Nominations Requested

We need to elect a president and vice-president of the Indiana Flower Growers Association at this years conference. Bernie Ferringer will be nominated for president. If you would like to nominate someone for vice-president contact Gordon Elsbury, Chairperson, Bill Rozzi, or Mike Klesa. They will present a slate of candidates for the election at the Conference.

GrowerExpo '90 featured speaker
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A world perspective on more flowers for more people

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More flowers for more people means more happiness, more love, more attention, more quality of life, and less weapons, less war, less fighting and better relations between mankind. World perspectives on more flowers for more people can't be less than flourishing. That's my message today.

Floribusiness is worldwide

The floribusiness will be influenced by political and economic developments worldwide: GATT, EEC, OESO, ASEAN, etc. These are dominating words in agribusiness. Three economic blocks will be dominant for the next decade. The relations between these blocks are important for world trade development. Which scenario will be faced for the next decade: economic war, economic harmonization or economic differentiation?

For floribusiness most perspectives will be found in the EEC, USA and Japan. In the next 10 years more perspectives will be developed towards the Asian countries and Eastern Europe. Globalizing is the main characteristic of economic developments.

There are no distances today, only tariff barriers and phytosanitary regulations. New configurations of production and distribution structures are established in order to gain a competitive position in world business.

More countries will enter the scene in the next decade. The result will be new opportunities, new threats and more competition in a narrow timespan. As Peters of Peters & Waterman says, it's "thriving on chaos." We need to be innovative in all aspects, extremely customer-oriented and quality conscious, and leadership will be needed in networks of autonomous market-oriented business units.

Increasing consumption through variety

Variety, that is what the customer wants. Looking at flower consumption, in a low developed market you have about 1,000 varieties of products, such as chrysanthemums, roses, carnations, etc. In a high developed market we have an enormous assortment of products.

At the Dutch auctions, more than 8,000 product codes are counted in floral products with 99 quality codes and 999 grading codes. For foliage and flowering plants there are 2,000 types, for bedding plants and garden trees, 2,500 types and for cut flowers more than 4,000 types.

I want to show you some figures about the Dutch supply in 1989 to the Dutch auctions. Most of this is exported, so this gives some idea of what the customer wants. First, cut flowers. (EDITOR: See attached page for chart information.)

There was an increase in export in 1989 in Holland in total of 10%, and that was 10% more volume and a little bit lower prices Cut flower export went up 9% and volume was up 11%. Exports to the EEC went up 9%, to the United States and Canada, exports were up 12% and to the Far East they went up nearly 50%. For Europe, our export figures for other countries were for England up 21%, Italy up 15%, Spain up 24% and Japan up 49%. So you see, it is still an increasing business. In Holland the rose is in first place in cut flowers. But you see a wide spectrum of products. The average price of all cut flowers sold is 20 cents. In foliage plants, ficus is in first place. The auctions moved more than 500 million foliage pieces at an average price a little more than $1. In flowering plants, rhododendrons are in first place, followed by kalanchoe. In bedding plants, the most important type is

pelargonium. The average price per unit of all bedding plants sold is about 20 cents per plant.

Demographics of 2000 spell consumption opportunity

Estimates of the growth of world populations show that the world's population will grow by 1 billion by 2000, from 5.2 billion to 6.1 billion. The increase in the Asian countries will be enormous.

Another very important factor for flower consumption is urbanization. World urbanization will increase from 40% in 1980 to 47% worldwide in the year 2000. So that's a positive development for flower consumption. There are substantial differences in the urbanization grade on various continents. The highest urbanization is found in South America, 77%, and the lowest, in southeast Asia with only 33%.

Another important factor is age distribution. There will be a shift in the age distribution in Europe and in the United States. There's a trend to less younger people and to more elderly people, and this trend also gives an increase in consumption.

