management (MIP) techniques.

FlorEcuador is a national standard that improves the competitiveness of the flower companies by the implementation of good management practices through its terms of compliance.

FlorEcuador operates through compliance reviews of the flower companies, which are assessed according to the performance of each farm.

The farm names an internal auditor, who will implement the program within the company who conducts a pre-audit and who fills out the list of requirements. Subsequently, FlorEcuador analyses the farm and determines its level of compliance with the standards of the program. In order to be certified for the FlorEcuador, a farm has to comply with a minimum of 80% of the requirements.

SGS and Bureau Veritas conduct the International Certification of FlorEcuador.

FlorEcuador is obligatory for all of the members of Expoflores.

Release: 2005

Florverde

Organisation: Asocolflores: Association of Colombian flower growers and exporters.

Focus: Set of social and environmental standards, as well as a code of conduct.

Description: Florverde strives to improve the lives and living standards of flower farm workers and their families, to preserve and protect the environment for the industry's farmers for generations to come, and to ensure high-quality, affordable flowers for consumers year-round.

The Florverde Certification System is made up of a series of regulatory documents dealing with standards and other important criteria. These are supported by its information system and mentoring processes that assures continuous improvement and validate that flowers certified under this label are produced under the highest environmental and social standards.

There is no provision for partial certification. To be certified Florverde, farms must comply with all compulsory standards, including operational and social guidelines.

Florverde certification is verified by SGS.

In 2008, Florverde was fully benchmarked to GLOBALGAP.

Release: 1996



KFC Code of Practice

Organisation: Kenya Flower Council (KFC): Association of Kenyan flower growers.

Focus: Environmental and social certification system.

Description: The KFC Code of Practice details the standards to be met in environmental, social, health and safety and good agricultural practices by all KFC members. The standard is based on European standards (particularly UK retailer standards) for good agricultural practices and social and environmental performance, but with references to Kenyan legislation.

The KFC CoP operates on two levels: Silver and Gold Certification Standards. The *Silver Standard* is the basic requirement for all members of the KFC. *Gold Standard* Code of Practice is the highest certification of the Council. It awards members with the highest accreditation for environmental, health & safety, good agricultural practices and quality management systems, applied and monitored daily. The Gold Standard Code of Practice is based on the ISO 14001 framework and other similar environmental systems.

Apart from yearly certification audits, KFC also carries out unannounced audits on 10% of their member farms every year. KFC CoP is reviewed at least every two years, to embrace changes of social, environmental, statutory and international requirements.

The KFC CoP is benchmarked to GLOBALGAP and is undergoing a bench marking/mutual recognition with Tesco Natures Choice, FFP and FLP, MPS-SQ, MPS-Social, MPS-ABC and Rainforest Alliance. KFC is also agent for Kenya Bureau of Standards KS-1758. Therefore, a KFC Silver audit will confer certification to all aforementioned schemes, hence saving precious time and resources.

In addition, the KFC CoP embraces more than 23 different Kenyan Government statutes relevant to floriculture, due reference to the principles of ILO, ICC, ETI and HEBI, Horticulture Ethical Business Initiatives.

Release: 1998



3 PRODUCTION

3.1 PRODUCTION SIZE

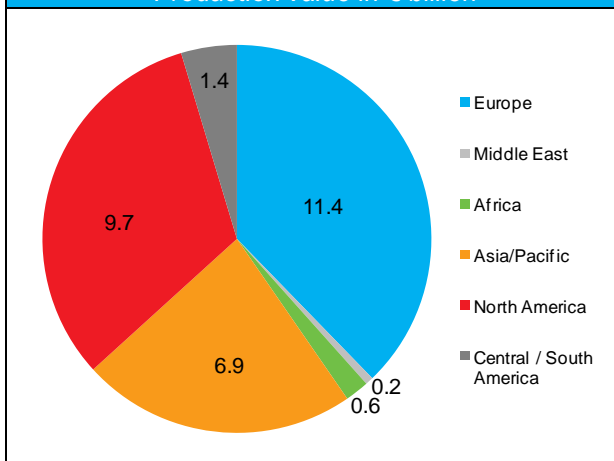
Exact figures about the worldwide production of flowers and plants do not exist. AIPH, the International Association of Horticultural Producers, collects data from a wide range of national statistics offices. The collected data indicates that globally more than half a million hectares are used to cultivate flowers and pot plants, both in the open and covered (see Figure).

According to AIPH estimates, the total production value reaches about € 25 billion euro annually. Other sources tend to make higher estimations ranging from € 30 billion to € 50 billion a year for commercially grown cut flowers alone (excluding pot plants).

Traditionally, flowers and plants are grown close to the market. For that reason, countries with large domestic markets like Japan, USA and Germany are also major flower and plant producers. Another leading producer of flowers and plants is The Netherlands, which has a central position in the European trade in these products.

Since the 1980s, production of flowers has started to shift from countries that have traditionally been consumers and growers towards other new producing countries.

Table 2 Global production of flowers & pot plants
Production value in € billion



Source: AIPH Statistical Yearbook 2009

Note: statistical sources range from 1995 to 2009

These relatively new producing countries are typically developing countries with advantageous production conditions like lower labour costs, availability of land, good climatic conditions and fiscal incentives. The growing flower production in these countries is a result of investments by local and foreign businessmen and migrating European growers. Particularly growers from The Netherlands, but also from other countries like Israel and the UK have relocated their production to lower cost countries, which offer favourable cultivation circumstances.

Colombia is the largest flower exporter in South America and worldwide second after The Netherlands. Colombia supplies the lion's share of flowers imported into the USA. Another important South American flower producer is Ecuador. Ecuador is well known throughout the world for its heavy-quality, large-budded roses.

In Africa, Kenya is the largest producer, followed at a distance by Ethiopia. Both the Kenyan and Ethiopian cut flower industry has grown rapidly in recent years, supplying a large percentage of Europe's flowers, above all roses and summer flowers. Other African countries with a sizeable flower industry are Zimbabwe, Uganda, South Africa and Tanzania.

Production in Israel, traditionally an important flower producer and exporter, has been declining since a few years. Other important suppliers in the ever more internationalising flower industry are Australia, Thailand, Malaysia, and India, each with their own specialisation.

It should be noted that this strong trend towards internationalisation is not only found in cut flower production. Also the cultivation of other ornamental products is increasingly organised far away from the market. Central American countries like Costa Rica and Guatemala have developed into leading suppliers of tropical foliage and young pot plant material. Additionally, a number of European companies have set up propagation facilities in Africa and South America to produce young plant material for cut flowers and garden plants.

Production in the EU

The total European production value is approximately € 11 billion (of which EU members produce € 9.5 billion). The Netherlands is by far the largest producer in the EU, accounting for 40% of total production value. Other leading producers are Italy, Germany, and France. Their flower production, however, is mainly for the domestic market.

The development of cut flower production varies widely by country. In some countries in North-West Europe, such as the UK, cut flower production is stagnating or even decreasing. In The Netherlands, Italy, Spain, Belgium, Sweden and Denmark, the number of growers is declining, but the remaining farms are increasing in size. As a result, production remains reasonably stable in these countries. In Eastern European countries, and particular in Poland, there is a recovery in production.

	Production value <i>in € million</i>	Year	Production value <i>in € million</i>	Year	Trend
The Netherlands	3,542	2003	4,005	2008	↗
Italy	1,826	1994	1,627	2005	↘
Germany	1,174	1997	1,289	2005	↗
France	956	1998	588	1999	↘
Poland	n.a.	n.a.	518 ^b	2003	↑
Portugal	704	1994	457	2005	↓
UK	473 ^c	2002	431 ^c	2007	↘
Spain	345	1990	412	2006	↗
Denmark	359	2002	349	2007	↔
Belgium	278	1999	263	2002	↔
Austria	240 ^a	1999	240 ^a	2004	↔
Greece	n.a.	n.a.	172	2004	↔
Sweden	81	2001	128	2005	↗
Finland	76	2001	97	2008	↗
Hungary	95	1999	95	2006	↔
Czech Republic	43	2002	43	2007	↔
Ireland	10	2002	60	2006	↑

Source: AIPH (2009), CBI (2010)

^a Including tree nursery; ^b Estimated; ^c Including flower bulbs

In pot plants, The Netherlands and Germany are at the top of the producer list. Together, these two countries account for about 60% of all plants produced in the EU. The Dutch plant production has increased in recent years by about 5% per year. In Germany, plant production did not increase that fast, for a large part due to competition from neighbouring countries. The development of production of plants in other EU countries shows a mixed picture.

Production in Belgium is fairly stable. Belgian production mainly consists of flowering pot plants. The production of pot plants was realised on 913 hectares of open area and 561 hectares under glass in 2008. The cultivation of cut flowers covered a mere 75 hectares of open area and 73 hectares of glass production. Many growers are situated in and around Lochristi near the city of Gent.

The climatic conditions for producing flowers and plant are far from optimal in most EU countries. Nevertheless, European growers are capable of producing top-quality products throughout the year, amongst others through investing in high-tech cultivation techniques like heating, assimilation lighting and additional Carbon Dioxide (CO₂). As a result, European growers produce a wide range of products in a very competitive manner.

Cut flowers	Pot plants
1. Rosa	1. Phalaenopsis (orchid)
2. Chrysanthemum	2. Anthurium
3. Tulipa	3. Kalanchoe
4. Lilium	4. Dracaena
5. Gerbera	5. Rosa (pot)
6. Cymbidium	6. Ficus
7. Freesia	7. Chrysanthemum (pot)
8. Hippeastrum	8. Hydrangea
9. Eustoma	9. Hyacinthus
10. Alstroemeria	10. Spathiphyllum

Below, we will highlight the main characteristics of production in the three leading EU production countries plus Belgium.

The Netherlands

- Since many years, the Dutch flower industry has been the largest flower and plant producer in the EU. In The Netherlands, ornamentals are primarily produced for exports. The industry is holding on to its competitive edge through the development of high-tech, mechanised growing and harvesting techniques, which allow for year-round production at minimal labour costs, while maintaining very high quality standards.
- The number of Dutch growers is decreasing at an average rate of no less than 6.5% per year. Similar, the overall production area of flowers grown under glass is also decreasing by 3.5% annually, indicating increasing scales and ever larger companies. Actually, greenhouse companies smaller than 2 hectares have been disappearing, while the number of companies larger than 5 hectares has increased in the last ten years. These increasing scales combined with expanded productivity have resulted in an overall growth of production.
- Another characteristic of production in The Netherlands is the extremely wide assortment of products. Because of the fierce competition, Dutch growers need to distinguish themselves. As a result, the sector has developed an abundance of products and varieties, with all kinds of added-value items attached to it.
- In recent years, most of the decrease in production area has been accounted for by Rosa and Chrysanthemum. Particularly Dutch rose growers feel the competition from African producers. Other cut flowers witnessing decreasing production figures are Lilium, Freesia and Dianthus.
- Dutch ornamental production is gradually shifting from cut flowers to plants.
- Production tends to be concentrated around the auctions. The two main production regions are found in the Westland region and around Aalsmeer, near the main FloraHolland auctions. The Dutch Government policies, however, are more and more aiming to shift production towards less-populated regions.
- Dutch growers are increasingly marketing their products by themselves, or they set up clusters and grower associations. By bundling their resources, they can afford to employ their own salesmen and marketers. Moreover, through clustering, growers associations are able to offer larger volumes and a more complete assortment to larger buyers.

Italy

- Italy is one of the leading producers of plants in the EU and has a strong tradition in cut flowers.
- Many of the thousands of Italian producers are small growers that apply relatively old technology. Currently, professionalisation and consolidation are major developments in the sector. Scales of production are increasing, while the smaller growers are disappearing.
- The acreage and numbers of flowers and plants produced in Italy are slightly decreasing. Still, the total production value remains rather stable thanks to the increasing scales.
- Italy is thought to have the largest production of Cyclamen in the EU. Other major plant species grown in Italy are Impatiens, Primula, Petunia, Pelargonium, Begonia and Poinsettia.
- Italian cut flower production consists mainly of Rosa and Dianthus. However, due to foreign competition, production of these products decreased dramatically. Nowadays, products like Ranunculus, Lilium, Gerbera and Anthurium are also grown.
- The production of plants is concentrated in the north (70% in Veneto and Lombardia). Southern Italy also produces large palms like Chrysolidocarpus (Kentia) and Phoenix. Sicily, an emerging plant producing region, mainly produces citrus and semi-tropical plants. In recent years, the production of plants in Italy moved to the south, benefiting from government subsidies.
- A number of regions in Italy is famous for their cut flowers, but particularly San Remo. Other major regions of flower production are Campania, Puglia, Toscana, Sicily and Lazio. Thanks to subsidy schemes, the southern regions have become important flower suppliers.
- Many growers have changed their production in the open to cultivation under cover (predominantly plastic greenhouses). Some of the Italian companies show a trend towards integrating different activities in the chain. An example worth mentioning is the Italian Ciccolella group (www.ciccolella.eu). Ciccolella is one of the leading growers in Europe of Rosa and Anthurium cut

flowers. In recent years, they have acquired a number of large Dutch flower companies like the Leliveld Group, Flower Plant Partners and the Zurel Group, one of the main European traders of flowers and plants. The Ciccolella group is still building new greenhouses in the South of Italy. It is estimated that the total area under production will soon reach approximately 210 hectares.

Belgium

- Belgium is a far more important producer of pot plants than flowers. The total area used to produce plants was 913 hectares of open area and 561 hectares under glass in 2008. The production of cut flowers was realised on 75 hectares of open area and 73 hectares under glass in 2007.
- There are about 1,212 companies producing plants and flowers under glass and 875 companies producing plants and flowers in the open area. The vast majority are growers of pot plants, trees and shrubs. The number of flower growers is much smaller (124 companies in 2007 and declining).
- Although production under glass is more common than production in the open, the latter is increasing, whereas production under glass is decreasing.
- Belgian growers produce many different plants, but they have a particular strong tradition in the cultivation of indoor flowering pot plants of which the Azalea (Rhododendron) is the showpiece.
- Rosa is still the main cut flower produced in Belgium. This production accounts for about half of the Belgian area for flower production under glass. Nevertheless, Rosa production has been steadily decreasing for a number of years due to strong foreign competition.
- Belgian growers are facing difficult times and many are closing down. Remaining farms are scaling up to face increasing costs and to become professional organisations able to face the stiff international competition.

3.2 CERTIFIED PRODUCTION

As will be illustrated in the chapter on consumption, a growing number of European consumers are no longer only concerned about price, quality and product safety, but also about the social and environmental conditions under which products are produced. Due to these changes, producers supplying the European market are increasingly required to document their compliance with different social and environmental standards.

Today, a vast majority of European flower and plant growers participate in one or more certification schemes. Some growers have chosen to participate as a form of self-regulation; others use certification schemes as a management tool to professionalise their business.

Another reason for growers to obtain certification is to profile their company as professional and sustainable. By building the company name as a quality brand, a grower expects better returns, for instance on the auction clock.

Most growers, however, participate in one or more certification schemes to comply with buyer requirements. Certificates open up market segments they otherwise would not be able to supply. To supply the Swiss supermarket segment (Coop and Migros), a grower has to be Max Havelaar certified.

Some growers comply with only one standard, while others have collected more than a few certificates. Fikoplant (www.fikoplant.eu) in Belgium, for example, has obtained certification for MPS-GAP, MPS-SQ and FFP². In Kenya, some companies dealing with many direct sales channels have even more labels.

