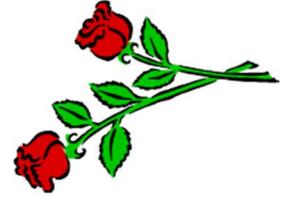


Market Dynamics

Cut Flowers Europe – January 2015

05 February, 2015



The Netherlands

Netherlands Auctions

The December auction turnover of cut flowers increased by 1% compared to the same month of last year, realised with a supply increase of 12%, resulting in a total average price for all products together of 26 Eurocents per stem, while it was 29 cents last year; so, more sales turnover for lower prices.

Much lower prices for: tulips (with 100% more supply) , roses, lilies, single headed chrysanthemums, spray chrysanthemums and eustoma. Higher prices for a few products such as: gerberas, cymbidium orchids and ilex.

After the slightly positive cut flower sales and turnover of December, with lower prices, the January market could be called moderate. Supplied quantities of many products were quite big, especially of tulips, roses, gypsophila and some bulb flowers. Even though the weather was mild, without snow and with hardly any night frost, it should have been easier and better to obtain positive results, but that did not really happen. The auction spokesman reported that the higher supplied quantities, the lower demand and the lower prices were all negative factors. However, during the last week of the month, towards the approaching Valentine's Day, prices gradually increased, mainly for roses, and then in particular for the red varieties.

Netherlands Importers

The Netherlands export figures over 2014 are published by Floridata/VGB (Exporter's Union) as follows: The total export turnover of cut flowers, house- and garden-plants together increased by 2% compared to 2013.

In the first quarter of the year there was a decrease of 0.5%, followed by increases during the second quarter by 3.7%, the third quarter with 5.5% and the fourth quarter with 2%.

In 2013 there was a decrease of 2.3 % compared to 2012.

Plant exports increased with 5%, better than the increase of cut flowers by almost 2%.

Only but minor optimism among exporters as to 2015, due to changes in the important currencies in the world market: A decrease of the Russian rouble of 40% in a half year time; a stronger US Dollar (some 30%) versus the Euro, and a stronger Swiss Franc, 20% versus the Euro.

The weaker Russian rouble is very negative for the Dutch exports, but the increase of the US



Dollar and the Swiss Franc are both positive. However the higher US Dollar rate is negative for all imports.

Per country quite some differences in export could be noticed: Higher and increasing percentages for: Germany (3.5%), United Kingdom (+ 2.2%), France (+10.2%), Italy (+1.4%), Switzerland (+13.7%), and Poland (+14.6%).

Negative percentages for : Russia (with 10.3%) and Belgium (with -2%).

The Dutch domestic consumption did remain to steady on the same level; slightly more sales via the supermarkets, but steady via the florist shops and street sales.

After a reasonable Christmas and New Year's market, with the same reasonable results, the cut flower business throughout the month of January could be characterised as having been moderate, depending on the product. It was good for the whole assortment of the South African tropical flower assortment, with: proteas, leucospermum cordifolium, cape greens and the assortment of tropical cut foliage types.

Reasonable month also for wax flowers, which were available already from Israel; however due to the very cold weather the season of the wax flowers started slowly than normally, with the positive effect on the prices.

Less good prices and results were obtained for roses, hypericum, solidago and gypsophila.

Due to the political and economic situation in Russia and the Ukraine, many of the flowers which were planned to be sold over there, had to be rerouted to the traditional markets in Europe. Because of this over supply prices were under pressure.

An advantage for the Dutch exports was the much lower value of the US Dollar, when compared to the Euro, which was very much in the advantage for good financial results.

All import products from many overseas production and supplying countries, to the contrary were more expensive for the European Euro countries, also due to the exchange rate between the US Dollar and the Euro.



France

Final Christ demand and sales have been more or less identical to a normal week. There was some extra demand, but not much. Christmas is not anymore such a special cut flower consumption event as it was in the past.

On the other hand more products and much more quantities of cut flowers were available than before. Lots of flowers from the Netherlands, but also from the many overseas production countries in east African and South America.

This year much more Ecuadorian roses were offered all the time for reasonable prices. Since the political and economic problems in Russia, people over there were and are purchasing much less flowers.

