



ASSEMBLY OF EUROPEAN REGIONS PRODUCING FRUITS, VEGETABLES AND ORNAMENTAL PLANTS

ASSEMBLÉE DES RÉGIONS EUROPÉENNES FRUITIÈRES, LEGUMIÈRES ET HORTICOLES

ASSEMBLEA DELLE REGIONI EUROPEE FRUTTICOLE ORTICOLE E FLORICOLE

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AREFLH position paper on the European Ornamental Plant sector

The **Assembly of European Horticultural Regions** (AREFLH) main missions are:

- to represent its 18 member regions and 28 Associations of Producer organisations, from 9 European countries;
- to defend the economic and social interests of the fruit, vegetable and horticultural sectors in Europe;
- to foster exchanges of best practices, partnerships and joint projects between regions and professional organisations;
- to actively seek new solutions for the main issues affecting the future of the fruit and vegetables production in Europe.

Introduction

The European flower and ornamental plant sector is divided into several types of plant productions, each with their own characteristics and markets, such as cut flowers and ornamental foliage, potted plants, bulbs production and nursery plants. The **European Union** has one of the world's highest densities of flower production per hectare **representing 10% of total world area and 44% of world flower and pot-plant production with a value of over 20 billion EUR in 2019¹**.

Europe's ornamental flower and plant production is concentrated in 5 countries: **Germany, France, Spain, Italy and the Netherlands**. The latter represents both the major EU producer and importer, with the Dutch flower auctions operating as the main European trade hub (45 % of the world trade transits or is facilitated via the Netherlands²). The EU is a net exporter of pot plants, conifers and hardy perennial plants, bulbs and corms, and a net importer of cut flowers and cut foliage. Overall, **the EU has a net trade surplus for live plants and floriculture products³**.

The flower and ornamental plant **supply chain is highly globalized, interdependent and integrated**: the leading suppliers of cut flowers and foliage to the European market are African and South American countries such as Ecuador, Colombia, Ethiopia and Kenya, with the latter representing the highest share of exports to the EU. These countries often benefit from advantageous production conditions such as lower labour costs, less stringent production standards or tax incentives, which allow them to be highly competitive in the international market. Additionally, the majority of the floricultural trade is performed under free trade agreements (FTA) or preferential trade schemes (GSP) which allows most imports to be duty-free.

Even if the consumption of flowers and plants in the EU remains stable, **producers' margins tend to shrink continuously due to stagnating prices and rising costs**. On top of this, the sector's **lack of supply concentration** limits considerably its bargaining power when facing large-scale retailers, an important element that calls for the **adoption of measures to support the aggregation and consolidation of producer organisations** in the sector. These negative trends have forced European producers to adopt new strategies to remain competitive, such as specializing in niche products for specific market segments, producing bulk

¹ Eurostat : Production of flowers and plants in the EU

² https://www.cbi.eu/sites/default/files/market_information/researches/trade-statistics-cut-flowers-foliage-2016.pdf

³ <http://aiph.org/international-statistics-flowers-and-plants-2019/>

products or relocating their production abroad. A large majority of producers also participate in one or more **certification schemes in order to attest the quality and sustainability** of their products as well as to conform with the requirements established by their buyers. Certifications such as GLOBALGAP, MPS-ABC or ETI allow producers to reach new market segments as well as to benefit from the additional added-value of their product but may also be used by large-scale retailers to increase their bargaining power vis-à-vis the producers.

Nevertheless, EU **producers of flowers and plants still face several challenges of different nature**: a rather volatile market, the impact of climate change, the strong competition from developing countries as well as societal demands for more sustainable products are all concerns that must be addressed by the sector if we wish to safeguard the future of the European production of flowers and ornamental plants. Therefore, AREFLH would like to take the opportunity to **highlight the key challenges that the sector faces as well as to formulate a certain number of proposals for improving the current system**.

The EU ornamental plant sector: current challenges and potential solutions

A. Providing adequate support to EU ornamental plant producers through the Common Market Organisation's Operational Programmes

Contrary to many other agricultural sectors, flower and ornamental plant producers benefit from little or no financial assistance from the Common Agricultural Policy (CAP). With nearly no aid deriving from basic payments, **the sector is eligible to receive support merely through coupled payments and through a few instruments linked to Member State's rural development programmes**. Often though, such support channels are either not made eligible by Member States or are difficult to implement due to the bureaucratic complexity of the procedures, which leads to rather long delays for the approval of projects that are not compatible with the dynamism of the sector and the need for continuous evolution of its production systems. Therefore, flower and plant producers are left to fend off for themselves to ensure their survival in today's hypercompetitive global market.

