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Market description IPM ESSEN 2023:

Plant market defies economic uncertainty

Flowers and plants are becoming increasingly valued by the general public

There's no challenge to plants themselves. Once again, it's become clear that flowers and plants are a key part of life for many consumers, despite general uncertainties. However unpredictable the horticultural market may seem at the moment: There are changes ahead, but the market will be able to resist these and green is here to stay! But first things first:

After two years of unusually high sales in the horticulture industry and a strong start to 2022, the continuous positive development in the sector suddenly changed on 24 February 2022 with the start of Russia's attack on Ukraine.

Overnight, the horticulture sector became just one of many industries to be hit by the highest levels of inflation seen since 1990. Energy prices exploded, materials became scarce, delivery bottlenecks appeared, entire delivery chains were disrupted or came to a complete standstill, and the problem of a lack of logistics capacity as a result of the previous years intensified.

Fear and uncertainty started to spread amongst consumers and in the areas of trade and politics. Nobody knew, and still today nobody knows, how the situation would progress and what impacts would be felt as a result of the ever-increasing prices combined with lower levels of consumption.

Flower and plant market settles back to a normal level

As of 2018, market volumes for ornamental plants in Germany had only ever experienced growth, with the numbers increasing from EUR 8.7 billion in 2018 to EUR 9 billion in 2019, EUR 9.4 billion in 2020 and over EUR 10.2 billion in 2021. In 2022, however, the market volume settled back to a pre-Covid level at EUR 9 billion.

With a real inflation level of over 10 % in Germany (compared to Luxembourg at approx. 4 % and the Netherlands at approx. 17 %), a lot of people are noticing the price increases in their daily lives. The high inflation rate is causing anxiety among the general public, and according to a study conducted by insurance company R+V in 2022,



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the most common worry among Germans is “the increasing cost of living” (67 %), followed by the fear that “living in Germany is no longer affordable” (58 %) and that the “economic situation will get worse” (57 %). Worries that are not related to one’s personal economic situation don’t appear until sixth and seventh place. “Natural disasters/weather extremes” comes in as the sixth most common worry with 49 %, and “global authoritarian leaders becoming increasingly powerful” takes seventh place (47 %).

A current study by the FORSA Institute for Social Research and Statistical Analysis from mid-November 2022 yielded similar results. As well as being worried that there could be a dramatic increase in societal conflicts, most German citizens (55 %) are very worried that the current currency devaluation caused by the high inflation rate will eat into their savings and available assets. Almost half of consumers are worried about high heating costs (51 %) and about the war in Ukraine crossing over into other countries or even leading to a third world war (49 %). Next on the list at 47 % is the worry that high energy costs will put an excessive burden on one’s own financial situation, followed by the fear of excessive food prices (47 %).

It’s understandable that there will be a decrease in spending propensity in this subjective environment of worry. Interestingly, a lot of German citizens are not necessarily affected by a fundamental deterioration in their financial situation at the moment, but are worried about this being the case in the future. The subjective mood is therefore worse than the reality, as can also be seen by the following accounts.

Not everyone is stopping their consumption

In May 2022, the Flower Council of Holland commissioned market research institute Motivaction to conduct a representative survey to clarify the impact of high inflation and increasing prices on the sales of flowers and plants. As expected, most consumers assume that they will have less money to spend in the future, and that they will therefore also spend less on flowers and plants. Interestingly, however, there is an exception in the two most important target groups who often buy flowers and plants. For these groups, which are also known as “Aesthetic Explorers” and “Status Seekers”, inflation doesn’t seem to play such a big role. By their own accounts, they expect to buy even more flowers and plants (or to buy these even more frequently) over the coming months.

Right back in spring 2022, we were already seeing the first signs that the horticulture market would not experience the complete crash that many had predicted. Instead, it

became clear that the flower and plant market would return to a normal level after two exceptional years.

So while 2022 was certainly below the high levels seen in 2020 and 2021, it was still above the strong 2019 level. A reminder: According to the Agricultural Market Information Company (AMI), the market volume for flowers and plants in Germany was 3.1 % higher than in previous years back in 2019, and this figure rose yet again by 5.1 % and 8.1 % in 2020 and 2021 respectively, reaching a total of EUR 10.2 billion.

Greenery to soothe the soul

The pandemic and the accompanying lockdowns have impressively demonstrated the importance of green spaces. The delicious taste of home-grown herbs and the feeling of relaxing under majestic trees in public green spaces are undoubtedly two reasons behind this. Many consumers learnt to care for and appreciate their own gardens, patios and the green infrastructure in their local areas during the Covid-19 pandemic. 69 % of the keen gardeners questioned as part of a trend survey thought that “the importance of the garden will increase over the next three to four years, not least due to the Covid crisis”. Around a third of those surveyed believe that the importance of the garden will increase very sharply. When the results are analysed from a sociodemographic perspective, it’s interesting to note here that female respondents expect a very sharp increase in importance. It’s no longer a case of engaging with green spaces solely as part of recreational activities, as was often the case at the start of the pandemic, but more about mental relaxation. The positive effect of green spaces is increasingly being recognised as a moment of relaxation.

