Research into the Commercial Flower Growing Sector in Scotland

20 September 2017

Final Report

Final Report Submitted by

Rural Matters LLP

Tintock

Old School Yard

Skirling ML12 6HD

20 September 2017

Prepared by: David Gass

Contact E-mail: david.gass@upperquartile.co.uk

Contact Number: 07831527959

Table of Contents   Page

1. Introduction & Context for the Project

This short review and scoping report was commissioned by the SE Rural Team to provide an initial assessment of the opportunity for growth in the commercial flower growing sector in Scotland and what steps would need to be taken to capitalise on the opportunities for growth identified through the research. The research was undertaken over the summer 2017, and involved both desk research of existing sources where they existed, and individual interviews with a range of companies operating in the sector in Scotland.

The specific objectives of the research were to:

1. Review existing flower and foliage market reports from a variety of sources
2. Identify and consult with suitable stakeholders who could provide in-depth knowledge of the sector and any opportunities and issues that might exist in the Scottish context;
3. Conduct 1-2-1 consultations with 8-10 stakeholders; and
4. Draw conclusions and provide a report of clear recommendations for a way forward for Scottish Enterprise.

David Gass would like to take this opportunity to thank all the different companies and organisations who took the time to meet or speak with him in the compilation of this report.

2. A Brief Overview of the Cut Flower and Foliage Market Internationally and in Scotland

In terms of the research and data available on the commercial cut flower and foliage industry, there currently exist a number of high level industry reports on the international and UK industry, most noticeably from IBIS, but little if any research on the Scottish industry and market specifically. The most relevant and recent report was the NFU report in June 2016, Backing British Blooms- The State of the British Cut Flower Industry – which looked at the UK industry in general, but with much of the specific data relating to the English and Welsh markets only.

That said, it provides a useful and the most up to date context in which to consider the opportunities for the Scottish sector. The report set out the current retail market value of the UK cut flower and indoor plant market at £2.2 billion (2015); and within this the value of British cut flowers is estimated at £82 million, as against a cut flower import value of £666 million, dominated by the Netherlands. In terms of the market in the UK, the supermarket sector has grown in dominance accounting for c.60% of all sales of cut flowers in the UK, with florists contributing around 25% of sales, and the remainder accounted for by a combination of local markets, garden centres/market gardens and online/direct sales from growers to end consumers. This is unusual in other European markets where on average florists account for the majority of cut flower sales and the supermarkets only account for around 20% of sales.

The floristry sector in the UK and Scotland however remains a growing industry employing more than 25,000 people across the UK across over 8,400 businesses, and 42% of people working in the industry are self-employed. The bulk of flowers sourced by British florists still come through the Dutch Auction Houses at the present time, given the scale and security of supply offered to florists with the ability to place orders one day and receive the order the following morning.

The NFU report sets out the opportunity for the British cut flower and foliage industry at the current time with the subsidies provided to the Dutch cut flower sector gradually being phased out, and increasing consumer awareness and demand for seasonal flowers, and more local flower variety continuing to underpin a growing market demand. The report also highlights some of the weaknesses of the industry in the UK in realising this opportunity, including the lack of a national association or trade body for the industry which can educate and influence the UK market on the appeal of home grown flowers to the market, and a lack of consistent quality standards and existing support infrastructure for the domestic industry to grow fully.

The conclusions of the NFU report in terms of the opportunity and challenges for the sector in the UK, and how they might be addressed, are supported by other reports such as the IBIS report on Flower and Plant Growing in the UK, June 2016, which estimates a continuing increase for locally sourced flowers and plants which will see the sector grow at an annual forecast of 2.5% 2017-2022, and an increasing consumer concern over "flower miles" opening up the market more to UK suppliers able to supply high quality locally sourced flowers. However, the report also sees the supermarkets remaining the dominant force in the market and a consequent downward pressure on profit margins in general terms and increasing demand for large orders and quality standards across the industry supply chain into supermarkets, which will still see continuing and significant import penetration in the cut flower sector.

Other IBIS reports offer some insight into the Scottish and wider international market trends that are also useful in providing a context for the industry in Scotland going forward. The March 2017 IBIS Report on Flower and Plant Wholesaling in the UK show Scotland accounting for 4.2% of the wholesale revenue for the industry in the UK, primarily supplying to florists and other retailers, but also increasingly to event planners, interior designers and convenience stores and hotels. The IBIS Florists in the UK industry report of 2016 shows that there has been very little change over recent years in the product offering of florists, but this is beginning to change driven by consumer demand towards more locally sourced flowers, but at a relatively slow market pace.

