

# **Business opportunities based on the results of the Market study on flowers and ornamental plants**

**research by Kleffmann Group Ukraine**



World market analysis:  
information from 70 countries

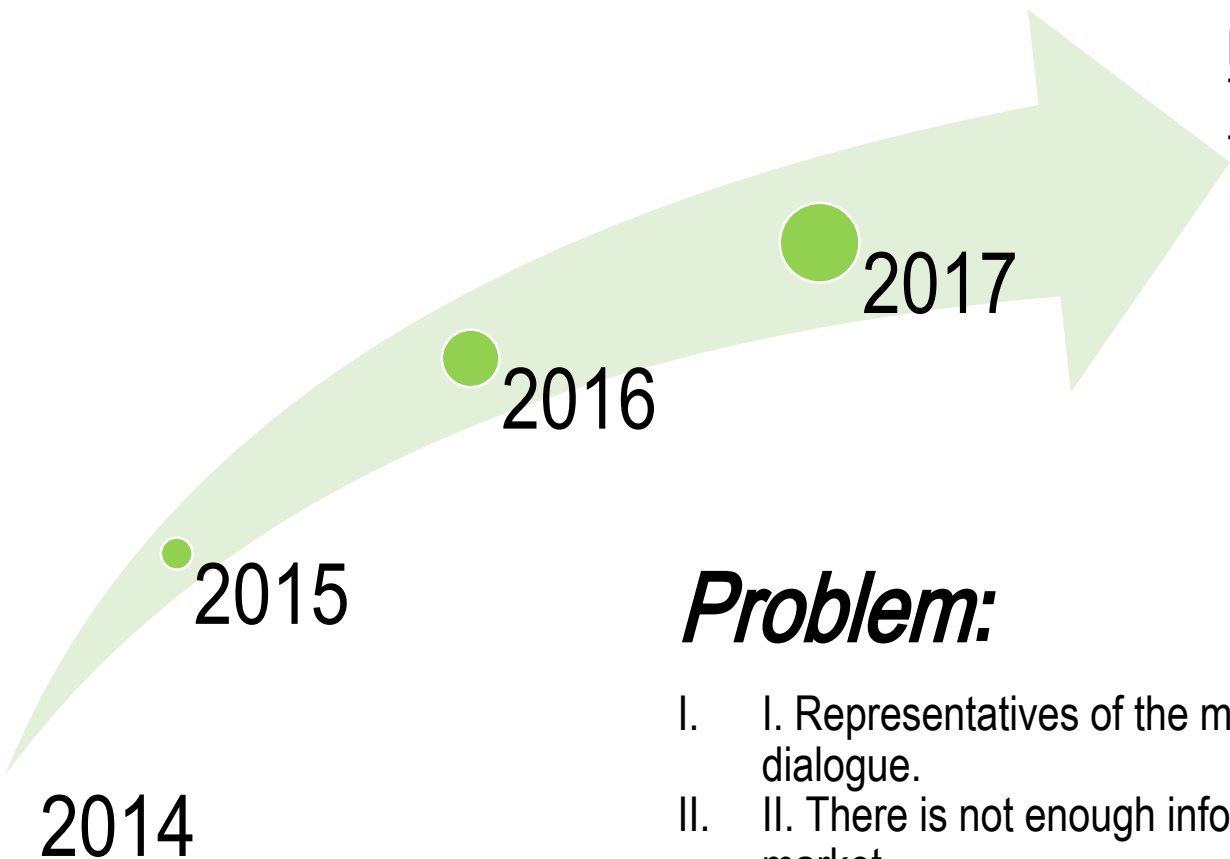
Focus only on agriculture



Independent research  
company

# Tendencies

In Ukraine, the production and consumption of flowers and ornamental plants is growing (after the crisis of 2014).  
 There is a growing need for Ukrainian products to enter foreign markets.  
 The volume of trade between Ukraine and the Netherlands is growing.  
 More and more Dutch businessmen want to enter the Ukrainian market.



## ***Problem:***

- I. I. Representatives of the market of flowers and ornamental plants are not always open to dialogue.
- II. II. There is not enough information to make business decisions on entering the Ukrainian market.

