

Prepared for the Irish Foliage Committee, Bord Bia & Teagasc

Research on the Foliage Industry – The Netherlands, UK & Ireland

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INTRODUCTION

The purpose of this report is to provide the national foliage committee, Irish foliage producers, other interested parties and future investors with an independent assessment of the foliage industry in the Netherlands, the UK and Ireland.

Bord Bia Horticulture and Teagasc are supporting the trialling of new innovative foliage species for use in the future in the floriculture business. In order to keep the trial work focused, the agency wished to meet with the main supermarkets chains, importers and processors to identify their needs. These meetings took place in Holland in February 2012 with some of the key Dutch retailers and a selection of Dutch importers, packers and suppliers to the retail and wholesale trade in Holland and into Europe. In July 2012 importers and packers from the UK industry were met, and a supermarket and two packing companies in Ireland were also interviewed.

This report is primarily a guideline to the importance of foliage to the cut flower market. It looks at the current markets and trends, potential areas for expansion and gives feedback on the key concerns and issues among the industry sectors as well as products of interest for the future. It highlights the main findings from the interviews and the recommendations for Irish foliage producers.

METHODOLOGY

The main methodology used in this report was one-to-one interviews with key personnel in companies involved in the foliage industries in Holland, UK and in Ireland. In Holland 2 supermarkets, one supermarket's category management company and a number of foliage importers and flower processors were interviewed. In the UK four companies involved in sourcing, packing and supplying the major UK retailers and the online market were interviewed. In Ireland one supermarket and two processors also were included in the research study.

Within the Dutch market a number of key personnel in companies were interviewed, and at several meetings Irish foliage product samples were displayed, to further the discussion around types of foliage relevant to each company. Feedback on these samples is included in the report.

Further research within the paper is based on market reports on foliage within the key market of Holland, mostly derived from the CBI (Ministry of Foreign Affairs of the Netherlands) reports. For the UK sector there is an absence of publicly available data on the cut flowers and foliage industry. DEFRA, the Department for Environment, Food and Rural Affairs in UK has data only on flowers grown in open up to 2008 and does not collate recent data on imports.

LIMITATIONS TO THE RESEARCH

Please note that while most companies were happy to meet and undertake the interview, certain key companies declined to be involved, such as Albert Heijn Supermarket and DEEN Supermarket in Holland. While we did not get to personally interview PLUS supermarket we did meet with the company that has been outsourced the responsibility for this new category in their test phase, and as such this interview is included in the Supermarket section. None of the UK supermarkets have been included and in Ireland retailer Dunnes Stores declined to be interviewed.

The Dutch industry, being the largest importer of cut flowers and foliage in the world, is too vast an industry to allow for a full overview through one-to-one interviews with all companies involved in the sector. A selection of companies were met and interviewed, including the CEO of the Dutch Flower Group, one of the largest flower companies in the world, to represent the views of the industry generally.

While most interviewees were willing to answer most questions, the area of pricing and order quantities was sensitive and not all were open to discussing their foliage order quantities and prices. Please note that while the questionnaires were standardised respondents were employed in a range of roles, such as Buyers, Quality Control, Managers etc and thus had varying areas of expertise. All have varying information on their markets, and also their personal preferences were sometimes mentioned in relation to foliage samples.

EXECUTIVE SUMMARY

With Irish foliage producers exporting to the UK and Holland there is a need for careful investment in the Irish product range to meet the needs of the larger European industry now and in the future. Bord Bia Horticulture and Teagasc, two Irish Government agencies, are willing to invest in new product development once an assessment of the current industry was undertaken.

In February and July 2012 key personnel in the flower and foliage industry were interviewed from the Dutch, UK and Irish markets. These interviews were in person, ranging from the CEO of the Dutch Flower Group one of the biggest flower traders in the world, to employees in major retailers and also independent traders of foliage and flowers. Their feedback was sought on the current market for foliage, trends in the past few years, sourcing of foliage products, varieties and quantities as well the need for innovation among producers to keep the product line refreshed and end consumers satisfied.

The overall findings show that demand for foliage is very strong with companies importing from all over the world to meet European demand levels. It is estimated that the EU cut Flower market is worth €14.5 billion of which foliage is €1.3 billion. The UK foliage market is estimated to be worth in excess of €100 million. All companies are looking for quality and consistent supplies, and being able to meet these criteria guarantees a market, and can even add a premium to foliage, especially over foliage sourced in bulk from developing countries.

One of the key findings was the desire among all companies for new or innovative lines, as innovation is lacking in the foliage industry currently. It was highlighted as important for producers to trial new varieties and quickly bring them up to market scale. Packers and supermarkets can help with quality testing and retailing smaller bouquet lines to test consumer's reaction before scaling up production levels. Retailers are very eager to differentiate their product range from competitors and using new foliages can help with this. Using dyes and glitters for seasonal ranges, or showcasing current products in new designs are also elements that producers must undertake to highlight their range to the major importers and buyers.

Irish foliage products have a good reputation for quality and supply in both Holland and the UK, an advantage that can be used to expand sales to current purchasing companies or to introduce Irish foliage to new buyers and retailers. However an expansion in the product range in offer and increased sampling and weekly deliveries can also be used to add value and recognition to Irish products among industry members.

Further findings from the research are outlined in this report, as well as industry overviews in both Holland and the UK.

FOLIAGE MARKET IN THE NETHERLANDS

Imported Foliage

The Netherlands is the leading importer of foliage in the EU, bringing in 37% of total EU imports in terms of value. There has been variation in the volumes imported due to the global economic crisis – there was growth in imports of 5.4% between 2006 and 2008, while imports fell by 8.1% from 2008 to 2010. In 2010 the value of foliage imports into the Netherlands was €182 million, or 64 thousand tonnes. These figures may be undervalued as many Dutch traders import produce through Antwerp to avoid mandatory levies by the Product Board of Horticulture in the Netherlands.