Other international market reports show significant similarities with the current UK industry in terms of a commercial cut flower industry made up primarily of small independent operators, seeking to find and increase their market share against a strong import industry. In Canada for example the industry is consolidating to improve operational efficiencies and to gain market share from imports through a greater local product offering, and with support from trade organisations such as Flowers Canada Growers which provides up to date data and research on the industry, and seeks to share best practice and importantly to promote the local industry to retailers and wholesalers. Australia is taking a similar approach with a focus on country of origin labelling for its local industry and developing the range of support offered to local growers through their trade associations.

The USA has in place the Association of Speciality Cut Flower Growers, with over 1,000 members, which provides production and marketing information for the sector, and research and promotion events. The Seattle Wholesalers Growers Market, a farmer owned cooperative, actively promotes the wide range of cut flowers, foliage and plants produced by its members; and the USDA Plant Hardiness Zone Map actually provides a useful guide for Scottish growers operating in a similar climate to some of the American States.

Closer to home, and although a much smaller industry with a farm gate value of commercial flowers of c.£1.4million across 30 growers, the College of Agriculture, Food and Rural Enterprise (CAFRE) is working actively with the sector to promote the product quality and long vase life of local cut flower producers. CAFRE now has a Cut Flower Development Adviser in place for the industry and provides a range of workshops and advice leaflets for the local industry; at the same time supporting organisations such as the Northern Ireland Flower and Foliage Association (NIFFA) and their promotion of local product labelling.

In the UK, bodies such as the British Flower Collective, an organisation of flower growers and designers, actively promotes buying British flowers and provides an online directory of floral businesses which do so, while the British Flowers Week held in June each year since 2013 at the New Covent Garden Flower Market, has done much to raise awareness and promote local UK flower producers to a wider audience.

Of most importance and relevance to the Scottish market has been the Flowers from the Farm Cooperative, now with 48 Scottish members out of a UK total membership of around 500 members. It promotes and brings together a relatively small and fragmented sector in Scotland, and provides support to its members to develop and grow their business, and to come together to support each other through its online forum to provide advice and guidance to the Scottish growers of cut flowers, and for example in satisfying larger orders for customers, particularly towards the end of the main growing season.

The Scottish Cut Flower & Foliage Sector

Given the lack of any existing data and research on the wider sector in Scotland the primary research undertaken through this project provides an overview of the sector in Scotland. With the exception of businesses such as [redacted] the Scottish industry is primarily made up of small grower led businesses spread across Scotland.

The sector is primarily populated by small and micro businesses, often part-time businesses and normally owned and run by women entrepreneurs. Each business is different but common themes coming through from the research are as follows:

- The majority of Scottish cut flower growers got involved in the sector as a reaction against, and to provide an alternative to, the mass of imported flowers coming into Scotland, and/or they were unable to find/source the local and variety of flowers they wished – and there are a number of florists who are now also growers for this reason
- The cut flower businesses are often run on a part-time basis, or 1-2 employee basis, and the majority of people involved in the industry bring a talent, commitment and love in growing the different varieties of Scottish cut flowers

- Most are involved in the sector because they want to grow a quality and variety of flower, as opposed to significantly growing their business – most operate within a company turnover range of between £10K to £25K
- Many supplement their growing income by running workshops
- For many of the growers, they only serve a local market and tend to sell to a combination of retail and event florists, local outlets such as shops and hotels, through farmers markets or direct to consumers, or online – either in terms of ordered flowers or DIY flower buckets for customers, or for weddings/events
- The primary cut flower retail markets in Scotland are supermarkets, wholesalers and florists, and the majority of growers only interact with the latter two
- Very few have any wish to sell into the supermarkets (given the volume and quality accreditations required), nor to export markets (as the vast majority embrace a "grown not flown" ethos and the environmental and sustainable credentials of their product are very important to them)
- A number of the businesses wish to grow their market and customer base but face significant constraints in terms of capacity, logistics and time pressures both to grow and market their products.