A trend study from Austria comes to the same conclusion. The bellaflora garden trend study 2022 conducted by IMAS International highlights the importance of the garden as a place of retreat and rest. For around three quarters of people with a garden, the garden has become a retreat where they go to recharge their batteries: On average, people spend over four hours a day outside in spring in order to balance out the chaos of day-to-day life, stress at work and at home, and the persistently depressing stories in the news.

Most people see the high expectations placed on them by themselves or others as particularly challenging and energy-sapping, as well as their job situations. And as stress levels increase, so does the desire for rest and retreat, meaning that people with gardens make their garden the cultural and social centre of their lives. Over half of them like to spend time with family and friends in the garden. For 50 % of them, gardening work such as planting and hedge trimming, raking and mowing the lawn do

not now count as chores, but help with relaxation and switching off. According to the trend study, 73 % of people with a garden describe the garden as their personal source of strength in 2022.

Accordingly, the topic of gardens and green spaces is also getting a lot of attention in the media, above all on social media, where the topic has for a long time played a rather minor role. One indication of this is the increasing number of social media channels that talk about these topics. In 2022, a third more bloggers and influencers attended the new GardenCon blogger convention in Bad Zwischenahn compared to the previous year. Since the Covid-19 pandemic, more and more topics related to plants, gardens and self-sufficiency have started to take over the internet.

Good weather – good mood!

With the euphoria of the past two years, 2022 began with a feeling of hope, although everyone was sure that the 2022 market would cool down and that the last two years would go down in history as special effects of the pandemic.

However, the year got off to a promising start, with Veiling Rhein-Maas, one of the largest German marketing organisations for flowers and plants, reporting a start to the year that was on the whole very pleasing. The unusually pleasant weather at the start of the year led to increased customer demand for both potted plants and cut flowers. As the German saying goes: "Good weather – good mood!". With product turnover of EUR 106 million, the first quarter of 2022 was comparable with the successful previous year, with turnover figures for January and February 2022 even considerably exceeding those from the year before. Only March didn't live up to expectations, although this was due not solely to global uncertainty but more to the weather and the start of the energy crisis.

First selling day with excellent turnover

As is the case every year, Valentine's Day marks the first major sales event for flowers in the new year. On 14 February, all seemed well with the world and Russia's attack on Ukraine was yet to come.

Flower wholesalers had learnt from the two years of the pandemic, and made sure to use long-standing, tried-and-tested delivery chains. This meant that goods could be offered with reliability, and the outcome was a success. This was a change compared to the previous year, which was characterised by uncertainties and difficult sales conditions, different lockdown regulations in the various German states as well as icy

temperatures on Valentine's Day, making 2022 seem like a walk in the park by comparison.

With springlike temperatures and shops open across the whole of Germany, consumers were in a buying mood. According to experts, turnover on Valentine's Day was around 30 % higher than the previous year – with 13 % higher prices across the entire range. Excellent turnover figures were recorded in Bavaria and Baden-Württemberg in particular, with sales levels that resembled pre-Covid-19 levels.

The observation that had been made the year before, namely that customers (both florists and consumers) were no longer solely focused on red products, was made once again in 2022. As well as pink, customers also liked "colourful and springlike", with a clear focus on the quality of the products. At the same time, it was also clear that the food and systems trade was striving to rekindle the good lockdown-driven turnover levels of the previous year, and the offerings therefore once again featured a particular sprinkling of often low-priced floral gifts this Valentine's Day.

However, this apparently did not have any major impact on specialist retailers, as floral gifts for Valentine's Day tend to be bought from a florist, although specialist retailers did also see an increase in the online trade in gift bouquets in general.

International Women's Day once again normal to good

On International Women's Day on 8 March, two weeks after the war broke out, there were no signs of the approaching slump in consumption. In a survey conducted by the Association of the German Flower Wholesale and Import Trade (BGI) on the occasion of this special sales event, which is particularly well-established in the eastern German states, respondents recorded a good level of turnover. With average turnover increases of 10 % compared to the previous year, the mood amongst the surveyed retailers on International Women's Day was very good. However, it was already noticeable at this point that there were fewer exports to eastern Europe and that more goods were suddenly available on the market compared to previous years.

Easy Easter business

There was also a sufficient availability of goods on the market during Easter 2022. The quantities of cut flowers and potted plants increased to significantly above 2021 levels, with prices somewhat lower than the previous year according to reports from experts and quotations.

Tulips were in particularly high demand as cut flowers in the higher quality segment, alongside exclusive ranunculus and lisianthus. When it came to potted plants, flowering indoor plants, planters and arrangements were very popular, as were the obvious classics of primroses, violas and bellis.

In a shift from the initial weeks following the start of the war, by the time that Easter came around at the start of April, there was increased uncertainty both among consumers but also among garden centre operators. The global situation along with the cost increases in many areas and the uncertainty regarding their impacts became increasingly hot topics.