The imported flowers in many European countries have become more expensive, because of the exchange rate between the US Dollar and the Euro. The US Dollar became some 30% stronger against the Euro. For Russia the problems were double up. At first the stronger US Dollar in which most of the imported flower have to be paid, and secondly the Russian rouble has devaluated with some 40%, which was making products also 40% more expensive.

During the same problematic cut flower market of January, preparations had to be made for the approaching Valentine's Day, which was not easy at all, since in recent years less and less wholesalers, florists and other buyers are not committing themselves to make early pre-orders. All of them wait till the last moment, believing that enough products and quantities will be available.

Germany

After the reasonable cut flower demand and sales during the Christmas and New Year's week, with reasonable results, the cut flower market during the whole month of January slowed down considerably. Importers and wholesalers do not really know which reason to give for this phenomenon. The weather was mild all the time, with hardly any night frost and snow. It was easily possible to move and transport fresh products even outside. Street sales were taking place all the time, but still consumers were not very much interested to buy flowers.

Exception were bulb flowers, such as tulips, narcissus, hyacinths and some others, which were really plentifully available, in much bigger quantities than normally in January. The reason was that the season of all bulb flowers started much earlier this year, due to the mild previous winter, but finally all last year.

With all those extra quantities of flowers of the same price class, like the small and sweetheart roses, people preferred to have spring flowers with spring colours in their homes. And since consumers spend their money only one time at a time, the choice was easily made. On the other hand more than enough import products from overseas countries, especially roses were available plentifully all the time; especially those originating from Kenya and Ecuador.



As from the second half of the month importers and wholesalers were preparing for the approaching Valentine's Day, taking place on the 14th of February. However, it is expected that Valentine demand and sales will be negatively affected by the fact that the actual day is on a Saturday and on Saturday the 14th the Carnival is taking off as well. Those two, Valentine's Day and Carnival are normally not matching so well together, since consumers have other priorities than buying flowers during Carnival days.

Italy

Throughout all the month of January the cut flower market was very slow and calm, more or less typical for this month. However, with the very mild winter weather so far buyers, importers, wholesalers and florists had expected consumers to buy more products, because it was easy to get flowers also outside in the streets.

On the other hand importers were planning their purchases for Valentine's Day, which was not easy at all to order flowers in a bad cut flower selling situation, which were much more expensive already for the approaching Valentine's Day.

Yet, prices had to be adjusted upwards anyway, just because of the currency exchange rate between the US Dollar and the Euro. With the fast increased value of the US Dollar (with

some 30% in the last half year) vis-a-vis the Euro all import products had become much more expensive.

That is also one of the reasons why importers, wholesalers and florists were buying much more flowers from the Netherlands, where prices were even lower than normally around this period of the year. Products from Holland that were considerably cheaper were tulips, chrysanthemums and roses, except of the red varieties.

It needs to be seen how all will develop towards Valentines. The expectations are not so very positive since the actual Valentine's Day is taking place on a Saturday, when all companies and schools are closed. For personal purchase it will not make any difference.

Norway

After the reasonable cut flower market with reasonable good results during the Christmas and the New year's period, the beginning of the new year 2015 was slow and calm. Even though the weather during the first two weeks of January was mild and good, in principle cut flowers' demand should have profited, but the opposite happend.

During the third week of the month suddenly a serious winter attack took place, with night frost and heavy snowfall, even in the western and southern regions of the country. In the Oslo region some 30–50 centimetres of snow and in several western parts up to one meter or even more. This made road transport very difficult or even impossible and the same could be said for all street sales of cut flowers and plants.

At the end of January it could be noticed that the total turnover of the cut flower market was only but slightly lower than in the same month of last year.

Plenty of products and quantities were available from anywhere, either from the Netherlands or from other overseas production and exporting countries, so that prices, in general, were lower.

Good promotion was made with the so-called Tulips Day, the day that plenty of tulips, almost all domestically produced, were offered and sold.

Another group of products, the bulb products on pot, such as hyacinths and narcissus, were demanded and sold very well as well.

Towards the very end of the month all preparations were made for the approaching Norwegian Mother's Day on the 8th of February and for Valentine's Day on 14 February.

Spain

The final Christmas and New Year's demand, sales and results turned out to be nothing special, and more or less equal to previous years. Normally, Christmas is never celebrated so much with cut flowers, but more with other products, such as food and drinks.