The income per capita, and important factor in flower consumption, is the highest in Japan ($25,000) and the lowest in Europe ($15,000). Let's hope that more countries in the world can increase their per capita income because that's good for our business—and it's good for the people.

Looking at consumer behavior in several countries we can find a large difference in flower consumption per capita in the industrialized world. We can define low and high consumption areas, which have specific characteristics.

For example, in high developed market, the penetration (the number of people who buy once a year) is 85%. In a low developed market it is only 42%. Frequency, the number of times they buy flowers, also shows large differences. In a high developed market, frequency is 15 to 20 times per year. In an low developed market, frequency is one to two times per year. In a high developed market people are buying 150 stems per year; in a low developed market, only 15.

Looking at the prices, prices in a low developed market are 5 times as high as in a high developed market. High prices are not the way you sell flowers. It is no surprise that the high developed market is Holland and the low developed market is the United States. I am sorry for you. But, that is a big challenge.

The consumer behavior in a low developed market is dominated by special events. Consumer behavior in high developed market is by impulse—we are not in flowers, we are in emotion.

In a low developed market the sales chart is characterized by an inefficient peak and valley process, and the peaks can go up six to seven times the average. That's not the way you build-up an efficient system, and that's the way it is in the United States. In a high developed market you will see the same chart, that also shows substantial peaks, but they give a much more stable pattern, which benefits the entire system.

The floral market is fragmented. At the highest level, we define the consumer and the institutional market. At the second level, segmentation is based on event buying and impulse buying. At the third level, segmentation is based on motives influenced by age, lifestyle, sex, attitude, income, etc. The big increase in consumption is not in event buying, but in impulse buying, and that should be developed.

Availability year-round is a very important factor. Looking at the number of outlets per 10,000 people in a low developed market, it is five times less than in a high developed market. In a low developed market in the United States, you will find one outlet per 10,000; in Holland, you find one outlet per 2,000 people.

In a high developed market, the consumption is 10 times as much as a low developed market. In a low developed market, the distribution is dominated by traditional, high margin, low volume retailers. So in the United States, nearly 80% is going by traditional florists. In a high developed market, distribution is characterized by a wide variety of outlets. In Holland, only 40% is sold by traditional florists; the rest goes through garden centers, supermarkets, railway stations and gasoline stations.

Production worldwide

The estimated floral production area in the world shows the largest share in Europe (22,000 hectares) followed by Japan (13,000 hectares) and the United States (10,000 hectares). New production areas are developed in the southern hemisphere. Production from these areas is mainly exported to the northern hemisphere.

Because of this development, world flower trade develops more rapidly than total consumption. This gives rise to repositioning in world production.

World flower trade is going up in the next years from $3 billion to $6 billion. Where can we find the floral growth? The estimated world floral production volume growth will be 9% in the United States, 5% in Japan and 4% in Europe.

More flowers for more people—through higher frequency and deeper market penetration

The world's consumption can grow from the current $25 billion to $35 billion. But we have to work hard to make use of all the opportunities that are there.

Floralpreneuring is necessary to develop the world floral business. Floralpreneuring is nothing more than entrepreneuring in the floral business: It means setting goals, defining strategies, building structures and systems, attracting good people with the right skills and the right style within a culture of getting things done, doing new things and coping with the permanent crisis caused by daily matching of supply and demand.

Floralpreneuring means shifting from quantity popular in the '60s to quality in the '70s to flexibility in the '80s and creativity in the '90s and combining these four things together for the year 2000. To work on new products, new markets, new product systems and new processes.

Floralpreneuring in my opinion means balancing thinking, doing and feeling; combining action, interaction and vision. Our common goals worldwide should be first, providing happiness to customers; second, generating income; and third, covering costs for the producer. This can be reached by maximizing consumer demand on a world level and by maximizing productivity in production and distribution systems. But we need to do this in an unstructured global business with autonomous small-scaled business units combined in a network with "living apart together relations."