# *Solutions: market study on flower and ornamentals*



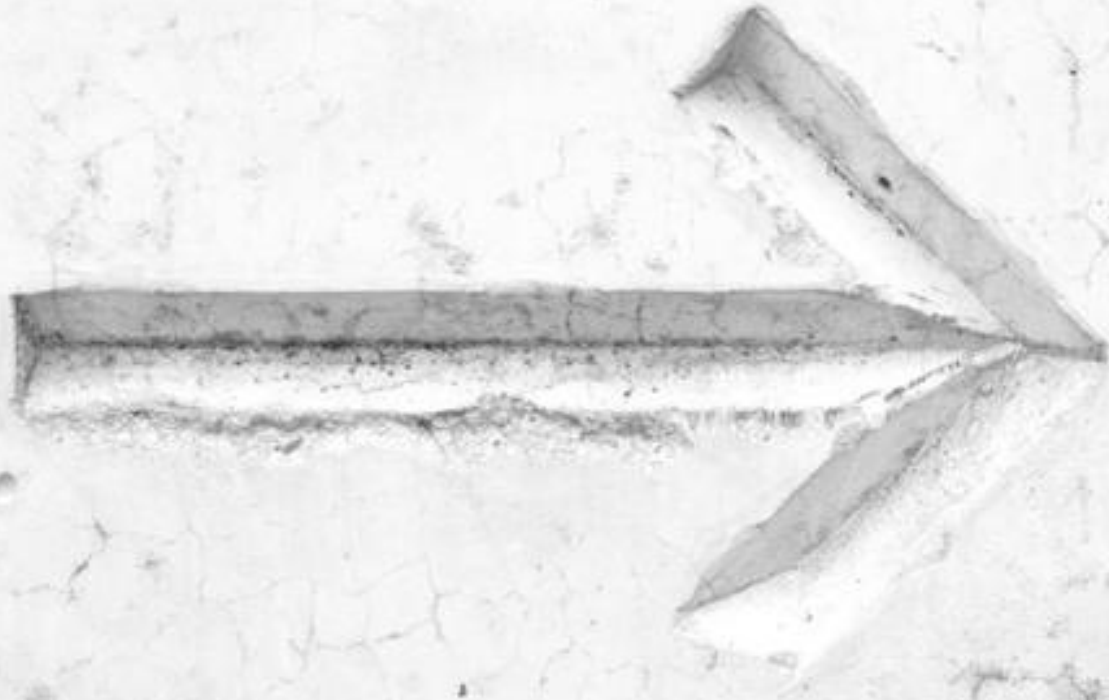
At the initiative and with the financial support of the Embassy of the Kingdom of the Netherlands in Ukraine

26 expert interviews were conducted with representatives of business: sector associations, experts, logistics, manufacturers, importers, trade network.

4 market segments were studied: cut flowers, planting material, potted plants, ornamental plants.

7 maps of observations of nurseries are made.  
Ukrainian and international **statistics** analyzed.

## Main target



- Describe the market of flowers and ornamental plants in Ukraine
- Identify further opportunities for the development
- List the difficulties the business representatives face

Cut flowers

Potted plants

Planting material

Ornamentals





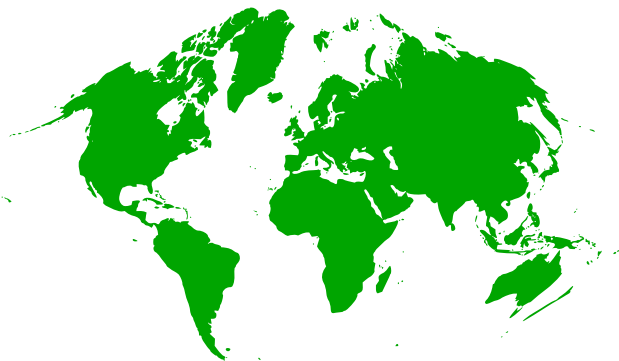
# Flower market: statistics analysis

# Market overview of ornamental plants and flowers

The share of ornamental plants and flowers is relatively stable and occupies 0.11-0.12% of world exports.  
The cost of plant exports is higher than the value of flour products (flour, malt, starch, gluten)



[trademap.org](http://trademap.org)



