



Russia, a wilting giant or ready to rebloom? FloraCulture International sampled sentiments in the business at FlowersExpo, Russia's premier trade show for ornamental horticulture that took place at Moscow's Crocus Expo convention centre from September 13 to 15, 2016.

A wilting giant or ready to rebloom?

Gone are the days that BRICS, the term invented by Goldman Sachs Jim O'Neil in 2001 to unite the world's growth hotspots, made headlines nearly every day. Brazil and South Africa are in recession, China is slowing down and India has seen a slight dip in growth. Meanwhile, Russia hasn't been able to maintain robust economic growth with the declining consumer confidence amid slumping oil prices, heightened geopolitical risks, a dip in the ruble's exchange rate and tightly gripping international sanctions.

Plan of action

In retaliation for Western sanctions over the Ukraine crisis, Russia announced a food import ban in the summer of 2014. Photos of bulldozers destroying illegally imported food are still on everyone's mind. As for ornamental horticulture, cut flowers and potted plants have never been banned, emphasised the agricultural counsellor to the Netherlands in Moscow, Mr. Meewes

Brouwer, during a visit to Russia's leading trade show for ornamental horticulture, FlowersExpo. "By the end of July 2015, however, we received signals from our Russian counterparts of Dutch flowers being seized because of the presence of *Frankliniella occidentalis* (Western flower thrips). What followed was the announcement by the Plant Health Inspection Service of the Russian Federation that phytosanitary inspections at the Russian borders were to be intensified." Stakeholders within the Dutch flower industry cleverly decided to not get bogged down in political debates and opted for a proactive approach, presenting a plan of action including temporary approval of specific crop protection products for the control of thrips, a much further focus on postharvest disinfection by controlled atmosphere treatments and the development and implementation of new innovative approaches to crop protection and management. Equally important was the

acknowledgement by Dutch flower officials that Holland has an important role to play in plant health, emphasizing that everyone involved must be aware of the risks and act on their responsibilities to minimise those risks. Keeping an eagle eye on the dreaded pest is also something not typically associated with Russia. In the 1980s, for example, the United Kingdom closed its borders to Chrysanthemums; Japan and the United States are also among the countries that have stringent regulations on the safety of food and agricultural imports. Russian phytosanitary authority Rosselkhoznadzor was presented with the Dutch plan of action at FlowersExpo in September 2015. One year on and things seem to be back to normal. "Talks and meetings with the authorities have been intensive and useful. »»

by Ron van der Ploeg



Royal FloraHolland's Marketing Consultant Annemarie Looije made sure that visitors were provided with detailed information on the auction's novelty flowers and plants.

Things are quiet and there are fewer problems than last year. My message for the future would be to keep the dialogue on this technical issue open and ongoing," said Meewes.

Slowly back to normal

"Slowly back to normal," is how pot chrysanthemum grower Hans van Leeuwen from Lionplant in Honselersdijk described current export sales on the Russian market. "Generally speaking, times have been somewhat more difficult for cut flower growers than pot plant growers, though the feeling was that Russian authorities intensified inspections of potted roses and potted chrysanthemums assuming that these are more prone to pests. In the beginning, some shipments were packed in blank sleeves which was of course to the detriment of our Chrysanne branding efforts but soon things were back to normal. The weakening of the ruble has a much bigger impact on the business. Financially speaking sales have improved although we are not yet back on track as Russian customers

also found alternative products." Pot chrysanthem specialists Lionplant (disbudded Nova Zembla in six colours and in 13cm pots and spray Zembla Chrysanthemums in three colours and 13cm pots) and Personality Plants (a range of decorative Chrystal pot chrysanthem from Dümme Orange, grown in 13cm pots and sold under the Grandezza brand) brought their Make Upz pot Chrysanthem to the attention of the Russian customers. Make Upz is a completely new way of dying plants in all colours of the rainbow. "It's a specialty job and you need skilled people, but the results are phenomenal. The Magnum variety in particular is well suited for Make Upz as the bud continues to unfold itself once in the vase which ultimately creates a beautifully white heart with coloured edges," said Van Leeuwen. Speaking of Chrysanthemum, Dümme Orange managed to create extra attention with their large island exhibit which looked like a high end flower shop. The underlying message is that the

Fresco Flowers puts African roses into spotlight



Located at the flower auction in Aalsmeer, Fresco Flowers forms a vital link in the floral supply chain as it handles rose consignments of nine growers in Kenya and Ethiopia in a temperature-controlled environment.

After a long haul flight, flowers are immediately unpacked from their shipping boxes and prepared for the auction and wholesale customers.