Mother's Day turnover level maintained

Two months after Valentine's Day, all garden centre operators traditionally turn their focus to Mother's Day – and even more so in 2022 in light of world events.

Astonishingly, however, there was no significant consumer reticence to be seen here either. Despite higher prices for end consumers, people continued to buy, and good levels of turnover were achieved. Sales levels were above pre-Covid levels and were therefore mostly found to be very satisfactory, as indicated by an expert survey by the BGI. It is worth noting that some marketing bodies noted an increased availability of cut flowers compared to 2021.

All involved parties were well aware in advance that it would not be possible to achieve the record results of the previous years. Reticence was therefore also observed among specialist retail customers, who were unable to predict the buying behaviour of end consumers due to the global political situation and its impacts, and who therefore exhibited more caution than previous years when it came to purchasing, preferring to make short-term replenishment orders as needed.

This once again placed a lot of strain on wholesale trade. But fears that inflation, the political situation and reduced purchasing power would have a negative impact on flower sales were not confirmed on Mother's Day.

Due to an increase in personal challenges, pre-arranged bouquets played a greater role than in previous years. Sold using the Dutch flower auction clock system, bouquets and arrangements were particularly popular with customers in the cut flower sector, as were peonies. In the potted plant sector, patio plants, plants in hanging planters, orchids and high-quality planters and arrangements were in high demand for Mother's Day.

A summer of disillusionment

With Mother's Day 2022 having felt relatively normal, there has been a tenuous situation in the sector as of May 2022 at the latest. More and more garden centre operators suddenly started to report that their goods were staying put and no longer flying off the shelves as they wanted.

Whereas the sales of cut flowers continued to be satisfactory, sales of potted plants, and in particular patio plants and bedding plants, shrubs and nursery products, have been very strained. This was also evidenced by the sales figures of Veiling Rhein-Maas, with a production turnover of EUR 238 million in June 2022 representing a sudden slight decline compared to the previous year.

The reasons behind this are varied, and are down to a combination of multiple factors. On the one hand, the euphoria of the previous years had undoubtedly led to an excessive production of goods, but on the other hand there was a sudden reticence and uncertainty within trade as consumer behaviour became increasingly difficult to predict.

People's willingness to buy was curbed by the general inflation rates for everyday items and the high energy and fuel prices. In light of the high inflation rate and overall economic situation, they refrained from purchases of flowers and plants, especially as a lot of purchases had already been made for the garden in previous years and the changeable temperatures in summer did not fully lend themselves to gardening and enjoying outdoor spaces.

Furthermore, consumers were also able to travel without restrictions once again in 2022, and to invest their leisure budget on things other than horticulture. This meant that while people did continue to make purchases in 2022, the levels were considerably lower than at the peak of the pandemic and price sensitivity played a greater role.

Due to the uncertainty and consumer reticence, there were attempts within trade to reduce and shift reservations and quotas, which led to excess quantities and upheaval on the market. It's therefore no surprise that Veiling Rhein-Maas also describes the overall market situation in the third quarter of 2022 as being increasingly difficult and below the previous year's level. Nevertheless, a product turnover of EUR 323 million was still projected for 2022. Demand over summer was still satisfactory and contrary to all expectations remained stable, although the first signs of consumer reticence for outdoor products were noticeable in September.

Landgard, the largest marketer of flowers and plants in Germany, reported a calmer season that passed without any major peaks in demand and that saw much more selective purchasing compared to the two previous years. Consumer reticence was observed in high-priced products and in Mediterranean solitary plants such as olive trees or palms. All in all, Landgard reported a season that was comparable with 2019.

Due to the hot summer of 2022, and above all the hot and dry months of July and August, a lot of plants in private gardens dried out, which led to a new buying wave in September. The price level was lower than that of the previous two years, but was still in line with the plan.

An end to bedding and patio plant euphoria

With regard to price developments, the Department of Rural Development, Agricultural Economics and Agricultural Marketing in the Thuringian State Office for Agriculture and Rural Areas carried out a detailed price analysis on the development of the bedding and patio plant season again in 2022. This provided comprehensive and valuable data in the form of a multi-year comparison.

The 2022 season was assessed by Thuringian retail garden centres as considerably worse than the previous year. A score of 2.6 was given on average; almost a whole point worse than in 2021. Nobody assessed the season as “very good”.

What were the reasons for this perceived crash, given that the pricing and customer frequency were essentially evaluated as similarly good compared to the previous year? The answer is simple: increased costs, planning uncertainty and considerably greater customer acquisition efforts made business more difficult. This was perceived as a heavy setback, particularly when looking back on the very good 2021 season. The season was also characterised by poor product sales in early summer, which could not live up to the very good levels from the previous year and which clouded the general mood. Although everyone knew that the sales levels from 2021 weren't normal, the reality was hard to take.