Among standards that aim at the European market, the environmental **MPS-ABC** scheme is by far the biggest in terms of number of certified producers. MPS-ABC is also the largest ornamental-specific scheme with 3,673 participants in 2010.

² Other examples of Belgian growers with more one certificate are ID'Flor (www.idflor.be) with MPS-GAP, MPS-SQ and FFP and Kris Floré (www.florekris.be) with MPS-A and MPS-GAP.

Table 5 Grower participation in standards 2009 / 2010			
	number of companies	hectares	countries
MPS-ABC	3,673	26,779	Netherlands (2,678), Japan (222), Belgium (150), France (124), Spain (83) (see Table 6)
GLOBALGAP	+/- 400		
MPS-GAP	227		Netherlands (172 companies), Kenya (15), Belgium (9), Uganda (8), Denmark (6), rest (17)
Florverde	170		all Colombian
FFP	160	2,130	Plants (85): Netherlands (79) Flowers (75): Netherlands (30), Italy (16), Kenya (14), Ethiopia (7)
MPS-SQ	145		Netherlands (109 companies), Kenya (15), Ethiopia (7), Uganda (4), Belgium (2), rest (8)
FlorEcuador	104		all Ecuadorian
MPS-ETI	95		Netherlands (73 companies), Kenya (10), Ethiopia (3), rest (9)
FLP	54	1,300	Ecuador (42), Germany (6), (Kenya (1), Chile (1), Portugal (1), Sri Lanka (1)
EKO	98	60	all Dutch
Rainforest Alliance	53		
FLO	50		Kenya (24), Ecuador (10), Zimbabwe (8), Tanzania (3), Sri Lanka (2), rest (3)
EHPEA CoP	+/- 50		all Ethiopian
KFC CoP	48		of which 9 Gold status
MPS-Florimark	42		all Dutch
Milieukeur	32		all Dutch: 27 growers of trees and shrubs, 5 greenhouse growers of flowers and plants

Source: annual reports, BIO-Monitor, websites, interviews

MPS is active in more than 50 countries, but The Netherlands, where the MPS scheme was first developed, remains the largest market with 2,678 participants in 2010. Other important countries with a considerable number of MPS-ABC participants are Japan, Belgium and France.

In Belgium, there are 150 growers, mainly in trees, shrubs and pot plants participating in MPS-ABC. The number of participants is stagnating according to VMS, the Flemish partner of MPS, but the average size of participants increases.

Table 6 MPS-ABC participants per country number of companies, area in hectares								
2000			2005			2010		
	farms	area		farms	area		farms	area
Netherlands	3,313	12,117	Netherlands	2,625	12,139	Netherlands	2,678	12,800
Belgium	156	1,008	Belgium	96	1,060	Japan	222	219
Israel	72	604	Denmark	45	694	Belgium	150	1,461
Denmark	51	388	Spain	19	492	France	124	3,367
Zimbabwe	37	294	France	9	694	Spain	83	507
Kenya/Tanzania	22	525	Israel	n.a.	60	Denmark	51	676
Zambia	9	87	Latin America	n.a.	3,001	Kenya	44	2,118
			Africa	n.a.	2,279	Italy	43	902
			Others	89	334	Costa Rica	34	879
						Ethiopia	25	591
						Others	219	3,259
Total	3,660	15,023	Total	2,883	20,753	Total	3,673	26,779

Source: MPS annual reports, interview (2010)

The number of MPS-ABC certified companies has been fluctuating somewhat over the past years. In 2002, MPS-ABC still had 3,297 participating companies, representing 16,740 hectares. In 2005, the

number of participants had shrunk to 2,883 companies, while the total area increased to 20,753 hectares. Since then, participation has steadily gone up to reach 3,673 clients representing 26,779 hectares in November 2010.

Last year, the area cultivated by MPS-ABC companies rose by 5% worldwide. Within Europe the increase was due to countries such as France, Italy and Spain; outside of Europe especially Japan showed a marked increase. MPS expects that France will be responsible for a considerable increase in the coming years as growers that supply to Botanic, a French garden centre chain, need to participate in MPS-ABC.

GLOBALGAP, together with its benchmarked certification schemes, is the second largest standard in the floricultural industry.

There are no exact figures available about the actual number of certified growers³. Statements from interviews with GLOBALGAP representatives and sector experts, however, indicate that the current number of certified growers is about 400 companies in 24 countries. This figure includes companies certified for standards that are benchmarked against the GLOBALGAP like MPS-GAP and Florverde.

The **MPS-GAP** is the second largest MPS module after MPS-ABC. The total number of certified growers was 227 in 2010, making it the third largest standards in itself. It is estimated that about half of the floricultural GAP growers are MPS-GAP certified growers. About 75% of the MPS-GAP certified companies are from The Netherlands. Other participants can be found in Kenya, Belgium, Uganda and several other countries.

Fair Flowers Fair Plants (FFP) has a total of about 160 participating growers, of which 75 growers of flowers and 85 growers of plants. Together they represent about 1,700 hectares of cut flowers and 430 hectares of pot plants. The majority of the FFP certified growers are Dutch companies (79 plant growers and 30 flower growers). For the rest, growers mainly consist of a relatively large group of Italian flower growers and cut flower growers from the major exporting countries such as Kenya and Ethiopia.

FFP requires qualification for MPS-A and MPS-SQ or similar seals of approval. Through FFP, Dutch growers are now able to compete in the market for socially labelled flowers which before was restricted to Southern producers. In October 2010, 145 growers were **MPS-SQ** certified, amongst which no less than 109 from The Netherlands. Other SQ-certified growers can be found, amongst others, in Kenya, Ethiopia and Uganda. Fikoplant and ID'FLor are the only two MPS-SQ growers in Belgium.

The **Ethical Trade Initiative (ETI)** organisation does not have information on the number of flower suppliers as it is not a certification scheme. However, any producer exporting to one of the ETI members will have to be certified. The ETI alliance has over 60 corporate members, plus the trade unions and voluntary organisations, with major UK supermarkets like Asda, Marks & Spencer, Sainsbury's, and Tesco. Flamingo Holding, a leading UK flower provider, is also among the ETI members.

All companies supplying to the ETI members (and other companies who have adopted the code) must comply with the ETI base code. In the flower industry, ETI compliant growers are found in all major flower producing developing countries, particularly in Kenya and Colombia.

MPS also offers an ETI module. At the moment, 95 companies are **MPS-ETI** certified. MPS-ETI certified companies are mainly located in The Netherlands (73 companies).

There are 54 growers certified for the **Flower Label Programme (FLP)**. The FLP-programme mainly focuses on Ecuador with 42 certified companies and Germany with 6 companies. Some other countries (Kenya, Chile, Portugal and Sri Lanka) each have one certified company. The total production area represented by the FLP growers is around 1,300 hectares. With the recent

³ According to its actual statistic policy, GLOBALGAP does not provide information on sub-scope level (ornamentals). Overall, GLOBALGAP has more than 100,000 certified producers worldwide. The products that are most certified are apples (on 20,896 certified farms), followed by potatoes (9,249) and cherries (7,558) (GLOBALGAP, April 2010).

introduction of the “Flowers. Of course, naturally” initiative by FLP, the number of local German growers is also increasing.

The **Fairtrade Labelling Organization (FLO)**, with its **Max Havelaar** consumer label, mainly focuses on flowers from Africa. Almost half of the 50 FLO-certified companies are located in Kenya. Large producers in Africa like Finlay and Oserian are Fairtrade certified. Still, there are also 10 Ecuadorian producers of Fairtrade flowers. Most members are cut flower growers (mainly Rosa), but there are also a number of foliage growers Fairtrade certified.

A number of other larger standards are mainly found among growers in The Netherlands. The organic **EKO** standard, for instance, has been growing steadily in importance among Dutch outdoor growers who cultivate flowers, trees, shrubs and plants in the open. In 2009, 98 growers were EKO-certified organic ornamental producers, covering 60 hectares (70 hectares in 2005). There are 43 certified growers of cut flowers (mainly summer flowers) and 46 certified growers of trees and outdoor shrubs and plants.

In many other product groups, the **EU Ecolabel** is a rapidly growing brand. In the flower and plant industry, however, the EU-wide label is rarely seen. An exception is The Netherlands, where a particular ecolabel under the **Milieukeur** brand has been developed for the ornamental industry. Milieukeur is primarily found among Dutch growers of trees, shrubs and plants. In October 2010, 32 growers carried the Milieukeur label, mainly producers of trees and shrubs.

A standard widely regarded as a top standard among Dutch growers is the **MPS-Florimark** module. MPS-Florimark is the certificate awarded to MPS-A companies that also comply with MPS-GAP, MPS-Quality and MPS-SQ standards. Currently, 42 Dutch companies have been awarded the MPS-Florimark certificate.

Another country specific standard is the Italian **Fiore Giusto** (Italian for ‘Fair Flower’) standard. Fiore Giusto was the first Italian certification scheme for environmentally-friendly produced cut flowers with about 20 Italian flower producers. In 2009, this standard was successfully benchmarked according to the criteria set in the International Code of Conduct (ICC) for the production of cut flowers and was acknowledged by FFP. Fiore Giusto was set up in 2007 by Italian growers, workers’ unions, the San Remo Flower Market and the National Association of Flower Exporters (ANCEF).

In the UK, the British Ornamental Plant Producers’ Certification Scheme (**BOPP**) has been designed for use by growers and packers of ornamental horticultural products and by producers of growing media. The Scheme aims to set high standards of professionalism in the way in which certificated businesses operate and through unbiased and effective evaluation to ensure that standards are maintained. Certified companies are nowadays found not only in the UK, but also among African growers and European wholesalers. The leading Belgian wholesale company Floreac, for instance, is BOPP certified.

The market shares of non-sector specific standards like the environmental **ISO 14000** standard and the social accountability standard **SA8000** are very small in the ornamentals sector. A couple of years ago, there was quite some interest in ISO standards, but this interest has diminished as buyers do not directly demanded these standards.

Two standards that are not primarily aiming for the European market are worth mentioning because of their considerable number of participants in developing countries. The first one is the **Rainforest Alliance - Flowers and Ferns** standard, which has 53 certified growers, mainly in Latin America. The other one is the **VeriFlora** programme, which has grown to include more than 50 growers and handlers doing business in five countries, including many of the largest and most sophisticated farms in North and South America. Both standards are mainly targeting the North American market.

Developing country initiatives

Flower export associations in most of the leading export countries in Africa and Latin America have developed codes of practice dealing with environmental, worker safety, and/or social issues. The idea of the local standards is not to contest the power of retailers. By reinforcing demands already posed by the retailers, they are actually a move towards self-regulation by producers in developing countries. Standards from producer associations can also be seen as an effort to establish a country brand.

In Colombia, more than 170 farms, comprising half of the acreage devoted to growing flowers in the country, have qualified for, or are in the process of qualifying for, **Florverde** certification

The **FlorEcuador** standard is obligatory for all of the members of Expoflores. In October 2010, 104 farms were certified, of which the majority are rose farms, but also some growers of Gypsophila, Chrysanthemum, Hypericum and summer flowers.

One of the most recent standard initiatives was introduced by EHPEA, the Ethiopian Horticulture Producer and Exporters Association. End of July 2010, almost 50 flower and cuttings farms, representing approximately 80% of the production area in Ethiopia, have achieved compliance with the **EHPEA CoP** Bronze level.

In 2010, 41 members of the Kenyan Flower Council were silver certified for the **KFC Code of Practice** and 9 hold the Gold status. Other Kenyan standards are KenyaGAP of the Fresh Produce Exporters Association of Kenya (FPEAK), the Kenyan Horticultural Ethical Business Initiative (HEBI) base code and the Kenya Bureau of Standards (KEBS) standard for the national horticultural industry.

Producer associations generally seek to benchmark their standards to buyer requirements. Florverde, KFC CoP, and KenyaGAP all applied for benchmarking to GLOBALGAP⁴. Another example is the recognition agreement between KFC and the UK supermarket chain Tesco. Tesco has an on-going assessment of KFC's standard and audit procedures in order to ensure that the procedures of the KFC standard are complying with the Ethical Trade Initiative (ETI) requirements, which TESCO adheres to.

3.3 PRODUCTION TRENDS

Although the consumption of flowers and plants in the EU is still increasing, growers face a continuous downward pressure on their margins because of stagnant prices and rising costs. Recently, prices of cut flowers have been under pressure, partly because of the increasing (foreign) supply and because of disappointing demand developments due to the economic crisis.

European producers of cut flowers are facing stiff competition from foreign supplies. The strongest competition is coming from medium to large-scale flower producers in Africa, mainly Kenya, Ethiopia, Zimbabwe, Zambia, Uganda and Tanzania. For their sales, African producers almost entirely rely on the European market (though they are trying to tap into new markets in the Middle East, Asia and North America).

These developments force European growers to make clear choices. Many growers opt to focus on cost leadership by means of scaling up and producing bulk products. In the main European producing countries, the number of farms is decreasing, but the remaining farms are increasing in size. Productivity is a crucial aspect in this industry and is still growing through a strong focus on research and continuous investments in efficient production technology.

Another trend related to increasing scales is the emergence of grower associations. These clusters of growers are often aimed at promoting sales, especially towards the supermarkets and other retail chains. An increasing number of growers and grower associations outsource their sales activities to specialised individuals and companies.

Other growers decide to specialise in niche products targeting specific market segments or relocate production abroad. Several growers have left to Africa to set up new rose farms or start producing summer flowers or cuttings.

Another strategy that is continuously developed is to lower costs by outsourcing parts of the production process to cheaper locations. A good example can be found in the young plant trade. In the past, European plant growers propagated their own young plants or purchased them from specialised European propagators. Over time, production of young plant material has shifted towards cheaper countries. Nowadays, young plant material for tropical pot plants is largely produced in Central

⁴ Florverde has achieved the status of "fully approved standard", while KenyaGAP and KFC Silver standards are provisionally approved.

America. First, Central American suppliers focused on supplying unrooted cuttings. Lately, however, we see that also rooted cuttings and even semi-finished and finished plants are supplied.

In the end, there are more and more products for which it is becoming clear that North European growers can no longer compete against foreign suppliers. An example is the production of small-flowered roses, which has almost entirely disappeared from Europe to countries like Kenya, Uganda and Zimbabwe. The remaining European rose growers now concentrate on larger and heavier quality varieties.

3.4 PROSPECTS FOR FAIR AND SUSTAINABLE FLOWERS AND PLANTS

Despite the impact of the economic crisis, there is still an increasing demand on growers to provide certified products. For growers in developing countries participating in the supermarket channel, it usually means adopting social and environmental standards dictated by the powerful buyers. These buyers are sensitive toward public criticism and dictate not only what is produced but also the social conditions under which the flowers are grown.

Choice of standard depends for a large part on the buyer and for producers supplying several markets this can result in a multitude of different standard demands. It is not uncommon for African and Latin American producers to hold 5 or more different certificates.

On the other hand, many growers see themselves confronted with a reduction in sales and turnover. As a consequence, a lot of producers in Europe, Africa and Latin America are struggling to keep their heads above water.

As growers in developing countries see their profits shrink or even dive into negative figures, they tend to cope with the situation by focusing even more on production and sales. They look for ways to reduce costs. Associated issues, such as certification, have become of secondary importance.

Several African and Latin American growers are now reconsidering or even dropping their certificates. Growers indicated that not only the expenses to obtain certification are an issue, but particularly the costs to maintain and review certification. In the end, producers evaluate which certification schemes offer best value and fit their company strategy and buyer portfolio.

