



FOREST  
PRODUCE

# **James Costello**

## Forest Produce Ltd.

September 2012

# Agenda

- Forest Produce Ltd
- Background to cut foliage in Ireland
- Current market trends and demands
- Positioning Irish cut foliage into the future



# Forest Produce Ltd

- Market over 400 acres cut foliage production - grown naturally in Ireland.
- Employ 25 people full time and a further 60 on a part-time or contract basis.
- European wide network of suppliers.
- Supply UK, Irish, Dutch, German and Swiss supermarket bouquet makers.



FOREST  
PRODUCE

# Background to cut foliage in Ireland

- Forest Foliage
- M&S report
- Expansion of core lines
- Exploitation of competitive advantages





# Current Market Status

- 'The European Union is believed to consume over 50% of the world's flowers and foliage and includes many countries which have a relatively high per capita consumption on cut flowers. Germany is the biggest consumer followed by the UK, France and Italy.'
- Source CBI



# Current market status

## Imports and leading suppliers of foliage 2003 -2009, share in % of value

Product	2003 € mln	2006 € mln	2009 € mln	Leading Suppliers in 2008 in %	Share %
E.U.	202	245	264	Intra EU: Holland (24%), Italy (9.3%), Belgium (5%), Germany (3.5%)	49
	108	110	114	Extra EU ex DC*: USA (14%), Israel (5.5%)	21
	144	157	157	DC*: Costa Rica (9%), Guatemala(5.1%), India (2.6%)	29
TOTAL	454	512	535		

Source CBI



**FOREST  
PRODUCE**

# Current Market Trends

- Quality
- Environment
- Seasonality
- Supply chain management
- Pricing issues

UK

- Consolidation
- Outsource innovation



FOREST  
PRODUCE

# Quality

- Length
- Clean foliage
- Volume/weight
- Shelf life
- Well packaged



FOREST  
PRODUCE

# Key Features

- **Length**

Length is agreed in advanced and product will be rejected if lengths are incorrect.

2-3cm tolerance is allowed

UK requires 55-65cm foliage for reasonable price

European market required 45-50cm for cheap price



# Key Features

- **Clean foliage**

Foliage must be free of all weather damage, pest damage and chemical damage.



PRODUCE

# Quality

- **Volume/Weight**

All stems will have a minimum weight specification

- **Shelf life**

- All stems must last a minimum of 2 weeks from harvest. Only harvest when stems have hardened off.
- Fertilizer and pruning effect this.





# Environment

- **Core Principles of Irish foliage**
  - Always work on principle of sustainability
  - Lowest Carbon Footprint
  - Biologically Controlled & Hand Harvested





# Recent Awards

- Runner up in the 2011 M&S Plan A Awards Program
- Runner up in the Dutch Flower Group Supplier of the Year Awards 2009



# Seasonality



# Supply Chain Management

- **Just in Time Supply**

- Product needs to be delivered the day before production.
- Orders change dramatically based on shop sales

- **KAM – Key Account Management**

- **Pricing Issues**



# Positioning Irish Foliage into the future

- Scale and availability
- Sweet Spot customer identification
- Ease customers 'pain' – Waste, Enviroment, Pricing, Innovation
- Adding Value
- Innovation



# Scale and Availability

- Big users require year round availability of large volumes of a wide range of products.
- Single Core Tesco Bouquet – 80,000 stems per week= 2 acres/week
- If a bouquet is selling well – do not change it. No sob stories!



## •Sweet Spot customer identification

“ Mid and upper end European supermarket chains and their bouquet makers who have their own new product development team and who believe that innovative foliage solutions will add value to their business.”

