

MARKETING FLORAL PRODUCTS IN EUROPE

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Clock auctions in European countries have stolen the spotlight when it comes to marketing flowers. The auction in Aalsmeer, Holland, is gigantic and one wouldn't realize it covers 22 acres of land, until you discover it takes a couple of hours to stroll through it. Even though the auctions are the major marketing vehicles for the grower, many of them still prefer to sell on their own, use a cooperative or go through a broker.

Belgium

Ghent, Belgium is not only known for its acres and acres of flowers growing in open fields, but its source of foliage and other plant materials for export. Even though Belgium is a small country, it has an active, private marketing association for pot plants. The marketing association, TUCO, is located in a warehouse type building that houses an office complex, large showroom and indoor dock area. The showroom has many, one square meter fiberglass trays for grower displays (Fig. 1). Growers, 85 strong, display samples of their pot plants in one or two of the numbered trays. Each plant species or variety is priced according to the pot size, age, type of plant, etc.

A buyer, which may be a retail florist, wholesale broker or mass market agent, visits the showroom during specific hours and determines his needs. If there is something desirable, he goes to the office and places his order. After coordination with the grower on numbers, availability, etc. the buyer establishes a "pick up" time at the sellers' greenhouse.

Mr. Ed Vondermish, Manager of TUCO, described their concept of marketing the growers' products. They do all the accounting and marketing for five percent of the growers' sales. The grower sets the price, although the association

may make recommendations periodically. Of the 85 growers, only two or three give them problems regarding quality; they immediately go to the grower and discuss it. They export only outside of Belgium and do not purchase from anyone other than their growers. TUCO does all the advertising at holidays, and when needed, travels to trade fairs throughout the world.

Prices in the showroom — 3" bromeliads 35-50 francs (\$.90 to \$1.50), 5" pots - \$7.00; small 3" philodendron 25 francs (\$.75); 5" croton, 80 francs (\$2.40).

A TUCO grower who specialized in diffenbachia propagation was visited. Cuttings are taken and rooted in water. When the roots are about two inches long, 3-4 weeks in the

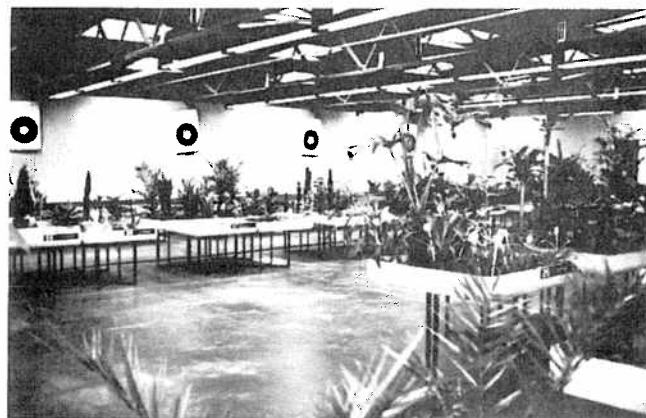


Figure 1: Attractive display area of TUCO, a marketing association in Ghent, Belgium. A grower can use one or more tables to display a sample of the pot plants he has to sell.

summer, five stems are wrapped together and placed in boxes for shipping. The unrooted cuttings are sold for 50 francs (\$1.50), callused-rooted 60 francs (\$1.80) and fully rooted 75 francs (\$2.25).

The 3000 sq. meter greenhouse (30,000 sq. ft.) is operated by a grower-manager with some periodic help. There are 20,000 stock plants in ground benches. The stock plants are left two years, then dug, potted and sold at a nice profit. The salary of the grower-manager was 40,000 francs (\$12,000) plus his house for a small rental fee. His taxes are 25 percent - \$3,000 per year.

Holland

The Aalsmeer Holland area is considered the world-center of flower production and marketing. Such a status has been achieved through the united efforts of growers, wholesalers, brokers and government agencies. In fact, Holland has achieved a unique status with the United States - they are the only European country that can ship pot plants into America. All other countries, to our knowledge, must have all growing media removed from the roots.

The Aalsmeer flower auction has been described in numerous publications in recent years. An excellent description of the market activities, plus a view of their tulip industry appeared in the May 1978 edition of the *National Geographic*.

The auction house covers 22 acres and the total complex 54 acres of land. It is open six mornings a week and each year more than a billion flowers are auctioned. Their annual sales amount to more than 250 million gilder (250 million gilder = \$112 million). Flowers are supplied by 3400 market gardeners or greenhouses. In fact, two to three million roses (80 varieties) pass through each day. Any grower can sell through the auction. If he is outside the auction association, he must pay through another grower. The government receives as a tax, .8 percent of what is sold; .4 percent from the grower and .4 percent by the wholesaler, broker or buyer. It costs the grower 5 percent of his sales, to sell through the auction.

The buyers at the auction can be wholesalers, brokers, food stores, mass market outlets, florists or exporters. Many whole sale florists rent stalls surrounding the auction area and pack and ship immediately after buying. One company has all of the equipment to count, package and box cut flowers for the little street stands throughout Europe.