Flower standards can affect competition in the market by altering the terms of participation. That this may also affect prospects of producers in developing country became apparent with the introduction of the FFP label.

The relatively new FFP label offers Dutch growers an opportunity to enter the market for flowers differentiated by social certification. In 2010, 103 out of 160 certified FFP growers were Dutch. This market segment was formerly restricted to producers in developing countries, who could gain a competitive advantage by obtaining social certification like FLO, FLP or ETI. The introduction of FFP effectively altered the terms of competition where Dutch growers are now able to compete in the market for socially labelled flowers.

4 CONSUMPTION

4.1 MARKET SIZE

The total world consumption of cut flowers and plants is estimated as € 40 to € 50 billion. Since the 1980s, this global market has grown consistently. Over the past 5 years, the market has experienced a slowing growth in demand, especially in Europe.

It is often asserted that European consumers account for about half of all flowers and plants sold in the world. The United States and Japan represent another 20% of flower consumption each. Up until the start of the economic crisis, relatively small emerging markets like Russia and the Middle East showed explosive market growth.

As the table below shows, the total consumption of flowers and plants in the EU was about € 23 billion in 2007/08. Slightly more than half of these concern cut flowers. The total consumption of cut flowers and pot plants has been relatively stable in recent years.

Economic and demographic factors determine the total market size and flower consumption. A strong correlation exists between the national average purchase power and the consumption of flowers and plants. Within the EU, Germany remains the largest market, followed by the United Kingdom, France and Italy.

Belgium is the seventh largest market for cut flowers and the ninth largest EU market for pot plants. The figures indicate that flower consumption has slightly decreased since 2002, while consumption of pot plants has moderately grown. Compared to other EU markets, the Belgian market is a relatively well developed market. Each year, Belgians spend on average € 38 per person on cut flowers and € 28 on pot plants, which is higher than the EU average of respectively € 23 and € 16.

Table 7 Consumption of flowers and plants in the EU							
in € million							
Cut flowers			Pot plants				
	2001/02	2008		2002/03	2007		
Germany	3,090	2,910	↔	Germany	3,940	4,198	↗
UK	2,240	1,875	↘	France	1,166	1,268	↔
France	1,995	1,831	↘	UK	724	791	↗
Italy	1,905	1,415	↓	Italy	557	650	↗
Netherlands	956	956	↔	Netherlands	551	556	↔
Spain	776	713	↘	Spain	446	445	↔
Belgium	449	420	↔	Sweden	388	428	↑
Poland	273	406	↑	Austria	304	315	↔
Sweden	301	248	↘	Belgium	267	296	↗
Austria	355	277	↘	Denmark	241	251	↔
Denmark	205	226	↔	Finland	145	206	↑
Greece	152	235	↗	Poland	106	153	↑
Finland	185	195	↔	Czech Rep.	57	123	↑
Ireland	108	156	↗	Hungary	66	111	↑
Portugal	161	159	↔	Portugal	80	106	↑
Czech Rep.	97	165	↑	Greece	75	101	↗
Hungary	126	151	↗	Ireland	57	69	↗
Other (est.)	200	300	↑	Other (est.)	100	133	↗
Total (est.)	13,500	12,700	↘	Total (est.)	9,300	10,200	↗

Source: CBI (2004, 2009)

In Europe, every market has its own particular characteristics. Nevertheless, two general types of markets can be identified:

Mature markets:

These markets are characterised by relatively high levels of per capita expenditure on flowers and plants. The size of these markets tends to be stable. Consumers buy flowers mainly for personal use. They are familiar with many different flowers and are particularly interested in new and

exclusive products. Examples are Germany, Italy, France, Belgium, The Netherlands, Austria, and Sweden.

Growth markets:

Typically, the economies of these countries are expanding (see next paragraph on the economic crisis). In most growth markets, spending per person is still relatively low compared to the mature markets. As the purchasing power of consumers is increasing, they tend to buy more flowers. Nevertheless, flowers are still considered a luxury item and are bought mainly as gifts. Examples of growth markets are Poland and other East-European countries.

Until the economic crisis, the two major growth markets were the United Kingdom and Spain. However, these markets have been dramatically hit by the economic crisis. In Spain, developments were completely reversed, turning strong growth into a sharp decline. Markets which were stable before the crisis, like Germany and The Netherlands, generally registered only a small decrease in consumption.

Western European markets hardly show growth and the sector has been quite severely hit by the economic crisis. Nevertheless, overall prospects appear not that gloomy. Recent reports of respectable Dutch institutions such as the Rabobank and Flower Council of Holland expect 2 to 4% growth per year for the Western European market and 5 to 10% for the emerging Eastern European markets during the next decade.

Assortment

There is no data that directly identifies which products are most sold in the EU. The important role of the auctions in EU flower and plant trade can be used to obtain a reasonable picture of the main products consumed:

Table 8 Main products on the Dutch auctions					
<i>turnover in € million</i>					
Cut Flowers			Pot plants		
2003		2009	2003		2009
1. Rosa	681	1. Rosa	696	1. Phalaenopsis	83
2. Chrysanth. (spray)	299	2. Chrysanth. (spray)	233	2. Dracaena	42
3. Tulipa	186	3. Tulipa	199	3. Kalanchoe	41
4. Lilium	160	4. Lilium	141	4. Anthurium	36
5. Gerbera	106	5. Gerbera	107	5. Ficus	36
6. Freesia	66	6. Cymbidium	60	6. Other pot plants	34
7. Anthurium	60	7. Chrysanth. (single)	58	7. Chrysanthemum	29
8. Alstroemeria	43	8. Freesia	43	8. Spathiphyllum	25
9. Chrysanth. (single)	40	9. Hippeastrum	36	9. Hedera	25
10. Gypsophila	38	10. Eustoma	35	10. Other orchids	24
11. Dianthus	37	11. Alstroemeria	33	11. Hydrangea	24
				11. Hyacinthus	24

Source: VBN (2004, 2010)

It is not surprising that roses are still by far the most important cut flower. EU consumers have a very positive perception of roses and the wide and deep assortment of available roses enables consumers to purchase roses for many different occasions. Within roses, consumer preference is gradually moving from smaller towards larger varieties. Small-budded roses (so-called 'Sweethearts' and smaller 'Intermediates') are considered a bulk product, partly due to the increasing sales in the supermarket channel, which generally sells lower-priced roses. Larger varieties ('T-Hybrids') used to be primarily sold in the florist channel for special occasions, but they are becoming more popular in the supermarket channel as well.

Roses are followed at some distance by other major products such as Chrysanthemum, Tulipa, Lilium and Gerbera. Chrysanthemum shows a shift from spray varieties to single-flower varieties. The market for traditional Dianthus varieties continues to decrease.

About 70 to 80% of all fresh cut flowers purchased in the EU is bought in the form of so-called mono bunches (of one variety) or by stem, the rest is in ready-made bouquets of mixed flowers and foliage, and in flower arrangements.

Why do people buy flowers and plants: special occasion versus own use

To understand the working of the ornamental industry it is crucial to understand why people buy flowers and plants. An important distinction can be made between two main purchasing motives.

First, consumers buy flowers and plants for *special occasions*. In fact, most flowers are purchased as gifts (around 50-60%) for a birthday, Valentine's Day, Mother's Day, Christmas or any of the other festive days. Another 20% is bought for special occasions like weddings and funerals. These figures vary greatly between countries. In general, the share of flower purchases as gifts is higher in less developed markets. The main products competing with flowers in the special occasion segment are chocolates, jewellery and wine, as these tend to be bought for the same purposes. If the price of flowers is relatively too high, or if flowers are of poor quality, consumers tend to switch to these competing products.

Second, many consumers buy flowers and plants for *own use*, often with the intention of brightening up their home and creating a pleasant environment. The same purpose applies to companies buying flowers and plants to decorate and brighten up offices, lobbies or restaurants. In general, consumption for personal use is higher in countries with higher income per capita.

In recent years, more emphasis has been placed on decorating the house interior. Nowadays, people spend more money on home decoration and increasingly purchase flowers and plants for own use. In the last few years, people are also paying more attention to their garden. The purchase of plants for own use has been stimulated by this trend. Even the Europeans with little or no space for gardening use their balconies and purchase outdoor plants.

It is important to recognise that consumer requirements differ strongly between these two segments. In case of the special occasion segment, consumers usually plan their purchase and look for a nice surprising present or a specific product like a wedding bouquet or funeral arrangement.

In the own use segment, purchases are often so-called impulse purchases. The consumer was not even planning to buy a bouquet or a plant. Consequently, convenience and price-setting is critical in this market segment. If the product is too expensive or it is too much work to find or arrange, the consumer will not buy.

This distinction between the special occasion and own use segment has resulted in a division that can be recognised on all levels of the supply chain: from consumption to retail, wholesale and production level. Florists, for instance, mostly target the special occasion segment. They are true product specialists offering a wide assortment of high quality products. Florists are able to make a handmade bouquet according to one's individual taste with a nice wrapping and a card for personal wishes. They can also make a tasteful funeral arrangement with the right flowers and a special ribbon.

On the other hand, supermarkets and other retail chains like Do-It-Yourself stores and garden centre chains tend to target the own use segment. Thanks to their sheer size, they are often able to offer flowers and plants against very competitive prices. These retail chains are not looking for a broad assortment. They just want to offer the right mix of products and colours against competitive prices.

Consumer vs. institutional market

Another method of segmentation is to distinguish between the consumer and business or institutional market. Companies and governments are key customers as they buy large quantities of flowers and plants for their offices, hotels and restaurants to dress. Governments (municipalities) use considerable volumes of trees, shrubs and plants for the decoration of the public spaces like parks, street sides, etc. The share of the institutional market segment in the total floriculture market is estimated at around 20 percent and is rising.

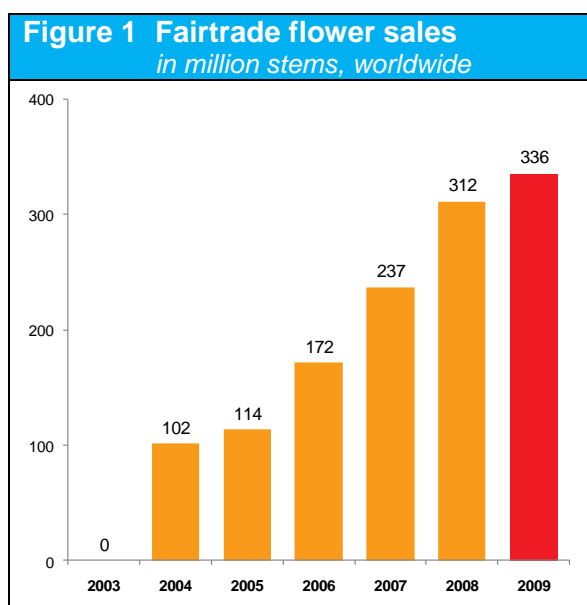
Corporate social responsibility policies are becoming more important in governments and companies. Over the last few years, many governments and government institutions have adopted strict procurement policies, also for floricultural products. Dutch municipalities, for instance, have set the goal to purchase 75% sustainable products in 2010 and 100% in 2015. After the introduction of sustainable government procurement policies, also many private companies like banks and insurance companies followed suit. As a result, an increasing number of tree nurseries and garden plant growers have obtained the required certification.

4.2 MARKET FOR CERTIFIED PRODUCTS - CONSUMER LABELS

New patterns of consumption, media pressure, and campaigns by non-governmental organisations (NGOs) have generated consumer interest in the conditions under which flowers and plants are produced in the developing countries. Still, only 10% of consumers is aware of the fact that sustainable flowers and plants are available in the shop. This was the outcome of a recent consumer research in the Netherlands, Germany, France and the UK by the Dutch Commodity Board for Horticulture.

Another remarkable outcome of that study was that most consumers indicated that they have not bought any sustainable flowers or plants or did not know whether they have bought them at all. Reason for this is not because people are unwilling to buy them, but simply because they do not know where to buy or how to recognize sustainable flowers and plants.

Actually, most social and environmental standards in the ornamental sector are not communicated to consumers. Standards like MPS-ABC, GLOBALGAP and ETI are only used in the business-to-business environment. When buying flowers, European consumers are usually not able to see if the grower produces according to these standards⁵. More about the role of B2B standards is discussed in Section 5.3.



Source: FLO annual reports 2003/04 to 2009/10

Only a handful of standards is explicitly communicated to European consumers by means of a consumer label. The leading label in terms of flowers sold is believed to be the Fairtrade label (FLO, Max Havelaar), followed at a distance by FFP and FLP. According to recent surveys, general consumer awareness of the Fairtrade mark has exceeded 80% in some countries.

Standards that are communicated through a consumer label still represent a relatively small portion of the market. No exact figures exist, but an estimate puts their market share between 5% and 10%, depending on the country (Riisgaard 2009). However, the share of consumer labelled flowers has been rising quite rapidly over the last years. Sales of Fairtrade flowers, for example, more than tripled since 2004 (see Figure 1).

What's more, an increasing number of supermarket and garden centre chains have chosen to use their own private labels to communicate if an item is produced in a fair and sustainable way. These private supermarket labels are becoming increasingly important in the market for fair and sustainable flowers and plants. Private labels are usually based on one or more B2B standards like ETI and MPS-ABC. In some cases, private labels are combined with a consumer label like the Fairtrade mark. Note that most private labels are not only used for flowers and plants, but for a broad range of products sold by the supermarket or garden centre in question.

Per country, there are smaller consumer labels, mostly oriented towards environmental aspects such as the national EU Ecolabels (including Milieukeur, Nordic Swan, and Blaue Engel) and the organic EKO Quality mark.

Organic standards have increased in popularity over the last years, while organically certified flowers have only just begun to emerge in the EU market. Besides special organic shops, some European supermarkets and petrol stations sporadically promote organically produced flowers. In The Netherlands, flowers from a cluster of organic growers are marketed under the 'Made with... Bioflora' label. Bioflora bouquets are, amongst others, sold in the Jumbo supermarket chain.

⁵ Of course, there are always exceptions. In Japan, MPS-ABC is also a consumer label. MPS Japan started with MPS-ABC certification in January 2007.

Still, compared to social standards, environmental and organic consumer labels only play a moderate role in the European market for cut flowers.

In the case of plants, the picture is a bit different as the role of producers from developing country is marginal and social aspects are considered less of an issue. There are hardly any certified plants exported from developing countries. Also the role of institutional buyers, with their increasingly sustainable procurement policies, is more important in this segment.

UK and Switzerland leading, but other countries catching up fast

Traditionally, the UK and Switzerland have been the two most advancing European countries in terms of consumption of fair and sustainable flowers and plants. Particularly UK supermarkets have played an important role in introducing requirements with respect to ethical aspects in the international flower trade. In Switzerland, the two biggest supermarket chains Migros and Coop, have had Max Havelaar flowers on their shelves for several years. Together, their strong growth in sales and increasing (direct) imports have changed the way many African suppliers are organised.

Until recently, developments of sustainable flower consumption have been slower in other European countries. Most sales of certified flowers were confined to short-lived special promotions with Fairtrade flowers. Lately, however, this has been changing.

In France, for instance, following the initiative of the French garden centre Botanic, and positive government policy, certification is now becoming a hot issue which is generating a number of initiatives in the ornamental industry. Max Havelaar is now present at Truffaut and several other retail chains, as well as a large number of independent florists. FFP flowers are now sold in more than 100 French florists, amongst which Botanic and Le Bouquet Nantais networks.