## •Ease customer's pain.

- Waste
- Security of supply
- Environment
- Pricing
- Innovation





## Adding Value & Innovation



## Other Opportunities

### 1. Filler Foliages/Flowers



### •2. Biomass Eucalyptus





# Conclusion

- Grower led Innovation – (supported by Dept of Ag, Teagasc)
- Key customer identification – (Bord Bia)
- Key Account and Supply Chain Management



Thank You

**James Costello**

**00353 86 2908735**

James@forestproduce.ie

**[www.forestproduce.ie](http://www.forestproduce.ie)**



# Outdoor Cut Foliage

**Andy Whelton**  
**Teagasc Horticultural Development Department**

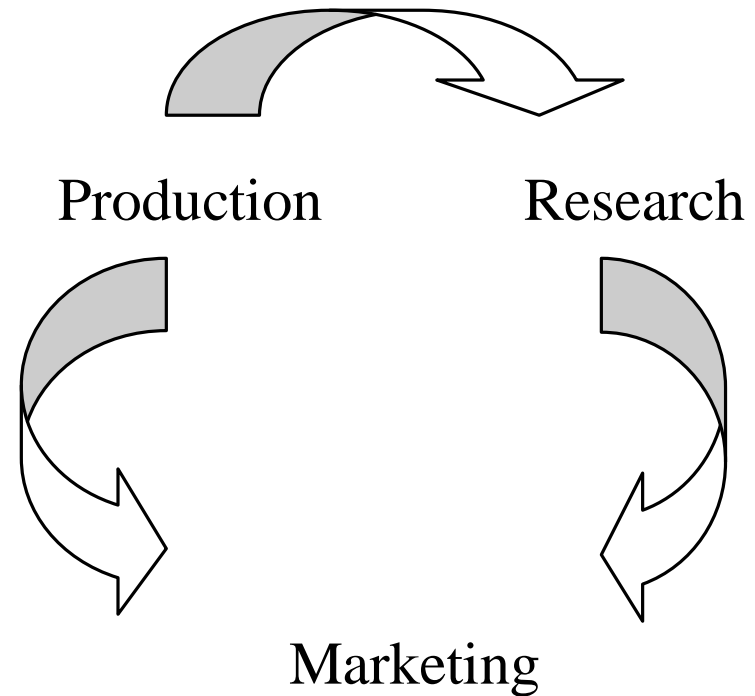
**20 Sept 2012**

# Cut Foliage

- Production
  - Area
  - Growing cut foliage
  - What's in it?
  - Issues
- Research & Development
  - Programmes & Objectives