Founded in 2005 by Gerjan Telleman, a seasoned expert in flower handling, the company has direct access to the latest market information and trends in the international flower industry and handles 300 million rose stems/year of which 80% are sold through the auction clock and the remainder destined for sales via intermediation. Fresco Flowers' presence at FlowersExpo is a sign that the Russian flower sector is currently entering a maturation and diversification stage, with room for more reasonably priced flowers next to the extremely large headed, 150cm tall roses from Ecuador aimed at the high end market.

Pictured left to right are Kees Ouwersloot, Gerjan Telleman and Jaap Buis who received great praise from Russian customers.

company provides one stop convenience for customers, offering starting material for an impressively largest selection of flowers and plants. Occupying pride of place were roses, gerberas and, of course, Dümmen Orange's flagship product Chrysanthemum. The new decorative, rust-resistant cut Chrysanthemum Piña Colada is said to be one week earlier than Baltica and Zembla, whereas the new Veronica has superior colour retention yearround. The new virgin, white Iceland makes a perfect Chrysanthemum for dying. Cymbidium grower Frans de Koning did 60 to 70% of his exporting (through auction-based wholesalers) to Russia. "The Russian market is slowly picking up but today represents not more than 40% of our sales. Over the past 12 months we have been looking for new, mostly distant markets in the Middle East, the Americas and Asia. In terms of product specifications, however, things turned out differently than expected with Russian customers continuing to ask for the big, expensive flowers and the long and sturdy stems."

Volatile business

Occupying pride of place at FlowersExpo were the extremely large headed and tall roses from Ecuador that seemed to have lost little of their luster, despite economically trying times for the growers in the South American country. In his keynote address at the official opening of the sixth annual FlowersExpo, the Ecuadorian ambassador to Russia, Mr. Julio Prado Espinosa referred to the highly volatile business environment with regards to flower exports from Ecuador to Colombia. "In 2014, the market had already contracted by 6% compared to the year before; in 2015 demand continued to shrink." He added that flower exports decreased both in terms of volume and value. "According to some Russian sources, the value decreased by 10%, though



our own national statistics show an even higher drop of 23%. But the good news is that Ecuador succeeded in maintaining its dominance in the Russian market, accounting for a 40% market share."

The ambassador concluded by emphasizing the strategic alliances that exist between Ecuadorian rose growers and their Russian customers. "This explains our massive presence at FlowersExpo with the Ecuador country pavilion hosting over 50 entrepreneurs who came to Moscow to network, negotiate and forge deals. We consider Russia the ultimate showcase for our products and we consider our Russian counterparts strategic business partners." Making a final pitch for the industry, he said, "Ecuador grows more than 300 varieties of roses, which

**Flowers
Expo Novelty
showcase.**

are known especially by length of the stems (sometimes more than 1 meter), and the size of the bloom (probably the largest in the world), and the bright and beautiful colours of their petals. These roses are grown in the Andes Mountains at 2,300 meters high, which is part of the secret of their beauty. A combination of intense sunlight, fertile volcanic soils, a dedicated workforce of mostly women and pure water of the Andean glaciers provide optimal conditions to produce extraordinary roses. Even though Ecuador exports many different types of flowers, roses are the most popular.

Self-sufficiency

In 2008, the Russian government, focused on maximizing the self-





Cut Cymbidium grower
Frans de Koning.



Pot chrysanthemum grower
Hans van Leeuwen.

sufficiency of Russian agriculture, launched a development programme. And when in August 2014 the country announced a ban on food imports from Western countries, import substitution was back in the headlines. The State Programme for Development of Agriculture for 2013-2020 sets self-sufficiency goals for the main food categories: 99.7% for grains, 93.2% for sugar, 87.7% for vegetable oil, 98.7% for potatoes, 99.3% for meat and 90.2% for dairy. (Source: FAO).

It is with pride that Ms. Natalia Dmitrievna Rogova, General Director of Russia's association for greenhouses, told FCI that Russia's fresh produce sector managed to be included in the programme which offers cheaper loans and compensation for partial losses resulting from the construction and modernizing of greenhouses.

According to Russian news source RIA Novosti, in 2015 the Russian Ministry of Agriculture granted the greenhouse vegetable sector one billion rubles (\$15.6 million) for the compensation of capital losses in the greenhouse business and in 2016 it promised to allot three billion rubles (\$47 million). As such,

200ha of vegetable greenhouses were built in 2015 with another 100ha and 200ha being underway for 2016 and 2017 respectively. "In greenhouse fresh produce production, the government provides 20% of the capital investments for the construction of greenhouses. We are now putting our time and energy to also have the Russian flower growers on board for the development plan. Our proposal was sent this year but we are not sure whether a decision will be made this year. It is our hope that in the long run half of the cut flowers in Russia will be grown domestically," Rogova said.