In Germany, the garden centre chain Dehner and large supermarket chain Rewe have recently adopted the FFP label. Other leading retailers such as the discount supermarket chains Aldi and Lidl are showing increasing interest in Fairtrade flowers.

Also in Belgium, sales of Fairtrade and other sustainably produced flowers and plants are gaining fast. Leading supermarket chains regularly offer Fairtrade flowers, although it is not yet a criterion for the selection of all flower and plant suppliers like in the mentioned Swiss and UK supermarkets.

4.2.1 Fairtrade / Max Havelaar (FLO)

Today, the Fairtrade Labelling Organization has members in the form of Fairtrade initiatives in 23 different countries, amongst which 18 European countries. The national foundations decide which and when labelled products are introduced in their country. Fairtrade flowers have been introduced in almost all main European markets, where they are sold for a large part in mainstream supermarkets. In terms of turnover, most Fairtrade certified flowers are currently sold in supermarket channels in UK, Switzerland and Germany, but also sales in Belgium, The Netherlands and other European countries are considerable.

The development of Fairtrade flower sales has been impressive. Latest figures indicate that sales continue to grow in virtually all European countries where Fairtrade flowers have been introduced. In 2009, despite the economic downturn, Fairtrade has achieved a 7.6% increase in flower stems sold.

In the UK, Fairtrade flowers were first sold in March 2004. After a few years of strong increases, UK sales of Fairtrade flowers stabilised at £ 30 million (€ 33 million) in 2009. The range of flowers available has expanded from Rosa, to include other products like Dianthus, Alstroemeria, Gypsophila, Lisianthus, Lilium and Helianthus (sunflowers). Flowers sold via the supermarket channel accounted for about 60-70% of Fairtrade sales and continue to be the focus for growth in the UK Fairtrade flower market. In addition, there has been a considerable rise in internet distribution.

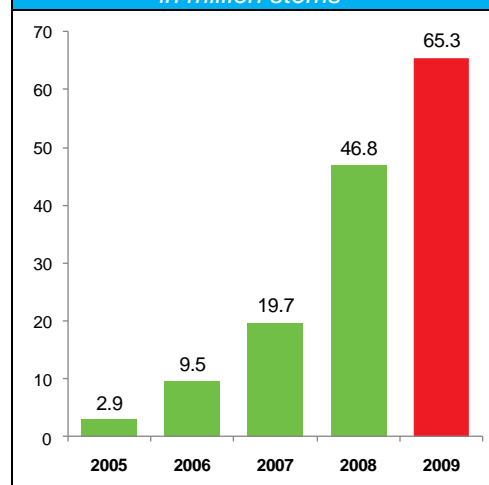
In 2001, Coop and Migros, the two biggest supermarkets in Switzerland, asked the national Fairtrade labelling initiative Max Havelaar to develop Fairtrade standards for cut flowers. Since then, Max Havelaar flowers have become a well-recognised brand in the Swiss market. By 2005, sales had already reached 83 million stems, representing a total value of CHF 75 million (€ 48 million). Since then, sales have stabilised. In 2009, 84 million pieces of flowers and plants were sold for a total value

of CHF 84 million (€ 57 million). It is estimated that 50% of all Rosa sold in Switzerland are Fairtrade certified and carry the Max Havelaar label.

According to Transfair Germany, fresh cut flowers are the largest Fairtrade product group after coffee, and sales are growing fast. In 2009, more than 65 million stems were sold, a 40% increase on a year earlier. In Germany, sales are increasing both in the supermarket and florist channel. Retail outlets where Fairtrade flowers can be found are Blumen Risse Blumenfachgeschäfte, Blume 2000, Pflanzen Kölle, Rewe, Edeka, Kaiser's Tengelmann, and Penny.

Fairtrade flowers, particularly roses, are also quite common in other countries. In Belgium, Max Havelaar flowers are regularly sold at leading supermarket chains like Delhaize, Carrefour and Colruyt. The same applies to The Netherlands, where leading supermarket Albert Heijn regularly sells Max Havelaar Rosa and Dianthus, often under their private label 'Puur & Eerlijk'. Also a part of the flower assortment of Dutch supermarkets Jumbo is Fairtrade.

Figure 2 Fairtrade flower sales in Germany
in million stems



Source: Transfair Germany (2010)

4.2.2 Fair Flowers Fair Plants (FFP)

Since the end of 2006, Fair Flowers Fair Plants products are available at an increasing number of shops in Europe. Initially targeting the florist channel, the FFP consumer label is nowadays also more and more found in supermarkets and garden centre chains. FFP products are sold through affiliated FFP traders and retailers. As of October 2010, FFP products are sold through more than 4,000 retailers (mainly florists), mainly in Germany and Sweden (see Figure 3).

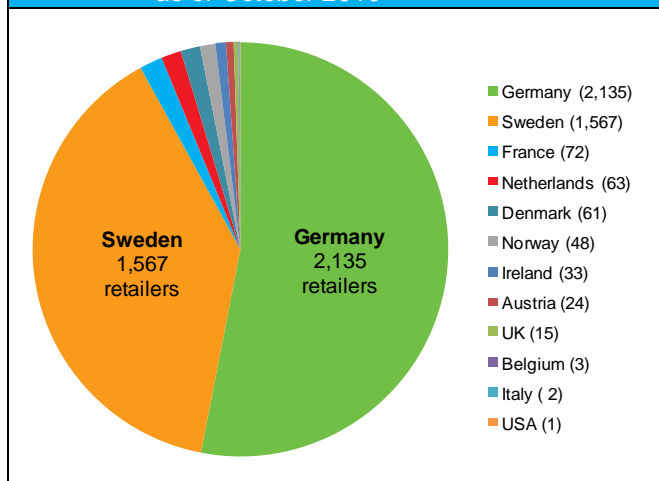
There are no figures available about the exact sales of FFP-certified products. The FFP organisation provides affiliated retailers with promotional material and consumer labels that the florist can attach to FFP-certified products. Retailers, however, do not report sales figures back to FFP.

Furthermore, not all certified products actually reach the shops carrying the label. This only happens if the trader and retailer are also FFP certified. The for consumers recognisable label is only attached at the florist's.

The FFP assortment consists of flowers, plants and foliage (Ruscus from Italy). Rosa is the main cut flower, but also other major products are available. The plant assortment mainly includes flowering pot plants such as Phalaenopsis and Anthurium, but also different palm varieties and garden plants.

In 2009 and 2010, the FFP organisation has had some success in getting a number of larger retail chains aboard. An FFP representative indicated that the leading outlets for FFP products currently are Life & Garden (www.lifeandgarden.nl), Dehner (www.dehner.de) and REMA1000 (www.rema.no):

Figure 3 FFP retailers
as of October 2010



Source: FFP (2010)

- Since January 2010, FFP flowers and plants are available in all Life & Garden garden centres. Life & Garden is a Dutch garden centre chain with 25 outlets in The Netherlands and 3 in Belgium. The FFP flowers and plants are presented under their private 'Enjoy and Respect Nature' label. An important supplier of the plants is the Dutch company Decorum (www.decorum-plants.com).

- In Germany, FFP was initially particularly found in florists. However, recently the label has also become more popular among garden centres. Since 2010, the German garden centre chain Dehner has also adopted the FFP label. Dehner is a garden centre chain with 106 locations and a turnover of more about € 700 million per year. The large German supermarket chain Rewe also sells FFP plants.
- In 2009, 50 shops of the Norwegian supermarket chain REMA1000 commenced sales of FFP rose bouquets. AQ Roses (www.aqroses.com), a Dutch company growing roses in Ethiopia, supplies the roses via the Dutch wholesaler Barendsen.

4.2.3 Flower Label Programme (FLP)

There are no exact figures on the total market share for FLP-certified flowers in Germany. FLP estimates the figure to be around 3% on total market sales.

The Flower Label Program certified flowers are sold through a network of affiliate florists. According to the FLP-website, about 1,400 retailers are member of the network, mostly located in Germany, but also some from florists in Austria, Switzerland, Italy, UK and even in the USA.

FLP is supported by 32 wholesalers, amongst which the leading German importers Bloomways (www.bloomways.de) and Omniflora (www.omniflora.com), as well as by Dutch importer Four Seasons Quality (www.fsq.nl). These importers normally encourage their producers to become FLP-certified and achieve the certification.

Most flowers sold under the FLP-label are roses. There is, however, a multitude of other flowers with FLP-label available, such as Dianthus, Lilium, Hydrangea, Ornithogalum, Limonium and different foliage varieties.

4.3 CONSUMPTION PREFERENCES AND TRENDS

The quality expected by European consumers is generally extremely high. They expect not only freshness at the moment of purchase, but also that flowers open up and have a long vase life. Although the price is not the main criterion, it is of major importance, particularly in these days of stagnant economies.

Top quality flowers and plants in fashionable colours and shapes are generally priced higher than the average crop. The traditional primary colours of red, yellow, white, and blue always enjoy a certain demand, but the ever-changing fashions in interior decor set the trends.

Consumer preferences and patterns can differ strongly between EU countries and even within countries by geographical region and income strata. Affluent people buy more bouquets with "special" flowers and are generally more interested in social and environmental aspects.

Consumers are very interested in variation in personal gifts. They like to be surprised. Growers play into this trend by continuously introducing new varieties and by offering value added products (pots, vases, hand-made items, packaging). Nevertheless, there is an increased competition from other gift articles, which has decreased the relative importance of flowers as gifts.

The decoration of homes and gardens is ever more important for many European citizens. People tend to go out less and stay at home more, making them increasingly aware of ways in which they might make their homes more comfortable and reassuring. This places more emphasis on home and garden decoration, having a favourable influence on plant consumption. This trend is also illustrated by the popularity of numerous TV programmes on gardening.

Growing interest in social and environmental aspects

The growing quality awareness among consumers not only concerns product technical quality. There is also an increasing interest in the way products have been produced. Although consumers generally do not have much knowledge of the commercial floricultural production, they expect a flower or plant to be produced in a sustainable manner, meaning with decent labour conditions and environmentally friendly. They assume that the plants and flowers they buy have been cultivated using the smallest

possible amounts of crop protection agents, energy and fertilisers and generating the least possible waste.

A study by the Dutch Commodity Board for Horticulture concluded that when consumers are given the choice between environmental or social, they find the environmental aspect of sustainability more important than the social aspect. To be more precise, minimal use of energy, pest management resources and fertiliser or biologically grown comes to mind when consumers think of environmentally friendly grown flowers and plants.

On the other hand, studies also indicate that there is not much public awareness of the dangers to sustainability associated with cut flowers, simply because people do not eat flowers. A lot of people do not know why they should buy sustainable flowers and plants, which indicates a lack of information regarding these kinds of products.

Lately, sustainability aspects are also communicated to consumers by means of information about the origin of the product. In UK supermarkets, such as Tesco and Marks & Spencer, a **'By Air'** label is printed on the product, indicating that the products have been transported by air. The objective is to reduce the number of air-freighted goods sold in store and thereby contributing to its emissions reduction strategy. Many supermarkets (in the UK, but also in other EU countries) indicate if a product is locally produced by printing, for instance, a small national flag on the label. This **'local-to-local'** trend is particularly strong in the UK gardening market.

Supermarkets are aware that 'By Air' and 'local produce' labels do not always correctly reflect the real environmental impact of a product. They are therefore still working on other ways to indicate the product's carbon footprint. In the UK, Tesco is developing a "universally accepted and commonly understood" measure of the carbon footprint of all products sold at Tesco. Others involved in similar schemes are Marks & Spencer, and Coop in Switzerland with Cimatop.

Importance of public procurement policies

Government institutions and medium to large-sized enterprises, the so-called institutional market, are important buyers of plants, shrubs, trees and even cut flowers. More and more, governments in Europe oblige national and local authorities to buy sustainable products. These public procurement policies are having a significant impact in the ornamental industry.

The French government, for instance, has adopted the 'Grenelle law' on sustainable agriculture. Among a wide set of measures covering all economic fields, two directly impact the ornamental industry. Firstly, by 2012 all pesticides considered worrying will see their approval withdrawn. Secondly, within the same timeframe 50% of farms should have embarked on environmental certification, with three levels up to the governmental "High Environmental Value" (HVE) certification. The scheme covers biodiversity, phytosanitary usage, fertiliser and water management and energy consumption. Discussions are being held to see how, and to which level, existing schemes like MPS will be benchmarked.

Another positive example of the influence of public procurement policies can be found in the city of Mainz, Germany. Initiated by a tender of the Department of Environment of the municipality of Mainz many local florists engaged themselves with the issue of fair flower production and responsible sourcing. Mainz is now one of the strongest FLP-supporting cities of Germany.

5 INTERNATIONAL TRADE

The floriculture sector is characterised by an increasing degree of internationalisation. The international trade is to a large extent organised along regional lines: Africa and European countries are the principal suppliers to the main European markets; the North-American market is supplied by Colombia and Ecuador; and Japan and Hong Kong source from Asia-Pacific countries (including China).

National agricultural census data and official import statistics⁶ do not distinguish between certified and non-certified products. Therefore, some of the figures in the report relating to certified products are estimates, based on multiple information sources.

More detailed trade statistics can be found in Appendix A.1 and in the CBI market surveys on cut flowers and foliage as well as the CBI market survey pot plants and young plant material.

5.1 IMPORTS

In most European countries, local production of flowers and plants is not sufficient to meet domestic demand. Imported products, therefore, play an important role in most markets. Total EU imports of cut flowers and potted plants amount to € 3.3 billion and € 2.9 billion respectively. These figures comprise mainly imports from other EU countries (intra-EU imports), but also from outside the EU (extra-EU imports).

Germany is still the leading cut flower import country in the EU. Until the economic crisis hit the country, the UK was catching up fast. Since the crisis, UK imports of cut flowers have stagnated. Other major importing countries are The Netherlands and France.

Table 9 EU imports of cut flowers									
Top-15, in € million									
Total imports					Extra-EU imports				
	2005	2007	2009	average change per year		2005	2007	2009	average change per year
Germany	860	874	754	-3.2%	Netherlands	403	477	491	5.0%
United Kingdom	751	818	632	-4.2%	United Kingdom	140	154	154	2.4%
Netherlands	460	538	565	5.3%	Belgium	16	37	83	50.1%
France	416	407	394	-1.3%	Germany	50	59	58	3.6%
Belgium	97	123	168	14.5%	Spain	27	36	33	5.0%
Italy	168	174	149	-2.9%	Italy	22	23	20	-2.9%
Austria	79	107	101	6.3%	France	11	11	10	-2.6%
Denmark	59	75	73	5.6%	Sweden	10	10	10	1.0%
Poland	44	59	70	12.5%	Austria	4	6	6	10.6%
Spain	59	74	63	1.4%	Romania	2	3	4	15.7%
Sweden	61	74	53	-3.3%	Greece	4	3	2	-9.0%
Czech Republic	33	42	46	8.8%	Cyprus	1	1	2	35.9%
Ireland	30	32	37	5.5%	Bulgaria	1	1	2	19.9%
Finland	17	21	24	8.4%	Portugal	2	2	1	-2.6%
Greece	20	26	23	2.9%	Luxembourg	0	1	1	71.6%
EU27	3,242	3,571	3,263	0.2%	EU27	698	831	880	6.0%

Source: Eurostat (2010)

Being a neighbouring country of The Netherlands, the Belgian market is largely supplied by The Netherlands. Nevertheless, statistics also show strong increases in Belgian imports of cut flowers from developing countries. This is for a large part due to Dutch importers who increasingly use Belgian

⁶ Trade figures (imports and exports) must be interpreted and used with caution. The collection of data regarding trade flows has become more difficult since the establishment of the single European Union market on 1 January 1993. Until that date, trade was registered by means of compulsory customs procedures at border crossings, but, since the removal of the intra-EU borders, this is no longer the case. Statistical bodies like Eurostat cannot now depend on the automatic generation of trade figures. In the case of intra-EU trade, statistical reporting is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

airports as a point of entry into the EU. Important reasons for these Dutch importers to choose for this route are advantages in handling at the Belgian airports (lower costs, night flights) and easier Custom's procedures (Phytosanitary checks). A large part of the Ethiopian flowers, for instance, arrive at the airport of Liege and many Ugandan flowers enter the EU via the airport of Oostende. From there, flowers are trucked to The Netherlands.