The following is an overview of the foliage industry in the Netherlands.

Sources of Foliage

47% of Dutch imports are sourced from developing countries – 19% from Costa Rica, 8.7% from Guatemala, 5.7% from Mexico and 2.3% from South Africa. Between 2006 and 2010 Costa Rica's imports increased by 8.8% annually, whereas supplies from Guatemala have dropped by 11% annually in the same period. The remaining bulk of foliage is imported from countries in the EU, mainly Italy, Spain, Portugal, Germany and Poland, as well as Israel, North America, Canada and South Africa.

Transportation & Onward Supply

Due to the large volumes of foliage imported, and with almost 50% from outside the EU, transportation is primarily by sea containers. Such large quantities of imports are generally only handled by a few large wholesalers, who break the bulk for supplying to the network of Dutch wholesalers. It's thought that approximately 90% of their products are re-exported, primarily within the EU.

Importers & Handling

Most foliage from Developing Countries is imported by specialised Dutch importers, including Adomex, Florimex, WBE, Nedfern and GreenConnect (formerly VZH). In contrast to flowers, very little foliage, unless exclusive species, passes through the Dutch Auction system. It's estimated that 90% of foliage imported into the Netherlands is traded directly, with only 10% going through auctions. However in terms of value the estimates are 70-90% for direct trade and 10-30% for the auctions. The exception to imports of foliage through the auction system is for Israeli supplies, which typically trade through Agrexco, the former marketing board for Israeli flowers. They continue to use the added services from FloraHolland to handle their foliage into Holland.

Foliage Prices

Until the end of 2008 foliage prices had been on a slight upward trend, due to strong demand. However prices dipped throughout 2009, with some recovery in 2010 onwards. Foliage pricing is very much affected by seasonal demand, with prices lowest in the EU during summer, when the availability of cheap flowers is preferable to foliage.

Prices for foliage products that are mainstream, and where production can easily switch from traditional producing regions to developing countries, are under pressure from new suppliers.

Table 1 Price developments for the main foliage species at the Dutch auctions, 2006-2010, annual average in euro cents per stem

Variety	2006	2008	2010
Anthurium (leaf)	21	24	n.a.
Aralia	17	17	n.a.
Asparagus virgatus (treefern)	9	8	13
Aspidistra	10	10	9
Chamadorea elegans (Chico)	24	17	n.a.
Chamaedorea metallica	226	148	n.a.
Chamaerops (leaf)	18	15	n.a.
Cotinus	12	13	n.a.
Cycas revoluta	26	18	n.a.
Cyperus (Papyrus)	12	13	n.a.
Dracaena	29	34	27
Eucalyptus	9	10	25
Fatsia japonica (leaf)	11	11	10
Gaultheria shallon (Salal)	8	7	n.a.
Hedera	14	11	11
Monstera (leaf)	33	32	n.a.
Pandanus	12	20	n.a.
Pennisetum	10	10	n.a.
Philodendron	18	23	n.a.
Phoenix roebelenii	15	7	n.a.
Pittosporum	9	9	9
Rumohra (leather fern)	15	16	n.a.
Ruscus	8	9	8
Strelitzia (leaf)	21	24	n.a.
Xerophyllum tenax (beargrass)	70	71	n.a.

Source: Federarion of Dutch Flower Auctions(VBN), ITC Market News Service (2011)

Composition of Imports

In 2009 The Netherlands foliage imports consisted of 91% fresh foliage, 2% Dried foliage and 7% Dyed foliage. They are the highest importer of fresh foliage, compared to an EU average of 82% Fresh, 6% Dried and 12% Dyed. The majority of dyed (36%) and dried (54%) foliages are coming into the EU from Developing Countries. The leading supply countries are China and India for both dried and dyed.

Domestic Foliage Production

Competition within Holland's domestic foliage production market is very strong, due to the level of imports available. In 2008 there are approximately 400 Dutch foliage growers producing a diverse range of foliage products. One of the largest is MDK Plants & Decorations, with a growing area of 5ha and a range of 15-20 species.

Dutch growers tend to supply temperate foliage species, such as Asparagus, Panicum, Skimmia, Quercus and Salix. However due to technology and advanced greenhouse practices they also have a domestic production of tropical foliage such as Monstera, Anthium and Philodendron. Increasing labour and energy costs means Dutch production of tropical foliage is less competitive than international suppliers, with Developing Countries supplying bulk foliage at low cost. Dutch growers tend to focus on improving the quality of their foliage range.

Dutch foliage production also differs from imported foliage in that most of it is traded through the auction system. Approximately 75-80% of foliage grown in Holland is traded through the auctions, with even higher quantities at Christmas time. Dutch producers benefit from local access to the distribution market, meaning they can supply smaller volumes of more exclusive products on a regular basis.

Dutch producers tend to earn a higher value for their products than imports, due to their use of advanced technology leading to higher quality foliage. Proximity to the market also means there is less transport and handling costs involved for local growers.

Domestic Consumer Demand

Dutch consumption of cut flowers and foliage prior to the global economic crisis had been in growth generally. Added to this increased flower ranges and improving quality standards by Dutch supermarkets stimulated cut flower sales. However there has been a distinct focus on mono-bunches by Dutch supermarkets, having an adverse effect on foliage sales.

SUPERMARKET GROUPS – HOLLAND

For the purpose of this report the main supermarkets in Holland of interest are Albert Heijn, Jumbo, DEEN, C1000 and Plus. Interviews were carried out with the Category Managers of Jumbo and C1000. DEEN Supermarket declined to participate in the survey, and there was no response from Albert Heijn to requests for meetings. While contact was made with PLUS Supermarket they did not directly get involved with the research, however PLUS are only currently trialling their first flower category, and have outsourced the management and supply of this to a separate company, Roselife, who was interviewed. Following is an outline of the major Dutch supermarkets, their market positioning, and the findings from the three supermarkets where there was a response.

