

— The Nature and Structure of the Market —

Map of the Unified Germany



KEY

Major markets ● Auction markets A

Markets ●

Major international airports (airplane in circle)

International airports (airplane)

Seaports (ship)

The Nature of the Market

The German market appears very attractive to most exporters. It is by far the largest market in the world for imported cut flowers and ornamental foliage, and imports about 80% of its requirements. The consumers are amongst the most wealthy in Europe with a per capita spending on floricultural products of about DM 150 per year (before the reunification). After reunification Germany has the largest population, nearly 80 million people, of any European Community (EC) member. It is, however, a highly competitive market, and the importers are well informed of international price fluctuations and market movements.

Cut flowers from overseas suppliers are mainly landed at the airports at Frankfurt and Düsseldorf because of the excellent air connections for both scheduled and chartered flights. The major variety of ornamental foliage, Leatherfern, is transported in reefer containers by sea. This has made Hamburg a major distribution point for all ornamental foliage. Containers are also landed in Bremen, Antwerp and Rotterdam.

Supply to the German market is dominated by Dutch exporters but direct imports from overseas suppliers are also substantial. The German market represents about 50% of the total exports of cut flowers from the Netherlands. A large share of these exports are sold by the so called 'Flying Dutchmen', who supply directly to German retailers and/or wholesalers daily.

It is not easy to break into the German market. It is certainly not a market for single shipments, for disposing of temporary surplus quantities or for second rate produce. It is a buyer's market for most products. The wholesalers are well organised and well informed. Exporters should seek long term business relationships with serious and qualified German importers and then work at maintaining and developing these relationships.

Reunification and Demand

The reunification of Germany increased the population by about 25% to almost 80 million people. This has influenced the demand for cut flowers and ornamental foliage significantly, especially for varieties previously unknown in Eastern Germany. However, the demand pattern has changed after the initial euphoria and adjusted to the financial realities of families in Eastern Germany. In the short term consumers in the former East Germany are expected to be very interested in species which cannot be grown in

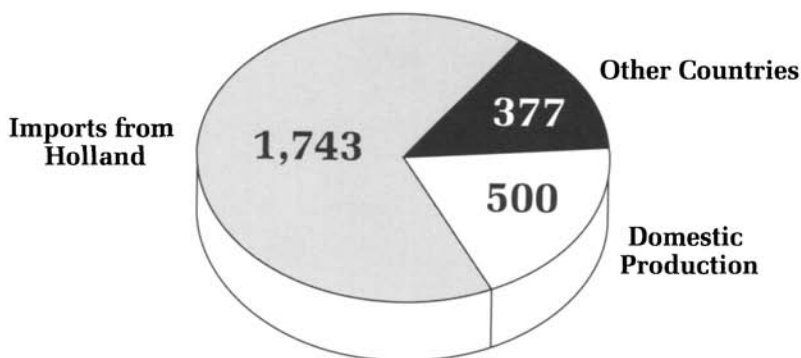
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northern Europe such as Heliconia, Alpinia, tropical orchids etc., and also in off-season flowers. In the long term these consumers will adjust to the traditional assortment of cut flowers being marketed in the former West Germany and upgrade their quality requirements. The sales organisations in the former East Germany have more or less collapsed. Major German importers and Dutch exporters are establishing depots or joint venture enterprises with the new private sector in Berlin for distributing cut flowers and ornamental foliage. The process is proving to be rather slow. The 'Flying Dutchmen' are expected to have less impact on this market than those in some other parts of Germany, due to its distance from the Netherlands.

Imported Cut Flowers and Ornamental Foliage

The major supplier of floricultural products to the German market is the Netherlands, which accounts for more than 85% of the total imports of cut flowers, followed by Italy and Israel. Ornamental foliage is mainly imported from USA, followed by Costa Rica and Italy. Germany is also importing cut flowers and ornamental foliage from more than 25 other countries all over the world.

FLORICULTURAL MARKET IN MILLIONS OF DM



The total German market for cut flowers and ornamental foliage is valued at DM 2.6 billion, which corresponds to a retail value of about DM 7 billion. Even a small percentage of such a huge market represents important export volumes. Domestic production of cut flowers and ornamental foliage amounted to only DM 500 million in 1991, while the imports of cut flowers amounted to DM 2,033 million in 1991 (an increase of 22.3% from 1990), and ornamental foliage to DM 87 million in 1991 (an increase of 25.2% from

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1990). The high growth rates of the imports of cut flowers and ornamental foliage are the result of reunification, coupled with decreasing domestic production.

Dutch exporters dominate the market because:

- they can offer a full assortment of cut flowers and ornamental foliage all year round,
- German importers can buy what they need directly at the auctions in the Netherlands. Handling is very easy and since they can buy daily, there is no need to store flowers for more than one or two days and risks are reduced,
- the so called 'Flying Dutchmen', who deliver or sell directly from their trucks, with or without preorders, are very convenient for the German retailers. These exporters often stock a full assortment of cut flowers and ornamental foliage.