Nevertheless, the CAP possesses additional mechanisms that may be used to provide a certain degree of financial incentives to EU producers such as the Common Market Organisation (CMO) scheme. Analogously to the fruit and vegetables sector, the **flower and plant sector should be granted the possibility to create their own operational programmes**, which would allow EU producers to benefit from a 50% cofinancing rate for their economic and environmental investments. Such measure would represent a critical incentive for agricultural producers to form or join Producer Organisations in the sector which, in turn, would generate a positive impact on the sector while achieving CAP objectives such as a better production planning and supply concentration, increased quality, value and sustainability of the products as well as a more efficient prevention and management of risks or crises.

The possibility provided in the new CAP draft regulation for Member States to dedicate a small percentage of their financial envelope to create operational programmes in other sectors could represent a possible solution, at least on the short-term. However, the implementation of this measure is left to the discretion of each Member State, an element that could potentially lead to internal market distortions. For this reason, AREFLH believes that the best way to provide a long-term solution for the sector is to **include it amongst the mandatory sectoral interventions for Member States (Art. 40 of the draft regulation (2018/392))** for the countries that possess a sizeable production of flowers and plants.

Proposals:

- Urge Member States to **define minimum requirements for the recognition of producer organisations** in the ornamental plant sector;
- Enable recognized Producer Organisations in the sector to **create their own operational programmes** by establishing mandatory sectoral interventions for the Member States that possess a sizeable productions of flowers and plants.

B. Protecting EU producers from unfair competition by ensuring a level playing field with both internal and external competitors

EU primary producers operate in a highly competitive market in which they not only face competitors from other European Member States but also from third countries. In order to ensure their competitiveness,

producers have heavily invested in new growing techniques that reduce the consumption of inputs (water, energy, fertilizers, pesticides) and increase the quality, safety and sustainability of their products. Nevertheless, EU producers still face several challenges deriving from **a lack of harmonization in the implementation of EU legislation across all Member States as well as the absence of a level playing field when it comes to compete with third countries.**

EU Member States often adopt different economic, social and environmental legislation. This signifies that production standards may be higher in one country and lower in another, an element that creates a certain degree of distortion in the internal market. Moreover, in matters directly related to EU legislation, we can observe that EU policies are not always implemented homogeneously across all Member States. Therefore, **legislation related to work conditions, authorization and usage of plant protection products, transports and environmental standards may vary considerably across the EU, an issue that calls for a better harmonization of national and European legislation.**

Additionally, competition from third countries also represents an issue with a major impact on the economy of the sector. Often benefitting from less stringent social and environmental standards, **third country producers profit from significantly lower production costs (i.e. cheaper workforce) and may use plant protection products that are not allowed in the European Union.** With today's floricultural trade being mostly performed under free trade agreements (FTA) or preferential trade schemes (GSP), over 90% of third country exports are duty-free and enter the European market with prices that European producers cannot compete with.

Proposals:

- **Harmonize** labour, environmental, transport and plant protection products legislation across the EU to reduce market distortion between EU Member States;
- Promote a **preferential VAT treatment** for flowers and ornamental plants across Europe;
- Facilitate **mutual recognition** procedures for the authorization of plant protection products as well as authorisations for minor uses;
- Disallow imports from third countries that do not meet the **EU's social and environmental standards**;
- **Establish safeguard clauses in all EU trade agreements** that provide an automatic activation of duties/tariffs in the event of a significant increase of imports in such volumes and prices that could highly damage European producers.

C. Promoting the quality and specificity of EU flowers and plants through geographical indications and promotion programmes

Unlike for the vast majority of other agricultural products, the **indication of origin of flowers and plants at the point of sale is not compulsory in the European Union.** As a result, the origin of floricultural products is often unknown to the vast majority of European consumers. This lack of indication has important consequences, including reducing the impact of European communication and promotion campaigns to the benefit of EU products. This situation is highly detrimental to the competitiveness of producers in the sector, who are unable to benefit from the added-value deriving from the quality and specificity of their productions.

In order to mitigate the lack of indication of origin in the sector, many producers have focused on **developing geographical indications (GI) for some of their products.** Such quality schemes (i.e. PDO, PGI, TSG) allow producers to certify that their product possesses certain qualities, is made according to traditional methods, or enjoys a certain reputation due to its geographical origin. Geographical indications thus act as a differentiator, often a key to higher and more stable earnings since they tend to have standards for quality, traceability and food safety, which offer a valuable competitive advantage for producers. However, GIs are not easy to establish and their success on a large scale requires time and can entail considerable costs, not just for organizational and institutional structures but also for ongoing operational costs such as marketing and legal enforcement.

