The USA Flower Market

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Study goals

- An end market analysis on the North American Market, collating useful information, to assist the industry in making informed decisions to determine the potential for further growth and expansion.

- The analysis will also inform the ongoing Kenya National AGOA Strategy and Action Plan development and will become part of the road map for the Government of Kenya to maximize the utilization of the benefits provided by the U.S. Government through AGOA.
The US domestic floral industry

Production of flowers and ornamental plants in the United States
United States ornamental products sector

- The US flower and ornamental plant market was valued at wholesale by USDA at USD $4370 million in 2015, showing a 4% increase with respect to the previous year.

- An estimated 6000 producers of flowers and ornamental plants are in operation, of which about 2600 report annual sales over US $100,000 and presently concentrate in 15 states.

- California is the leading state followed by Florida (together they comprise 49% of the industry). Michigan, North Carolina and Ohio follow in importance. These 5 states take up 69% of the total.
United States – The domestic industry

United States – the domestic industry in 2015

- Wholesale value
  U$4,370 million

- In 15 states (69% cultivated area and 97% sales):
  - 3,874 Ha greenhouses
  - 7,126 Ha total

- 3,326 Ha under shade or temporary cover
  - 16.2 Ha open field

Source: 2016. Floriculture and Nursery Crops Summary USDA
Cut Flowers

- Sector greatly reduced since the 1980s due to imports. Sales (wholesale) in 2015: $374 million.

- Product mix has changed significantly since the 1990’s – now specializes on flowers not imported in large quantities: lilium, delphinium, gerberas, iris, tulips, peonies.


- Cut flower growers have launched aggressive “Locally grown” campaign to promote consumption of domestic flowers.
US imports of ornamental products

Cut flowers, live plants, propagation materials, cut foliage and other ornamental products
In 2016, the USA was the third world importer of ornamental products after Germany (including live trees, plants, bulbs, roots, cut flowers and cut foliage). Total import value in 2016 was $2160 million, more than twice of 1997 ($972 million).

In 2015-2016, the USA was the first world importer of cut flowers, followed by Germany.
About 70% of the cut flowers presently sold in the USA are imported. Over 90% comes from Colombia, Ecuador and the Netherlands.

Roses are the main imported flower with 41% of the share. Other important flowers are chrysanthemums (14%), carnations (7%) alstroemerias (5%) and gypsophilas (2%).

Remaining share composed by about 50 different flower types and may come in consumer-ready bouquets. Tropical flowers have a small share, this segment is composed mainly by orchids.
Value* of total US cut flower imports 2012 – 2016

* USD thousands
Analysis by Flowe types

The main cut flower categories imported into USA
USA Cut Flower Imports by Flower Type

Main floral products imported to USA (USD thousands)

- Roses
- Other
- Chrysanthemums
- Carnations
Imported cut roses come prominently from Colombia (58%) and Ecuador (37%); Ecuador shows a sustained increase, as does the category “other countries” (even though still small).

Source: *ITC Trademaps 2017*

* Figures in USD thousands
** Includes hybrid tea roses, sweetheart roses, spray roses
Rose imports by type

Spray and sweetheart types are a fraction of rose imports

Source: ITC Trademaps 2017
* Figures in USD thousands
Carnation production has virtually disappeared from the US; over 95% of the demand for this cut flower is satisfied with imported carnations: Colombia supplies more than 90% of this demand. “Other countries” include Ecuador, Mexico, the Netherlands.
Value* and origin of chrysanthemum** imports to the United States 2012 – 2016.

Chrysanthemums (HS060314) imported into the United States come almost exclusively from Colombia (99%), with a small share from Ecuador. Past suppliers like Costa Rica, Holland and Canada have almost ceased exports.

Source: ITC Trademaps, 2017

* USD thousands

** Includes standard chrysanthemums and pompoms
Value* and origin of “other flowers***” imported to the United States, 2012 – 2016

Source: Floriculture and Nursery Crops Situation and outlook Yearbook, ERS USDA, 2004. * USD thousands
** Includes alstroemeria, gypsophila, snapdragons, delphiniums, gerbera daisies, etc
Value and origin of imports of misc. flowers to the United States 2012 - 2016

Source: ITC Trademaps 2017. Figures in thousands USD
Tropical Flowers

- The world market for tropical flowers is small – about 5% of all traded cut flowers.

- Only about 1% of all cut flowers imported to the USA are tropical – and over 90% of these are cut orchids (mainly *Dendrobium*).

- However, some buyers express interest for exotic flowers (gingers, heliconias, etlingeras, etc). Main suppliers are Costa Rica, Ecuador, Mexico

- Marketing problems associated with these flowers (postharvest handling, storage and transport, market niches) are slowly being addressed
Cut Foliage and Propagation materials

- Cut greens have become important mostly as "fillers" or complements in bouquets and flower arrangements. Total imports of cut foliage amounted to $84 million in 2016, showing an overall increasing trend.