# Why Ireland and Foliage?

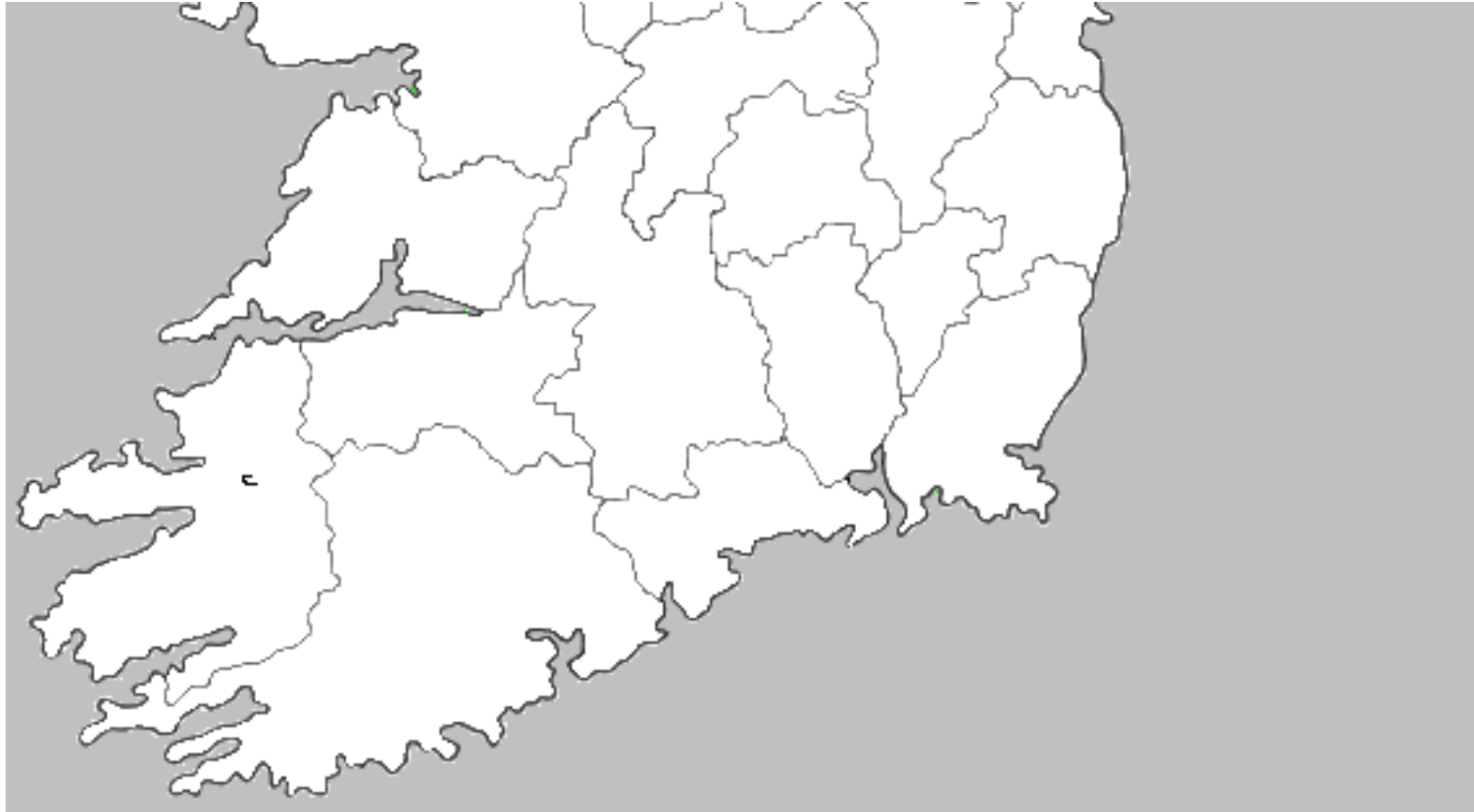
- **Our climate is ideal**
- **Structured marketing organisation – FPL Kerry**
  - market led



