THE CIRCA GROUP
EUROPE

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An Overview of the Foliage Production Industry in Ireland.

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1. Summary

- The European cut foliage industry is fragmented and not fit to serve the needs of a modern changing market
- Irish cut foliage production is capable of substantial growth and could capture a large portion of the potential market provided current barriers are addressed
- Growth in the Irish industry is limited because of:
  - Age profile of growers
  - Lack of finance
  - Lack of technical capability

Recommendations

- Set up a pilot scheme that is fully costed and operates over a 3 year period
- Establishment of up to 20 ha of new production in a partnership arrangement with landowners, Teagasc, FPL & young qualified persons
- Teagasc to develop a management plan that will include trials in areas such as IPM, climate change and use of modern IT

2. Background

Over 80% of the European foliage market is currently served by foliage's produced in tropical regions that are delivered via air and large ship containers. Holland is the European hub for the industry and according to the (CBI 2014) (The Dutch Centre for the Promotion of Imports from developing countries) imports of tropical foliage in the Dutch market in 2015 had a value of €156 million. The Netherlands is essentially a trade hub for foliage within Europe with an excellent system of traders and logistical service providers to facilitate the business.

The European foliage supplier industry is very fragmented with many small growers and suppliers serving the market. Forest Produce in Tralee with sales of €4 million would be one of the larger European suppliers (J. Costello 2015). This industry fragmentation may be the reason that European producers of foliage have not responded well to current market conditions and to the significant changes in the supply and distribution of foliage throughout Europe. However, changes in market requirements, fluctuating currencies, and removal of import tariff derogations now presents a good opportunity to establish in Europe a substantial foliage production base. However, for this to occur producers will need to implement changes which will enable them to be more attuned to their customers' needs

3. Current Market Situation

Product Outlets

There are two main markets for foliage in Europe: Supermarkets (retail) & flowershops. The buying power of concentrated European supermarkets is high and more and more floral & foliage products are been distributed and sold via the highly organised retail sector.The majority of foliage in Europe is handled by packers for supermarkets who buy direct from producers and wholesale traders that supply florists throughout Europe. Additionally, the number of packers for supermarkets is limited and as a result they are concentrated with increasing buyer power towards producers and traders. Suppliers such as Forest Produce act as a Tier 2 company supplying to packers who manufacture the bouquets for the supermarkets.

Foliage

Foliage has been traditionally seen as a bouquets filler or a low value product by the flower packers to reduce costs; except at Christmas. Thus, the major focus of the foliage producers has been on cost and efficient production. Foliage is seen as a basic commodity so that suppliers concentrate on high volumes and efficent production to compete in the market place. Substitution of cheaper variety foliage fillers in order to reduce costs is always a present threat. Thus, if you are a bouquet filler you need to understand the dynamics of the market. If price is the most important feature, costs must be kept low.

Innovation

According to Burke (2012) and Stephens (2014) a key finding was the desire among all companies for new or innovative lines, as innovation was seen to be lacking in the foliage industry. It was highlighted as important for producers to trial new varieties and quickly bring them up to market scale. Retailers were said to be very eager to differentiate their product range from competitors and using new foliage's could help with this. Thus the need for innovation in new varieties and investment in processes that adds value to the foliage, such as glittering was identified. Forest Produce has initiated developments in this area to add value to some of its products.

4. Opportunities for Ireland

The European production base as presently constituted, with its fragmented nature is incapable of substantial growth in this sector. It is failing to deliver in key areas like scale, innovation, reliability, predictability, consistency, tracking and tracing, market linked I.T., environmental certification, peak supply, adequate cold chain management, and many other key factors. Some of the lead suppliers, e.g. Italian cooperatives, Forest Produce in Ireland, are attempting to address some of these issues but are failing to rapidly expand their own production base to meet market needs. They tend to be production led and are not geared to go after the real market opportunities

The moist mild climate makes Ireland an ideal location to establish a major foliage production base to serve the modern European floral industry. However, the current fragmented nature of the industry with many small growers is an impediment to growth. The industry will need to grow faster & more substantially from its current base of under €5 million if it is to compete at a global level. Currently, foliage is exported by some small producers but the majority is exported by Forest Produce Ltd (FPL). Most growers, be they independent or contracted to FPL, are unable or unwilling to implement new agronomic technologies developed by Teagasc and FPL. The net result is very slow progress in embracing new technologies and, more important, bringing new market demanded products to commercial production.

Like mainland Europe, the disconnection between market needs and grower's needs is a major barrier for the necessary changes demanded by the market. This market is seeing significant changes due to fierce competition which is affecting margins. This trend is driven largely by the huge bargaining power of the mass market retailers. The implications are far reaching with packers increasingly wanting bigger volumes with minimal risk. They need suppliers who are reliable, efficient and consistent in terms of service levels, quality and quantity. There will be no room for quality mistakes as these will lead to claims from end users. Thus, the market is becoming more demanding and the smaller producers will not be able to meet these market needs. Therefore, if Ireland is to take full advantage of these opportunities then it will have to develop companies of the scale required to meet the market demand.

As stated earlier the current structure of the industry is quite fragmented with many small growers. The age profile of the growers often means that companies such as FPL are forced to organise the harvesting of the crops and in an increasing number of cases have to take over crop management. These small growers often find it difficult to finance activities to develop their businesses which means that very little innovation is occurring at the basic producer level. Thus the significant work carried out by Teagasc on new species (Whelton, 2015) will not be full exploited under the current industrial structure. For the above reasons, there is a now an urgent need for a complete re-structuring of the production base to meet market needs.