From a systems point of view, we have to deal with two types of systems: private closed markup systems and cooperative open market systems. In the USA we will find only closed systems.

Holland has a very special position because of its auction system. This is an open market system with a concentration of world supply and demand that has great impact on floral prices internationally. Also, in Japan 350 auctions form a dominant force in flower sales. Open systems in the future will be connected with open systems. The next phase of development is that Dutch growers will sell directly on the Japanese auction and maybe vice versa. Several developing countries like Tanzania, Kenya and Israel are using the Dutch auction to sell their produce. This can mean that flowers fro Kenya are going through Holland to Japan. Or that flowers from Israel are going through Holland and are bought by an exporter who is exporting to Israel. As said before, we need professional, aggressive people with the right skills and attitude to get things done, to cope with crisis and to cooperate in the international field.

In floralpreneuring special attention should be given to Kaizen. This is the Japanese process of continuous improvements and the critical success factor of the Japanese. To explain, in time, over several years, you have innovations. But in Europe and the United States, after an innovation, we fall back. The difference in Japan is that they use a constant process of improvement on their innovation and that's why they are so competitive.

No place for floricentricity tomorrow

More flowers for more people, but also better quality, more freshness and variety and health. We need to combine science and technology to produce new products and new processes. And we have seen from the GrowerExpo seminar program yesterday that we still don't know enough about growing—about light, fertilizer, timing, temperatures, water, etc.

Biotechnology will make a breakthrough in the next five to 10 years. Microtechnology will make it possible to control integrated logistics systems and to use electronic sales systems.

More variety in floral products, color, form, better root systems, higher energy conversion, less temperatures, less light, longer vaselife, higher yield, resistance to viroids, virus, bacteria—it all will come and change our business.

New companies try to bridge the gap between fundamental research and development in biotech labs and floral breeders. To make the most of new developments, it's very important that the floral business gets rid of their floricentric attitude. By that I mean only looking to yourself. Look around to find interesting solutions and innovations in other industries. At Cebeco we have looked at Federal Express in the United States. We have looked at Sears, how they do sales and distribution. We have gone for the smart card and planting computer chips into our cows so we can have a tracing and tracking system through the cow's entire life. W have looked at Unilever, who is working on osmosis, for our recirculation systems. We are also looking at other industries like the pharmaceutical industries.

Microtechnology will give access to chain control by electronic data interchange. This gives a better balance between supply and demand. It speeds up the flow of goods, diminishes quality problems and rationalizes communications. Microtechnology will give a producer the possibility of managing his production, sales and administration in a more efficient way.

Who will produce the extra $3 billion to feed world flower trade tomorrow?
More flowers for more people, but produced by whom?
World production is globalizing. Production and distribution costs are important factors in the highly competitive floral environment. High production costs in the USA; low production costs in South America. High distribution costs from South American to California; low distribution costs from California to California. In Holland we have very high labor costs ($15 per hour). In Kenya it's 10 cents an hour. But in distribution, to get a carnation from Kenya to Europe it costs 5 cents. And in Holland it costs us $.005 going from Holland to West Germany. So it's a balancing of production costs and distribution costs.

Another important question: Should we produce specialities and go for high perceived value, or do we go for commodities with low delivered costs?

You can compare this with other industries, for example, the car industry. On the low cost delivered side, the small cars were coming in—the Suzukis, the Hondas—and they pressed the car industry to the high perceived value end. The same happened for the Swiss watch industry. At the low end are the digital watches from Southeast Asia, and they pressed the Swiss industry into the high perceived value end. At more than $5,000 for a watch, they became jewelry, not watches. But we can learn something from the Swiss. They fought back in the low cost delivery side, because they developed the Swatch. They produce this in a very competitive way. And all the digital watches are gone. So, using technology can make you competitive.

For the grower in the future, especially to global developments in which standardized low cost products can be produced in Africa or in South America, we have to ask ourselves: Do I want to be a niche grower, a family-based grower or do I want to be a turbo grower? Turbo growers are highly oriented on robotized standard bulk production. And you have to make that choice.