During the month of January, always a very slow month, also this year the cut flower market was very calm; hardly any serious demand and sales for those products.

On the other hand many import flowers, such as the those imported from Colombia and Ecuador, became more expensive due to the higher US Dollar rate. The US Dollar value against the Euro has increased considerably. Was the US Dollar exchange rate to the Euro about 1.60 a year ago, now it is 1.15, a difference of some 30%.

Also leather leaves and other cut foliage products, either from Costa Rica, Florida or other parts of America and Canada all became much more expensive. Only cut flowers and cut

foliage originating from the Netherlands became cheaper, due to lower prices. The major products used from the Netherlands are : chrysanthemums, tulips and roses and all of them were considerably cheaper.

At the end of January preparations were made for the approaching Valentine's Day. It is not expected to be a record year, because the actual Valentine's Day is on a Saturday and it is taking place in the same week of the carnival.

Sweden

During the last two weeks of December, the Christmas week and the New Year's week final demand, sales and results of cut flower business turned out to be rather good and successful.

However, as from the beginning of the new year and throughout the rest of the month the market could be called moderate, except of the very first week when traders and florist had to rebuild their stocks again.

Even though the weather in the major part of the country was not very winter like, and even though the general price level for all flowers originating from the Netherlands was not so very high, demand for cut flowers was not very special at all.

One of the biggest worries of all traders was the unrest in the economic and financial sector. The much lower rate of the Russian rouble, the stronger US Dollar versus the Euro and the disconnecting of the Swiss Franc versus the Euro, of course had also quite some impact on the Swedish crown.

Was last year the Skr 8.75 to the Euro, today it is 9.35. The rate of the SKr to the US Dollar was last year 7.00 and now it is 8.65. So all imports, also of cut flowers have become more expensive, which at the same moment made margins smaller, because prices for the final consumers cannot be endlessly increased without causing them to buy fewer flowers.



Importers and other traders are a bit nervous about the situation towards Valentine's Day. The actual day is taking place on a Saturday, which is not the most favourite day in the week. Still, they hope for the best.

Switzerland

Christmas and New Year's final results turned out to be reasonably satisfactory, but not as good as during the same period of many previous years. Most of the wholesalers, supermarkets and florists did not commit themselves to order timely in advance, which seems to become the tradition. Most probably the reason is that many product and enough quantities are available all the time from everywhere. On the other hand buyers have become not so traditional anymore, and they try to purchase flowers from the best and cheapest source, and try to make the best deals.

As said, the final Christmas sales and results were reasonably satisfactory. Also during the first week of January many buyers and florists did order good quantities of any type of cut flower, because most of the products were sold out.

However during the rest of January the market became very slow and sluggish. Most of the products originating from the Netherlands were cheap, especially since the heavy currency exchange policies of different countries, such as for example Switzerland and the USA. The Swiss Franc was very steadily connected to the Euro and kept steady on the CHF 1.20 to the Euro. However the central Swiss bank decided to leave this policy and that meant a much stronger Swiss Franc of 1 to 1 when compared to the Euro; very good for the Dutch exports, which became 20% cheaper for the Swiss buyers.

On the other hand due to the stronger US Dollar all products imported from most of the overseas countries became much more expensive, so is the air freight costs as well. What these factors are going to bring in the rest of year needs to be watched.

United Kingdom

Final Christmas sales and results have been rather good and satisfactory, without having been very special; quite normal when compared to the same event in many previous years. Traders say that they had the feeling that all was slightly less good compared to the past. Many consumers were buying other products than cut flowers.

Right after Christmas, at least during the last week of the year many people took a short holiday, and many florists shops were closed for a week. When they came back during the first week of January, wholesalers, supermarkets, florists and street vendors started buying fresh flower again, just to build up their stocks.

However, during the rest of the month January the cut flower market was slow and sluggish. However not abnormal for the time of the year, a time of preparation for the approaching Valentine's Day, taking place on the 14th of February. Importers and wholesalers had to plan and arrange products and to have enough quantities available for this event. It was not easy at all to make those plans in a market which was so slow and quiet. Importers however had to make decisions, even though they did not have any pre-order from their clients. It is expected that a real Valentine's boom will stay away, since the actual day is taking place on Saturday, when companies and schools are closed.