Flower imports from outside the EU (extra-EU imports) amounted to € 880 million in 2009, representing about 27% of total EU imports. Extra-EU imports have increased strongly with no less than 6% per year, while total imports have been quite stagnant with a meagre growth of 0.2% on average per year. A complete list of the EU cut flower importing countries can be found in Appendix A.1.

In the case of pot plants, Germany is by far the largest importer, followed at some distance by France, The Netherlands and the United Kingdom. The pot plant trade, however, consists for 97% of intra-EU trade and is mostly dominated by European growers. Besides The Netherlands, other leading suppliers of pot plants are Denmark, Belgium, Germany and Italy.

Extra-EU imports are more important in the young plant material trade. Exporters from outside the EU supply 34% (or about € 450 million) of total EU imports of young plant material. Leading suppliers of cut flower cuttings are Kenya, Israel, Uganda and Ethiopia. Young pot plant material is for a large part sourced in Central American countries like Costa Rica and Guatemala.

The Netherlands plays a key role in the international flower trade, being both the largest importer of products from outside the EU and as the main supplier of flowers (and plants) to the different EU countries. The Netherlands supplies an impressive 67% of total EU imports. It is characterised by a strong production industry, the auction marketing system that brings together both local and international supply, and a strong export trade sector. Demand of the Dutch traders is, to a high degree, met by local production, but the significance of imports is still growing. Imports enable the Dutch traders to supply a broad selection of flowers and plants to its European customers throughout the year. Much of these imports are re-exported to other EU countries and are thus again as intra-EU trade in the statistics.

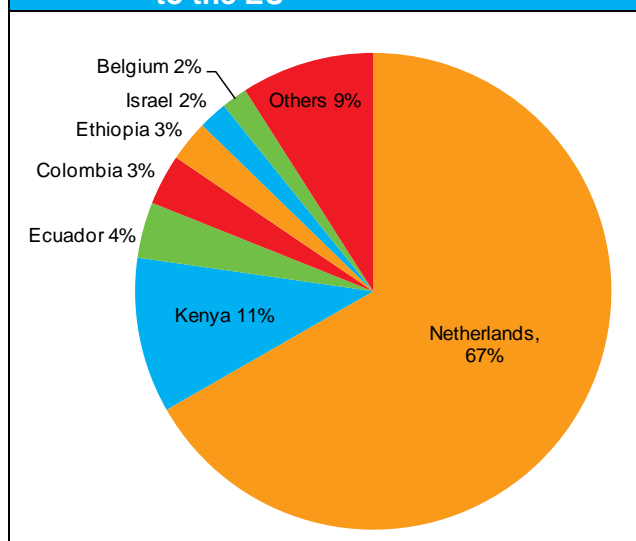
Other leading cut flower suppliers are Kenya (11%), Ecuador (4%), Colombia (3%) and Ethiopia (3%) (see Table 10). The position of Kenya as an important supplier has been strengthened and imports from Ethiopia have boomed during the last couple of years. Imports from Israel are under pressure. A complete list of the cut flower supplying countries can be found in Appendix A.1.

Table 10 Suppliers of cut flowers imported into the EU
Top-15, in € million

	2005	2007	2009	average change per year
Netherlands	2,351	2,531	2,173	-1.9%
Kenya	267	323	344	6.6%
Ecuador	86	113	124	9.6%
Colombia	101	117	112	2.6%
Ethiopia	10	39	90	74.8%
Israel	81	75	64	-6.0%
Belgium	34	28	57	14.0%
Italy	43	49	43	0.3%
Germany	23	34	36	11.5%
Uganda	22	21	25	2.9%
Spain	42	36	21	-16.4%
Thailand	18	21	20	2.5%
United Kingdom	18	18	18	-0.4%
Zambia	13	16	17	5.7%
South Africa	16	14	16	-1.1%
Others	115	138	103	-2.7%
Total EU imports	3,242	3,571	3,263	0.2%

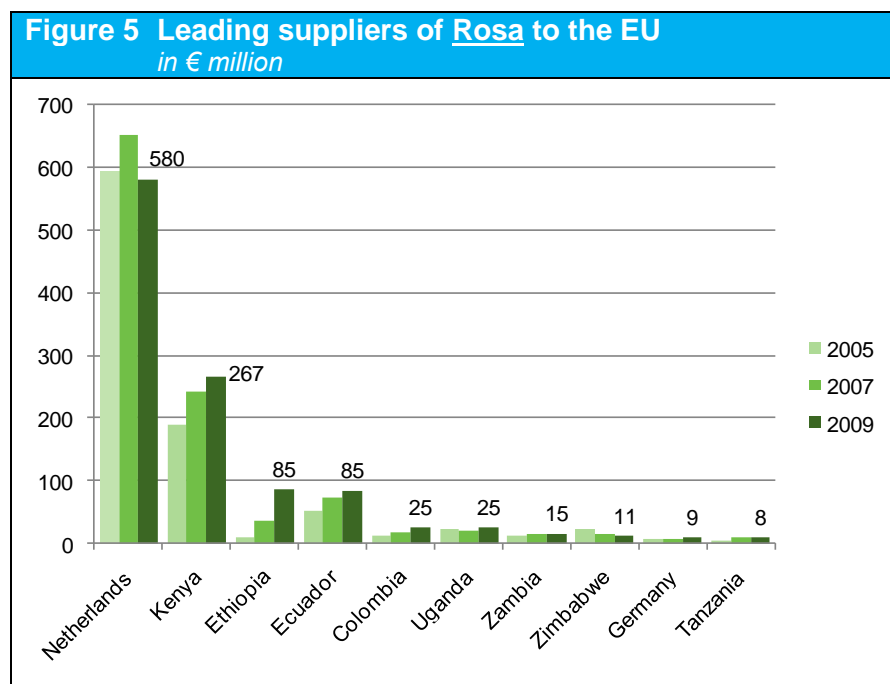
Source: Eurostat (2010)

Figure 4 Leading suppliers of cut flowers to the EU



Source: Eurostat (2010)

Rosa is by far the biggest product in the European flower trade. In 2009, total imports amounted to more than € 1.1 billion and imports have been increasing with in excess of 4% on average over the past couple of years. Leading supplying countries are again The Netherlands (partly thanks to re-exports), Kenya, Ethiopia, Ecuador and Colombia (see Figure 4, detailed overview in Appendix A.1).



Source: Eurostat (2010)

In terms of market coverage, social and environmental standards have become mainstream in the international trade in cut flowers. A rough estimate puts between 50% and 75% of flowers imported into the EU as adhering to one or more of the social and environmental standards (Riisgaard 2009).

The market share differs per country and per standard. A large portion of flowers from developing country that are exported to The Netherlands are traded via the auction system. No certification is required for access to the auction. However, the auction system conveys information about MPS-ABC, FFP and Florimark standards to the buying parties. MPS-ABC is probably the most adopted certification scheme among growers in developing countries who sell their products via the auction.

Many growers in developing countries, however, export (part of) their produce directly to wholesale and retail buyers, bypassing the auction system. As we have seen, more and more large retail buyers have requirements with respect to social and environmental certification which need to be fulfilled. Therefore, in the direct trade, standards play a more significant role. Without appropriate certification, several direct sales channels are not accessible to developing country exporters.

Despite the economic crisis, the share of certified products in imports continues to increase in most countries. A good example is Fairtrade in the UK. Different sources estimated that Fairtrade flowers represented about 9% of total UK flower imports in 2007 (FLO 2007, Ellis & Keane 2008). Since then, sales of Fairtrade flowers have increased, while UK imports stagnated, indicating a further increased in market share.

5.2 EXPORTS

The Netherlands is by far the most important exporter of floricultural products in the EU, accounting for 88% in exports of cut flowers and a share of 58% in plants. Belgium is the second largest exporter, showing considerable growth over the last few years. This is for a part the result of the growing number of African flowers entering the EU via Belgian airports (see section 5.1 on imports).

Table 11 EU exports of cut flowers <i>top 15 countries, in € million</i>			
	2005	2007	2009
Netherlands	2,511	2,919	2,650
Belgium	49	63	120
Italy	60	67	59
Germany	39	45	34
Spain	47	35	25
United Kingdom	31	25	22
Poland	6	11	17
France	14	16	14
Austria	3	5	10
Denmark	5	6	4
Lithuania	1	2	3
Portugal	1	5	3
Czech Republic	2	2	2
Hungary	0	1	1
Slovakia	0	0	1
EU27	2,773	3,207	2,968

Source: Eurostat (2010)

The cut flower export sector was hit quite hard by the economic crisis. Especially exports to countries with strong growth in recent years were affected (UK, Spain, and Eastern Europe). After the slump in cut flower exports in early 2009, the export sector is gradually bouncing back. In 2010, positive growth figures are starting to show again.

Pot plants tell a bit different story. The pot plant sector proved more resilient to the general economic downturn. The dip in early 2009 lasted shorter and exports were already on the rise in mid-2009.

According to recent figures from HBAG (Dutch Agricultural Wholesale Board), the Dutch export value of flowers and plants increased by 7 percent in the first half of 2010.

For the coming years, an annual growth of about 2-3% is expected (ING Wholesale Floriculture Sector Vision, 2008).

5.3 DISTRIBUTION CHANNELS

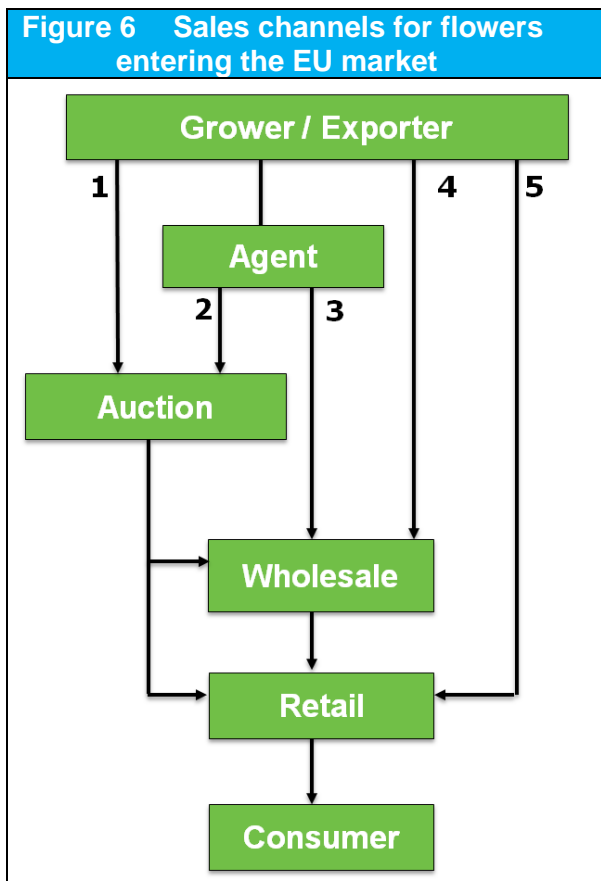
5.3.1 Entering the EU market

Ornamentals can follow different channels from the grower to the consumer. On these routes, a variety of players can be involved in handling the products. A distinction has to be made between the different product groups, which have their own trade structures.

Cut flowers and foliage generally enter the European market via one of the following routes:

- 1 Through the auction:
The import division of the auction itself receives the products and unpacks and prepares the product for auctioning.
- 2/3 Through an import agent to the auction or to a wholesaler:
Agents deliver various services that facilitate trade between exporters and their customers. Products are received by an agent who either prepares the products for auctioning or directly sells the products to a European wholesaler. Agents also spread a shipment over several auction days to insure a continuous supply to the auction clock.
- 4 Directly to an importing wholesaler:
The products are bought by a wholesaler who further processes them (for instance bouquet manufacturing) and sells to domestic and foreign wholesalers and retailers.
- 5 Directly to a retailer:
Products are imported directly by a retailer, in most cases a large supermarket chain.

In case of routes 1 and 2, products pass through the auction system. Routes 3, 4 and 5 bypass the auctions (often called "*direct trade*").



Source: ProVerde (2010)

Historically, auctions have been the most important channel through which flowers are distributed to European wholesalers and retailers. But lately, the percentage of flowers imported into the EU directly by wholesalers and large retailers is increasing. The market shares differ by country but all major EU markets have in common that the share of direct sourcing is on the increase. Still, the auctions remain the most important world market outlet for cut flowers and the most significant way that flowers reach European wholesalers and retailers.

As we have seen in the section on imports, the volume of *pot plants* imported into the EU is fairly small. Still this volume has been increasing over the past couple of years. In the pot plant trade, many importing wholesalers are actually wholesale nurseries. These wholesalers usually acclimatise the plants for a few weeks before putting them on the auction or selling them directly to (foreign) wholesalers. With respect to pot plants (imported and EU produce), direct trade is even more important than in the cut flower sector.

In case of *young plant material*, which is starting material or 'industrial input', the trade structure is quite different. Most young plant material is produced on behalf the large European breeders who have own production facilities abroad (licensed production, joint ventures). An example is the production of 300 million Chrysanthemum cuttings by Fiduga in Uganda, a subsidiary of Fides, The Netherlands.

Independent young pot plant producers, like most Central American producers of pot plant cuttings, supply via one of the specialised import wholesalers. More and more, young plant material is also supplied directly to European growers.

5.3.2 Auctions

The Dutch auctions continue to play a central role in the European flower and plant trade, both as a market place and as a distribution hub for flowers from developing countries. The auctions handle about 80-90% of local Dutch produce and 60% of flowers imported into The Netherlands. The auctions heavily influence global trade and serve as a price-setting institute for a large part of the flower market, in particular in Europe, where they have an estimated 30 to 40% market share in cut flowers.

Auctions are co-operative wholesale markets set up by growers to market their products. There are several flower auctions in Europe. The most relevant ones with respect to flowers from developing countries are the Dutch FloraHolland auctions in Aalsmeer, Naaldwijk and Rijnsburg and the new Rhein-Maas auction in Germany (a joint-venture of Landgard and FloraHolland). Their main customer base are wholesalers who typically focus on exports, selling all-over Europe.

Other auctions like the Euroveiling auction in Brussels, Belgium (www.euroveiling.be) have a more regional function supplying mostly regional produce to local retailers and smaller wholesalers. The Euroveiling auction in Brussels has an annual turnover of nearly € 35 million

The main purpose of the auctions is to handle produce from their member growers, who are obliged to submit their whole production to the auction. The auctions in The Netherlands are nowadays open to membership for all growers in the EU, as well as to some growers outside the EU. The number of members from outside the EU is increasing, noticeably in Africa.

Most products submitted to the auctions are sold by means of the auction clock system. A smaller share is sold through the auctions direct trading service (FloraHolland Connect).