It's clear that there will be a segmentation between family oriented, niche growers and turbo growers with high capital, intensive production systems with robotized subprocesses, computer control systems, closed recirculation systems for environmental control and scientific production techniques.

You have to combine import production to local production in order to get yearly supply of floral products and to internationalize our distribution systems. In Holland during the winter, we import flowers from all over the world in order to have a yearly supply for our customers.

Innovative distribution will give a wide variety of new outlets. The market is there, the perspectives are there, and we need to innovate in an intelligent way—packaging, warehousing, transportation and coding information—in order to get our products to the consumer. In my opinion, in the future there will be a development where turbo growers will be closely connected with the discounters on the basis of partnership. In Holland, at this moment, everything is going by the auction clock, but we expect in the near future that we can increase our sales by going directly from the grower, based on partnership, to the discount stores.

We also will see a backward and forward integration in Dutch and Japanese distribution that will shorten the lines between suppliers and customers—skip what is not necessary and take the margins yourself.

Electronic Data Interchange creates the possibility for integrated quality control for better flowers. Growers want money for value. A chrysanthemum of 85 grams per stem is worth more than a chrysanthemum of 35 grams per stem. In Holland we pay per gram stem. And you will find that an 85 gram chrysanthemum gives you a price that is twice as much as a 35 gram per stem chrysanthemum. So you will find that grading in flowers will become more important.

A better grade gets a better price; it's added value. Growers are not all the same. A good grower should and will get better prices than a bad grower. In my opinion, sales systems should reflect differences between good growers and bad growers.

Sale systems should include better information on length, weight, diameter, buds, grower, area, brand and harvest date—external and international quality. And this is only possible by modern electronic information systems.

In the near future we will face separated sales and logistics systems, so there will be a split of the physical flow and the information flow. A connection will be made between open and closed sales systems. Growers can offer their supply information to electronic auction systems that present the information direct to the buyers desk.

Wide band integrated digital services networks will be developed to reduce distance and to connect suppliers and buyers in a global way. And in this way, the circle of high tech, high touch is closed.

Science, technology, product development, production, distribution, sales, market development—more floral products for more people, less weapons, more flowers for more people. Perspectives for more happiness. Thank you.

CUTFLOWERS

1. Rosa	21%	6. Freesia	5%
2.Chrys.	18%	7. Gerbera	4%
3. Dianthus	10%	8. Cymb.	3%
4. Tulipa	7%	9. Gyps.	3%
5. Lilium	6%	10. Alstr.	2%

STEMS	7.500 MLJ
TURNOVER	DFL 3.000 MLJ
PRICE/STEM	40 CT

FOLIAGE PLANTS

1. Ficus	17%	6. Scheffiera	4%
2. Draceana	10%	7. Calathea	3%
3. Yucca	6%	8. Hedera	3%
4. Dieff.	4%	9. Codiaeum	3%
5. Nephr.	4%	10. Epipremum	3%

FLOWERING PLANTS

1. Rhodod	8%	6. Chrys.	5%
2. Kalanchoe	8%	7. Cyclamen	5%
3. Begonia	7%	8. Spathiph.	4%
4. St. Paulia	7%	9. Guzmania	4%
5. Euphabia P.	6%	10. Rosa	3%

UNITS	500 MLJ
TURNOVER	DFL 1.000 MLJ
PRICE/UNIT	DFL 2, 18

BEDDING PLANTS

1. Pelargon.	33%	6. Tagetes	4%
2. Fuschsia	12%	7. Petunia	4%
3. Viola	11%	8. Lobelia	3%
4. Impatiens	7%	9. Verbena	3%
5. Begonia	5%	10. Lobularia	2%

UNITS	165 MLJ
TURNOVER	DFL 60 MLJ
PRICE/UNIT	38 CT