## 22 bln \$

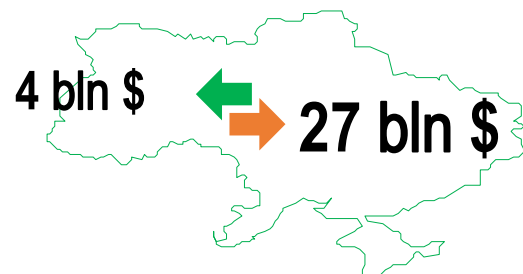
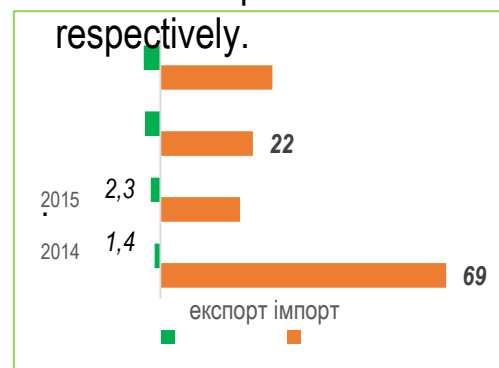
is the world plant market; cut  
flowers and ornamentals18

After the decline in 2015 (-14%), world plant exports add 5-6% annually  
In the perspective of 3 years the growth rate is expected at the level of 7-10%  
180 countries (out of 195) are involved in world trade in plants

The decline in the world market in 2015 for Ukraine meant the reduction by 3.6 times from \$ 69 million to \$ 19 million as a result of devaluation of the hryvnia and socio-economic situation in the country. For two years there is a positive growth trend for both import and export: + 23% and + 8% respectively.

In 2017, Poland and Belarus were the key exports destinations for flowers and ornamental plants from Ukraine, receiving 59% and 30% of the export value,

respectively.



Ukraine occupies 75  
position in exports and  
53 in world imports



# Market overview of ornamental plants and flowers: growth of world exports and imports by 6%

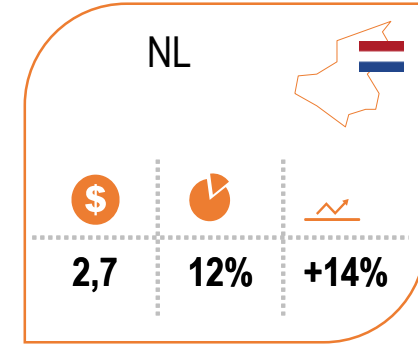
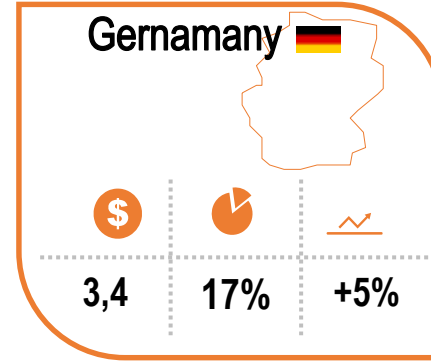
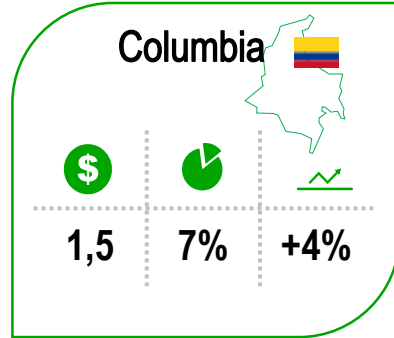
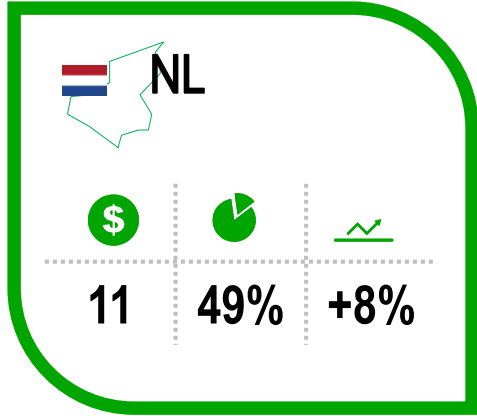
top 5 countries of exporters and importers.