Price increases across the board

Looking at the price developments over the last four years in Thuringia shows that prices were increased annually across all product groups since 2019. The average price in 2022 was EUR 2.88, whereas this figure was EUR 2.62 in 2021. The average price for bedding and patio plants was increased by 24 Cents from EUR 2.76 to EUR 3.00.

Of the 83 cultures that were evaluated in 2022, a positive price development was identified in 49 cultures. These have increased by 5 % and more. All other prices essentially behaved the same as in the previous year.

Vegetables are here to stay

When looking at what products were the stars of the range in 2022, vegetable and herb plants stood out once again. Some retailers reported that they were even going back to production in order to produce at least vegetable and herb plants themselves so as to guarantee supply.

In a survey by TASPO regarding the season progression for vegetable plants in 2022, it was clear that garden centre operators were satisfied. Although growth increases over the last two years were no longer quite so steep, they were still above 2019 levels.

And consumer desire for more self-sufficiency remained unchanged in 2022, with herbs in particular experiencing a continual hype. According to garden centre operators, herbs and edible plants continue to be real hits within the product range. Used for cooking or as a garnish in beverages, fresh herbs from the windowsill or garden continue to be indispensable.

It's worth noting that consumers are again focusing more on common and traditional vegetable plants, and the experimental mood has somewhat subsided. Speciality vegetables, including artichokes and litchi tomatoes among others, continue to lag behind expectations. Hobby gardeners are again looking for more help and guidance. Accordingly, we can see that almost all new plant companies are now offering concept ranges.

For 2023, we expect to see similarly high demand for vegetable plants and herbs, with a probable decline in the proportion of more refined plants due to the expected increase in consumers' price-sensitivity.

Price increases are hitting everyone

Price increases have hit commercial horticulture. Various reports are being spread throughout the sector, depending on the operating materials, the person providing the information and the time of year, with some of these being more dramatic than others.

The high gas prices alone have led to huge increases in the production costs for fertilisers and nitrogen compounds. For example, according to the German Federal Statistical Office, production costs in August 2022 more than doubled compared to

the same month the previous year, with an increase of 108.8 %, which led to a significant decline in fertiliser sales volumes. For example, domestic sales volumes of phosphate fertilisers as well as potash fertilisers halved in the first quarter of 2022 compared to this quarter in the previous year.

The fact is that sensitive cost increases that will have various effects on market prices in 2023 have occurred in real terms. The Centre for Business Management in Horticulture and Applied Research (CMBH) wanted to more precisely evaluate the impacts of these increases, and so, the CMBH compiled the purchase prices of all agricultural production resources in horticulture including an indexation, and the effect on the necessary price calculations was shown. The results were very revealing.

Since summer of 2021, before the Russian invasion of Ukraine, the prices for fertilisers, heating fuels, fuels, seed and planting material etc. had already been increasing compared to the reference year of 2019. The prices of fertilisers saw particularly large increases during this time period, with increases of approx. 130 %. This was followed by heating material (103 %), culture vessels (34 %), seed and planting material (18 %) and plant protection products (20 %). Converted to the expenditure structures in production, the price increases are reflected in varying degrees. For example, in potted plant cultivation, the increased costs for seed and planting material in particular are reflected in the market prices, while in cut flower cultivation, the increases for heating materials are reflected in the market prices.

The effect of the updated minimum wage in Germany from October 1, 2022 has had a similarly strong impact on both branches. The Centre for Business Management in Horticulture and Applied Research (CMBH) calculated the impact that the increased minimum wage (EUR 9.50 to EUR 12.00; 26.3 % increase compared to 2021) has had on the industry. As part of this calculation, the labour costs and labour cost structures of over 1,200 horticultural businesses were examined based on representative annual financial statements and the average pay rise across all wage groups was estimated. On average, the horticultural businesses found themselves confronted with wage increases of 14.5 % compared to 2021.

When you look at all production cost increases, including wage increases, in order to be able to compensate for the costs, potted plant companies would have to increase their prices by 19.65 % and cut flower companies would have to increase their prices by 23.92 %. These required increases do not consider the fact that some companies are no longer eligible for VAT consolidation. As a result, this means that the production companies, if they have no further opportunities to reduce costs, need to implement

price increases of between 20 % and 30 % depending on the organisational structure. This is an announcement that will not be warmly received across the board. Nevertheless, in summer of 2022, some horticultural businesses were offering their goods below the cost prices.

Anyone who reads the figures from Hanover will come to the inevitable conclusion that the companies are facing costs that can no longer be offset through cost savings. Companies that want to offer heated products in spring of 2023 will also have to pay these costs. Retailers that want to spontaneously by goods will likely have procurement problems.

Online retail experiences a slump!w

According to the industry report for online retail published by the Institute for Retail Research (IFH) in Cologne, online retail experienced a little slump in the crisis year of 2022. Although online sales saw an impressive increase of 30 billion euros in the pandemic years of 2020 and 2021, the online retail experts from the Institute for Retail Research (IFH) in Cologne is predicting a drop in online sales for 2022. Specifically, they are predicting a 2.1 % decrease in online sales. According to this prediction, the sales volume for 2022 would be at 100 billion euros instead of the 102.1 billion euros recorded in 2021.