An important development in floriculture is the virtualisation of the trade: more and more flowers are traded without actually seeing the product. The FloraHolland auction has set up several services to develop and foster e-commerce. The one with the largest impact is Remote Buying (Kopen op Afstand, KOA). This system was introduced a few years ago to enable traders to purchase products online using their computer. It is also recognised as being used by the Dutch exporters to allow their larger clients to become more involved in the buying process. The KOA service has gained momentum in the last couple of years and currently accounts for more than 50% of the auction's turnover. What's more, many larger wholesalers have a webshop to offer their customers the possibility to order products via remote buying systems. There are even growers who offer their products to wholesalers and florists via websites.

However, the auctions in The Netherlands are under pressure from competition, not from larger auctions, but from other types of sales channels which bypass the auction system.

Lately, the proportion of flowers imported into the EU passing through the Dutch flower auctions has declined, and direct sourcing by large retailers is increasing. Large retailers have increased the amount of purchases acquired directly from growers under long-term contracts. Still, the auctions remain a significant way for cut flowers to reach European wholesalers and retailers.

In the 1990s, the Dutch auctions took the initiative to develop the environmental MPS standard to promote sustainable production and trading. Originally, a regional project launched by Dutch growers, advisors and researchers, MPS-ABC is nowadays the largest environmental standard in the international ornamental industry.

Three standards are identified on the auction clock front: MPS-ABC, Florimark Production and Fair Flowers Fair Plants (FFP). In case of FFP, for instance, the FFP grower is indicated with an 'F' on the auction clock. The 'F' is also printed on the electronic clock transactions (EKT's).

Still, participation in MPS-ABC or in any other certification scheme is not a mandatory requirement for supplying products to the auctions. Furthermore, only a small number of the wholesalers who buy on the auction clock pass the information about certification on to their customers. So, no real market pressure exists to adopting standards.

Nonetheless, a vast majority of auction suppliers adheres to one or more standards with MPS-ABC being by far the most popular standard. Estimates suggest that about 80% of flowers supplied to the

auctions is produced by a grower who participates in the MPS-ABC scheme. Many producers consider obtaining MPS environmental certification a good way to enhance the farm's reputation.

In case of the Belgian Euroveiling, no specific information about standards is communicated on the clock front or in the administrative process.

5.3.3 Wholesale - Traditional wholesalers & Flower providers

Traditional wholesalers

Wholesalers are a vital links in the chain from growers to retail and consumers. Most traditional wholesalers purchase their products at auctions or from import agents. Some wholesalers import themselves. Big (export) wholesalers tend to buy from all the important flower auctions, in order to obtain the best products at the best prices.

There are thousands of traditional wholesalers active in the EU. Together, they constitute a fine distribution network, mainly targeting the florist channel. While most are typically small- to medium-sized companies, others have grown into large enterprises operating in different countries. Wholesalers are confronted with stiff competition and rising costs and necessary investments push them towards increasing scales and further professionalization. Domestic destinations are usually florists and other retailers, whereas export wholesalers (re-)export their flowers and plants to wholesalers and retailers abroad.

In some EU countries, traditional wholesale markets still play a role in the distribution chain. In these physical markets, growers and wholesalers sell their produce to local retailers, which are mainly florists and smaller garden centres. Most wholesale markets are located near bigger cities.

In Belgium, the major purchasing channel for florists are cash & carry wholesale outlets. The role of the auction is relatively modest compared to The Netherlands. Cash & carry's generally have a broad and deep assortments, better opening hours and lower prices. Leading cash & carry companies are Agora (www.agoragroup.com), Floreac (www.floreac.com), Allflor (www.allflor.be), and F.L.E.U.R. (www.fleur.be). Floreac is by far the leading wholesaler in Belgium, trading a lot of Belgian pot plants. Other wholesale outlets are fresh markets like Mabru near Brussels (www.mabru.be) and traditional wholesalers. Most Belgian wholesalers and many retailers purchase directly in The Netherlands. Actually, the increasing scale of retailers favours large-scale sourcing directly from suppliers.

Flower providers

Supermarkets have gained market share in the flower retail, particularly in the UK. In many cases, supermarkets do not purchase flowers themselves. They purchase flowers from specialised wholesalers, also called 'flower providers'. Flower providers are typically large scale wholesale enterprises, often with their own bouquet-making department. At the moment, there are about 20 to 30 flower providers in the European market, mostly situated in the UK, The Netherlands and in Germany. In Belgium, Floreac can be considered a flower provider as they regularly supply different retail chains.

The flower providers have partly taken over the function of the supermarket's category managers. Supermarkets often need fixed quantities at fixed prices. Flower providers, therefore, cannot always rely on the day-to-day trade at the auctions. They purchase large quantities from major wholesalers and import directly, thereby generating sufficient economies of scale to bypass intermediaries.

5.3.4 Standards on wholesale level

Wholesalers not only purchase certified products, but following demand from large retail buyers, an increasing number of wholesalers have their company certified as well.

Within standards like FFP, FLP and Fairtrade, traceability is a must. Certified products are mostly sold through affiliated wholesalers and retailers. All the links within the chain satisfy the requirements of the standards and are monitored to make sure they continue to do so. An example is the German wholesale company Bloomways that complies with FLP, FFP and Fairtrade standards.

Other standards have specifically been developed for ornamental wholesalers to satisfy for instance the requirements of the UK and Swiss supermarkets:

- MPS-Packers: certificate to ensure that packing meets high requirements in terms of quality, safety and service.
- MPS-Florimark TraceCert: certificate for traceability.
- MPS-Florimark GTP (Good Trade Practice): a quality management system with supplementary requirements for traceability, and social and environmental issues.
- MPS-Florimark Trade: top certificate for companies certified for Florimark TraceCert, GTP and ISO 9001.

More information about these standards for traders can be found on the MPS-website.

General quality assurance schemes like ISO 9001 are also quite popular among larger wholesalers. Even HACCP, a scheme that primarily aims for a systematic preventive approach to food safety and pharmaceutical safety, is found among flower wholesalers such as traders in herbal plants.

In the UK, a number of flower wholesalers like Sunflora (www.sunflora.co.uk) are registered member of Sedex. Sedex, the Supplier Ethical Data Exchange, is a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.

Table 12 Certified and affiliated wholesalers per standards <i>As of October 2010</i>		
	number of companies	countries
FFP	187	Germany 67, Netherlands 67, Sweden 21, Austria 8, Switzerland 7, UK 5, Denmark 3, France 3, Italy 3, Norway 2, Ireland 1
Fairtrade (FLO)	36	Netherlands 18, France 4, Germany 3, UK 2, Sweden 2, Kenya 2, Zimbabwe 2, Austria 1, Finland 1, Norway 1
FLP	32	Germany 28, Netherlands 2, Switzerland 2
MPS-TraceCert	29	Netherlands 26, Japan 2, Switzerland 1
MPS-Florimark Trade	19	Netherlands 18, Switzerland 1
MPS-Packers	3	Netherlands 4

Source: annual reports, websites, interviews

There is a clear difference between the popularity of standards among traditional wholesalers and flower providers. Flower providers have specialised in supplying flowers and plants to large retail buyers and have to comply with their requirements. Consequently, working according to standards and being able to supply certified products is a critical success factor for flower providers.

The situation among traditional wholesalers is quite different. Most traditional wholesalers supply the florist channel. Social and environmental standards are less of a requirement in this channel. If inquiring about standards, traditional wholesalers typically answer that nobody ever asks about it. Consequently, interest in social and environmental standards is not widespread among these wholesalers. They are not specifically looking for certified products.

In many cases, information about certification is not passed on to the next tier in the supply chain, breaking the chain of custody. Although information about FFP- or MPS-certification is transferred by the auction system, many wholesale buyers do not incorporate this information in their administration or communicate it to their customers.

5.3.5 Retail level - Florist & Supermarkets

Florists

Traditional florists still dominate the retail distribution of flowers in most EU countries. In Belgium, about two-third of all flowers are sold by florists. As we have seen in the section about consumption, special occasions and gifts are the most important reason for people purchasing flowers. Florists, with their creativity, product knowledge and wide assortment, are able to offer just what these consumers are looking for.

Florists sell a wide assortment of flowers, whereas the assortment sold by other outlets like supermarkets, markets and street vendors is narrow. As a general rule, florists also offer flowers of

higher quality and they use more attractive presentation than other retail outlets. In addition to providing services (such as arranging bouquets, fashioning wreaths, floral decorations, and delivery), florists offer consumers information and advice about their products. They are usually more prepared to accept novelties than other retail outlets.

An important trend in the florist segment is the increasing number of florists that team up to take advantage of joint-purchasing and joint-marketing. Examples of this type of European florist chains are Mester Grønn (70 locations in Norway), and Blume 2000 (210 shops in Germany). Monceau Fleurs (400 stores in France) is an example of a florist chain, which aims to compete with supermarket chains by combining low prices with convenience and a clear and appealing format. It is expected that, in the coming years, more similar retail formats and brands will be developed in Europe.

As supermarkets are focused on maximising volumes and efficiency of logistical systems, there is little room for custom-made products or delicate items which cannot be handled in standard systems. This implies that there will always be a need for specialised florists in Europe, particularly for flowers for weddings, funerals, corporate clients, and for offering exclusivity and creativity.

Supermarkets and other retail chains

The importance of supermarkets and other types of retail chains like garden centres has been increasing for a number of years. However, the market share of supermarkets has stabilised in some countries.

The main strength of supermarkets is the convenience they offer. As a result, supermarkets tend to concentrate on the own use and impulse consumer segment.

Some supermarket chains, the so-called discounters, rely on price competition to grasp a share of the flower market (examples are Aldi and Lidl). Other supermarkets, have made a strategic decision about their market orientation, and moved away from previous reliance on price-based factors towards strategies based on quality and service. This has resulted in supermarkets investing in supply chain relationships and pushing value-added activities down the chain towards exporters.

Examples of this development are found in Kenya, where larger growers, in close coordination with specialised wholesalers, have tailored their operations to sell to European supermarket chains. Being able to supply retail chains depends on the ability of the exporter to comply with their specific requirements. These requirements are unlike those of the traditional flower retailers.

Table 13 Top food retailers in Europe turnover in € billion		
Retailer	Turnover	Head office
1. Carrefour	79	France
2. Metro	63	Germany
3. Schwarz (Lidl)	54	Germany
4. Tesco	52	UK
5. Rewe	50	Germany
6. Aldi	47	Germany
7. Edeka	43	Germany
8. Auchan	40	France
9. ITM	33	France
10. E.Leclerc	27	France

Source: www.retail-index.com (2010)

Besides the need for considerable quantities of uniform products, supermarkets also have very strict quality requirements, not only with respect to stem length, bud size and other visual quality characteristics, but also vase life guarantee (7 days in many supermarkets). Other typical requirements for the supermarket channel are high performance logistics (99.8% in the case of Tesco in the UK), long-term planning, and certification according to standards.

In Belgium, leading supermarkets in the flower and plant trade are Delhaize, Carrefour and Colruyt. Market shares of Delhaize and Colruyt are increasing, while Carrefour's market share is under pressure. All three supermarkets (regularly) sell Fairtrade flowers, usually under their private labels with the Max Havelaar mark.

Garden centres are also a major retail channel, particularly for pot plants and garden plants. Garden centres often focus on outdoor decoration in general and not specifically on plants. Many garden centres are owned by independent shop owners. However, the vast and growing majority of garden centres are part of a retail chain. The leading garden centres in Belgium are Intratuin, Floralux, Aveve and Interflower.

Last but not least, new large retail players have entered the flower and plant market in the past years. Home decoration outlets like IKEA, Do-It-Yourself chains and petrol stations have had a huge impact in the impulse segment. Their requirements are often very similar to those of the supermarket channel.

5.3.6 Standards on retail level

The flowers and plants category is usually not part of the core business of retail chains. Supermarkets mainly deal in groceries, petrol stations in petrol and home decoration stores in furniture and alike. These retailers have a lot to lose in case of negative publicity about labour conditions and environmental impact of the flower industry. It would not only affect flower sales, but can harm their entire business.

Retail chains, therefore, have codified the knowledge required to meet their quality specifications into standards and grading systems. They have developed social and environmental standards into important governance tools through which they seek to reduce this kind of risks and ensure themselves of the quality of their suppliers' products and services.

Retailers use consumer labels to differentiate themselves (see Section 4.2). In addition, more and more retail chains develop a private label to make their efforts within the supply chain visible. In some cases, these private labels are based on standards that have been developed by the retailer themselves. In most cases, however, private label requirements are based on one or a combination of existing certificates.

Table 14 Top-10 European grocery retailers and their private labels				
Retail chain	Home market	Organic / Natural private label	Eco-friendly private label	Fairtrade private label
Carrefour	France	Carrefour Bio	Carrefour Eco Planète	Carrefour Solidaire
Tesco	UK	Tesco Organic, bnatural, Fresh & Easy Organic, Whole Foods	Tesco Naturally	Fresh & Easy
Metro	Germany	Grünes Land		
Lidl	Germany	Bioness		Fairglobe
Rewe	Germany	Rewe Bio, Naturgut		
Auchan	France	Auchan Bio	Auchan	Auchan
Aldi	Germany	Bio/Prima Bio	-	-
Edeka	Germany	Bio Wertkost	-	-
E. Leclerc	France	Marque Repère	Marque Repère	Entr'Aide
Sainsbury	UK	So Organic, Organic You, Active Naturals, Whole Foods	Active Naturals	Sainsbury

Source: Planetretail.net (2008)

While reduction of risk and standardisation are very relevant issues for retail chains, this consideration is less applicable to florists. Florists' interest in social and environmental standards is not based on risk reduction. Some florists choose for certified products like FLP and FFP because of a general feeling of responsibility or to differentiate themselves. Overall, however, the vast majority of European florists is not actively engaged in social and environmental standards, not as a purchasing criterion, nor in their communication towards consumers.

The fact that social and environmental standards are not naturally embraced in the florist channel is also illustrated by the difficulties FFP encounters in rolling-out the label. After an initial focus on the florist channel, the FFP organisation has started to shift its attention towards retail chains and its suppliers (see section 4.2.2).

Some florists start to recognise that their supermarket competitors use standards to differentiate themselves. Consequently, there is an indication that florists start to realise the need for adopting standards as well. An example is Dutch florist initiative 'Barometer Sustainable Florist' ('Barometer Duurzame Bloemist'), which is a label indicating the level of sustainable purchasing (MPS-A, FFP, EKO).

Other developments with respect to standards on retail level:

- About five years ago, particularly UK and Swiss supermarket chains were leading the market for social and environmental standards in the flower industry. Lately, however, the initiative seems to have shifted towards retailers in other countries such as Germany and France. Examples are retailers like Rewe, Leclerc, and Botanic, which have become very active in this field.
- Retail chains pay increasing attention to their continuous monitoring of processes. As a result, there is a shift from occasional actions and promotions towards incorporating social and environmental standards in their private labels.
- Retail chains are becoming more aware that squeezing their suppliers does not work on the long term. Instead, partnerships with selected suppliers are being developed.

B2B standards required by the retail trade

The market position of consumer labels such as Fairtrade/Max Havelaar, FFP and FLP have been discussed in Section 4.2. Unfortunately, there are no actual figures on the market shares of B2B standards in European flower and plant trade. It is however possible to give an indication of the most relevant social and environmental standards that are demanded when supplying retailers in different European markets.