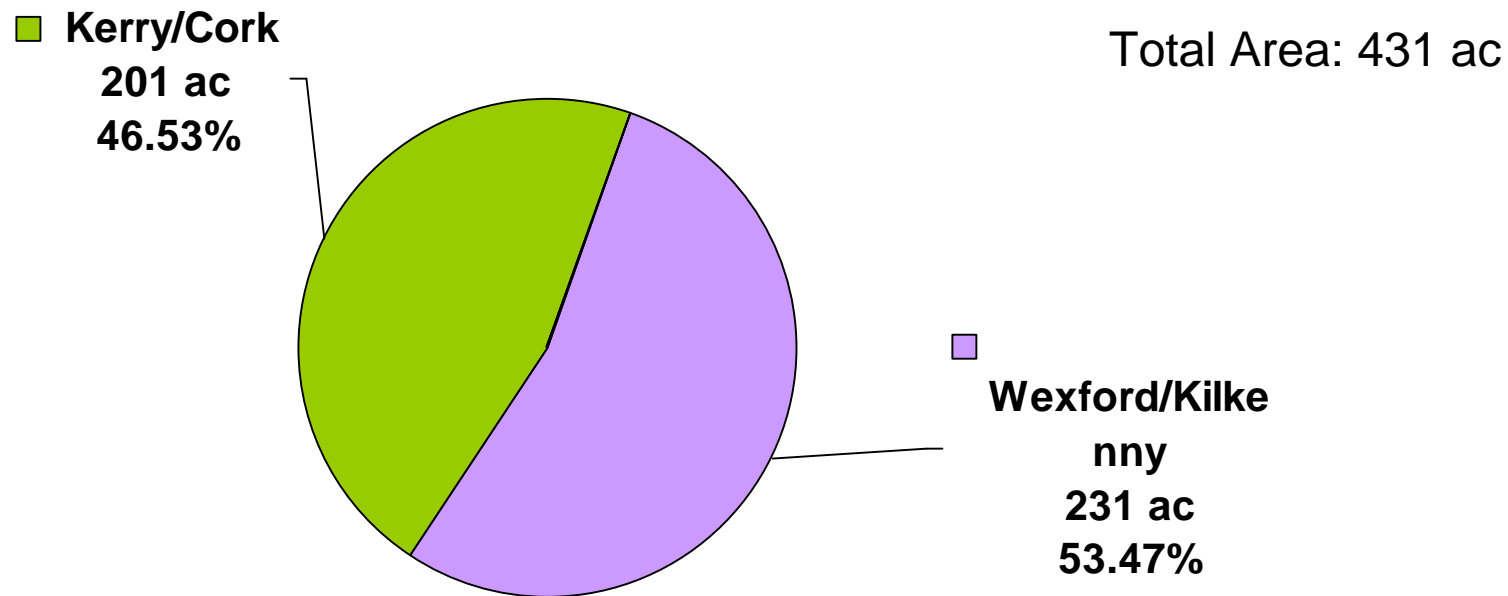
# Cut Foliage Industry

- 432 aces(175 Ha)
- 20 Growers - Average 21ac (largest >100 ac)
- Value - €3.5m
- 10 million stems (wild & cultivated)
- 30 FT 100 PT
- Development Plan & Harvest 2020 targets
  - 1000 ac (400 ha)
  - €30m exports