The extent of the industry-specific boom brought about by the Corona virus pandemic is evident when you view the decreased sales volume for 2022 against that recorded for 2019. This shows that the 100 billion euros recorded for 2022 is still 40 % above the figure recorded the year before the pandemic.

One interesting observation is that certain branches of online retailing had very different results in 2022. According to initial forecasts from the Institute for Retail Research (IFH) in Cologne, the downturn in sales wasn't seen across the board. For example, online sales of fast-moving consumer goods (FMCG) and health/wellness products experienced increases of 12 % and 9 % respectively. In contrast, however, online sales decreased in the home improvement and gardening (up to 19 % decrease), electrics (up to 14 % decrease) and home décor and furnishing (up to 12 %) product categories.

For the future, the Institute for Retail Research (IFH) in Cologne expects to see further increases in online retail overall. After the slump in 2022, the IFH is predicting a trend in German online retail that could make a total sales volume of 130 billion euros possible by 2026. This prediction is based on a general recovery of the overall

economic situation and a strong demand boom in the area of fast-moving consumer goods (FMCG) online.

Flowers and plants in the top 20 for online retail

According to a recent study from the digital association Bitkom, flowers and plants occupy the 17th rank within the top 20 product categories in online retail. According to this study, 17 % of respondents stated that they had bought flowers and plants online at some point over the last 12 months. The first three positions in the top 20 continue to be occupied by clothing/footwear/accessories (78 %), books/audiobooks (54 %) and electronic accessories (52 %).

A third of the respondents confirmed that they order products online on a weekly basis, with 38 % ordering products online several times per month and 27 % ordering products online less often than this. It is becoming more common for shoppers to make purchases using their smartphone: In the current study, 66 % of respondents stated that they use their smartphone to make online purchases, while this figure stood at 54 % two years ago and 50 % four years ago.

Purchases are most commonly made on international platforms such as Amazon (81 %), followed by national sales platforms such as Otto (45 %) and regional sales platforms such as eBay classified ads. In addition to these platforms, classic online shops were also used. For example, 23 % of consumers like to shop in the online shops of regional retailers. Where respondents decided to shop ultimately depended on price and free shipping. This was the deciding factor for 65 % of respondents.

In terms of what the respondents purchased, these decisions were influenced not only by friends and acquaintances, but more and more frequently by influencers. Buying stimuli from influencers played a role in 43 % of purchases. This demonstrates once again how important the annual conference for gardening bloggers in Bad Zwischenahn is.

A look at our neighbours

The Netherlands is known as the hub for flowers and plants in Europe and around the world. That is why we are more than happy to take a look over at our neighbours. In the Netherlands, the horticultural sector had a great start to 2022. After 2021 was celebrated as the “best year ever”, the first quarter of 2022 also saw a record export value of 2.1 billion euros. The export value of flowers increased by 2 %, while that of

plants increased by 4 %, resulting in an overall increase of approx. 3 % compared to the previous year.

The value of exports from the Netherlands to the United Kingdom was surprisingly good and ran contrary to expectations based on “Brexit”, with an increase of 10.2 % in the first three months of 2022. Exports to Germany also increased by 3.1 %. Decreases in exports were only seen in isolated instances. One noteworthy finding was the 5.4 % decrease in exports to France. The cumulative sales for the first quarter of 2022 in the Netherlands were 17 % higher than the very good pre-coronavirus year of 2019, which has to go down as an excellent result.

The success story of the Netherlands was also brought to end by the war in Ukraine. However, the energy crisis was worse than the export problems. This is because the high energy prices resulted in a shortage of supply, and the significantly increased rate of inflation resulted in reduced consumer expenditure for flowers and plants. Supply and demand for flowers and plants were suddenly no longer in alignment, which resulted in lower prices. While 2021 still saw growth of 20 %, which was largely due to good pricing, the prices in the first half of 2022 were approx. 2 % lower than in the first half of 2021, and the total sales were 7 % lower than in the previous year.

When you look at the export values for flowers and plants separately, then you can see that in June flower exports grew by 5 %, while plants decreased by 20 % in comparison to the previous year – seemingly a significant loss. In the first half of 2022, the cumulative export value for flowers increased by 3 %, while that for plants decreased by 3 %. In total, the export values in the first half of 2022 increased by 0.7 %. This is not a great increase, however, it is also not a significant decrease, as many had thought it to be.

Especially in light of the strong performance the previous year, realistically, the downturns were not as significant as suspected. “The growth we have witnessed in recent years certainly hasn’t disappeared” – this was the conclusion that gardeners in the Netherlands came to in summer of 2022. The significant increase in energy costs and high rate of inflation have been viewed as much more alarming developments.

The development of exports to Germany (+1 %) and to the United Kingdom (+4.1 %) was still a positive one in the first half of 2022, while exports to France collapsed further in comparison to the previous year (-7.1 %). Exports to Belgium also saw an initial declining trend.