Compliance with the Base Code of the **Ethical Trade Initiative (ETI)** is one of the leading requirements when targeting the UK supermarket channel (Tesco, ASDA, Sainsbury's, Marks & Spencer and Coop). Whatever the actual market share may be, it is clear that the participating companies, including the largest supermarket chains in the UK, have a significant share in the UK flower market. It is important to note, however, that the ETI initiative applies to the participating companies' own products and does not require that the companies stop selling brands that do not participate in the ETI.

Also **GLOBALGAP** is mainly applicable to the supermarket channels, particularly in the UK and Germany. Overall, GLOBALGAP has more than 40 retail members, amongst which 11 larger retailers in Germany and 6 supermarket chains in the United Kingdom. In Belgium, Colruyt, Delhaize, and FEDIS are member of GLOBALGAP (see Table 15).

Table 15 GLOBALGAP retail members	
Germany (11)	ALDI, Dohle, EDEKA, Globus, Kaiser's Tengelmann, Lidl, METRO, NORMA, OTTO, REWE, tegut... Gutberlet Stiftung & Co
UK (6)	ASDA, Marks and Spencer, Sainsbury's, Somerfield, Tesco, Morrisons
Netherlands (4)	Albert Heijn, CBL, Schuitema, Superunie
Belgium (3)	Colruyt, Delhaize, FEDIS
Switzerland (2)	Coop, Migros
Spanje (2)	Eroski, Carrefour
Finland (2)	Inex, Kesko
Austria (1)	Spar Austria
Italy (1)	Conad
Ireland (1)	Musgraves
France (1)	E. Leclerc
Norway (1)	Coop Norge
Sweden (1)	ICA

Source: GLOBALGAP (2010)

There are also retail chains specifically demanding **MPS-ABC** participation. IKEA and Botanic, for instance, only accept plants of MPS-ABC certified growers. Other larger retailers like Tesco, Marks & Spencer, Sainsbury, Migros, Coop Schweiz, and Carrefour France have made MPS participation a purchasing criterion for their suppliers. Retailers may also require compliance with one or two MPS-modules, as part of alternative for benchmarked certificates. MPS-A combined with MPS-SQ, for instance, is benchmarked with FFP.

Standards like **SA8000**, **BOPP**, and **ISO 14001** only play a small role as a hard requirement in the flower and plant trade. However, several large retailers are Signatory Members of SA8000 or associate members of BOPP and consequently intend to move their suppliers towards adopting these certificates. Current associate members of BOPP are B&Q, Coop, Sainsbury's, Marks & Spencer, Morrisons, Tesco, Waitrose.

5.4 INTERNATIONAL REGULATIONS

When exporting to the EU, exporters will have to comply with a number of requirements. These market access requirements are either compulsory legislation or non-legislative requirements set by market parties. Being a member of the European Union, Belgium follows the legislation of the EU.

(International) politics will play an ever-increasing role. Politics is becoming more and more involved in legislation concerning the environment and CO2 emissions. Emission trade, restrictions concerning use of chemicals, and international legislation are always on the agenda. Politicians are also very much concerned with social and ethical working conditions. (MPS annual report 2009)

Regarding floricultural products, the following compulsory legislation is relevant:

Plant health control: phytosanitary regulations

The most important legislation for exporters of floricultural products are the phytosanitary EU regulations. Producers need to conform to stringent phytosanitary requirements and must ensure that their produce is free from disease and that it is carefully treated once harvested.

The European Union based its phytosanitary legislation on “protective measures against the introduction into the Community of organisms harmful to plants or plant products and against their spread within the Community” on standards of the IPPC (International Plant Protection Convention). This legislation is applicable to flowers, plants and fresh fruits and vegetables imported into the EU.

A phytosanitary certificate is needed to guarantee compliance of cut flowers with phytosanitary legislation. Phytosanitary certificates are issued to indicate that consignments of cut flowers meet phytosanitary import requirements specified by the EU. Inspection and other related activities leading to issuance of phytosanitary certificates is carried out by, or under the authority of, the official national plant protection organisation of the country from which the products are exported.

① IPPC: www.ippc.int

CITES: endangered species

The Convention on International Trade in Endangered Species (CITES) lays down provisions for the protection of endangered species of flora and fauna through controls of the international trade in specimens of these species. CITES lists the relevant endangered species in which trade is prohibited, in which trade is bound to restrictions, and in which regulated trade is permitted.

It is also important for exports to know that there is an EU Regulation (338/97 EC) which harmonises the implementation of CITES in the EU. This EU Regulation is more strict than the CITES convention itself and sets additional import restrictions and includes additional species. Exporters of products that are listed in the *additional species list* will need to apply for import permits.

① CITES: www.cites.org

Breeder's rights or Intellectual Property Right (IPR)

The development (breeding) of new plant varieties is usually a costly affair. Breeder's rights, therefore, ensure the owner of a new variety certain control over the commercial use of that product. In that manner, it also promotes the availability of the new variety to the trade as the owner has the possibility to ask a contribution for his efforts.

There are several protection frameworks for new plant varieties. On international level, breeders' rights are organised by UPOV (International Union for the Protection of New Plant Varieties). On European level, CPVO (Community Plant Variety Office) protects breeders' rights. In addition, most EU countries have their own national patent registration offices.

Other forms of protection sometimes seen in the floricultural trade are patents, trademarks and license agreements (a breeder can decide to entrust the production of a protected variety to 'licensed' companies).

① UPOV: www.upov.org

① CPVO: www.cpvo.fr

① WTO: www.wto.org

EU regulation (Regulation 316/68) and VBN product specifications

Quality is of paramount importance in the international trade of floriculture products. There is an old EU regulation (Regulation 316/68) that specifies minimum requirements for floricultural products traded in the EU. However, these quality standards are very general and hardly applied. Actually, the product specifications set by the Dutch auctions (VBN) give a much better impression of the actual requirements of the European floricultural trade.

① VBN: www.vbn.nl

Wood packaging material

As of March 1, 2005 a new amendment has been made regarding new phytosanitary measures for all wooden packaging material that is used with the imports into the EU from third countries. The background for this legislation is to protect the EU from the introduction of organisms harmful to plants and plant products via wood packaging material. The Directives 2004/102/EC and 2005/15/EC require heat treatment or fumigation and marking of wooden packaging materials (including for example packing cases, boxes, crates, drums and similar packings, pallets, box pallets and other loader boards, pallet collars). The requirements refer to the international standard ISPM 15. As of March 1st 2006, the additional requirement applies that round wood packaging material shall be made from debarked round wood.

① More information can be found in ITC publication '*PACKit - Export Product Profile Cut Flowers*', which is available online: www.intracen.org/ep/packaging/packit.htm

Tariffs and quota

Approximately 80% of cut flower imports from developing countries into the EU is free from tariffs or enjoys a preferential tariff. This preferential access is institutionalised in the Generalized System of Preferences (GSP). Tariffs for imports from India and China, for example, are 3.5% lower than the regular Customs tariff (5% instead of 8.5% and 9.5% instead of 13%).

The terms on which the EU and ACP states formerly traded were established in the Cotonou Agreement 2000. The WTO ruled that the Cotonou Agreement caused unfair competition and that a new regime had to be agreed on in 2007. This led to the creation of so-called EPAs. EPA's are Economic Partnership Agreements, which are very detailed bilateral agreements between individual countries and the EU. Kenya and a number of other important flower exporting countries are still in the course of developing EPAs. Please refer to the following link for information on the current status of the EPAs: www.acp-eu-trade.org/index.php?loc=epa/agreements.php

① EU Export Helpdesk: <http://exporthelp.europa.eu>

Authorised Economic Operator (AEO)

AEO is an accreditation granted to businesses that satisfy strict customs criteria to demonstrate consistent quality, compliance and trustworthiness in the international supply chain. Under the pressure of the US government, the collective European Union customs established a security and safety certificate in order to enable secured supply chains. The functioning of this certificate fits in the new customs trend of horizontal monitoring, which means that customs allow imports from certified companies to follow a fast lane with respect to formalities and checks. In turn, the importing company needs to show that it has procedures in place to register and control the flower movements and to enable traceability down to the original producers. Non-certified companies will have to suffer full physical and administrative checks.

This certificate is especially important when working with countries with high risks of drugs-trafficking and fits the BASC-certificate used in Latin America. Like this, BASC-certified suppliers and AEO-certified importers form a closed certified chain.

① EC Taxation and Customs Union: http://ec.europa.eu/taxation_customs/customs/

Value Added Tax (VAT)

All fiscal borders disappeared in the EU on 1 January 1993. The EU decided at that moment that all VAT (tax levied at the consumption level) rates for floricultural products must be harmonised at a high level. It was proposed to set this level at a minimum of 14 percent in 1997. However, many countries, especially those with significant domestic production, are lobbying for a low VAT rate on ornamental horticultural products, and other agricultural products. In Belgium, a lower VAT rate of 6% applies to floricultural products.

Please refer to CBI's online database at www.cbi.eu/marketinfo for more detailed information on legislative and non-legislative requirements.

5.5 PRICES

After many years of balanced market growth, world cut flower supply, especially for the most common varieties, has now expanded to match or even exceed demand. This was particularly witnessed during the peak of the global economic crisis, which has had a major impact on flower prices. The average auction price dropped from 23 eurocents in 2007 to 22 eurocents in 2008 and 20 eurocents in 2009. Many flowers were sold below cost price.

Average prices of imported flowers, which are generally a bit lower than European produce, actually remained more stable during the crisis. This is for a large part explained by the fact that many African and Latin American exporters decided not to ship during the periods with strongest price drops. Moreover, Dutch growers were harder hit by the crisis because they generally produce more expensive products that were hardest hit by the drop in demand.

Fortunately for growers, prices seem to recover slightly in 2010. However, for most products, price levels of before 2008 have not yet been reached.

It should be noted that due to the enormous variations in species, varieties, lengths and qualities of cut flowers and plants that are traded⁷, it is not possible to provide prices of all products. Furthermore, seasons, holidays and festivals strongly influence the prices.

Table 16 Auction prices of main flowers						
average prices in €						
	Total			Imported flowers		
	2007	2008	2009	2007	2008	2009
All cut flowers	0.23	0.22	0.20	0.16	0.16	0.15
Alstroemeria	0.16	0.15	0.15	0.10	0.10	0.11
Carnation - Spray	0.12	0.11	0.10	0.10	0.10	0.09
Carnation - Standard	0.16	0.16	0.15	0.14	0.14	0.14
Chrysanthemum - Spray	0.23	0.21	0.19	0.14	0.16	0.15
Chrysanthemum - Single	0.39	0.37	0.32	0.29	0.41	0.44
Eustoma	0.32	0.31	0.30	0.24	0.22	0.23
Gerbera - Large	0.24	0.21	0.18	0.21	0.21	0.22
Gerbera - Mini	0.13	0.11	0.11	0.16	0.09	0.09
Gypsophila	0.18	0.19	0.19	0.18	0.18	0.18
Hypericum	0.16	0.15	0.15	0.16	0.16	0.15
Lilium - Longiflorum	0.39	0.36	0.35	0.30	0.30	0.26
Lilium - Oriental	0.57	0.57	0.53	0.43	0.39	0.42
Rosa - Large	0.28	0.27	0.23	0.18	0.18	0.17
Rosa - Small	0.12	0.11	0.10	0.12	0.11	0.10
Rosa - Spray	0.34	0.33	0.31	0.14	0.13	0.14
Solidago	0.13	0.13	0.12	0.13	0.13	0.13

Source: VBN (2010), MNS (2010)

Price developments in Belgium are generally in line with other North European markets. Most flower importers have direct lines with suppliers who buy at the Dutch auctions. The Netherlands auctions therefore play an important role in price-setting in Belgium.

⁷ There are about 15,000 different products traded at the Dutch auctions.

Prices of certified products

Most interviewed sector specialists stated that certified flowers and plants generally do not receive higher prices than regular products. In the direct trade channel (bypassing the auction system), certification merely functions as a key to access certain market segments. Naturally, producers and traders try to sell the added value that the flowers come from guaranteed social and environmental friendly production, but the price is defined by the correlation of supply and demand.

In case of auction trade, there has been a long discussion if certified products fetch higher prices. The auction clock communicates participation in FFP, MPS-ABC and Florimark. Analysis of auction statistics has shown that higher prices are sometimes obtained by certified growers, but this was mostly thanks to differences in product quality. Several growers and wholesalers stated that certificates can add to the growers' reputation as a professional company, which then again could be reflected in a more positive price setting. In general, however, there are no significant price differences between certified and non-certified products in the auction channel.

On their website, FFP states: "FFP flowers and plants are priced at a comparable level to regularly produced flowers and plants, making them equally accessible for the consumer. Producers, traders and shops benefit from the larger market access."

Somewhat different is the price setting of FLO's Fairtrade and Max Havelaar flowers. In case of most Fairtrade certified products, the minimum price paid to Fairtrade producers is determined by the Fairtrade standards. However, in floriculture, as in conventional sales, farms negotiate a price with the buyers who purchase their flowers for the Fairtrade market. Of course, producers and buyers can also negotiate higher prices on the basis of quality and other attributes.

The Fairtrade price, however, includes an additional payment called the **Fairtrade premium**. The premium amounts to 10% of each sale to invest in community development. This money goes into a communal fund for workers and farmers to use to improve their social, economic and environmental conditions. Decisions about how the premium is used are made by a Joint Body of elected workers and management representatives, in consultation with the workers. The broader community, around the farm or producer organisation, often benefits from Fairtrade.

Where to obtain price information

As market information is increasingly becoming a competitive instrument, obtaining information on flower prices is becoming more difficult. Nevertheless, there are still a number of sources. One of the main sources of information remains the Federation of Dutch flower auctions (VBN) who publishes general sales statistics for all products sold at the Dutch auctions.

Although a large share of trade passes through the auction, these prices should be seen only as indicative. In the case of average annual prices, no account is taken of the possible strong seasonal price fluctuations. Furthermore, varieties are often grouped together and statistics do not specify the differences in size and quality. More detailed price information can be purchased.

Another good source for price information is the International Trade Centre (ITC) in Geneva, Switzerland that collects prices at wholesale level on EU markets and publishes them in weekly bulletin and lately also on the internet.

① VBN: www.vbn.nl

① ITC's Market News Service (MNS): www.intracen.org

Consumer willing to pay a higher price? ... from "Sustainability: Consumer research on sustainable flowers & plants".

Another question regarding price told us that one in three people do not want to pay extra for sustainable flowers and plants, with the United Kingdom being the most strongly opposed. But when looking more closely at the willingness to pay extra for sustainable flowers from a florist or a supermarket, there is a small difference. About 30% of consumers are willing to pay between € 0.50 and € 1 extra for a sustainable bouquet of € 25 at the florist. When buying a sustainable supermarket bouquet of € 10 about 40% is willing to pay between € 0.50 and € 1 extra. The United Kingdom however, is the big exception; most British are not willing to pay more for a sustainable bunch of flowers or plant, especially not in supermarkets.

Source: Dutch Commodity Board for Horticulture (2009)

6 TRADE FAIRS

Many trade fairs are organised targeting the flower and plant industry. Some of these trade fairs offer good opportunities to meet with many existing and potential buyers, including traders in certified flowers and plants. Certification organisations like MPS, FLP and FFP often have their own stand at these trade fairs.

The leading floricultural trade fairs with an international audience are the IPM in Germany, the Hortifair, IFTF and FloraHolland trade fairs in The Netherlands, Flormart-Miflor in Italy, Four Oaks in the UK, Iberflora in Spain, and the Salon du Végétal in France.