# Irish Production

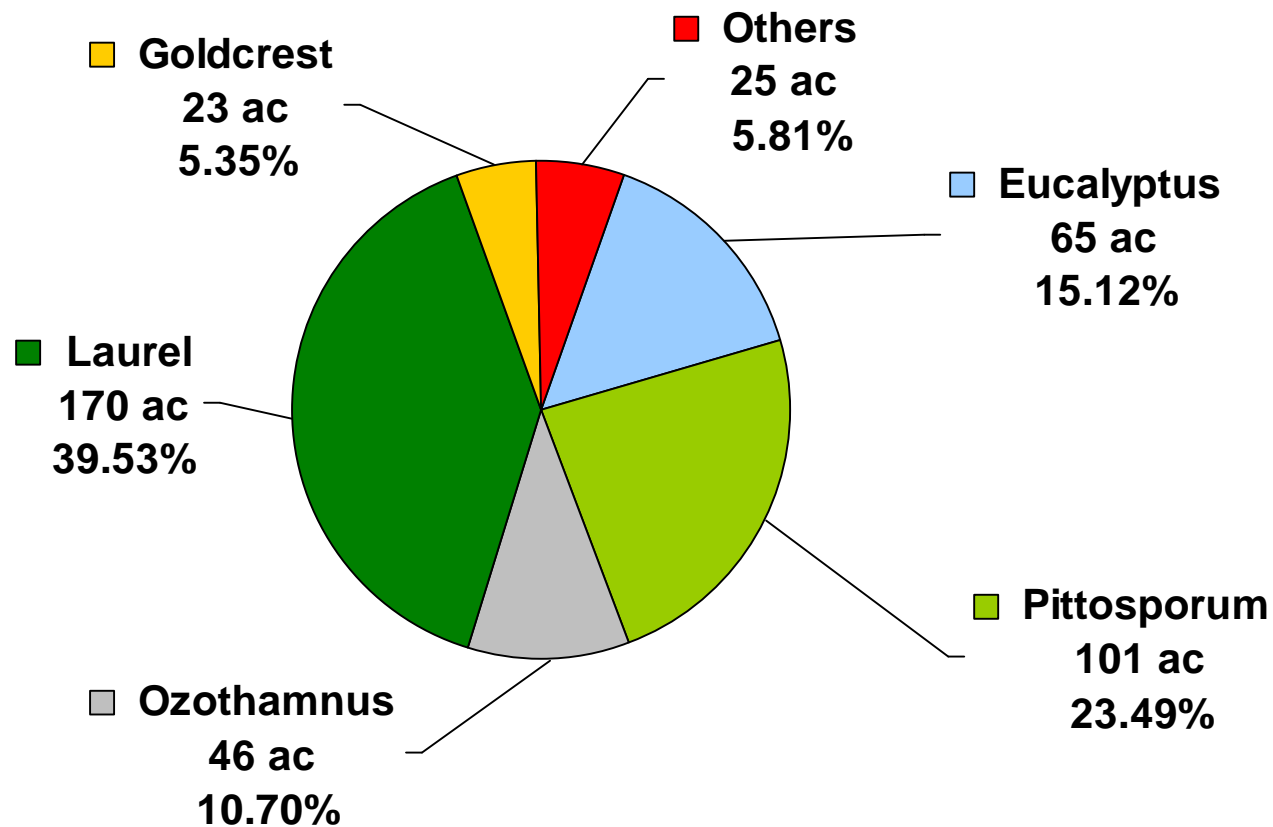


# Cut Foliage Acreage





# Cut Foliage Area by Species



# Species Requirements

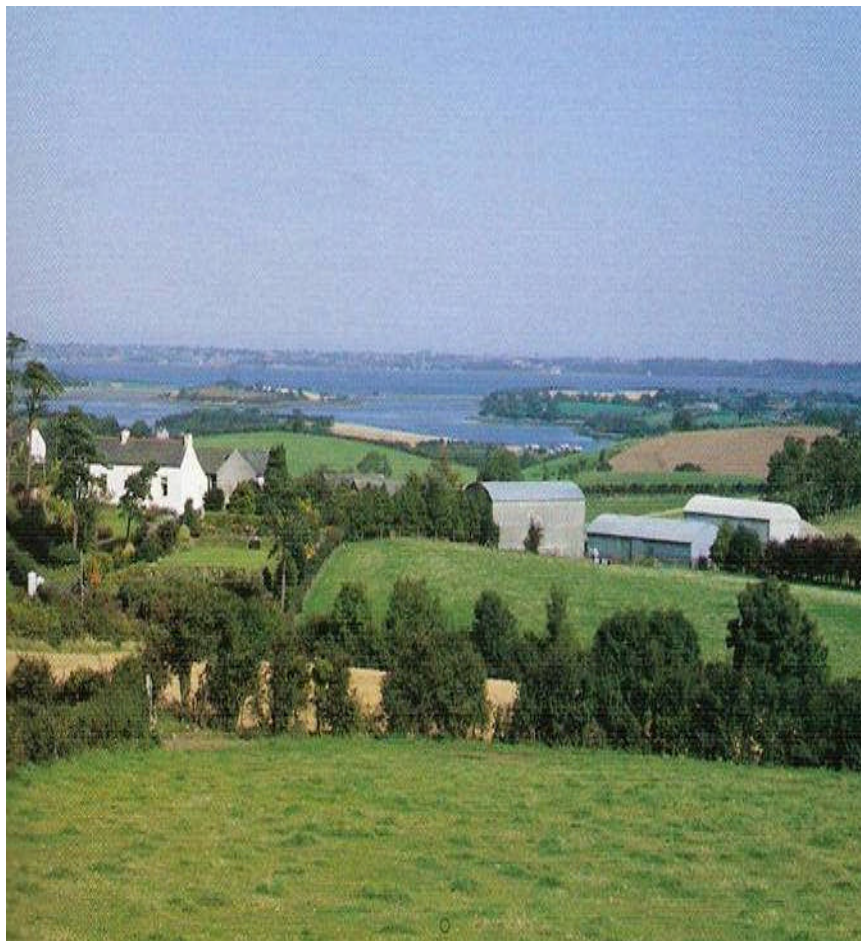
- Weather tolerant
- Capable of rapid regeneration after cutting
- Low susceptibility to pests & diseases
- Commercially viable yield (high volume stem business – not < 25,000 stems/ac)

# Grower Requirements

Perennial crops – 10-15 years+

- Site selection, ground preparation - vital to success
- Species selection to match site & market requirement
- Management capability
  - Husbandry (weed, pest & disease control)
- Grower Profile ?