JUMBO supermarkten ■

Jumbo Supermarket currently has a total of 278 stores, 151 centrally owned, while 127 are franchised. It positions itself as a supermarket that offers a wide range of products at lower price points than average Dutch supermarkets, but not against the hard discounters Lidl and Aldi. Jumbo is on a rapid expansion strategy, growing its market share from 2.9% in 2003 to 8.9% in 2011. Turnover in the same period has grown from €616million to €2,451million, aided by taking over the Super de Boer retail Group in 2009.

In 2011 Jumbo also acquired the C1000 chain, and once the merger of the two chains into an enhanced Jumbo brand is complete it will change the retail landscape in Holland. Some 300 C1000 stores will be converted to the Jumbo format, while 136 stores are to be sold to Albert Heijn (82) and COOP (54). This acquisition places the combined retail power of Jumbo and C1000 as the second largest in the Dutch market, after AHOLD (Albert Heijn). Once complete its estimated Jumbo will have a combined turnover of EUR7.5bn and approximately 20% market share. For the purposes of this report separate meetings were conducted with the Buyers in both Jumbo and C1000, and their feedback is reported separately.



C1000 was acquired by Jumbo Supermarket Group late in 2011, and after review under EU law, the merger is due to complete in 2012, with 300 of the C1000 stores being brought into an enhanced Jumbo brand. In 2009, C1000 recorded an annual turnover of €3.8 billion. With more than 400 supermarkets, C1000 was the second largest single format supermarket chain in The Netherlands and the largest franchised chain. In 2010, C1000 had a market share of 14.8%. Their customer base is generally families with children, but one and two person households are also included.



PLUS Supermarket is a co-operative group who come together under the PLUS Supermarket brand and Sperwer Holding buying group. There are currently 269 member stores, with market share of 6% and annual turnover of €1.91 billion, in 2010.

PLUS are currently re-launching stores in a new format, enhanced by successful TV advertising campaigns. They focus on supplying what the modern customer wants, with a very strong focus on local supply and local produce instore. As part of the rebrand they are introducing their first selection of flowers to stores - they did not have a flower category prior to 2012. They have partnered with Roselife to select and manage this category offering. Roselife were interviewed for the purpose of this report.



With over 830 stores in the Netherlands Albert Heijn is the leading supermarket brand, with a range of store formats. Albert Heijn, a subsidiary of AHOLD, one of the leading food groups in Holland, has market share of 33% and turnover of €9billion in 2010. Their customer base is generally one or two person households, or young families in social classes A and B. Due to the changing retail landscape after the acquisition of C1000 by Jumbo, Albert Heijn are poised to take on an additional 84 stores, 78 from the C1000 retail group, 4 from Jumbo.

Albert Heijn did not respond to requests for an interview and therefore are not included in this survey.



DEEN Supermarket group has a total of 63 stores, mainly located in Northern Holland. As it is part of the major Superunie buying Group it has access to a wide range of products, with the strength of the Group buying power, its approach is to keep prices low for customers.

DEEN Supermarket has a strong reputation for their flower departments – they buy their cut flowers direct at the auction in Aalsmeer on a daily basis, processing their flowers into bouquets in the afternoon at their packing plant in Horn. As a result their cut flower offering is based on quality, freshness, low prices and a wide and varied range. They also have weekly flower and plant offers available in store.

DEEN Supermarket buyer, Nico de Haan, did not wish to be involved in this research or meetings and therefore DEEN are not included in this survey.

SUPERMARKETS GROUPS HOLLAND: KEY FINDINGS

- **PRODUCT SOURCING LEADS TO CLOSER RELATIONSHIPS WITH PRODUCERS**
Dutch retailers are looking to build closer relationships with their suppliers and direct producers for their flower category.

Jumbo have gone as far as sourcing 95% of their flowers direct from growers and contracted African farms, whereas 4 years ago 100% of their requirements were bought at auction. PLUS supermarket, through their category management company Roselife, have a policy of working with Dutch flower growers, to ensure that a positive working relationship exists, allowing for continuous supply at fair prices. They also source flowers from Africa, from pre-approved farms. In this way they can control the quality and ensure that they take advantage of seasonal varieties. C1000, while currently not packing their own range, want to create closer relationships with their suppliers and to control the category more than they have done in the past.

Foliage isn't at the same level of sourcing as flowers – the supermarkets tend to rely on an importer to source their foliage requirements for them.

- **FOLIAGE CHOICE INFLUENCED BY QUALITY, PRICE & VASE LIFE**
Dutch retailers look for quality and price as two of the major criteria for selecting foliage products for their range. The effect of foliage on the vase life of flowers is a critical issue also.

The choice of foliage used in their range is dependent on the quality, vase life and fill it offers. All mentioned that the quality of the flowers and foliage is the number one deciding factor for choosing a supplier.

Major retailers now offer a vase life guarantee to consumers – thus foliage must not adversely affect the quality or lifespan of the flowers. C1000 and Roselife like the idea of separate bunches of foliage as a retail product – allowing the consumer the versatility of picking their own flowers from the range to mix at home. This also overcomes water discoloration for the retailer in store.

The fill that foliage can provide for mixed bouquets is very important – Jumbo use a lot of Salal as it is the right colour, has a long vase life and fills out bouquets.

- **ADVANCE PLANNING VARIES**
Major calendar occasions are planned up to one year in advance, while weekly standard bouquets vary in planning time frames, dependent on the retailer.