Belgium

- Florall - Trade fair for the ornamental sector (flowers and plants) in Ghent - www.florall.be
- Floraliën - Floriculture trade fair (every five years) in Ghent - www.floralien.be
- DECOoh! - Trade fair for interior and exterior decoration in Brussels - www.decooh.eu

France

- Salon du Végétal - International horticultural trade fair in Angers - www.salon-du-vegetal.com
- Florissimo - International exhibition for exotic flowers and plants in Dijon - www.florissimo.fr

Germany

- IPM - International trade fair for flowers, plants, equipment and florists' items in Essen - www.ipm-messe.de
- Spoga+Gafa - Garden trade fair in Cologne - www.gafa-koeln.de
- Internationale Grüne Woche (IGW) - Leading fair for food, agriculture and horticulture in Berlin - www.gruenewoche.de

Italy

- Flormart-Miflor - Floricultural trade fair in Padova - www.flormart.it

The Netherlands

- Horti Fair - Leading EU trade fair in The Netherlands - www.hortifair.nl
- International Floriculture Trade Fair (IFTF) - International floricultural trade exhibition in Vijfhuizen (new in 2010) - www.iftf.nl
- FloraHolland Trade Fair - FloraHolland auction's trade fair in Aalsmeer - www.floraholland.com
- Plantarium - Trade fair for plants, shrubs and tree sector in Boskoop - www.plantarium.nl

Spain

- Iberflora - Garden and horticultural technology trade fair in Valencia - iberflora.feriavalencia.com

United Kingdom

- Four Oaks Trade Show – Commercial horticultural fair in Cheshire - www.fouroaks-tradeshow.com
- RHS Chelsea Flower Show - Gardening trade fair in London - www.rhs.org.uk
- GLEE - Garden, pet and pleasure trade fair in Birmingham - www.gleebirmingham.com

7 FINAL REMARKS CONCERNING SOCIAL AND ENVIRONMENTAL STANDARDS

The European trade in floricultural products is nowadays strongly characterised by the existence of a multitude of social and environmental standards in the form of certification schemes, codes of practice and a handful of consumer labels. One of the reasons for this large number of co-existing certificates is the fact that retailers tend to adopt those standards which best meet their needs. There is even a strong trend among large retailers to set up their own private standards. So, although fragmented, the importance of standards in the European flower and plant trade is increasing.

Producers in developing countries targeting the European market are faced with this abundance of standards and need to make a decision which certificates are relevant for their export business to become successful.

In some cases, existing buyers directly ask suppliers to conform to requirements and adopt specific certification schemes. Particularly, producers serving the supermarket channel have been introduced into certification this way. Other farms have gathered a collection of certificates hoping to find new customers and tap into new market segments.

For exporters from developing countries, it is crucial to understand that the European trade in flowers and plants is characterised by different sales channels, each with its very own set of requirements. The level of demand for social and environmental standards differs significantly between the florist channel and the supermarket channel. The different characteristics and governance structures of the two channels have influenced the types of standards that are applied in each.

The traditional florist channel still dominates the retail distribution of flowers in most European countries. Many products which pass through the auction system end up in this channel. When selling products via the auction system, there are no mandatory requirements with respect to certification. Information about participation in MPS-ABC, FFP and Florimark, however, is conveyed to buyers.

Exporters supplying the florist channel, directly or via the auction, have the opportunity to differentiate themselves with FFP and FLP certificates, which is communicated all the way to the end-consumers.

The lion's share of certified flowers and plants, however, are sold in supermarkets and other types of retail chains like garden centre chains. The importance of this channel has been growing for a number of years, but is now stabilising in most countries. In the supermarket channel, Fairtrade has created a considerable market niche. Furthermore, large retailers increasingly require compliance with standards such as GLOBALGAP and ETI to ensure themselves of the quality of their suppliers' products and services and to reduce risks with respect to ethical aspects of production. In the supermarket channel, social and environmental certificates have become a real 'license to export'.

Consequently, for producers in developing countries, the selection of which standards to adopt has become a critical part of the development of a sound export strategy. A producer needs to determine not only his target market and sales channel, but also specific demands and relevance of each standard in those sales channels. A grower should also consider if participation in certification schemes can assist his company in building a more efficient and professional organisation and enhance the farm's reputation.

Still, in these economically challenging times, costs of yet another standard can weigh heavy on the company's finances. In the end, each farm needs to evaluate which combination of certification schemes offers best value and fits their buyer portfolio and overall company strategy.

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Annual reports

- Biologica - Ekomonitor 2005, Biomonitor jaarrapport 2006, Biomonitor jaarrapport 2009
- Fairtrade Foundation - Annual Report 2005 and 2009
- Fairtrade Labelling Organisation (FLO) - Annual Report 2003-04 to 2009-10
- Max Havelaar Switzerland - Jahresbericht 2005 to 2010
- MPS - Jaarverslag 2003 to 2009

APPENDICES

A.1 DETAILED STATISTICS

Table 17 EU imports of cut flowers in € million									
Total imports					Extra-EU imports				
	2005	2007	2009	average change per year		2005	2007	2009	average change per year
Germany	860	874	754	-3.2%	Netherlands	403	477	491	5.0%
United Kingdom	751	818	632	-4.2%	United Kingdom	140	154	154	2.4%
Netherlands	460	538	565	5.3%	Belgium	16	37	83	50.1%
France	416	407	394	-1.3%	Germany	50	59	58	3.6%
Belgium	97	123	168	14.5%	Spain	27	36	33	5.0%
Italy	168	174	149	-2.9%	Italy	22	23	20	-2.9%
Austria	79	107	101	6.3%	France	11	11	10	-2.6%
Denmark	59	75	73	5.6%	Sweden	10	10	10	1.0%
Poland	44	59	70	12.5%	Austria	4	6	6	10.6%
Spain	59	74	63	1.4%	Romania	2	3	4	15.7%
Sweden	61	74	53	-3.3%	Greece	4	3	2	-9.0%
Czech Republic	33	42	46	8.8%	Cyprus	1	1	2	35.9%
Ireland	30	32	37	5.5%	Bulgaria	1	1	2	19.9%
Finland	17	21	24	8.4%	Portugal	2	2	1	-2.6%
Greece	20	26	23	2.9%	Luxembourg	0	1	1	71.6%
Romania	7	21	18	27.2%	Slovakia	0	1	1	48.5%
Slovakia	10	14	15	10.1%	Poland	1	1	1	6.6%
Hungary	17	15	14	-4.0%	Czech Republic	2	1	1	-16.3%
Portugal	15	19	11	-7.7%	Hungary	0	1	0	-12.5%
Slovenia	8	13	11	6.5%	Ireland	0	1	0	-20.6%
Luxembourg	6	10	10	15.3%	Slovenia	0	0	0	103.2%
Lithuania	6	9	8	8.3%	Denmark	0	0	0	-8.7%
Latvia	7	9	8	1.4%	Estonia	0	0	0	-58.8%
Estonia	6	8	6	-0.5%	Malta	0	0	0	17.0%
Bulgaria	2	4	4	19.1%	Latvia	0	2	0	-68.8%
Cyprus	2	3	4	16.3%	Lithuania	0	0	0	-46.8%
Malta	1	1	1	7.0%	Finland	0	0	0	-58.8%
EU27	3,242	3,571	3,263	0.2%	EU27	698	831	880	6.0%

Source: Eurostat (2010)

Table 18 Suppliers of <u>Rosa</u> imported into the EU in € million					
	2005	2007	2009	Average change per year	Share in imports
Netherlands	592	651	580	-0.5%	51.5%
Kenya	188	242	267	9.1%	23.7%
Ethiopia	9	37	85	76.4%	7.6%
Ecuador	52	72	85	13.1%	7.5%
Colombia	12	16	25	20.9%	2.2%
Uganda	22	21	25	2.7%	2.2%
Zambia	12	15	15	5.3%	1.4%
Zimbabwe	22	16	11	-15.7%	1.0%
Germany	6	7	9	11.3%	0.8%
Tanzania	5	10	8	13.1%	0.7%
Belgium	8	6	4	-17.9%	0.3%
Italy	3	2	2	-5.9%	0.2%
India	2	2	2	-5.5%	0.2%
EU27	955	1,112	1,125	4.2%	100%

Source: Eurostat (2010)

Table 19 Suppliers of cut flowers imported into the EU				
<i>in €</i>				
	2005	2007	2009	average change per year
Netherlands	2,350,972,590	2,530,583,299	2,173,278,627	-1.9%
Kenya	266,847,834	322,573,889	344,205,995	6.6%
Ecuador	86,057,751	112,774,369	123,949,384	9.6%
Colombia	101,173,351	117,131,183	111,941,678	2.6%
Ethiopia	9,673,670	39,076,732	90,405,376	74.8%
Israel	81,432,943	74,531,110	63,656,480	-6.0%
Belgium	33,880,389	27,737,487	57,126,455	14.0%
Italy	42,500,207	48,566,204	43,096,322	0.3%
Germany	23,355,960	34,161,799	36,129,505	11.5%
Uganda	22,384,318	21,137,633	25,119,635	2.9%
Spain	41,927,661	36,142,762	20,525,372	-16.4%
Thailand	18,291,150	21,328,396	20,189,314	2.5%
United Kingdom	18,249,619	17,554,740	17,944,965	-0.4%
Zambia	13,424,213	16,147,288	16,776,218	5.7%
South Africa	16,401,843	13,699,976	15,672,014	-1.1%
Zimbabwe	31,958,420	23,320,412	14,987,751	-17.2%
Turkey	13,565,103	15,278,243	12,855,689	-1.3%
Tanzania	5,422,635	10,883,843	10,462,373	17.9%
Poland	5,652,422	11,454,084	7,890,924	8.7%
France	8,955,539	8,309,475	7,797,881	-3.4%
Portugal	5,660,193	7,485,571	5,312,344	-1.6%
India	2,346,538	5,472,401	5,086,873	21.3%
Austria	1,541,149	4,278,522	3,443,437	22.3%
Morocco	2,331,920	4,011,865	3,145,137	7.8%
Cote D'ivoire	2,967,392	2,887,820	2,622,625	-3.0%
Egypt	1,234,520	1,828,216	2,368,671	17.7%
Costa Rica	2,788,423	3,194,720	2,363,529	-4.0%
Peru	2,951,093	2,118,353	2,235,321	-6.7%
Denmark	5,242,390	5,374,887	1,792,574	-23.5%
Czech Republic	787,239	1,021,726	1,624,025	19.8%
Malaysia	855,866	1,397,529	1,449,249	14.1%
Australia	1,264,917	1,462,551	1,381,513	2.2%
Sweden	573,401	1,040,669	1,211,598	20.6%
Hungary	153,043	971,586	1,196,813	67.2%
China	437,139	1,759,763	1,086,199	25.6%
Chile	1,546,901	1,749,495	1,068,336	-8.8%
Cameroon	1,577,730	1,178,451	934,940	-12.3%
Brazil	2,110,819	1,927,723	883,009	-19.6%
Slovakia	606,041	1,021,119	742,599	5.2%
Ghana	10,316	17,671	714,318	188.5%
New Zealand	1,395,745	1,798,559	711,973	-15.5%
Mauritius	1,175,533	997,675	678,319	-12.8%
Malta	80,374	84,843	661,767	69.4%
Taiwan	618,137	1,558,569	613,710	-0.2%

Source: Eurostat (2010)

A.2 LIST OF ABBREVIATIONS

AEO	Authorised Economic Operator
AIPH	International Association of Horticultural Producers
B2B	Business-to-Business
BOPP	British Ornamental Plant Producers
BTC	Belgian development agency
CBI	Centre for the Promotion of Imports from Developing Countries
CPVO	Community Plant Variety Office
CSR	Corporate Social Responsibility
EFTA	European Fair Trade Association
EMS	Environmental Management Systems
ETI	Ethical Trade Initiative
EU	European Union
FLO	Fair-trade Labelling Organisation
GAP	Good Agricultural Practice
HACCP	Hazard Analysis Critical Control Point
HBAG	Hoofdbedrijfschap Agrarische Groothandel, Dutch Agricultural Wholesale Board
HEBI	Horticulture Ethical Business Initiative (Kenya)
ICC	International Code of Conduct for Cut Flowers
IFAT	International Fair Trade Association
ILO	International Labour Convention
IPPC	International Plant Protection Convention
ITC	International Trade Centre
MPS	Milieu Project Sierteelt
RA	Rainforest Alliance
SEDEX	Supplier Ethical Data Exchange
SQ	Socially Qualified
UPOV	International Union for the Protection of New Plant Varieties
VBN	Vereniging van Bloemenveilingen in Nederland, Trade organization for Dutch cooperative flower auctions
VMS	Vlaams Milieuplan Sierteelt

A.3 RELEVANT ORGANISATIONS AND THEIR WEBSITES

Bioflora - www.biofloraflowers.nl

Dutch Agricultural Wholesale Board (HBAG) - www.hbagbloemen.nl

EKO - www.eko-keurmerk.nl

Ethical Trading Initiative (ETI) - www.ethicaltrade.org

EU Ecolabel - <http://ec.europa.eu/environment/ecolabel/>

EUROSTAT - <http://epp.eurostat.ec.europa.eu>

Fair Flowers Fair Plants (FFP) - www.fairflowersfairplants.com

Fair Trade Foundation UK - www.fairtrade.org.uk

Fair Trade Labelling Organizations International (FLO) - www.fairtrade.net

Flower Label Program (FLP) - www.fairflowers.de

GLOBALGAP - www.globalgap.org

International Organization for Standardization (ISO) - www.iso.org

Max Havelaar, Belgium - www.maxhavelaar.be

Max Havelaar, Switzerland - www.maxhavelaar.ch

Max Havelaar, The Netherlands - www.maxhavelaar.nl

Milieukeur, The Netherlands - www.milieukeur.nl

MPS - www.my-mps.com

Nordic Ecolabel - www.ecolabel.se

Rainforest Alliance - www.rainforest-alliance.org

Social Accountability International (SAI) - www.sa-intl.org

Vlaams Milieuplan Sierteelt (VMS) - www.vms-vzw.be

Producer organisations in developing countries

Asocolflores / Florverde, Colombia - www.asocolflores.org / www.florverde.org

Ethiopian Horticulture Producer and Exporters Association (EHPEA), Ethiopia - www.ehpea.org

Kenyan Flower Council - www.kenyaflowers.co.ke

Expoflores / FlorEcuador - www.expoflores.com

TRADE FOR DEVELOPMENT CENTRE

The Trade for Development Centre is a BTC programme (the Belgian Development Agency) for the promotion of fair and sustainable trade in developing countries.

THE CENTRE'S THREE AREAS OF WORK

> CENTRE OF EXPERTISE

This is a centre of expertise for trade aid, fair trade and sustainable trade.

- Collection, analysis and production of information (consumer opinion surveys, market studies, etc.)
- Leadership of a working group within the Entrepreneurship for Development support platform for the private sector

> SUPPORT TO PRODUCERS

The Trade for Development Centre is a support tool for producer organisations. It supports marginalised producers, micro and small companies as well as social economy projects set up under fair and sustainable trade rules.

- Strengthening of organisational, technical and production capacities
- Transmission of relevant information (on markets, available certifications, etc.)

> AWARENESS-RAISING CAMPAIGNS

The Centre runs awareness campaigns for consumers (Fair Trade Week), business people and the Belgian public authorities.

WWW.BEFAIR.BE