According to (Whelton 2015) there are 20 growers located in the south of Ireland mainly in counties Kerry & Wexford and between them they have 200 ha of cultivated cut foliage. This area delivers 7 million stems of a range of foliage species for export, and coupled with wild foliage products, is worth in excess of €4 m in export sales. When recent plantings come on stream over the next 5 years, 20 million stems will be available for the export trade. The industry employs 35 full-time with 50 full-time equivalents at peak periods. Foliage Ireland in their plan for cut foliage development and who oversee the development of the industry are confident that Food Harvest 2020 targets of producing foliage valued at €20 million and generating 400 full-time jobs equivalent in rural Ireland can be met. These targets can be exceeded, if a suitable industry structure can be put in place to take advantage of the opportunities opening up in Europe.

5. Industry Requirements

Companies such as FPL require an evolving and efficient production base that consists of market demanded products and has the capability to embrace a continuous improvement programme. The production grower base needs to be managed by persons who not alone have a technical capability in crop management but who are also skilled in the latest information technologies to link crop availability to the market computer systems in real time. They should also be capable embracing new technologies and lead in the development and efficient production of various foliage and floral crops and interfacing with Teagasc researchers and other knowledge bases. According to FPL, the current grower base, in most circumstances, lack the necessary technical competence and finance to transfer knowledge from Teagasc to production. This is definitely a strong inhibitor of growth to the industry and needs to be tackled. Thus, access to finance, technical capability and suitable land are fundamental for the future success and growth of the industry.

6. Proposal

The following proposal is seen by the industry as being necessary for its future development. It is a market driven proposal which links the applied research programme to the needs of customers and it will ensure a continuous innovation effort which can lead to a leadership position for Irish growers and suppliers. **MARKET REQUIREMENTS ARE CHANGING ALL THE TIME AND UNLESS PRIMARY PRODUCTION HAS THE CAPABILITY TO MEET THESE CHANGING NEEDS IT WILL NOT REACH ITS FULL GROWTH POTENTIAL**

The proposal consists of three core tasks namely, Crop Establishment, Crop Management and Crop Harvest. These core tasks combined with investment in skilled personnel and modern production methods is a market driven approach that will lead to the industry having a portfolio of innovative products that are right for the market in terms of Quality, Cost, Delivery and Volume. This will lead to increased sales and industry growth which will provide sustainable high quality jobs to local rural communities. The three core tasks are:

- **Crop Establishment**.
  20 ha of new production to be established on a partnership arrangement between landowners, FPL and suitably qualified persons.

- **Crop Management**.
  A management plan will be prepared in partnership with Teagasc and implemented by the suitably qualified person.
  The plan will include research work packages to be managed in a partnership arrangement between Teagasc, the suitably qualified persons, and 3rd level institutes, especially I.T. Tralee.

- **Crop Harvest.**
  The qualified person will technically interface directly with the market and show clear visibility on products at all time.

This is a "must have "factor for the retail sector as orders are placed months in advance.
New technologies that could lead to more efficient harvesting will be investigated on a continuous basis.

7. Recommendations

- Set up a 3 year pilot scheme overseen by Teagasc and the Foliage stakeholders to implement the outlined proposal with all data captured in report form
- A financial package to be constructed that shows all the costs and likely deliverables to stakeholders
- The pilot proposal needs to be presented to members of the foliage stakeholders group who need to discuss and agree on a strategy which helps to realign Irish foliage production towards meeting the market needs

8. References

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- A. Whelton, R&D requirements for the cut Foliage sector 2016-2020. A proposed strategy to develop a sustainable sector. April 2015
- J Stephens (2014) UK Cut Flower Market – Opportunities for Irish Cut Foliage

9. Appendix 1: Biography of Patrick Lawlor, BSc. MBA

Patrick Lawlor is a consultant with the Circa Group Ireland. He holds a BSc in Engineering from the University of Surrey and an MBA from University College Dublin. He has held a number of senior roles in Industry including Director of R&D. Operations Manager and General Manager. Prior to working in Donnelly Mirrors he worked as a Senior Scientific Officer with the Institute of Industrial Research and Standards providing R&D support to Irish Industry. Patrick is an Enterprise Ireland Mentor and Advocate and he works with companies providing consultancy in the areas of Business development, Innovation and Competitiveness.

He has served on the National Research Support Fund Board and the Industrial Research Commercialisation Committee within Enterprise Ireland. These Committees had a remit to oversee the Applied Research Activities managed by Enterprise Ireland. He worked on the Research Priorisation Project overseen by Forfas where he was involved in a number of thematic areas including, Manufacturing Competitiveness, Industrial Technologies and Servtisation and Knowledge Intensive Services. He has led an EU Framework R&D Project with partners Philips from Eindhoven and Siemens from Germany.

Patrick has recently completed a number of studies including:

- An Evaluation of the Intellectual Property Assistance Scheme for Forfas

- A Study on the Mid-term and Long-Term trends of the Global Photovoltaic Industry Development for the Lithuanian Government

- Design Driven Innovation- Why it matters for SME Competitiveness for the Northern & Regional Assembly

- He is currently working on a study on the Analysis of the key characteristics of an Innovative SME on the island of Ireland for Inter-Trade Ireland.