In addition, the research found that most of the businesses grow their flower ranges on between 0.5 to up to 3-4 acres of land; there is a tremendous variety of flowers being grown successfully in Scotland with the climate not a major impediment given there are not big temperature fluctuations in Scotland; and certainly enough rainfall (and perhaps too much at times). Many make use of walled gardens and polytunnels to protect their flower crops from wind damage/wind burn, and the polytunnels in particular can extend the season for many growers with the primary season being March to October each year. Most growers will grow as wide a variety and quantity of flowers as possible to offset any weather variations year to year.

A number specialise in specific flower ranges and the businesses do source from each other and support each other in terms of larger order fulfilment. The principal USP of the cut flowers produced by Scottish growers are the uniqueness of the flowers (they are not standardised), the fact they are native flowers, artisanal and have good scent and vase/shelf life. While very few growers, if any, have a formal organic or otherwise accreditation (given the lack of price premium against any such accreditation at the current time), all the growers spoken to take pride in the fact their flowers are naturally grown.

The sector is growing with a number of new entrants coming into the market, but they tend to mirror the levels of ambition and individual growth aspirations of the existing sector – the first priority and ambition of the majority of the growers is to grow fantastic flowers, as opposed to develop their markets and capture the growth opportunities presented.

In terms of the foliage market which accompanies cut flower sales, most growers are now growing foliage and getting a good price for foliage – in terms of bulk planting and distribution of foliage, the only opportunity would really be through [redacted] but this would still encounter the logistics/distribution problems which face the industry, as the current forestry distribution chain is generally very short from forest to local mill and contracted out.

However, the aspiration is there to grow the sector and its markets – primarily in terms of import substitution as opposed to export growth – and there are a number of companies who are genuinely ambitious to grow as businesses.

3. Opportunities & Challenges for the Growth of the Sector

Given the above, the commercial cut flower and foliage sector in Scotland has the opportunity to grow and add to the local and regional economies the businesses operate in, and at national level achieve sustainable import substitution and growth at a sector level.

The opportunities from the initial scoping research into the sector are as follows:

- The increasing market demand for locally sourced flowers and foliage of higher quality than is currently available in the market – and the increasing prices of the Dutch flowers in comparison
- The genuine growing consumer demand for locally sourced produce, and the reaction against the environmental costs of the flower imports currently dominating the Scottish and UK market – with lessons/similarities from the Scottish food & Drink industry and initiatives such as Nourish Scotland (there is also the opportunity to learn from soft fruit producers in Scotland and how they have grown their markets while remaining true to their business ethos)
- The growing popularity of Scottish cut flower varieties, in particular the opportunity for spring flowers and native wild flowers and foliage
- The increasing drive across many supermarkets for local sourcing driven by demands from their customers (albeit the sector as it currently is still faces significant logistic, volume and quality challenges in breaking into the supermarkets in any meaningful way, and many growers don't wish to)
- Work with the sector to foster genuine collaborative marketing models to secure larger orders and set in place the supply chain behind this and achieve a degree of scale – a further discussion with [redacted] may be useful in this regards – but possibly more usefully with Flowers from the Farm and businesses such as [redacted] who are committed to the growth of the market and the Scottish supply base
- The opportunity to source quantities of foliage from the forest estate in Scotland

[redacted]

- The obvious linkages into the complementary drivers of the growth of the Scottish wedding market; and the focus and support which could be channelled through women into enterprise, specifically in rural areas.

In terms of the challenges to the growth of the sector, there are a number of significant challenges:

- Perhaps most importantly is the logistics challenge of transporting fresh flowers from across the different and often quite remote areas to the market/fulfilment opportunity.

This is currently a major challenge for the industry at present when they are looking to source flowers from a variety of growers for larger orders – although there are some examples in the south of England as to how these logistics challenges can be overcome in terms of businesses specifically created to fulfil the logistics and delivery needs of the sector, in particular off the back of the New Covent Garden Flower Market.