# Site & Soil



- **Soil – mineral Ph 5-7**
- **Water retentive**
- **Slope – less than 30%**
- **Relatively frost free**
- **Shelter**
- **Accessible**
- **Protection from Rabbits**



# Frost Damage 2010

Inland sites – increased frost risk with some species





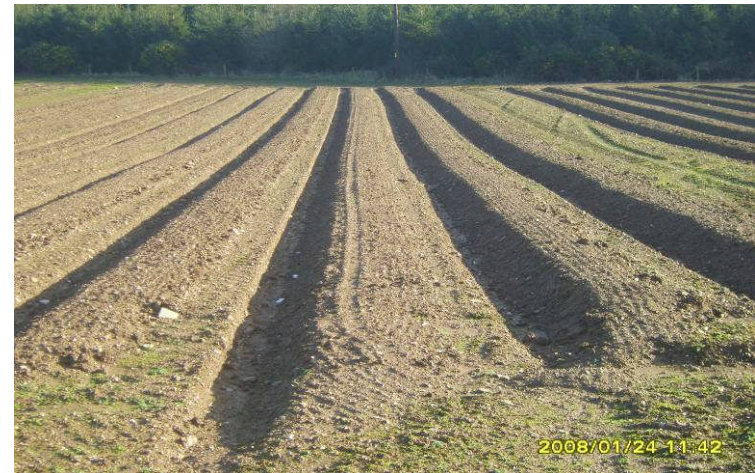
# Site preparation



Burn off  
Plough  
overall or  
Single furrow



Power harrow  
Press





# Growing Cut Foliage



- Planting - Spring
- 800 - 1200 trees per acre
- Spacing - 7' by 7'
- Weed Control
- Nutrition
- Pruning - Spring
- Pests & Diseases



# Residual Weed Control





Species eg *Eucalyptus*  
800 trees/ac

# Costs & Returns

Establishment cost	Yr 1	€1600	}	Total
	Yr 2 & 3	€600		€2200

Full economic yield from year 4 to 15+

	<u>Low</u>	<u>Medium</u>	<u>High</u>
Yield per acre	25,000	40,000	60,000 +
Income – 2ct per stem	€500	€800	€1200
Growing costs €300/ac			
<b>Nett return/ac</b>	<b>€200</b>	<b>€500</b>	<b>€900</b>

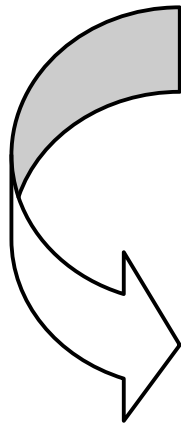
Assumption - Harvest & transport to processing unit – 4 ct per stem

+ Single Payment

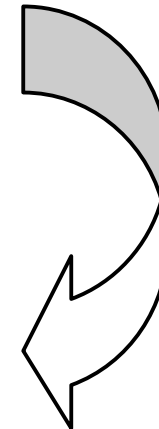


**Species Screening  
Agronomy trials**

**Species/Quality Improvement  
Propagation Technology**



**Research &  
Development**



**Production Blueprints**

**→ Industry expansion**

# Agronomy Trials



- Improving quality & yield of key foliages
  - production systems
  - shape, stem length, structure
  - pruning, nutrition
  - selection of best clones
    - Propagation