Tropical production of temperate, subtropical and tropical cut flowers and ornamental foliage for export was originally started to:

- increase the assortment by the addition of new products which could not, for climatic reasons, be produced in the greenhouses of northern Europe,
- prolong the season for many species which, due to cold and low light, did not produce adequate market quality in the northern European winter,
- decrease the production costs for many species by eliminating the need for heating, low labour costs, low investment costs, etc.

These reasons are still valid and it is expected that an increasing amount of cut flowers and ornamental foliage will be produced in tropical countries in the future. However, the profitability of a cut flower/ornamental foliage export enterprise is highly dependent upon regular and competitive air freight. Sudden changes of schedules and/or air cargo rates may affect the viability of a project dramatically.

The assortment of cut flowers and ornamental foliage can be divided into two groups:

Large volume species

Roses
Gypsophila
Carnations
Chrysanthemums
Summer flowers
Asiatic lilies
Alstroemeria
Gladiolus
Tropical orchids
Leatherfern

Speciality species

Heliconia sp.
Protea sp.
Ornithogalum
Lilium longiflorum
Anthurium
Iris
Nerine
Assorted ornamental foliage
Liatris

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The large volume species can be produced in comparatively large quantities and are often produced by major exporters as single varieties. The speciality species are more sensitive to large volume production. Large scale producers either have to supply several different markets or produce a wider assortment of flowers. This is generally necessary in order to benefit from the most preferential cargo rates which come into force for shipments of at least 500 kg.

In general the supply of imported cut flowers and ornamental foliage is low in the summer, i.e. June to September, and higher in the winter i.e. October to May. Peak sales occur before holidays and festivals such as All Saints Day (1 November), Commemoration of the Dead (2nd half November), Christmas, Valentine's Day (14 February), Easter week and Mothers' Day (2nd Sunday in May). For Christmas and Valentine's Day, red flowers are popular, whereas yellow flowers are in demand for Easter and white flowers are typically used for church festivals. However, there is a trend towards more regular sales with less pronounced peak sales periods.

German consumers are very receptive to novelty products e.g. new colours, new shades or new shapes of flowers within the traditional assortment as well as completely new species. Species that are rarely seen in other European countries are common in German flower shops, for example, Heliconia and Alpina.

The best opportunity for large exporters venturing into the German market is to supply the major importers. This enables the exporter to distribute large volumes. Medium to small size exporters should make contact with smaller importers if they produce an assortment of cut flowers and/or ornamental foliage or small volumes of a single variety. A list of importers is given in Appendix 4.

Produce Retailing

Flower retailing in Germany has changed significantly since the 1960s. Floricultural products were sold exclusively in flower shops, at the municipal markets or by street vendors. Since then food stores, supermarkets and garden centres have introduced cut flowers and foliage into their range. These new market channels were very successful in the 1970s and 1980s and the traditional flower shops' market share fell to about 70%. Currently the market share of the food trade is static and it is the garden centres and street vendors whose share is increasing.

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CUT FLOWERS AND ORNAMENTAL FOLIAGE			
Retail outlets	Market shares		
	1980		1990
Flower shops	75%		70%
Garden centres	-		3%
Market and street vendors	15%		16%
Food trade etc.	6%		11%
Others	4%		-

Flower Shops and Garden Centres are generally independent retailers who purchase their products from the wholesale market and from domestic producers. There are about 14,000 specialist flower retailers in Germany (excluding the former East Germany). They usually offer a wide range of high quality cut flowers and ornamental foliage which is often more attractively displayed than in, for example, food stores. Generally they charge premium prices for their product quality coupled with their floricultural skills. They provide specialist services to their customers such as making and delivering bouquets, flower arrangements, wreaths, funeral decorations, etc. They also give advice on how to maintain the products at home. These retailers are generally more open-minded and more prepared to accept and appreciate novelties than other retail outlets. About two thirds of the flower shops are linked to a flower agency (e.g. Interflora, Fleurop), which enables the customer to have flowers delivered to people nationally and internationally via shops linked under the same system.

Market and Street Vendors' sales are mainly generated by impulse purchases especially as prices are often very competitive. They rarely sell a full range of cut flowers and ornamental foliage, but an assortment made up from what was available at low prices on that particular day. Their flowers are often more mature and have a shorter vase life than those from the specialist retail trade. These vendors play an important role in distributing the surplus quantities from the wholesale trade.

Supermarkets, Department Stores and Food Stores offer a wide range of products, among which cut flowers and ornamental foliage have become quite important. Their market share increased rapidly during the last two decades but is now static. They use large and attractive displays to tempt a customer into an impulse purchase. To reduce the cost of maintenance and waste, the assortment of flowers on sale in these outlets is usually limited. Ready-made bouquets are of special interest and provided pre-packed and ready for sale by wholesalers. The quality and variety of pre-packed bouquets has improved significantly and there are several enterprises who specialise in their production. The supermarkets, department stores and food stores operate at lower profit margins than the specialist florists.