- Imported propagation materials mostly comprise un-rooted cuttings for propagating cut flowers and pot and bedding plants, as well as bulbs, rhizomes and similar plant parts. There is also some trade of rose plants.

Source: ITC Trademaps 2017
* USD thousands
Value* and origin of US imports of plant propagation materials 2012 - 2016

*Figures in USD thousands

**Bulbs**

- Netherlands
- New Zealand
- Israel
- UK
- Chile
- Brazil
- Other

**Unrooted cuttings and slips**

- Guatemala
- Costa Rica
- Mexico
- El Salvador
- Nicaragua
- China
- Ethiopia
- Colombia
- Other
Main suppliers of cut flowers to USA

Brief characterization of individual competitors
Colombia

- Leading, pioneering country in Latin America for cut flower exports. Presently, 78% of Colombian flower exports reach the USA.

- Has maintained its leading position as 2nd world exporter in spite of difficult times and hurdles (dumping suits, negative press, revaluation).

- In 2016 Colombia exported U$810 million in cut flowers to the US ($1310 million worldwide). Main products are roses, carnations and chrysanthemums, but the product mix is composed of over 30 additional flower types, as well as foliage, and are increasingly exported as consumer-ready bouquets.

Source: Asocolflores
Ecuador

- Flower sector developed initially as a continuation of the Colombian industry

- Presently stands as the 3rd world cut flower exporter after Holland and Colombia, with wide reputation for its high quality cut roses.

- In 2016 Ecuador exported US$803 million worth of cut flowers 75% of which were roses. 44% of Ecuadorian roses are sent to the US market. Other important markets are, the EU (21%) Russia (17%)

- Summer flowers account for 25% of the export mix and mainly comprise gypsophila, miniature carnations, chrysanthemums and a wide array of other species used in bouquets. 52% of these flowers are exported to the USA.

- No trade preference agreement, no tariff exemption

Source: ProEcuador, Expoflores, 2017
The Netherlands

- Largest cut flower exporter in the world with 46% market share (down from 56% in 2007), but only 7% of the US market (10% in 2007). Also a very large importer, markets high volumes of flowers and plants into Europe through its auctions.

- Cut-flower production in glasshouses has decreased (in 2015 about 2,200 Ha were reported, down from 3100 in 2007); open field production has increased (2,900 Ha), with some 3000 ha of cut flowers and foliage grown outdoors. Flower bulbs (mainly tulips) relatively stable at 18,600 Ha.

- In particular, production of roses, carnations, freesias, have fallen substantially, with smaller reductions in other flowers (chrysanthemums, alstroemeria, anthurium). This reflects the impact of exports from Africa and Latin America.
Canada

- One of the few countries able to export live plants with soil or substrate attached into the USA.
- Exports ornamental trees and shrubs – including Christmas trees – and rose plants.
- Is within the NAFTA region (North American Free Trade Agreement) so exempted from tariffs.
Mexico enjoys some very significant advantages with respect to the US market:

- Vicinity to USA which allows for ground transport to some entry points
- North American Free Trade Act (NAFTA)
- Climate allowing for field production in some regions, and a wide variety of species, even bulbs.

- Only about 12% of its cut flower production is exported (domestic consumption is substantial). In 2016 cut flower exports amounted to USD $38 million, 98% to USA and 2% to Canada.

- Main exports are roses, lilies, carnations, gerberas, cut foliage and propagation materials (cuttings).
Initially a chrysanthemum exporter, has now shifted production to alternate products such as tropical flowers, cut foliage and propagation materials. The main cut flower presently exported is *Lilium*.

Cut flower exports in 2016 amounted to $39 million, 91% went to the USA and 3% to Canada.

Has developed markets in Central American and the Caribbean.
Strategic issues

Market requirements

Standards, packaging, certification, phytosanitary issues
Quality Standards

Quality standards are stringent. Flowers must be flawless, conform to grading standards (which may be different to those for Europe), long vase life.

Bunches or bouquets arranged according to pre-set parameters often in agreement with customer (stem length, flower size, petal count, number of flowers or stems, bud opening stage). Color mix and product mix are very important in connection to specific dates.

No mechanical or pest/disease damage, this goes beyond quality control as can lead to rejection of product at the border.

A stable, continuous cold chain – from farm to sale point- is essential to ensure a long vase life. This can bring significant logistical challenges, particularly when handling different flower types or arrangements.
Packaging and Product presentation

The main goal of packaging is protecting the flowers, however exporters cater to customer’s desires by packing solid colors, mixes, specific stem counts, sometimes weight.