Cut flowers and pot plants actually (Fig. 2) flow through the auction. The growers know what sells and program accordingly. In order to keep current on cultural programs and marketing, several grower study groups have been formed. There are 9 cut flower and 11 pot plant groups throughout Holland.

It was interesting to note, in 1977 there were 1.6 million guilders (\$720,000) spent for research and publicity and 3 million (\$1.4 million) for investment in new glass houses in Holland. All of it comes from the .8 percent the government receives from auction sales.

Even with the energy crunch, Holland is still moving forward.

Denmark

While in the Odense area, we were guests of Mike Dixon and his family. Mike, an Englishman, was a student at CSU



Figure 2: Racks of pot plants accumulated on a Saturday at the Aalsmeer flower auction. They will go to the "clock" Monday morning. The room has controllable light intensity and photoperiod.

for about nine months in the late 1950's. After his stay in America, he was involved with the Stormly Hansen and DCK Companies. In 1977 he joined the firm Jakobsen & Jokumsen and is helping develop them into a leading brokerage organization.

Basically there are two methods of marketing for growers in Denmark; the clock and export brokers.

The Gaza-Odense clock auction has 1100 members (22 branches throughout Denmark), but the growers' material does not have to be delivered to the auction; brokers can buy directly from the grower. The "Clock" opened at 6:30 and supermarket buyers, exporters and local buyers were all present, many enjoyed breakfast as they observed the "flow" of flowers and bid on them. During the few minutes we observed the activity, 10 stem bunches of daisies, sold for \$1.00. Pot plants were auctioned at specific times and days.

On the opposite side of the building was another clock for the sale of vegetables. Adjacent to the two "clocks" was a centralized grading area for tomatoes, freezia, roses, carnations, cucumbers, and plumosa fern. Imports have also hit Denmark. Two years ago, 300 women were employed to pack plumosa fern. Today, only 35 to 40 are working.

The pot plant exporters have organized a group called SAMPOT. They work together on production availability, prices, sales techniques, packing materials and cultural items. There are also a number of grower clubs, such as cactus, kalanchoe, fern etc., created by speciality growers. They meet according to the time of year and discuss price policy. A meeting was held on 16 August to consider Christmas cactus. They determined the price, rebates and discounts. Rebates were only to be considered if a customer purchased 2000 or more plants. They did not plan to meet again; the grower as well as customers in Germany, Sweden, England, etc. knew what to expect. Their method of establishing a selling price isn't considered as price fixing, because the average cost of producing a crop is determined and the growers indicate what their return must be.

The export brokers are kept apprised of the pot plant production of different growers, by a computer list (Fig. 3). It is published every two weeks and lists all of the crops, their price, etc. At specific times, throughout the year the grower will report what he plans to produce 3, 4 or 6 months in advance. An example on the list was:

| Capsicum- Orange wonder | Growers | Total Prod. | Number in present period | Pot size | Type of pot | Pots in box | Stack Ht. |
|----------------------------|---------|----------------|--------------------------------|-------------|----------------|----------------|--------------|
| | 5 | 35,000 | | | | | |
| | A | | 4,000 | 9 cm | Plastic | 12 | 5 |
| | B | | 5,000 | 9 cm | Plastic | 12 | 5 |
| | C | | out | — | — | — | — |

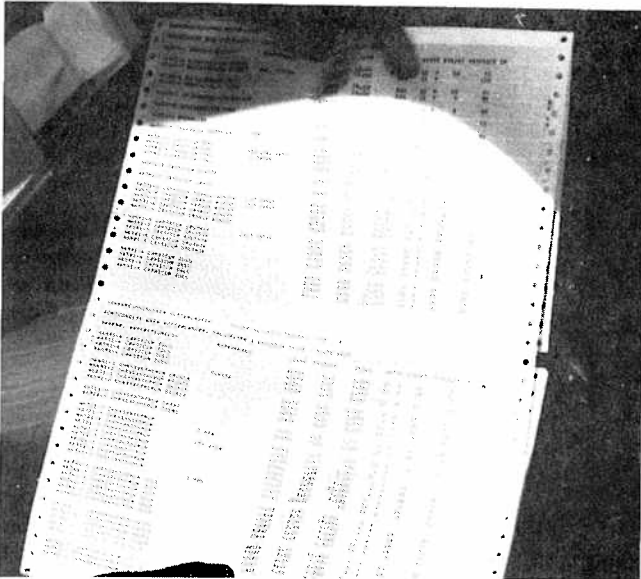


Figure 3: Computer formed list of pot plants, used by Danish broker and exporters to fill orders. Information on this restricted list, is provided by the participating growers every two weeks.