For most retailers the major calendar occasions – Christmas, Valentines and Mother's Day - are planned up to 1 year in advance. For Jumbo general weekend bouquets are planned 6 weeks in advance. C1000 rely on their suppliers to present options for the major events, whereas standard bouquets are run continuously. Roselife and PLUS supermarket, being in trial stage of the category,

have more flexibility and only plan their range 12 weeks in advance, including major occasions, allowing them to take full advantage of seasonal flowers.

- **IRISH PRODUCTS OF INTEREST**

Dutch supermarkets displayed a strong interest in the Irish product range – including foliage bouquets, naturally scented products and herbs, sprayed and glittered birch and twigs.

C1000 and Roselife like the pre-bunched foliage bouquet option presented as it could be used to standardise the foliage used in bouquets, reduce production time and therefore lessen labour costs. It is not a product they are currently working with, but both were very interested. They also saw this as a possible standalone product in stores, to allow consumers to purchase with the mono-bunch of flowers of their choice. Jumbo mentioned that they are reviewing a similar product, sourced elsewhere.

Dutch retailers all showed concern for the lack of scent in flowers and they are very interested in naturally scented foliages or herbs to add back the scent to bouquets. With herbs the issue of oil and water discoloration is a concern for them that must be overcome. Jumbo highlighted the Marks & Spencer's herb range as an ideal product line.

Enhanced foliage range is also of interest to retailers – adding glitter and sprays as well as scents to birch and twigs is seen as a major seasonal line, around weeks 47 -52. A key issue is the amount of shelf-space large bundles take up and also the mess it can make in stores or for staff handling glittered products. All showed varying interest in the glittered and scented samples – the buyers are aware of the different types of customers frequenting stores and the need to offer both natural and seasonal products.

- **ENVIRONMENTAL STANDARDS ARE OF MIXED CONCERN**

There are mixed environmental standards within the retail industry, especially for foliage sourcing, whereas flower producer's criteria are stricter.

C1000 do not directly source flowers or foliage for their range, relying on 6 suppliers to fulfil the category. However they insist on MPS A rating for all suppliers, and sometimes accept MPS B. Roselife is very environmentally aware, preferring to source products locally to ensure that high environmental standards are maintained, and while not advertising Fair Trade as yet, all their African produce is sourced from Fair Trade certified farms. They were especially interested in the natural growing conditions of Irish foliage and MPS certification, seeing it as a good fit for their environmentally conscious production. Jumbo rely on third party suppliers, WBE, for their foliage and do not have environmental specifications for this. However they see that carbon footprinting will be important for all produce in the future.

IMPORTERS AND PROCESSORS - HOLLAND

With Holland being one of the key import and re-export markets for both cut flowers and foliage in the world, the size of the industry and the number of companies involved at all levels is extensive. Due to time limitations and interest from the industry a limited number of companies were approached for interview, to give a broad overview of the industry, general trends and future concerns for all involved in the flower industry in Holland. The following gives a brief overview of the companies met with, followed by general findings across the industry. Please note that not all companies were willing to reveal sensitive information – such as product pricing and quantities sourced annually. However where they were given they are included.



The Dutch Flower Group is one of the largest suppliers of flowers and plants in the world, serving customers in the retail and wholesale sectors. The Dutch Flower Group (DFG) operates under various divisions – Retail, Wholesale Flowers and Wholesale & Retail Plants and Sourcing. Annual turnover is approximately €1billion.

As one of the most successful flower trading companies they export to over 60 countries, with average sales of 60 million flowers, 5 million bouquets and 5 million plants per week. They have been growing at an annual average rate of 11% since 1999. Of their growth a third can be directly attributed to acquisitions throughout the years, whereas two thirds is organic growth. This is not reflective of market growth of 2% approximately. Their main geographical focus lies in Europe, and a lesser extent in America. Russia is a growing market of importance for the Dutch Flower Group also.



Westland Flowers Export (WBE) is a specialist trader of decorative greenery only. The company was founded in 1977 and now has over 60 employees. WBE imports greens from around the world and sells within the Auction system in Holland, as well as directly to customers throughout Europe and outside of Europe.



GreenConnect (formerly VZH Greens) are a member of the Dutch Flower Group. They are distributors of foliage products only, sourcing their product range worldwide. Their customer base is in the Netherlands and Europe. They have 4000 m² of conditioned storage, taking deliveries from suppliers 24/7 by both air and container shipment.



Intergreen, a member of the Dutch Flower Group, is a worldwide operation sourcing flowers and greens globally and supplying to major customers in Europe. Their customers are major retail and supermarket chains, based from North to South Europe.

Intergreen focus on supplying a high quality product and consistent supply to meet the needs of major customers – they invest in longterm relationships with suppliers, sourcing as much as possible directly from the growers.



Van Dijk Flora is a member of the Dutch Flower Group. They focus on supplying cut flowers and plants to low-cost and discount supermarkets throughout Europe. They work as an intermediary bringing producers and retailers together.



Flora United is an independent importer who specialises in special and exclusive flowers, foliage, and decorative products from the Netherlands, South America, Africa, Southern Europe and Asia. They create longterm relationships with the customers, offering advice on new products.

IMPORTERS AND PROCESSORS HOLLAND: KEY FINDINGS

- **FOLIAGE IS SOURCED GLOBALLY DUE TO YEAR ROUND DEMAND**

With European retailers and consumers demanding a year round supply of mixed bouquets and greens, importers and processors source their foliage range throughout Europe and developing countries.

The Dutch Flower Group, one of the largest flower companies in the world, sources foliage globally to meet the needs of their largely European consumer base. Larger companies that need vast quantities of foliage with year round supply have to source globally to meet their needs. Key regions include Europe, Costa Rica, North America and Canada. Some importers are also bringing minimal quantities from regions such as Central and South America, Australia, Tunisia and Africa. Other companies, such as Flora United, source the vast majority of their foliage within the EU, mainly from Italy and Ireland.