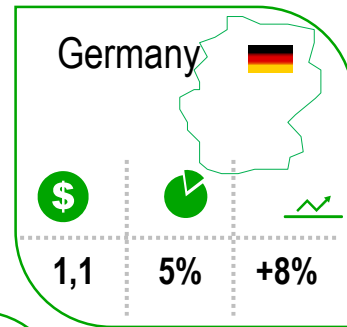
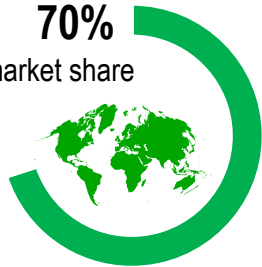
## Export '18



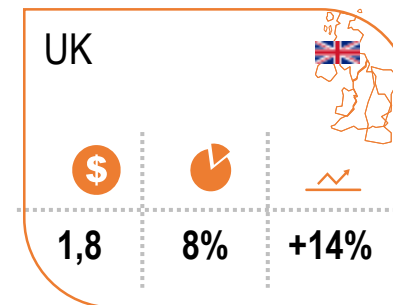
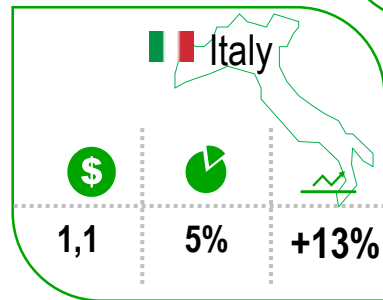
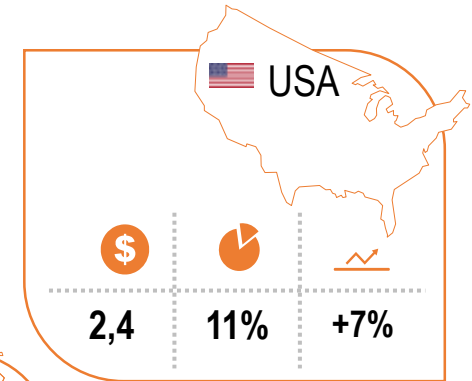
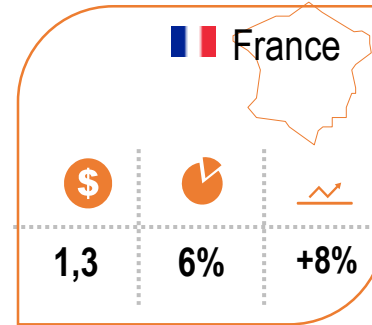
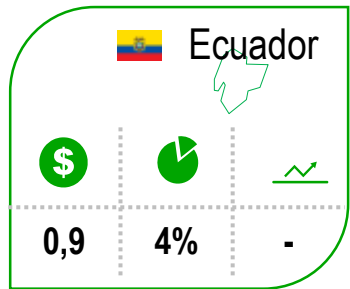
## Import '18



70%  
market share



54%  
світового ринку



cost  
bln \$



country share in  
world trade



dynamics  
'18/'17

# Market overview of ornamental plants and flowers

Market capacity



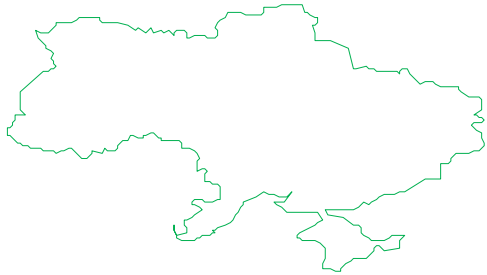
**227** registered flower producers  
Sales volume'17 - **UAH 1,014** million  
Business profitability'17 - 9%



The capacity of the wholesale and retail trade market is estimated at \$ 500 million with positive growth dynamics over the past 2 years



- **Barriers to market development:**
- inflation 10% –14%
- uncertainty about the right to purchase land for production purposes
- rising prices for raw materials and services (gas, electricity, transport, etc.)
- lack of production standards
- lack of professional staff
- the presence of the shadow market
- the presence of corruption
- complex logistics
- slow growth of household incomes
- lack of culture of flower consumption and landscaping
- 



**143** seedling growers (including growing plants for decorative purposes)  
Sales volume'17 - **UAH 575** million  
Profitability of business'17 - **22%**





## Markets segments: description



✓ Cut flowers

## Cut flowers market: market size and range



### Market volume

'17 – 193 mln \$ '18

– 205 mln \$



Purchase 2-3 times a year: birthdays + common holidays. The range is stable, novelties - about 5%.

## 90% import

Import countries: Netherlands, Colombia, Ecuador, Kenya, Ethiopia, Malaysia



Other countries: Israel, Italy, Poland, New Zealand, Australia and Mexico

*The most popular flowers and prospects for their implementation on the market:*

**Roses** - 70% of the market during the year.

*Tulips* - February 14 and March 8, 50% import.

*Eustoma* - popular in summer, Ukrainian production.