Proposals:

- Adopt **mandatory indication of origin** for flowers and plants at their point of sale
- Provide **technical and administrative assistance** to EU producers for the registration of quality schemes
- Support the promotion of quality products through the establishment of a **specific budget line for flowers and plants under the EU's promotion programmes** (EU Reg.1144/2014)
- Encourage the **adoption of 'local preference' provisions in public procurements** at national and EU level

D. Developing Research and Innovation policies in the ornamental plant sector

Research and innovation are fundamental to fostering the European ornamental plant sector and strengthening its position in a world in which the trade of flower and plants is fully globalized. In this highly competitive market, raising prices does not represent a viable option and therefore managing costs of production is vital to remain competitive. Research and innovations that enable growers to adopt innovative practices and technologies that will contribute to lower their costs of production through methods that allow a more efficient use of inputs, including water, nutrients, energy and labour, is a priority.

Moreover, international trade as well as climatic changes have increased the number of diseases and pests experienced by European producers, including invasive species such as 'xylella fastidiosa'. Therefore, **research and innovation is required to develop effective control strategies** to manage these pests, ideally through biocontrol technologies with minimal environmental impact. This represents an urgent priority so that growers are equipped with the advanced tools they need to maintain high yields and quality.

However, the European ornamental plant sector generally suffers from a poor coordinated research and technology transfer system, which derives from the **lack of a vertical link between operators in the supply chain and research bodies**. The consequence of this is that research developments in the sector are rarely directly motivated by the needs of the producers, hence the difficulty to secure the transfer of technological innovations.

Proposals:

- Setting up **joint research programmes** within the future EU framework programme for Research and Innovation Horizon Europe on key topics such as pest management, climate change adaptation or new breeding techniques;
- **Create an EIP-AGRI Focus Group on ornamental plants** to identify research gaps, highlight the sector's priorities for innovation and share knowledge and best practices.

E. Additional proposals to foster the competitiveness of the ornamental plant sector

In order to further contribute to the competitiveness of the flower and plant sector, additional measures could be implemented. For instance, a large majority of producers participate in one or more certification schemes that are required by their buyers. Such schemes are very diversified (GLOBALGAP, MPS-ABC, ISO, IFS) and imply significant costs for producers. Moreover, they often represent an instrument to strengthen the market power of the large-scale retail trade vis-à-vis EU producers. Thus, to rebalance the bargaining power between upstream and downstream operators, such **certification schemes shall be unified and/or standardized** in order to avoid a multiplication of schemes to which producers are obliged to comply with.

Another issue currently hampering the sector is the **shortage of qualified personnel** to fulfil the sector's high number of vacant positions in production, management, marketing, pest management or research. A lack of an appropriate specialised workforce may limit efforts to increase productivity, turnover and profitability, preventing producers from reaching its full potential. Therefore, professional organizations and policy-makers must collaborate together in order to promote appealing career paths in the sector and create partnerships with universities and educational institutes.

Proposals:

- **Unify and standardize certification schemes across Europe** to limit the multiplication of certifications that are required from producers by large-scale retailers
- **Promote education and career paths in the ornamental plant sector** at national and European level, in particular through the European Job Mobility Portal (EURES) and the ERASMUS+ programme.

Conclusions

AREFLH believes that it is necessary to develop a new strategy at EU level to support and revitalise the ornamental flower and plant sector by **encouraging supply concentration** and enabling producer organisations active in this segment to **benefit from Operational Programmes** under the CMO regulation. This would not only allow producers to strengthen their position on the market and encourage penetration into new distribution channels but also improve market organization, production planning and the overall logistics

system. Also, EU policies should focus on **creating synergies to promote research and innovation** in the sector to support product diversification, varietal innovation and new sustainable production methods as well as to modernise companies with new structures and plant technologies aimed at optimising resource management and energy saving. Great importance should also be given to the **training of highly specialized professional figures**.

We must also remember that the sector is able to provide a **strong contribution to both the environment and public health**: all studies converge on the fact that flowers and plants in gardens and cities are able to deliver solutions to mitigate climate change's impact by acting as CO₂ traps and making congested cities more livable, thus raising the quality of life of European citizens. With the ongoing policy discussions on the New European Green Deal and the Farm to Fork Strategy, it is important that the ornamental flower and plant sector's potential contribution to the fight against climate change is not forgotten.