- **FOLIAGE VARIETIES & QUANTITIES VARY**

There are key foliage varieties that are widely used within the industry in bulk quantities, while a market for specialist products exists for smaller quantities.

Companies interviewed were willing to give the type of foliage and an indication of the amount of foliage purchased weekly, but pricing information was mostly sensitive.

GreenConnect bring in 12 to 15 sea containers of foliage per week – of these the largest quantities are Leather Leaf and Salal. Bear Grass, Noble Fir, Pistache and Tree Fern are all sourced in medium quantities, whereas smaller quantities of Phoenix Fern, Pittosporum, Birch Twigs and Painted Foliages are also purchased. The majority are stem lengths of 40-50cm, with some in the 25-40cm and 80cm+ ranges.

Intergreen have a weekly requirement for 40,000 Eucalyptus (small, green), 50,000 Rhododendron, 60,000 Pittosporum, 25,000 Pine, 20,000 Tree Fern, 20,000 Salal and at Christmas 100,000 Noble Fir.

Van Dijk Flora source Leatherleaf, Aralia, Pistache and Bear Grass, but quantities were not given. All their greens are supplied through the Dutch Flower Group sister companies, usually Green Partners.

WBE, a specialist trader in foliage, has the widest selection of products. They source and supply up to 80 trolleys of Eucalyptus varieties weekly. Weekly quantities include Bear Grass (2000 boxes), Pittosporum Nigra (5 trolleys), Tree Fern (400 boxes), Salal (20 sea containers), Pistache (600 trolleys). For Valentine's Day they require 1000 trolleys of Pistache and 30 trucks of Pine at Christmas. Stem lengths vary from 40cm from Northern European markets up to 1metre in Eastern Europe and Russia.

- **INNOVATION MUST COME FROM PRODUCERS: DEMAND FOR NEW PRODUCTS IS STRONG**

Innovation for new foliage varieties and new uses of foliage must come from the producers, rather than importing or processing companies. There is strong demand for new varieties once fully tested.

Marco van Zijverden, CEO of the Dutch Flower Group, highlighted that innovation in foliage must begin at producer level. While most companies highlighted that they wanted new foliage varieties to come through to them, they also noted that these would have to be tested to ensure the products were of high quality and did not affect the vase life of flowers.

The market for new foliages exists among customers that are more open to new ideas from suppliers – Intergreen highlighted Tesco as a customer that is willing to try new products – especially for the *Finest* range. WBE noted that their lifelong customers are also willing to trial new products. New foliage products can be trialled in smaller quantities to test the market for them, before needing to scale up production. Unusual foliages can command a premium if the customer is looking for something different from the standard range.

Most of the companies note that their large scale customers look at price, quality of foliage and consistency of supply as the deciding factors when ordering, rather than new foliages. Intergreen note that making the breakthrough with new foliage can be difficult, and highlighted that Italian grower's have not brought any new product to market in over ten years.

- **TRENDS IN THE FOLIAGE INDUSTRY**

Trends in bouquet design come from the German market, starting with high-end florists before being adapted for the retail markets in Holland and Europe.

There are varying trends apparent across the sector and companies, with leading designers in Germany and Holland influencing floral trends, before being adapted to suit retailer's product lines. Both WBE and Flora United note that trends in foliage come and go – Leatherleaf has diminished in popularity, whereas Salal has replaced it. This could be attributed to the long vase life of Salal. Intergreen highlight how green Pittosporum had fallen off almost four years ago, but now has come back in popularity, especially to replace Rhodo off-season. They believe trends are cyclical – as bright flowers are now in fashion there is demand for strong, bright green foliage to match, as well as variegated foliages.

DFG and Flora United have seen a fall off in the amount of foliage that makes up their business – however this could be explained by their expansion into the flower markets, rather than a downward trend for foliage. Interestingly Van Dijk Flora, suppliers to discount retailers, note that in these stores mixed bouquets would only have been available for special occasions a few years ago, whereas now there is a market for bouquets on a weekly basis, requiring more foliage all year round.

- **ENVIRONMENTAL & ETHICAL ISSUES**

The demand for strong environmental policies, Fair Trade, sustainability and ethical working conditions are driven by retailers outside the Dutch market

The Dutch Flower Group note that there are varying levels of concern for the environment amongst their customers. The number one factor for the German market is Fair Trade, whereas the Russian market does not query sustainability of supply or Fair Trade.

Within the DFG Intergreen are highly concerned with meeting MPS and EUROGAP standards for their UK customers, and they focus on Social Qualified standards for their African farms.

GreenConnect, also a DFG company, note that they will only source products that meet MPS, Fair Trade, FFP or Rainforest Alliance products if the end customer demands it or if there is a price advantage for doing so. They believe that environmental labelling will become more important in the future.

WBE will also only look for certification if their customer demands it – generally they find that only their UK customers are sourcing environmentally friendly products.

Carbon Footprinting is not a major concern for any of the industry members – especially in relation to foliage as this tends to be transported by sea freight to reduce costs. Certain UK retailers are looking at adding information to their sleeves about air miles in the near future.

FOLIAGE MARKET IN UNITED KINGDOM

The UK is the fourth largest importer of foliage in the EU, accounting for 7.9% of total EU imports. Following a decline in the value of imports by 3.5% between 2006 and 2008, the value of imports increased from 2008 to 2010, resulting in a net increase of 5.4% to €39million or 12,000 tonnes. The following is an overview of the foliage market in the UK.

Sources of Foliage

Foliage is imported direct by the UK flower packing companies or sourced indirectly through the Dutch system. Dutch wholesalers and UK wholesalers sourcing in Holland account for approximately half the UK market in 2010.