Boxes, sleeves, decorations and others are very important in the retail/mass market scenario. Bar codes, certification and other information - traceability

Bouquets
A specialized trade, largely consolidated into large companies often focusing exclusively on bouquet/mass market sales.

Many flower and foliage types are needed and marketing department within a company need to be structured so they can efficiently cater to the mass buyer.

Quality control, inventories and postharvest management can be challenging. The same is true of transportation and distribution logistics.
Certification

Eco-labels and certification are increasingly important. GLOBALGAP, Rainforest Alliance, FairTrade, Veriflora and MPS are now recognized by consumers, and some importers and traders (both wholesale and retail) now request them. Some mass marketers have their own certificate or recognize specific ones.

Environmental sustainability and Corporate Social Responsibility (CSR) are considered equally important.

International suppliers to the US have standardized individual efforts in this respect, e.g. Flor Verde (Colombia), Flor Ecuador.

Flower growers in the US have launched American Grown.
Rules and Regulations

Exporting flowers to the United States
Tariffs – US International Trade Commission

- Harmonized Tariff Schedule of the United States (2017)
  - Roses 6.8%
  - Carnations 3.2%
  - Chrysanthemums 6.4%
  - Lilies 6.4%
  - Other 1%

- Different agreements (currently or in the past) have exempted countries from some or all of these tariffs, for example ATPADEA, CBERA, SGP, AGOA

- Free Trade Agreements are in place (i.e. Colombia, Mexico, Canada)
Non-tariff barriers

- **Inspection at port of entry** – APHIS in search of pests/diseases of quarantine importance, e.g.
  - Chrysanthemum white rust (*Puccinia horiana*)
  - Leafminers (i.e. *Lyriomyza huidobrensis*)
  - *Thrips palmi*
  - Sudden oak wilt (*Phytophthora ramorum*)

- APHIS Cut Flowers and Greenery import manual – risk information per flower type and country of origin.

- Phytosanitary interceptions may result in flower fumigation reducing vase life, or product destruction.

- **CITES agreement** – restrictions on plants at risk of extinction or gathered in the wild

- **Stringent restrictions for live plants with soil attached**
CBP Inspection (APHIS)

Procedures
General Inspection Procedures

Table 2-10 Guide to the Pest Risk Level of Cut Flowers (page 3 of 4)

<table>
<thead>
<tr>
<th>If the cut flowers are:</th>
<th>And the country or region where the flowers were grown is:</th>
<th>Then identify the pest risk level as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lilium (lily)</td>
<td>Colombia</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Costa Rica</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Dominican Republic</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Ecuador</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>Netherlands</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>Low</td>
</tr>
<tr>
<td>Limonium (sea lavender, statice)</td>
<td>Ecuador</td>
<td>Low</td>
</tr>
<tr>
<td>Montbretia (= Tritoma)</td>
<td>Netherlands</td>
<td>Low</td>
</tr>
<tr>
<td>Muscaria (grape hyacinth)</td>
<td>Netherlands</td>
<td>Low</td>
</tr>
<tr>
<td>Narcissus (daffodil)</td>
<td>United Kingdom</td>
<td>High</td>
</tr>
</tbody>
</table>

Table 2-17 List of Flower and Country of Origin Combinations Eligible for Release

<table>
<thead>
<tr>
<th>Flower Type</th>
<th>Country of Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liatris spp. (blazing star)</td>
<td>Asteraceae, Dominican Republic, Ecuador</td>
</tr>
<tr>
<td>Lilium spp. (lily) Uliaceae</td>
<td>Colombia, Costa Rica, Dominican Republic, Ecuador</td>
</tr>
<tr>
<td>Rosa spp. (rose) Rosaceae</td>
<td>Colombia, Costa Rica, Ecuador, Guatemala</td>
</tr>
<tr>
<td>Rose bouquets1</td>
<td>Colombia, Ecuador</td>
</tr>
<tr>
<td>Zantedeschia spp. (calla lily)  Asaceae</td>
<td>Colombia, Costa Rica, Ecuador</td>
</tr>
</tbody>
</table>

1 Any bouquet with 75% of the stems in the bouquet excluding greenery, are Rosa spp.
+ Logistics and Distribution

Exporting flowers to the United States
Ports of Entry and Distribution

- About 90% of flower volume imported each year into the USA enters via Miami. 3% enters via New York and 5% via Los Angeles.

- A large proportion of imports arrive by air and are then distributed by ground to the rest of the country, in refrigerated trucks.

- Sea transport is emerging as an option. Flowers are shipped in cold containers under vacuum (CO₂), which stops the maturation process.
Cut flower Importers

Until the 1990s, the only entry points equipped for inspection by APHIS were Miami and New York; the most important group of importers established in Miami. Presently also Atlanta, Boston, Chicago, Houston, Los Angeles and San Francisco.