Noteworthy are the assertions from experts stating that exports to Poland and in particular to North America increased significantly. Kazakhstan and Turkey are also described as rapidly growing export markets, although official, reliable figures and explanations for this are not provided. In terms of the international flow of goods, according to market experts, there was an increasing trend of more goods with a destination outside of the EU bypassing the Netherlands entirely and being exported directly to the destination countries.

Increasing rate of inflation has little impact on sales

Autumn of 2022 showed that the concern surrounding the horticultural sector in the Netherlands in light of the increasing energy costs is justified. Some production companies are no longer able to afford the gas and electricity costs for greenhouse cultivation based on the new contracts and have been forced to stop parts of their production. Others are purchasing "old, more favourable" energy contracts from colleagues to allow them to continue their production processes.

This has a direct effect on availability, but also on the quality of the greenhouse cultures. At the same time, the products are becoming significantly more expensive with the increasing inflation rate. It is surprising that this had much less of an impact on the sales and export values of the Netherlands than would be expected. In September of 2022, for example, the export value for cut flowers decreased by 5 % and that for plants decreased by 9 % compared to the previous year – resulting in a total decrease of around 7 % across both categories in September.

In 2022, the total downturn up to September was only -2 % (flowers +1 %/plants -5 %). "Only" because many gardeners were reporting apparent downturns of at least 30 % to 40 %.

However, it is both exciting and alarming that the export values to Germany (-1.4 %) and the United Kingdom (-0.9 %) are no longer positive, but they can still be viewed as stable compared to the export values to France (-7.8 %). Outside of the top export countries, it is noteworthy that exports to Poland and Italy have increased slightly.

Trends for 2023: drought-tolerant and natural plants

After a two-year break, the Chelsea Flower Show in London returned in May of 2022 to show the latest trends in horticulture in addition to the general trends from recent years. The latest trends show that the garden has become even more of a place of

refuge and a safe haven for recuperation than it was before, and has become established as a place for improving mental health.

One of the most important topics that drives all renowned cultivators for the future is drought-tolerant plants. After the hot summer of 2022, more and more consumers are looking for plants for stress areas. In light of this, cultivators are trying to offer plants that can handle extreme weather conditions. Therefore, these plants are emphasised as the absolute highlights in the catalogues as well as in discussions with gardeners. Accordingly, the Flower Trials 2022 also showed sustainable plants that are heat and drought tolerant.

In addition, a new level of naturalness is once again becoming more of a focus among consumers. For example, at the Chelsea Flower Show, the topic “Back to Nature” was brought to life with native wild plants, plantations with a forest-like aura and natural-looking plantations with a meadow-like character. Perennials and annuals with elegant, deep burgundy flowers and fruit for small gardens have been predicted to be popular trends in the future.

Sustainability has become mainstream and continues to be in demand

In July 2022, the Burda sustainability study investigated whether the developments of the Russian war of aggression on Ukraine, with the associated increases in prices and strong inflation, have an impact on the previous calls by consumers for more sustainability. The study surveyed 1,002 men and women aged 16 years and over. The result shows that the issue is still relevant, despite the crisis. At the same time, it is becoming clear that sustainability cannot cost too much.

Consumers expect a lot from companies and their sustainability efforts. 75 % of consumers think that companies' attitudes to eco-political and social aspects should come before the pursuit of profit, especially in times of crisis. The readiness to boycott companies whose values do not live up to expectations is astonishingly high, at 66 %.

According to the study, 63 % of respondents have not changed their opinion on the relevance of sustainability following recent developments and uncertainties. Quite the reverse: it has become even more relevant for 30 %, and only 8 % think it is now less relevant.

So it is not surprising that it is important for a large proportion of respondents (68 %) that brands take a clear approach to eco-political issues and demand that companies demonstrate how far they have got in their climate and environmental protection efforts and what steps they are taking with these ends in mind (74 %).

Here it does not matter whether the company has already achieved their goals for carbon neutrality – the efforts being taken count for something. Indeed, 69 % of respondents appreciate companies that try to manufacture and operate sustainably, even if they have not yet reached the goal of carbon neutrality. Even if carbon neutrality can ultimately only be achieved by offsetting, 61 % of respondents are convinced that carbon neutral production is the status quo today.

In parallel to the 2022 Burda sustainability study, IFH Köln and KPMG organised a study on sustainability. They also discovered that the issue of sustainability is still highly relevant to consumers, regardless of the current unfolding crisis. A big problem with implementation is the price. In fact, 71 % of those who said sustainability was important for them believed that the additional financial burden for sustainable products was the biggest challenge facing a sustainable lifestyle.

As ever, consumers are mostly prepared to pay higher prices for sustainable products. For major purchases however, there is currently a degree of consumer reticence. In

food retail, more and more shoppers are switching to discounters, deliberately to special offers and to trade brands.