UK wholesalers also look to Developing Countries for foliage products – they account for 16% of total imports, valued at €6.4million. These include India (4.4%), Costa Rica (3.4%), South Africa (2.6%), Sri Lanka (2.5%) and Malaysia (1.6%).

Lack of Domestic Production

DEFRA, the Department for Environment, Food and Rural Affairs show that in 2008 the total area of bulbs and flowers grown in the open in the UK has increased since 2006 by 8% to 5,000 hectares. This rise is mainly due to the area of narcissi which has increased by 5% to 4,000 hectares. Foliage production at this time had grown by 12%, totaling an area of only 46 hectares dedicated to foliage growth. In 2009 the value of floral production in the UK was €304million, whereas the consumption value was €2,510million.

UK Retail Market for Cut Flowers & Foliage

In 2011 the UK retail market for cut flowers was valued at £874million. This category grew by 2.4% in 2010, despite economic pressure on UK consumers. The major retailers have the following market share for this category:

Retailer	Flower Category Share	Overall Market Share
Tesco	29%	31%
Morrisons	16%	12%
Sainsbury's	14%	16%
Marks & Spencers	13%	3%
Asda	12%	16%
Waitrose	7%	4%
Others	9%	16%

The control of the flower category within the major UK retailers does not always reflect their general market share – certain retailers place more emphasis on this category than others, such as Marks &

Spencer's who have an overall market share of 3.10% yet hold 13% of the flower category share among retailers.

Importance of foliage in mixed bouquets

Bouquets are an important element of the UK category, making up 41% of the market, with straight lines at 59% of the market. Bouquets experienced a slight decline in market share in 2011, falling by 0.21% but they are a very important product for the foliage industry. Generally foliage is used in bouquets to enhance colour and to make the assortment look fuller and more expensive.

Calendar Occasions

Calendar occasions continued to increase demand for flowers in 2011 over 2010. These key occasions include Valentines (demand up 1.8%), Mother's Day (demand up 4.3%) and Christmas (demand up 18.7%). Year on year growth was 2.4%. Intergreen, a supplier to the main UK retailers, has found supplying enough product for Mother's Day increasingly difficult as demand has risen 20% each year for their range over the past number of years.

Seasonality

Seasonal flowers do not impact negatively on general flower sales for retailers – in fact while there were sales of £3m of daffodils and tulips during the spring season, traditional flowers such as roses, chrysanthemums and carnations were barely impacted.

Imported season extensions increase demand for the main UK season – a longer season can give more momentum and allows for a stronger promotional programme

Range

Supermarkets in the UK are moving towards a more diversified product offering – including a range from low cost to a premium offering. The quality differential between retailers is being eroded, with most major retailers offering a high quality floral range. Consumers are still purchasing higher priced flowers, if the offer and quality is right.

British Flagged

British consumer's value British produce – due to it being better for the environment, lasts longer and can be better value for money. Retailers exploit this by highlighting British products in store with a British flag or symbol.

FLOWER IMPORTERS & PROCESSORS – UNITED KINGDOM

The UK is a major market for both cut flowers and foliage and its proximity to Ireland makes it a key market for Irish foliage. Due to time limitations and interest from the industry a limited number of companies were approached for interview, to give a broad overview of the industry, general trends and future concerns for all involved in the flower industry in the UK. The following gives a brief overview of the companies met with, followed by general findings across the industry.



Finlay's have a varied business – including tea plantations, tea extracts, beverage packing, fresh produce, flowers, rubber & forestry, logistics and services. Finlays Horticulture is one of the largest suppliers of cut flowers and fresh produce to the UK market. They have over 800 acres under polytunnel or greenhouse in Kenya, producing 430m stems for the wider European markets per annum, with the UK market taking 80million stems per annum (10-11% of their total business). They source over 836 million stems per annum for their customers worldwide.

In the UK they have two flowers sites in Spalding and Sandy, producing bouquets using flowers from their own farms and from other growers around the world. They have 3 acres of trial plots in Spalding to grow and test their UK flower range.

They have developed a successful 'Packed at Source' bouquet business where they work closely with qualified bouquet designers in order to produce fresh bouquets in Kenya which are sleeved, packed, bar-coded, proceed and shelf-ready on departure from the farm. They also provide a wide range of commercial crops including Alstromerias, Solidago, Veronica, Gyposophilla, Trachelium and various greens for bouquet fillers. Our professional growers are constantly trialling new varieties and different crops in order to record performances in preparation for potential commercial development.

Finlay's have strong ethical production standards – 100% of Kenyan cut flower produce is Fair Trade certified. They are a member of the Ethical Trading Initiative (ETI) which is organisation where it's corporate, NGO and trade union members work collaboratively to improve workers rights throughout member's supply chains. Their farms across Kenya have the Kenya Flower Council Gold Member accreditation standard.

All their farming operations are run according to independently certified Good Agricultural Practice (GAP) and they practice the use of Integrated Pest Management (IPM) as part of our GAP procedures.



Established in 1995, Winchester Growers are the UK's leading grower/packers of daffodil bulbs and flowers. They also grow many different types of lily and seasonal cut flower's which they use to produce mixed bouquets and mono flower bunches. Sales are currently approaching £40 million per annum with customers ranging from major UK high street multiples to horticultural wholesalers. They are also one of the few UK flower growers to export products to Europe and the USA.

The Company operates from two sites in the UK, the principle site is in Lincolnshire, and this is the Company's main site for growing protected flower crops such as tulips and lilies and also the primary packing facility for a wide range of flowers and added value arrangements. The second site is close to Penzance in Cornwall, operations here relate to the growing, packing and distribution of daffodil bulbs and flowers.