Currency fluctuations

Without additional support from the government, increasing Russian cut flower production is easier said than done. "In 2014, some investors came up with greenhouse projects for cut flowers, totaling around 30ha. But then everyone knows that the ruble weakened in December 2014 and because most of the greenhouse equipment and materials for greenhouses have to be imported from Holland, we depend on currency fluctuations.

All these projects have been frozen. Meanwhile, Russian flower growers who were already in business seized the opportunity offered by less import competition. Russia's flower business (and I think not only the Russian one of course) depends very much on the economic situation in the country and on the solvency of the population. When this starts to rise, new projects will come to fruition. Much depends on the government's support of those who want to invest in greenhouse flowers. Presuming that Russia's economy improves and the government extends a helping hand, the long term potential (5-7 years) is 200 to 250ha of new cut flower greenhouses," added Rogova's colleague and member of the board of the aforementioned greenhouse association, Alexander Litvinenko.

Substantial investment

At first glance, bans on Western imports creates opportunities for Russian agriculture, but maximizing the nation's greenhouse potential requires substantial investment, favourable market conditions and a supportive, clear and swift economic policy.



Last month, farming giant Rusagro announced it may drop a \$300 million greenhouse project for growing vegetables in the Tambov area if the government shrinks subsidies. This makes clear that the government has yet to determine how much money it will make available for greenhouse projects. And government support or not, the lending rates for agricultural entrepreneurs continue to be on average twice the rates charged in the EU and the USA.

According to Rogova, Russia currently has 2200 ha of greenhouse production of which 80% are owned and operated by members of her association. This figure doesn't include the plastic tunnel and hoop

greenhouses for the forcing of tulips, for example. "The majority of greenhouses are used for the production of fresh produce, with greenhouse cut flower production making up 200ha of the area. Almost all (90%) of the flower greenhouses are in use for the production of cut roses and a few side crops such as Gerbera, Chrysanthemum and lilies. Covered potted plant production is rather insignificant with a handful of companies in the Moscow area and this includes the production of bedding plants for city plantings."

Round table

In an attempt to make an initial assessment of the implications of the weakening ruble and border measures, FlowersExpo hosted a highly

Royal FloraHolland's Tino Rijkers (third from left) was invited to share his views on the Russian market.

interesting debate entitled 'Russia's Flower Market, Today and Tomorrow'.

A survey by the Russian consultancy firm Global Reach Consulting revealed that Russian producers were able to take advantage of the current market situation. Over the past nine years, the share of domestically grown flowers increased from 10% in 2007 to 20% in 2015.

One of the first to produce cut roses using Dutch greenhouse technology was Podosinki in Dmitrov, 150 km north of Moscow.

The company's Irina Zemtsveva said that the road to success is by no means strewn with roses. "One of the problems is the lack of skilled workers. We hire crop support from the Netherlands."

Domestically grown flowers have significantly gained market share. "90% of these



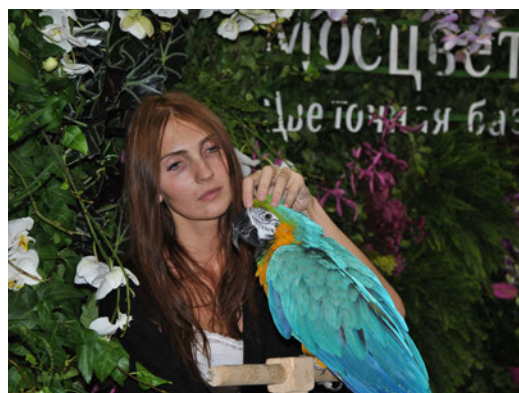
Visitors go wild at Mostsvettorg booth

Attendees of the 6th FlowersExpo show couldn't believe what they were seeing in the stand of wholesale company Mostsvettorg. The company specialises in roses (half of their turnover) and exotic flowers such as Protea. Exotic flowers and exotic animals are a perfect fit, the company's Alexei Malinin explained. As such they hired a leopard create an experience the audience wasn't expecting.

Founded in 2010, Mostsvettorg exhibited for the third time at FlowersExpo and defines itself as 'the leader of floral wholesalers in Moscow' and the 'leading importer'. It operates a 1200m² warehouse and 71 smaller points of sale dispersed across Moscow and in the direct vicinity of metro stations.

Roses are predominantly sourced from Ecuador and Kenya (mostly arriving by truck from Holland) and the company takes pride in selling over 46 different cultivars with stem lengths varying from 50 to 100cm.