# Cut Foliage

- UK Market, Trends
- Supplying Chainstores
- Innovation

Dr. Simon Pearson  
Commercial Director  
Winchester Growers Ltd



# Background

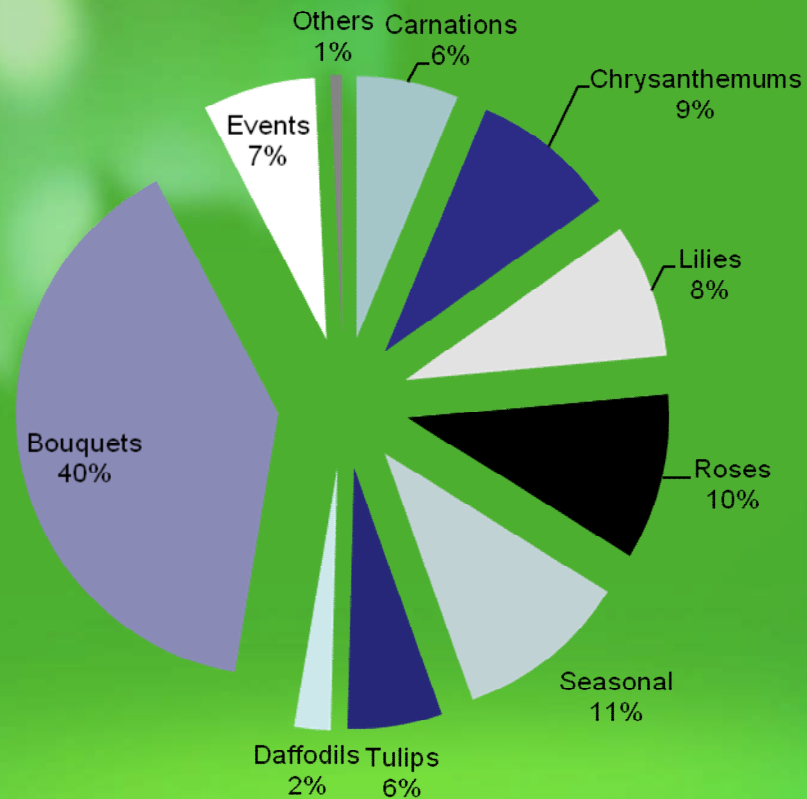
- Commercial Director,
  - Formally technologist Marks and Spencer,
  - University Lecturer
  - Growers son
- Winchester
  - Turnover £52m,
  - EBITDA £1.7m
  - 250 to 900 employees
  - Tesco, JS and Waitrose





# UK Cut Flower Market Size

UK Cut flower market:  
Estimate €1.4bn



EU Cut Flower Market size estimated at €14.5bn

Source IRI and CBI

# How much of market is foliage..?

- In UK, 47% of market uses foliage = €658m
- Market value (c.20% bqt is foliage) = €132m
- Farm gate value (30% of market) = € 40m
- For EU market value = €1362m
- EU Farm gate value = € 409m



Where market value is the consumer spend relating to foliage elements  
And farm gate value is the element of cost invoiced to foliage growers  
Data have a significant margin for error but I think assumptions are reasonable

# Irish Foliage

- Potential market opportunity > €50m
- Rhododendron, Pitto, Noble, Cotinus, Eucalyptus.....
- Market needs innovation, bouquets constantly changing, needs newness





# Why Foliages ?

- Structure for bouquets
- Textures & colours
- Scents
- Value for money



# Demand Drivers

- Bouquet sales – main drivers
- Move to more gifting
- Decorate the home
- Emotional needs! – closer to nature, ‘cheer me up’!





# Foliages

- Greens – Euc, Pitto, etc
- Twigs – glittered
- Berries, Scents
- Painted products
- Baskets



# Key Drivers in Innovation

- Colour
- Leaf shape
- Seasonality
- Process – glittering, scenting
- Price – perceived value





# Innovation in Action



Design and fashion led

Needs to be realistic and commercial





# Innovation at work



Making it happen

- M&S Glitter Twig success
- JS Scented twigs
- Wreaths
- Tesco Foliage bqts

Without this there would have been no business!