The desire for sustainable flowers and plants

The Flower Council Holland wanted to know in more detail what consumers thought about sustainability for flowers and plants. So, in August 2022 it carried out an online survey of 4,820 consumers aged between 18 and 70 in the Netherlands, France, Germany and the UK. The result: almost 90 % would be happy to buy flowers and plants from local growers – more than a third of them do this already.

A third (34 %) believe that the ornamental plants sector “has a positive impact on better sustainability in society” and “flowers and plants are particularly good for the planet (24 %) and our health (20 %)”. At the same time, 47 % say that the industry could do more for the sustainability of flowers and plants when it comes to using pesticides, fertilisers and non-recyclable packaging. The issue of more economical water consumption is also right at the forefront of consumers’ attention in relation to sustainable flowers and plants.

However, the willingness to buy proves that despite good intentions, customers often choose the cheaper and less sustainable product. And the intentions and actual behaviour do not yet currently coincide in the desire for less packaging. In collaboration with the Baden-Württemberg Cooperative State University (DHBW), the company Bösch Boden Spies brought out a study at the end of 2021 which discovered that the “attitude-behaviour gap” is bigger in the non-food sector than in the food sector.

The Flower Council Holland discovered that 86 % of respondents want to buy flowers and plants with less plastic decorative and/or packaging material, but in reality, 63 % buy the flowers and plants with lovely plastic packaging material. This observation is also confirmed by many sector experts. Sustainability has since become an issue that has gone mainstream and is seen as a matter of course. However, very few people are actually prepared to adjust their behaviour and pay more as a consequence.

Despite this, every company is recommended to have the issue of sustainability on its agenda for 2023. Firstly, because consumers are increasingly demanding it, and secondly, because policies from Brussels are setting clear standards for sustainability that have to be legally implemented as part of climate policies.

Consequently, a growing number of managers are reacting to this and gradually positioning themselves with this in mind. For example, in 2022 Sagaflor held a

sustainability day where they got their partner companies to commit to sustainability in view of the current political and climate conditions, the dysfunctional supply chains and precarious staff situation, and offered them rewards for doing so.

The increasing sales of Fairtrade roses is interesting for anyone monitoring sustainability. The sales of Fairtrade flowers in Germany have risen continuously for the last six years. In 2021, a third more Fairtrade flowers were sold in Germany than in 2016.

Today, an increasing number of horticultural farms are discovering sustainability as an incentive for innovations and new business fields, as was also obvious at the 2022 Convention on the Future of Horticulture in Berlin. From decomposing pots to vertical planting systems and using special photovoltaic systems, many different starting points were on display.

Consumer sentiment and the weather both critical

In addition to the weather, the general consumer sentiment is critical for future sales of flowers and plants. This is heavily dependent on inflation, the economy and official employment figures.

Despite high inflation and concerns about the energy supply, the consumer sentiment in Germany stabilised at a low level towards the end of 2022. The HDE consumption barometer index therefore went up, although it has stayed at a low level when compared over several years. The German Retail Federation (HDE) consumption barometer is based on a survey of 1,600 people about their propensity to buy, propensity to save, financial situation and other factors related to consumption. This enables it to predict the expected sentiment in the months ahead.

The propensity to make major purchases and the expectation of increasing incomes also improved for consumers according to the market research institute GfK. DZ Bank observed that customers are not saving more, but less, in a departure from normal behaviour in these uncertain times. They are not seeing the expected "precautionary saving", where more money is put aside "for a rainy day". The economising imperative is faced with huge accumulated demand from the period of Covid-19 restrictions. There are pent-up consumer needs. The private savings ratio of 16 % in 2020 and 15 % in 2021 plateaued in 2022 back at an average level of 10 %.

Despite this, in horticulture and landscaping, since summer 2022 private customers have been considerably more cautious when placing orders and are not investing as

often in greenery. While up to the start of 2022 almost every offer was accepted, currently the profits from offers are tending to return to 2019 levels.

Nevertheless, if the stabilisation of consumer sentiment and readiness to spend is permanent, 2023 could be a better year than expected for the consumption of flowers and plants. In this context, the industry's message has to be: yes, flowers are affordable and their many positive characteristics offer real added value. They also bring a feeling of joy and lightness in difficult times and simply do people good! According to trade experts, there is still demand for flowers and plants in garden centres in Ukraine.

Optimism versus pessimism

From the point of view of gardeners, there are two sides to their prospects for the 2023 season. And therefore, the mood in the industry is also contradictory.

While some believe that demand will now quickly collapse and in 2023 no-one will be able or want to afford flowers and plants any more, others are more sanguine about the future. Years of crisis are good for horticulture, because consumers consciously focus on having pleasant surroundings and invest in joy at home. Therefore, many assume that flowers and plants will continue to sell, but maybe not necessarily to the same extent as before.