The International URA pallet (rack) is used for exporting and in most intra-country shipments (Fig. 4). Each grower owns a delivery truck and maintains a supply of pallets. An example of an export broker's sale might be: A phone call is received from Sweden for a total of 3000 pots of 5 plant species. The broker consults his list and starts telephoning the growers (on a systematic rotation plan) to make up the required load . . . 20 boxes of this, 10 of that, etc. The growers are to deliver the cartons, on pallets, to the brokerage house three to four hours before the lorry (truck) departs, with a "delivery note" in hand. Each delivery note states: Grower name, price per box, destination, order number and load transfer point (may be two or three orders

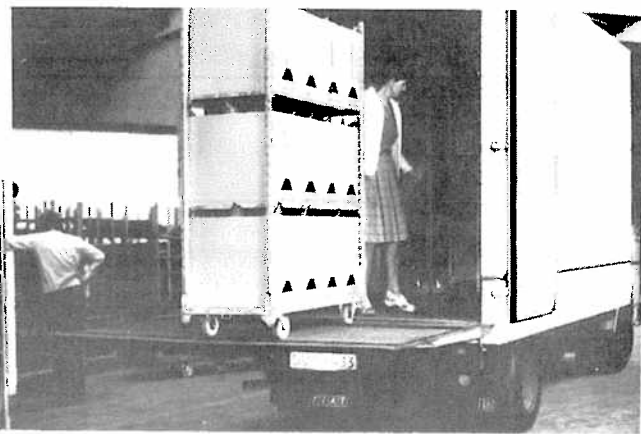


Figure 4: International URA pallet, being unloaded by a grower's wife at a brokerage house. It will be inspected and placed on a departing lorry (truck) within two to three hours.

per lorry). Each box is also marked. Before the pallet is placed on the lorry, plant health personnel (booked hours ahead of departure time) inspect the shipment, okay it, and then the documents are completed and the truck departs. The grower is paid by the brokerage house the 15th of each month for the previous month's deliveries. The exporters charge 16 percent commission.

Initially, only a few growers participated in the marketing program, but now almost everyone is involved because they see they can get their crop sold faster and easier, with a good price. As the program expanded, the quality improved, the greenhouses were used more efficiently, prices were higher, costs reduced and growers were happier. Since the price for certain pots may all be the same, service becomes the competitive factor.

A fourth type of market was visited in Copenhagen, Denmark. Floricultural Extension specialist, Andre Bjerggaard hosted us as we toured the Copenhagen Wholesale Market. The old Copenhagen Wholesale Market occupied an open square block in the center of the city. About 1000 producers and sellers marketed fruit, vegetables and flowers of Danish origin from open air stands. Space was rented from the Municipal Market Authority. The market created all types of traffic problems as more than 1500 buyers would park anywhere and everywhere. In 1953, the Mayor of Copenhagen invited the producers to open negotiations with the city for the development of a new market place in the country. A cooperative corporation (KGT) was developed in 1954, with a complete set of articles and by-laws.

A contract was made with the municipality. The KGT purchased 30 acres of land from the city, without a down payment and a 46 year mortgage. The organization designed, built and supervised the operation of the facilities. The city guaranteed development loans up to 85 percent.

In October 1958 the new market was opened. Open-air stands, in one area of the complex, were rented to non-members (625 stands). Members pay a yearly membership fee of approximately \$60, plus an entrance fee, if they use a stand. Their stands are under cover in a 6.6 acre building that has a capacity of 850 spaces. Each member also gets one vote regarding business affairs.

In addition to the stand areas, the KGT coordinated the development of a bank, restaurant, horticulture supply house, and administrative offices in the 42 acre complex. The operation of the KGT is in accordance with a marketing order, confirmed by the Municipal Market Authority.

The annual total turn-over of Danish grown horticultural products is more than 350 million kroner (\$58 million). Sale of imported fruit and vegetables is about the same and half that amount in hard goods and seed.

The stands are open from 5:00 a.m. to 8:00 a.m. for sales to exporters, retailers, etc. From 8:00 a.m. to 9:00 a.m. they are open to the general public.

One of the most interesting stands was occupied by a grower of cress (not water cress). It is seeded in little packs, germinated, grown and sold within a couple of weeks. He sold approximately 4 million packs the previous year at 25¢ each. Eighteen to twenty tons of seed are used each year. Needless to say, he thought he had a good business.

Overview

By no means, have we covered all of the methods of selling floriculture products in Europe or described the complete operation of those discussed. Probably the main point of the text is: to have an effective marketing program, a grower must be organized. An effective marketing program includes the production of quality plants and the ability to move them at a reasonable price (based on known costs of production) with a reasonable profit. Each grower shouldn't have to look for a market - they are not all marketing experts. Many U.S. growers don't know what it costs to grow a product or how to get a reasonable price.

Some Colorado growers already act as brokers, but never charge for their services. If bedding plants were grown in one or two types of packs with uniform quality, a broker system could be used. Several small growers and a few carnations growers (that try some pots) are generally looking for a market. In some instances, they sell cheap, just to move the products, not considering or caring how they hurt the market for others. It would be easier and cheaper for someone else to do their selling.

It is doubtful that a cut flower auction could survive in Colorado, unless it was a cooperative venture with all wholesale houses. On the other hand, the opportunity for a bedding and pot plant auction is "wide open".

If Colorado growers are going to progress toward their production potentials, and still be economically stable, they

should probably consider a cooperative marketing system of some type; one that would seek their costs and a reasonable return on their investment.

Ed. Note: This is a second article (the first in CFGA Bul. 332) regarding Dr. Goldsberry's trip to Europe in August 1977.