They employ approx 500 people across the UK and are part of a group of companies known as Bulbs and Flowers International which is part of the Belgian based UNIVEG group.



Butters Group is one of the UK's leading suppliers of plant and bulb ranges to supermarkets - in September 2011 they also moved into growing and packing cut flowers. They invested £700,000 in a four-acre glasshouse and a 23,000 sq ft flower pack-house. They have sales of over £40m a year mainly from their traditional plant and bulb range and have up to 500 employees. They supply their traditional products for in-store sale and home delivery, to household names including Marks & Spencer, J Sainsbury, Tesco, Waitrose, Interflora and Next. Within the cut flower range they supply Waitrose stores with a full range, and they manage the online bouquet ordering for Interflora, Moonpig, BHS and Flying Flowers.



MORRISONS / Flowerworld

Established in 1987 Flower World was one of the leading independent flower importers and distributors in the UK. In 2010 Flower World had a turnover of £33.7m. In June 2011 it was announced that major UK retailer Morrisons had purchased Flower World, to integrate it into its business and to allow for more control of their flower category sourcing and packing. It provides fresh cut flowers, plants, bulbs, seeds, wreaths and bouquets to florists and retailers.

UK IMPORTERS AND PROCESSORS – KEY FINDINGS

- **DEMAND IS STRONG FOR QUALITY FOLIAGE**

All 4 companies met with highlighted the need for high quality foliage products that have a long shelf life and can be consistently supplied. Retailers look for quality foliage to add value to their flower range for the end consumer.

With the UK retail market for cut flowers worth £874million retailers are constantly seeking to improve their floral offering and differentiate themselves from their competitors on an ongoing basis.

Finlay's grow or source about 80million stems of flowers per year for their UK customers, and thus need large volumes of foliage for fulfilling their bouquet production requirements. On average they source about 100,000 stems of Solidago per week, as well as other foliage products that are of high quality. They look worldwide for their foliage requirements, including Ireland.

For main foliage lines Flowerworld / Morrison's have a minimum weekly requirement of 100,000 stems. They will reject foliage supplies if the quality isn't right – they returned two shipments of Robusta recently for this reason.

High quality foliages that can fill bouquets, such as Salal, are important as all packing companies and retailers look to add value to their products lines.

- **TRIALING NEW PRODUCTS AND SCALING UP TO MARKET LEVELS IS VITAL**

Trialing new foliage products to bring new varieties to market is seen as a challenge for the producer to undertake. Packers can assist with product testing and retailers are willing to add new products in smaller lines to test the market and allow producers to scale up.

All companies are very interested in trialing new products. They believe that the grower has to work on the initial new product trials, but they are able to offer assistance with testing and quality control in their facilities, to meet UK retailers exacting standards.

Each of the companies has varying requirements for a new product before it can be trialed in a retail environment. Winchester Growers require a minimum of 50,000 stems, over a 10 week period. This would see the new foliage added to a line with a higher price point. Butters require unusual foliage so that it can be added to a retail product above the £20 mark, therefore less of the foliage will be needed. They suggest a minimum of 20,000 stems over 6 weeks for a valid trial. If it's a lower value foliage trial then up to 50,000 stems would be required. To run a trial through Morrison's they would need 10,000 stems per week, over 4 weeks, with the foliage in a high end bouquet, retailing around £15 -£20.

Finlay's differs to the other companies in that they actively encourage their growers to test new floral products. They have a test site in Spalding to work on British grown flowers. They highlight one of the key issues being reluctance amongst growers to risk switching to a new crop, as the time and investment is considerable. They work with producers to ensure a market for their product –

guaranteeing to buy 80% of the product range if it's up to their quality requirements.

They have also found that while test sites have been successful there needs to be further investment to bring the successful products up to a marketable scale, as British retailers demand large quantities, both in flowers and foliage.

Finlay's also highlight that considerable work can be done on improving the quality of current products and that this is also an important element for product trials.

- **MARKET GAP IN UK AT AUTUMN**

With spring and summer ranges being very strong in the UK retail market there is a considerable gap in autumn for a range to run up to the Christmas season

Spring and summer flowers do not impact negatively on general flower sales for retailers, and are seen as incremental sales during these seasons. There is a clear market gap at the end of the summer season, from end of September until November, to add an autumnal range to capture consumer spend in retail stores.

All companies see this line as a foliage heavy product line, with the addition of berried varieties and rosehips etc. The current difficulty is getting supply of an autumnal range in the required quantities. Butters have also highlighted that Waitrose are looking for a range of herbs for this time, once they pass their quality control standards.

IRISH COMPANIES – KEY FINDINGS

Due to the relatively small size of the floral and foliage industry in Ireland there is a lack of information on the size of the market. The following findings are based on interviews with three main companies – retailer Tesco Ireland with a market share in Ireland of 28% in February 2012, and a category worth €21million per annum - €14million of which is directly from cut flowers. The two packing companies involved, Van Vliet and JZ Flowers, supply major retailers in Ireland. JZ pack and supply Tesco Ireland (40% of their business) and Aldi Ireland (60%), whereas Van Vliet supplies both Dunnes Stores and Musgraves. Foliage accounts for 10 – 20% of the product range.

- **DEMAND FOR IRISH PRODUCTS IN THE IRISH MARKET**

Irish products of good quality and freshness, add scent to a bouquet and are consistently supplied are in demand by packers

Both JZ Flowers and Van Vliet look for Irish supply of foliage due to the quality, consistency of supply and also ease of communication with the local supplier. Van Vliet use up to 50% of Irish foliage in their range. They source their range on quality before price.