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Marketing Channels

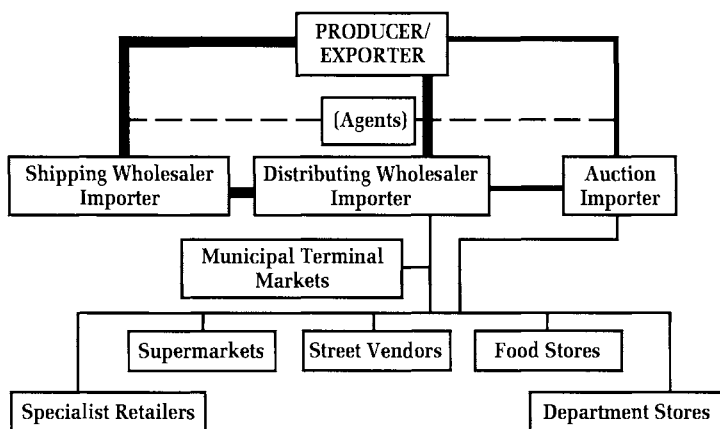
The structure of the trade channels for cut flowers and ornamental foliage in Germany can be divided into three segments:

- Producers' sales co-operatives
- Agents
- Shipping and distributing wholesalers

Only a small percentage of the cut flowers and ornamental foliage distributed is sold at the flower auctions in Germany. The major volume is distributed either by German wholesalers or by Dutch exporters directly to the retail trade. The major importers/wholesalers in Germany are very large enterprises. They will attempt to control the flow of cut flowers and ornamental foliage into the German market and air cargo space from some parts of the world.

Germany has a dense network of terminal wholesale markets to distribute floricultural products. The largest terminal wholesale markets are Hamburg, followed by Berlin, Düsseldorf and Cologne. Distributing wholesalers and growers sell both imported and domestic products at these markets to flower shops, supermarkets, street vendors etc. Prices are, in general, 15% higher than auction prices, but the wholesale market is more convenient for the retailer. The importance of these markets has declined during the last decade due to competition from Dutch distributing wholesalers/exporters and declining domestic production.

The following diagram provides a schematic view of the major market channels through which directly imported cut flowers and ornamental foliage from overseas suppliers are distributed on the German market:



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Shipping wholesalers and distributing wholesalers are both importers and wholesalers, but they have different areas of operation:

A **shipping wholesaler** sells mainly to other wholesalers and distributes cut flowers and ornamental foliage to the whole German market. This involves handling large quantities of produce. They generally only sell whole cartons of each variety or grade, and avoid unpacking or handling the products in water. These are medium to very large enterprises, often with a world-wide network of supplier contacts and access to very detailed market information. Shipping wholesalers will import flowers directly from the Netherlands and/or from overseas suppliers. They are not likely to buy products from other importers or agents. Some products will be purchased at the auctions in Germany and direct from German producers. These enterprises represent the most important market channel for large to medium sized exporters, especially for large volume products. Shipping wholesalers are also important for exporters of speciality products, especially if the exporter has a comparatively large production and wants to reach most of the German market through one importer.

A **distributing wholesaler** sells mainly to the retail trade e.g. flower shops, food stores, street vendors, etc. They handle smaller quantities of flowers than the shipping wholesalers. Products are bought from domestic producers or shipping wholesalers, or by importing from the Netherlands or directly from overseas exporters. They are not likely to handle large quantities of any of the major varieties of cut flowers and ornamental foliage. They may specialise in one or several of the speciality species, in which case they may be able to handle comparatively large quantities of these and even distribute them to the shipping wholesale trade. A distributing wholesaler usually handles the products in water, if appropriate, and often offers a full assortment. Distributing wholesalers are, in general, medium to small size enterprises. They are much less important for overseas exporters than the shipping wholesalers except when they handle speciality products and for smaller exporters. Distributing wholesalers are more inclined to introduce novelties to the market.

Wholesalers/importers in Germany like to maintain close and direct contact with their suppliers. They will make regular visits to discuss varieties, quality, grading, packaging, post-harvest handling, shipping schedules etc. Prices are agreed for periods of 1-3 months in advance.

Wholesalers/importers are usually located close to a major market. Sales are generally made by telephone or fax, although some additional sales may be made at a terminal market or direct to retailers from refrigerated trucks. Some wholesalers specialise in certain products e.g. tropical orchids, tropical exotics, ornamental foliage etc. Wholesalers/importers trade either in cut flowers and/or ornamental foliage or in pot plants, and these products are

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rarely mixed. Nearly all wholesalers import cut flowers and/or ornamental foliage, and there is an interest amongst them to develop new contacts, especially from new production areas overseas.

Agents are not very common in Germany for cut flowers and ornamental foliage. Where present, they act as an intermediary between the exporter and the importer. They do not trade products on their own account. They maintain contacts with foreign suppliers and procure produce for their customers, who are generally wholesalers. Agents work on a commission of the sales price.

Producers' sales co-operatives (auctions) sell cut flowers and ornamental foliage on behalf of domestic producers, importers and foreign producers/exporters. There are a number of flower auctions in Germany, the major ones being UGA in Niederhein and NBV in Neuss. Buyers are distributing wholesalers, retailers, multiples (supermarkets etc.) and street vendors. The majority of imported produce sold at these auctions is supplied by Israel.

German wholesalers/importers have a keen interest in establishing contacts with new exporters from overseas countries and they have a significant interest in new products and new production areas.