*Chrysanthemums* - school holidays, production in Ukraine.

*Peonies* - season of Ukrainian flowers: May-June.

*During the year* - imports.

**Less popular flowers:**

*Gerbera, Orchid, Cali, Carnation*

## Cut flowers market: production and import



Producers: professionally grow cut roses



Eustoma, tulips and chrysanthemums are grown on a smaller scale and in less professional and modern greenhouses.

### Importing companies:

Ukraflora Megaflora Exotic Flora

Primaflora Holland to you Camellia

*Potential for business: joint business on professional cultivation of tulips, chrysanthemums, peonies.*

*Prospects: ensuring high quality, optimizing production costs.*

*Imports of seedlings and bulbs for growing cut flowers will increase.*

### Only from large manufacturers:

- ✓ High-tech greenhouses (climate control, automatic watering, etc.)
- ✓ Experienced and professional agronomists
- ✓ Consultations from foreign experts
- ✓ High quality PPE, fertilizers, growth regulators
- ✓ Seedlings are imported from the Netherlands

### Distribution:

**80% - Flower stalls**

Construction supermarkets (Epicenter)

There are no specialized chain stores, exceptions - Camellia (Kiev)



*“In Ukraine people buy  
flowers to give away”\**

*Dutch Expert*

*\* “В Україні люди купують квіти, щоб віддати”*



✓ Potted plants



## Market volume

'17 – 130 mln \$

'18 – 142 mln \$

**90% import**

Assortment basis:  
plants of the middle  
price category



The main category - flowering plants.

The most popular houseplant - Phalaenopsis.

*For a gift: daffodils, hyacinths, kalanchoe.*

*For the house: cacti, succulents, spathiphyllums, difenbachia, dracena, echeverria.*

*Street flowers in pots are mostly made in Ukraine.*

*Popular: marigolds, petunias (surfinia), coleus, begonias, verbena, forget-me-not*

*Import countries: the        ary.*

Potential for growing imports of houseplants by expanding the range in the case of popularization of flowers other than orchids

## Potted plants market: production in Ukraine



### Producers: potted plants and plants for outdoor landscaping



- ✓ High-tech greenhouses (lighting, climate control, automatic watering)
- ✓ Wide assortment

*There are producers of plants in smaller pots. Some species of houseplants are grown by individuals (eg Saintpaulia, fuchsia, gloxinia).*



### *Distribution*

**60–70%\***  **ЕПІЦЕНТР®**

*Garden centers*

*Flower shops*

*Supermarkets*

### Possibilities

- Establishment of joint ventures for growing plants in pots, indoor and outdoor.
- As a result, increase in imports of seedlings for growing and import of seeds.

\*opinion of the representative of the retail chain

*Fashion trends:*

- ✓ *The growing popularity of succulents*
- ✓ *Potted plants are no longer emotional purchase, but planned.*
- ✓ *Flowers in pots like holiday gift:  
March 8, 14 February, Teacher's Day,  
Day the last bell.*





## ✓ Planting material

- seeds of ornamental plants
- lower bulbs;
- seedlings (for growing cut flowers);
- flower seedlings (for growing in greenhouses and in the open ground)

## Market volume

'17 – 26 mln \$

'18 – 28 mln \$

99% import



**70–80% of total imported bulbs – tulips.** Others – lilies, gladiolus, daffodils, crocuses, hyacinths, calla lilies.

**Seeds and seedlings: marigolds, petunia (surfinia), begonia, coleus.**

Seedlings: made in Ukraine + import. Seedling production is growing every year.

Countries for import:  
bulbs – The NL



Seeds – the NL, Denmark, Germany, Great Britain, Japan.



### Possibilities

- Increasing the import of bulbs and seeds by expanding contacts with suppliers.
- Promotion of new types of flowers.
- Increasing seedling production will also increase seed imports.
- It is possible to create new joint ventures for growing seedlings.

## Planting materials market: producers and importers



Producers of the flowers planting materials: 4 producers in Ukraine



- ✓ Highly efficient greenhouses, lighting, climate control, irrigation
- ✓ Difficult to follow the growing technology

## *Importers:*

Planting materials: Ukraflora, Kamelia, Ecstotic Flora, Agromarket, Florium, Lily-Line, Interflora, Yaskrava.

Perennials young plants: FLorium and Sotka.

Nurseries – own import for own assortment.