- As importantly is the wish and ambition of the sector businesses themselves to significantly grow in scale and in terms of markets – although a cooperative model, in particular a marketing model - might help overcome some of these concerns and ideally allow many of the growers to focus on the growing side of the business, but with more of a customer/arket perspective informed through the Cooperative.
- To bring more of a market and business orientation to the sector – whilst Flowers from the Farm does offer support to companies to consider their costs, routes to market etc, the primary focus is on growing rather than marketing and selling – and many of the businesses don't have a clear business or financial plan in place for each year, and either on-line or specific business advice sheets tailored to the commercial flower market would help in this regard, extending the service provided by Flowers from the Farm.
- Finally, there is a significant challenge to educate the end consumer and intermediary (the florist or other retailer) of why to buy Scottish home grown cut flowers – for the consumer a marketing campaign would support this – for the florist/intermediary as well as the marketing there needs to be quality and guarantee of supply against demand.

4. Conclusions and Recommendations

The above section provides a summary of the main opportunities and challenges for the growth of the commercial cut flower and foliage sector in Scotland from the primary research carried out. The growth opportunity is there, as can be seen also by how other countries are working proactively with their domestic cut flower and foliage sectors, primarily driven through import substitution as opposed to export in terms of the growth of the sector, and the opportunities presented by the changes to the Dutch industry subsidy and structure.

The growth of the sector will also be in the medium to longer term given the challenges inherent within the current sector, and their current aspirations for growth. It is unlikely many companies similar to [redacted] will be created and/or be sustainable, but that is not unusual for rural economic development and the majority of the growers are in rural areas of Scotland.

The drivers of rural and farm diversification, women employment in rural areas, and sustainable and environmentally friendly industry drivers also must be considered in terms of the rationale and impetus for supporting the growth of the sector – and recognising this growth will come both from a growth in the number of companies active in the sector, the sustainability of the existing businesses within the sector, and also a potential cooperative model which could harness the different strengths and supply chain of the industry at a Scottish level. That is not to say also from the research that there are already a small number of business growth potential companies emerging in the sector.

In terms of how Scottish Enterprise should move forward with the sector, it is recommended this could be on a number of levels, and the recommendations also mirror a number of recommendations arising out of the NFU Backing British Blooms report, as follows:

1) Early engagement with Flowers from the Farm to discuss the findings and recommendations within the report – a strong industry body (and Flowers from the Farm in Scotland is currently a totally voluntary structure) will be essential to work with should SE engage in the development of the sector; and ideally any support for the sector would be channelled through the industry body.

   This initial support could focus on working with the sector to fully assess the supply chain in Scotland for commercial cut flowers and foliage and where there is the opportunity to influence and grow elements of the supply chain; and develop and promote more market specific training courses for the sector, based on the evidence of the local and market opportunity, and build the business skills of the growers.

[redacted]

3) Further baseline research to be undertaken at a Scottish level to both a) fully understand the sector and its supply chain as it currently stands – in particular for the growers to better understand what the market/customer base requires and b) address the logistics constraints to increasing the activity, cooperation and scale of the industry.

4) If the industry is willing to take forward the growth opportunity presented, then early actions would be detailed market research and communication of the opportunities open to the sector and how these can be best realised at a sector and company level; and a coordinated marketing and educational programme to the key target markets for the industry, in particular the retail and event florist market. There may also be the opportunity to pilot a small business growth programme for identified potential businesses from the sector, in much the same way as the Rural Group has developed in farm diversification

5) To work with the industry in taking the learning from other sectors, in particular the food and drink sector in Scotland, in seeking to identify appropriate marketing and promotional channels – ambassadors, industry consumer bloggers, or lifestyle magazines – who would be willing to work with and endorse the sector; and also in terms of any appropriate industry accreditation and product labelling which would assist in creating a compelling market proposition.

6) Finally, on the basis of any industry plan created and agreed with the sector, for SE to look at how the sector can better access relevant business planning and financial

templates to bring a more business-like approach to the sector, which would assist in realising the opportunities for growth for the sector.

Appendix 1: Literature Review

- NFU Report June 2016 : Backing British Blooms – The State of the British Cut Flower Industry
- IBIS Report June 2016 : Flower and Plant Growing in the UK
- IBIS Report March 2017 : Flower and Plant Wholesaling in the UK
- IBIS Report October 2016 : Florists in the UK Industry Report
- IBIS Report May 2017 : Plant & Flower Growing in Canada
- IBIS Report February 2017 : Floriculture Production in Australia
- IBIS Report August 2016 : Online Flower Shops in the USA
- Variety of Press and Website articles on UK Cut Flower Industry 2016/2017

Appendix 2 : Individual Consultations

[redacted]