About 530 wholesale florists operate in USA, purchasing flowers from large importers/distributors. Some wholesalers import directly, and even access mass marketers; about a dozen importers acquire about 80% of the product. Some important commercial associations are:

- WF&FSA - Wholesale Florist & Florist Suppliers Association
- AFIF – Association of Floral Importers of Florida
- SAF – Society of American Florists

APHIS recently refurbished and modernised its facility in Miami, with an active Customs Border Patrol operation.
Distribution Channels

**Traditional** – “bulk” product (35%)

Broker/Importer → Wholesaler → Florist chains

- Retailers
- Florist shops

**Present** – consumer ready products (65%)

Broker/Importer → Direct sales to mass marketers – supermarkets, garden centers, home centers

Internet (online sales)
distribution logistics
Pre and post sales service

Sales schemes – Different options can be agreed, fixed price consignment, FOB, CIF, direct sales. No auctions.

Communication – Even with instant modern communications, the US floral market is still based on personalized, direct relationships. It is essential to build trust, image and reputation as a reliable supplier.

Sales staff must be quick and efficient, effectively responding to clients. Good internal communication inside the company (for example between technical and commercial areas) is essential.

Reliability – Punctuality is vital. This applies to shipments, sending samples, replying calls and emails, attending meetings.

An efficient system to respond to complaints is extremely important.
Transport and Logistics

- The transport chain from farm to US port of entry and from there to the consumer is key in this business, as it directly impacts the price and quality of the product.

- Very relevant factors are: flight frequency, load capacity, volume of flowers shipped, internal regulations.

- Airfreight costs can negatively impact market access and be a clear advantage for competitors.

- Within the USA the majority of flowers and plants are transported by ground, in refrigerated trucks coordinated through specialized services.

- Weather has been known to impact sales greatly.
Marketing – The Consumer

Consumption trends
Per capita cut flower consumption in the US is relatively low, in comparison to other countries: about $35 per year, whilst the Dutch spend about $75 and the Japanese %135.

However, American consumers spend an average of $15 per purchase, which is relatively high.

Americans show a strong tendency to purchase flowers in connection with specific dates.
Consumption Patterns

- Purchases of flowers that are not in (florist) arrangements have increased significantly.

- Supermarket purchases have increased substantially in the last decade. Florist shops still denote reputation, reliability, product quality and convenience (possibility of sending flowers).

- Convenience and price influence internet and supermarket purchases.

- E-commerce and branding are increasing

- Awareness about origin of products. Interest to learn about specific flowers
Strategies to increase flower sales

- Consumer studies: By age group, gender, occasion
- Purchasing patterns and preferences – supermarket, florist shops, internet
- Trade shows, business rounds, direct visits, web presence
- In the bouquet trade, taste, particular preferences and special occasions are extremely important. This has brought large changes to the flower business: Where in the traditional business, a flower exporter virtually finishes his job once the flowers are shipped out of the country, bouquets are all about occasion, colors, design, emotions. They cater to the mass market and particularly the end consumer. These issues directly impact production, logistics and the business overall.
Trade Shows

- **Produce Marketing Association** – PMA Fresh Summit, October 19-21 2017, New Orleans

- **WFF&SA** – Floral Distribution Conference, October 18-20 2017, Miami

- **International Floriculture Expo** – June 25-27, 2018, Chicago

- **World Floral Expo** – March 20-22, 2018, Chicago

- **Proflora** – October 4-6, 2017, Bogotá, Colombia

- **Agriflor Ecuador** – October 3-5, 2018, Quito, Ecuador
Information sources

Trade, prices, trends
Market and Price information

- **Agricultural Marketing Service – AMS – USDA.** Keeps weekly records of cut flower trade including US imports and domestic production. Prices are reported per unit and country of origin. Free service, by subscription at [https://www.marketnews.usda.gov](https://www.marketnews.usda.gov) and [https://usda.mannlib.cornell.edu](https://usda.mannlib.cornell.edu)

- **Market Information Service ITC** – (joint agency of WTO and UN). Statistical trade information and analyses on many sectors including ornamentals, with detailed breakdowns per flower types. [www.trademaps.org](http://www.trademaps.org) and [www.intracen.org](http://www.intracen.org)

- **News, developments, trends, discussion** - [http://flowersandcents.com](http://flowersandcents.com)


- **Society of American Florists (SAF) – American Flower Endowment** [www.safnow.org](http://www.safnow.org)

- **Trade magazines**
Assessing opportunities for Kenyan Flower Exporters in the North American market

Analyzing strengths and weaknesses

Identifying a way forward