Merely price trading



# What retailers need

- The 'itys'
  - Availability
  - Realibility
  - Flexibility
  - Quality





# What Ireland offers

- Quality – greener, fresher
  - Climate
  - Structured market set up,
  - Committed growers
- Communications
- Logistics – can respond faster
- Innovation in future product supply



# Audits

- Independent accreditation –
  - Good Agricultural Practice
    - GLOBALGAP, MPS,
  - Ethical Trading
    - ETI, SEDEX registration
- A lot of schemes, confusing, don't do too many



# Price

- Set by costs & competition
- Euro strength
- Quality specification, volume.....
- Countering price
  - Innovation, beware commodities!
  - Local processing, manufacturing, added value



# Way Forward

- Continue to invest R&D work – innovation critical
- Filling seasonal gaps – year round, potential with protected cropping?
- Working together - Co-operation by Winchester – market evaluation, shelf Life, etc
- Retailers do not want to be swapping/switching suppliers
- Playing to strengths
- Do what you say you are going to do....!
- Build the relationship



# Assisting Development of the Cut Foliage Sector



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**

**Ted Massey, Agricultural Inspector.  
20<sup>th</sup> September 2012**

[www.agriculture.gov.ie](http://www.agriculture.gov.ie)

# Department of Agriculture views on the cut foliage sector:

- Significant potential to increase export sales and employment
- Valuable alternative farming option provided correct site, species choice and crop husbandry skills.



- Welcome Teagasc's plan to develop the cut foliage sector – especially emphasis on a market led approach, research and innovation.



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**



# Assisting development of the cut foliage sector

How?

**Scheme of Investment Aid for the  
Development of the Commercial  
Horticulture Sector.**



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**

# What is the Scheme of Investment Aid?

- Competitive annual grant aid scheme
- Assists specialised capital investments
- Provides 40% grant aid on approved net investment costs (50% for young growers)
- Budget €3.25m for 2012

# **Objectives:**

- **facilitate environmentally friendly practices**
- **improve quality**
- **improve working conditions**
- **promote diversification**



Department of  
**Agriculture,  
Food and the Marine**  
An Roinn  
**Talmhaíochta,  
Bia agus Mara**

# What is funded?

- Specialised new equipment
- Specialised buildings
- Cut foliage plants and a portion of land prep and planting costs

## **Key points - all applicants:**

- Minimum investment of €10,000
- Application must justify investment
- Application signed off
- Detailed quotes
- Can only cover investments made after approval letter issued



Department of  
**Agriculture,  
Food and the Marine**  
An Roinn  
**Talmhaíochta,  
Bia agus Mara**



# Specifically for foliage producers:

- Map / drawing showing location of proposed plantation
- Land proposed must be owned or leased on a long-term basis (at least 5 years)

# To qualify for grant aid plants:

- On approved list of species as per Schedule of Approval
- Planted on land as per Schedule of Approval
- Satisfactory establishment

## Plants and areas funded to date:

Year	Number of Plants	Approx Area Planted
2008	212,000	212 acres (86Ha)
2009	97,000	97 acres (39Ha)
2010	108,120	108 acres (44Ha)
2011	171,582	172 acres (69Ha)



Department of  
**Agriculture,  
Food and the Marine**  
An Roinn  
**Talmhaíochta,  
Bia agus Mara**

## Over the period 2008-2011:

- €250,000 paid in aid for cut foliage sector
- Facilitated investment of ~€0.6m by growers
- Planted almost 600 acres
- In addition to plants, funded sprayers, foliage transplanter and a specially modified tractor



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**

# This year –what's going on?

- Funding for 185,000 plants – approx 75Ha. new plantation
- Funding soil prep. and planting costs of up to €0.20 per plant
- Also equipment – flail mower and compact tractor, inter-row sprayers
- Approvals issued covering €70,000 in aid to 14 applicants



Department of  
**Agriculture,  
Food and the Marine**  
An Roinn  
**Talmhaíochta,  
Bia agus Mara**



# Future prospects

- 2013 – uncertain but optimistic
- Post-2013



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**

# What should you do:

- Consider your long-term options
- Plan for next year
- Know exactly what investments you seek and the land involved
- Prioritise your investments carefully

# **Assisting Development of the Cut Foliage Sector**

**Ted Massey, Agricultural Inspector.**



Department of  
**Agriculture,  
Food and the Marine**

An Roinn  
**Talmhaíochta,  
Bia agus Mara**