Different strategies for expensive hot cultivation

In light of high energy prices, gardeners who cultivate in heated greenhouses will behave very differently in 2023, and pursue different strategies, as we saw with poinsettia cultivation in 2022. Among heated greenhouse growers, there are companies that completely stopped growing poinsettia because they used antiquated heating technology. They have stopped sending goods to market. Other companies that use the latest technology are reducing their production and focusing on earlier crops. They are therefore bringing fewer goods to market earlier.

Gardeners with very efficient, modern heating technology who are brave enough to take a risk are conversely concentrating on later crops, in the hope that they can push through higher prices on the market as the competition has failed, and therefore safely sell. Therefore, they produce the volumes with no restrictions, but put them on the market later. Regardless of which strategy is taken, ultimately this means that the original quantities and marketing periods are no longer valid.

Peaks in supply are inevitable

It is already feared that for the spring season 2023, the original volumes and marketing periods will not last. Here too, depending on the heating options, many gardeners are leaving their greenhouses empty, or no longer controlling the temperature. The result is fewer goods available for the very important period over the first half of the year (Valentine's, Mother's Day, International Day of Women). This will particularly hit very heat-intensive cultivation. At the same time, the lack of cultivation control means the remaining goods will probably become saleable and go onto the market at the same time, which will lead to an absolute marketing peak. This in turn will lead to a short-term surplus with a fall in price, and will be logistically difficult to handle. Despite the general shortage of goods, the result will paradoxically be a fall in prices.

Pot growing will be increasingly attractive in 2023 and beyond, as crop management means it can get by with lower temperatures. This approach to cultivation takes years to achieve proper results. However, after many years' of research work, some cultivation companies already have appropriate products in the pipeline that are very promising.

Shortage of stock items?

As we've already described, many industry experts are speculating that, in addition to the feared peaks in supply, there will also be considerable reductions in the goods and the range on offer. Some specialist companies are expected to reduce the volumes they grow for 2023, and smaller family businesses might drop out of the market early given the high cost burdens. The acreage for the stock item "campanula/bellflower" will reportedly be reduced by half in 2023. As a consequence, only buyers with fixed cultivation contracts – generally large-scale retail – will reliably receive goods. Everyone else will have to fight over the price of the remaining goods.

Conversely, we can see that currently there are sufficient stock products available on the market. For example, in the nursery sector, with the exception of special specimen plants which were all bought up during the pandemic, most plants are easily available again. Buyers are saying that the market is looking healthy again.

Business is becoming harder to calculate

It doesn't matter what happens in 2023: we already know that the flowers and plants business is not getting any easier. Company closures in the Netherlands and Germany, switching production to cold house cultivation and many other factors will make both availability and procurement of goods difficult in 2023.

On top of that, specialist trade is buying in line with demand and at short notice in day-to-day business, which makes it even harder to plan business. Even in large-scale retail, significantly lower volumes will be reserved for the upcoming season due to uncertainties around future demand, which leaves suppliers facing uncertainty for their production.

Many producers are withdrawing from niche products so as to be able to offer what they presume will be popular stock products. The range on offer will be more limited and the absolutely necessary impulse products and specialties will not be available as often. In this context, the role of wholesale and trusted supplier relationships will become even more important in 2023 than they were in 2022, so that companies can reliably join the market for flowers and plants.

Staffing shortages remain a key challenge

The need for staff in horticulture will also remain one of the key problems and limiting factors in 2023. For this reason alone, many market experts see a more limited range of flowers and plants on offer in the future – regardless of the energy crisis and move to cold house cultivation. While consumers are increasingly on the search for special plants for their balcony and garden, it is becoming ever more difficult to produce and market the desired range of products on offer due to the ongoing shortage of staff.

The need for staff is also having a big impact on logistics. Even during the peaks anticipated in the sector during 2023, the logistics for plants is a problem that still needs to be resolved.

Conclusion

2020 and 2021 were two good, above-average years for horticulture that exceeded all expectations. In 2022, the industry realised that this experience was not the rule, and that it was seeing a return to normality. What is more, the general conditions were suddenly transformed by the start of the war.

Nobody can seriously predict what will happen to the market for flowers and plants in 2023. Inflation, shortages of material, dysfunctional supply chains, increasing energy costs, among other things will all have an impact on the upcoming season. Different scenarios are possible depending on the developments and impacts of the Russian war of aggression.

One thing is certain, however, and that is that flowers and plants are increasingly valued by the population and will continue to play a big role for consumers. Even if the big plant boom is over, a future without greenery is unimaginable.

However, it is not clear whether consumers will buy flowers and plants in the usual quantities in view of high inflation and uncertainty. Even so, the Covid-19 pandemic demonstrated once again that horticulture is highly relevant to the world, with its diverse range of products and the positive effects of greenery. It is important for the next year that a broad group of consumers decides for themselves that flowers and plants are worth something to them and that they want to have them – despite all the uncertainty – as a little source of joy or way to improve the climate in their everyday life.

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Sources

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 - Ornamental plants production companies
 - Landscaping companies
 - Retail garden centres
 - Marketing organisations
 - Flower wholesalers
 - Advisors for specialist flower retailers