Import orders are placed **3-4 months prior to purchase**

### *Distribution*

Building supermarkets EpicentrK, others

Garden centres

↑ Internet  
Mail

Retail of flower bulbs – Yaskrava (Яскрава) and Ukraflora.

Wholesale trade of bulbs – Yaskrava (Яскрава) and Plantarium



Haakman Flowerbulbs B.V.



*TOP brands*



## *Main tendencies*

- ✓ *Import of planting materials is growing*
- ✓ *The presence of low-quality bulbs on the market, due to the desire to buy cheaper products and neglect of quality checks.*



✓ Ornamentals



## Market volume

'17 – 118 mln \$

'18 – **137 mln \$**



**40% import**

Estimation

In each category the ratio is different.

In the Ukrainian market there are deciduous and coniferous trees, shrubs, annuals and perennial herbs.

The most popular are conifers (thuja, juniper).

Deciduous trees: maples, lindens, rowans, birches. Poplars, oaks, elms, catalpas and other plants are grown on a smaller scale.

Shrubs: privet, spirea, barberry

Import comes from: the Netherlands, Denmark, Poland, Belgium, Germany, Italy, France.



Opportunities: Increased imports of non-cultivated or under-grown categories are deciduous and coniferous.

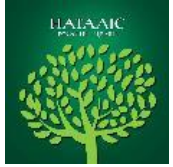
## Ornamental plant market: production and import

Ukrainian production:

80-90% of the bushes

90-100% of garden roses, perennial grasses

40-60% of coniferous and deciduous trees



In total there are about **150** nurseries, about 15 - VAT payers.

Wide assortment: coniferous and deciduous shrubs and ornamental trees.

"Sunflower" - perennial herbs. "Decoplant" - garden roses.

Importers: garden centers, nurseries and landscaping companies.

Exporters:

- Gardi and Natalis – trees and shrubs to Georgia.
- Nursery Agroflora – conifers to Uzbekistan.
- Nursery Kornelis – rootstock for roses and seedlings of shrubs in Europe.
- Nursery Dekoplant – 20% of garden roses grown in UA go to Europe.

Nursery clients:

Garden centers

Construction retail chains with garden centers

Landscape designers

State and municipal institutions for landscaping of urban space.

Perspectives

- ✓ Creation of new common nurseries
- ✓ Consultations for existing cultivation technologies
- ✓ Supply of seedlings for growing, rental of equipment for nurseries



*In Ukraine, there are no officially adopted quality standards for ornamental plants, they are under development. Currently, the initiative to write and approval of standards in Ukraine was undertaken by the Association of Plant Industry*



### *Best practices*

- Most trees, shrubs and perennial grasses are grown from seedlings imported from the Netherlands or Belgium.
- Experience of internship in Dutch nurseries (cultivation technologies).

### **Features:**

All standard operations for growing and forming plants in accordance with leading practices.