The company says online flower sales are going strong offering mixed bouquets and floral arrangements to customers 24/7. Other gift items for sale on their website are chocolates and live butterflies...





Ms. Natalia Dmitrievna Rogova, General Director of Russia's association for greenhouses.

are cut roses. The potential is huge, but only if we receive the same government support the Russian fresh produce sector receives. I believe the future belongs to big flower farms under glass but also with field production. Just think of summer production of Gypsophila, carnations and peonies in southern Russia. Their bud size might be somewhat smaller but with their freshness they will certainly create demand."

Increasing spending power

Mr. Valery Stain, a floral wholesaler from Moscow, also touched on product quality asking himself what condition would a flower be having travelled one week by plane and truck from South America and

Holland respectively. He praises local rose farms as New Holland and Podosinki adding that local producers must look for ways to cooperate to cover costs. Mr. Eduard Kremer from Smithers-Oasis Germany brought some positive news, despite the economic downturn of the last few years. "I looked at the map and realised that both countries are more or less equal when it comes to floral consumption. But Belgium has 11 million inhabitants, while Russia has 140 million. In other words, there are many areas to grow in Russia. And it will grow thanks to the presence of increased spending power of the middle class. In the future, flower sales will go up dramatically."



Pictured left to right are show organiser Nadeshda Grigorieva and Podosinki's commercial director Irina Zemtseva.

Testing times

The value of the Russian cut flower market fell by 25.2% in 2015, amounting to about \$2.65 billion, while the volume amounted to 824 million pieces (excluding grey imports). The decline in market volume was due primarily to lower volumes of import flowers. Invited as keynote speaker and representing the world's largest sales platform for cut flowers and potted plants was Team Manager Account Management Tino Rikkers from Royal FloraHolland who was invited to share his view on the Russian market. Rikkers outlined that Russian customers are serviced by around 50 auction-based exporters in the Netherlands who sell their products to their customers in Russia. He

Activity at FlowersExpo exceeds expectations

Interest in the FlowersExpo show continues to be strong, with demand for space remaining stable. Show organisers Nadeshda Grigorieva and Elena Zarubina did an excellent job, utilizing their many years of experience, extensive international network of business contacts and a personal approach with Ms. Grigorieva personally presenting the coveted FlowersExpo awards to exhibitors. This year's edition hosted 400 exhibitors from 27 countries with Holland, Colombia, Ecuador and Poland occupying the largest part of the show floor. Thailand, Chile and Iran were welcomed as first time exhibitors. Elena Zarubina told FCI that she and Ms Grigorieva can look back at a very successful show with total visitor numbers exceeding 15,000. Booths looked more like a miniature flower festival than a commercial displays. Zarubina also informed FCI that she is looking for ways to organise a flower trade show in the Krasnodar region.



Stand of
Dümmen
Orange..

went on to say that these are trying times for floral wholesalers, with increasingly thinner profit margins and a decline in sales volumes. In 2015, the export of Dutch flowers and plants to Russia stood at €161 million (Source: Royal FloraHolland website) but wholesalers find it increasingly difficult to cash their money.

Ultimately Royal FloraHolland is an open market in which buyers and sellers are free to participate provided they play by the same rules as everyone else. Rikkers said that auction representatives are frequently invited to do direct business with Russian customers. His advice was to continue to use an exporter who can provide unique value-added services and deliver the complete service package, stressing that Royal FloraHolland serves merely as an intermediary sales platform.

Domino effect

Mr. Juan Manuel Gutierrez from Colombia commented on what he called the domino effect. "Even though we are very small compared to the amount of flowers that come from Ecuador, the weakening of the ruble has had a big impact on the global flower trade." He said that whereas Colombia's

major export destination is the US, Ecuador relies heavily on the Russian market and when in December 2014 Russian demand dropped dramatically, rose prices went down with Ecuador looking for alternative, already stable markets. This caused a surplus of product in the global rose business. Some companies were forced to sell their flowers below cost of production, others were forced to close their doors. It will take a while before the

market will pick up again. Looking towards the future Gutierrez said that Colombia is now also looking for new markets, such as China, to absorb the decrease in the Russian demand. "China's economy is still going relatively strong, with a growing middle class ready to spend money on flowers. As for the Russian consumers, we can clearly see a tendency towards the use of mixed flower bouquets." III

Flowers from the Adygeya Republic

Posing in their national costume are workers from Green House from Sups. Established in 2010, this flower farm from the Adygeya Republic, an enclave within Krasnodar Krai, specialises in large scale production of cut roses. The company has 5ha of modern, gas-heated greenhouses, where many different varieties are grown