- **DEMAND FOR FILLER FOLIAGE AND INNOVATIVE PRODUCTS IS STRONG**

Filler foliages add value to bouquets, whereas any new or innovative foliages or products have a high level of demand within the Irish market

JZ Flowers look for filler foliages that add mass to a bouquet and are also easier to work with than straight line foliages. They are interested in Solidago, Statice, Hypericum, Ruscus, Asparagus and Arbutus. Van Vliet also look for filler foliages as these add value for customers – they can also be refreshed with new flowers at home as the vase life of foliage is longer. Van Vliet believe that Viburnum, Brassica and Aspidistra will all be popular varieties in the future.

All three companies are always looking for new or innovative products to add to their lines, all three companies cite the success of ornamental Brassica as a strong product line in the Irish market. Novel products and dipped and dyed foliages are especially popular for events, especially at Christmas.

- **TESCO IRELAND RANGE HEAVILY INFLUENCED BY UK**

Bouquet design, specification and foliage products are determined by the UK Head Office, and the flower and foliage suppliers are top UK import companies Finlay's and Intergreen.

Tesco UK determine the type of flowers and bouquets that will be used across the UK and Ireland. Due to this Tesco Ireland do not have as much influence on the range or the source of products, but they can select from a range of bouquets for the Irish market. These lines for Ireland are packed by JZ Flowers in Kildare. The top 4 suppliers to Tesco Ireland are Intergreen (40%), Finlays (40%), Winchester Growers (10%) and Uniplumo (10%). Generally they use 1 or 2 stems of foliage in every bouquet, determined by the retail price. On average foliage is approximately 15% of flower sales.

CONCLUSIONS

- **Strong Demand exists for foliage products year round**

Both Dutch and UK Importers are sourcing their foliage worldwide in year round to fill the demand for mixed bouquets in the European market. Demand for foliage is relatively stable across the sector, and with the growing focus among retailers to improve and expand their flower categories mixed bouquets will continue to require foliage.

- **Innovation is important to bring new products to market, but it must start with growers**

All companies mentioned that they are very interested in seeing new foliage varieties coming to market. They acknowledge the risk involved in trialling and producing new foliage. Support of new product trials is available from the main companies -their research and development teams have the ability to test new products for producers to ensure it has the required vase life and will work with flowers in a bouquet. Butters and Morrision's are willing to work with samples to test them and bring them to market ready status.

Designers are keen to trial new foliages. All retailers are eager to differentiate their product offering from their competitors – Tesco Finest range was cited as the most willing to trial new products in the UK, whereas others such as Marks and Spencer's will run new foliage in online bouquets. Equally Dutch supermarkets are looking for innovative foliages.

- **Innovation amongst current products is also necessary**

Key British importer Finlay's also highlighted that innovation is important among the products that are currently being used across the market. Testing the product and trialling season extensions, improving the quality and vase life is very important. With developing countries able to produce products at lower prices European suppliers need to add value to their products to continue to hold market share. Quality was cited as a key purchasing decision by all companies – supplying consistently high quality products is vital.

- **Special Occasions are continuing to peak, driven by supermarkets and demand is extremely high for unusual or novel products.**

Special occasions such as Mother's Day, Valentine's Day, Easter and Christmas continue to grow in popularity in the UK, Irish and Dutch markets. All companies are looking for new or unusual products for these periods. The Christmas market is the most competitive among retailers, and at this time of year they require vast quantities of Christmas foliages, products such as wreaths, general foliage for bouquets and dyed and glittered foliages. Birch, twigs and scented lines are all popular at this time of year.

- **Off peak periods are maintained by consumers purchasing for their homes**

Seasonal periods are continuing to do well, with retailers acknowledging that consumers are purchasing for their own homes, as well as the gift market. Seasonal flowers add incremental

sales to the traditional flower lines. Consumers are looking for value for money rather than cheaper products. They will continue to purchase higher price point products if there is quality and value for money. Some retailers use foliage as a means to fill out bouquets and increase the value of their offering. Others such as PLUS and C1000 see foliage bunches as a possible standalone product in stores, whereby consumers can add flowers to the foliage at home to refresh the bouquet.

RECOMMENDATIONS FOR IRISH SUPPLIERS

- **Continue to supply quality products**
Irish foliage supplies are perceived as a high quality product, being superior to a lot of other European foliage.
- **Work on innovation**
Demand is strong for new foliage varieties – every company met with is looking for something unusual and different, and are willing to support the development of new products once it reaches their systems. There is ongoing demand for new products and novel ways of using current foliages, twigs etc but the producer must take the initiative to highlight new products and means of using them
- **Take advantage of current relationships**
Irish producers, most notably Forest Produce Ltd, are well known within the UK and Dutch markets. Industry members especially within the UK tend to move from company to company there is an opportunity to create lasting relationships with buyers, bringing products into several companies. The Dutch market varies from this, but they look for consistency of supply from companies once they begin to work with a producer.
- **Bring successful new products up to market quantity rather than continually trialling new ranges**
Once new products have been trialled by local growers it's possible to take advantage of quality control expertise among the main packing companies. This will give greater feedback on the success of a range. Once a product meets their requirements it's important to expand production to a commercial level, rather than continuing trials indefinitely.
- **Sampling and improving logistics**
Sending regular samples to packers, designers and retailers is extremely important to continue to keep Irish products in mind for new lines or when substituting foliage varieties. The industry has varying advance planning requirements, with Christmas ranges being planned up to a year in advance, thus sampling is vital all year long, to ensure Irish products are included in key lines. Logistics and frequency of delivery needs to increase to three times per week to meet market demand in both Holland and the UK.
- **Aim to fill the Market Gap in UK retail with an Autumnal foliage range**
The absence of an autumnal range for late September until end of November is a key gap to aim for in the British retail market. With seasonal flowers no longer available there is a possibility to provide consumers with an instore option at this time. Irish

foliage could cater for this market, working to produce seasonal foliage with berries etc and should be considered during any planting trials in the future.