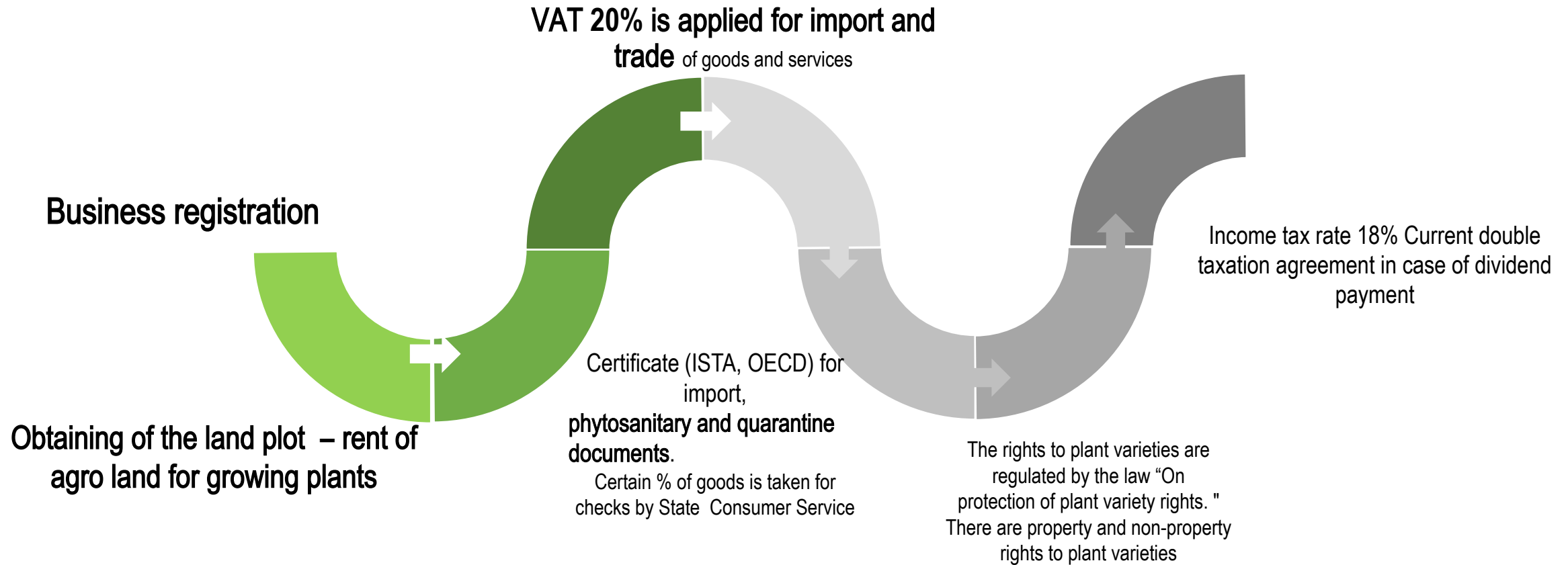
Availability of the necessary equipment (in Central and Eastern Ukraine - automatic irrigation systems, tractors, fossil machines), but to a lesser extent compared to their European counterparts.

Plastic greenhouses predominate, modern glass greenhouses are less common.





The ban on foreigners and foreign law firms acquiring agricultural land is a constraint on business development





# Development opportunities



## Examples of cooperation with the Kingdom of the Netherlands



- Purchase of **plants for sale**
- Purchase of **planting material** for growing in Ukraine
- Getting **advice/consultations** when buying planting material for growing
- Dutch-Ukrainian **joint ventures**, f.e. Dekoplant nursery
- **Foreign-owned** enterprises owned by Dutch citizens, if.e. Kornelis nursery

## *Mechanisms for establishing interaction*

*Exhibitions*

*Internet*

*Famous auctions*

*Contacts were established during the studies and life of Ukrainians in the Netherlands*

*Recommendations from those who have been in this business for a long time*

The **nearest future**: the establishment of new partnerships.

Prospects for the **next 2-3 years**: measures aimed at developing a culture of consumption and the development of infrastructure and culture of growing, selling and consuming ornamental plants and cut flowers (training, R&D).

**5-year** perspective: creation of Ukrainian-Dutch joint ventures for growing coffins or ornamental plants. The advantage of Ukraine is quite fertile land and fairly cheap land rent.

### Barriers:

- lack of opportunity to rent land;
- high level of bureaucracy;
- underdeveloped infrastructure for growing and selling products;
- difficulties of export due to complicated procedures at customs and expensive logistics;
- high risks due to the insecurity of foreign investment.







## Difficulties for the market players

- Delays at the border (plant products are very perishable)
- Corruption at customs, which is caused by high customs duties and possible delays.
- Unfair competition, the presence of illegal imports.
- High customs duties.



- ❖ Law on land: impossibility to buy land, investment risks.
- ❖ Lack of qualified staff.
- ❖ Underdeveloped infrastructure: lack of service for machinery and equipment, lack of developed distribution of fertilizers, pesticides and other goods.
- ❖ Lack of loans for the needs of producers of ornamental plants and cut flowers.
- ❖ Complex bureaucratic procedures required to formalize the production of ornamental plants.
- ❖ Low purchasing power of the population.
- ❖ Lack of landscaping culture and consumption of cut flowers.



## Problems of realization of ornamental plants and flowers



- ✓ Chaotic and unsystematic distribution of all categories of plant products.
- ✓ There are no large networks selling ornamental plants and cut flowers.
- Spontaneous trade places and kiosks predominate
- A good example: garden centers of the Epicenter construction supermarket chain.
- ✓ Complicated system due to the large number of intermediate links between the end buyer and the manufacturer - the rise in price of goods.
- ✓ Lack of conditions for storage and transportation of plants - loss of marketability of plants.
- ✓ Difficulties with the formation of the range - leftovers.
- ✓ Lack of quality standards for each category.





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