EXECUTIVE SUMMARY

Between December 2008 and July 2009 a study was made on the Egyptian floriculture industry. Egyptian producers expanded and modernized their business substantially over the last 5-10 years. To further improve the flower industry in Egypt, the Industrial Modernization Center (IMC), in which the Egyptian flower producers are represented by the Egyptian Flower Council (EFC) and the Egyptian Agricultural Export Council (AEC) asked Horticonsult Global Partners BV, a Dutch based international consultancy company to compose an extended set of recommendations to reach that goal. The recommendations should be in the interest of all categories of producers, small and big, local and export oriented. Special attention had to be paid to the performance of the market. Several individual experts and the Agricultural Economic Research Institute of Wageningen University & Research (WUR) institutes took part in the study.

LOCAL PRODUCERS

Official statistics and the outcome of an extended physically executed inventory amongst local producers in the Nile Delta show big differences. The Egyptian flower industry appears to be much bigger than formerly presumed. According to the inventory and recalculations of Horticonsult Global Partners BV, the production of local producers in the Nile Delta alone amounts to 380 million stems. Local producers are mainly small family enterprises with only a basic equipment and little knowledge of the flower industry. There are an estimated 300-350 local producers in Egypt, most of them situated in the Nile Delta north of Cairo. Their production value is estimated at EGP 190 million (almost EUR 24 million). The assortment is mainly limited to Chrysanthemum, carnation, Gerbera, tuberose, Gladiolus, summer flowers and some roses. Quality after harvest is average or poor, caused by insufficient cooling facilities and poor and old fashioned assortment.

WHOLESALE PRODUCERS

Wholesale producers, mainly larger companies with a local and sometimes international distribution structure produce an estimated 210 million stems of cut flowers, including 15 million stems of specialized producers. The production value of the wholesale and specialized producers is EGP 263 million (EUR 33 million). The assortment of wholesale producers is more extended than of the local producers and quality is much better because of better post harvest procedures and good cold storage. Main crops are Chrysanthemum, carnations, roses, Gerbera, Solidago, Carthamus, Ammi, lilies and Molucella. There are 10-15 wholesale producer, all situated in the Nile Delta, close to the populated areas in and around Cairo. Wholesale producers distribute cut flowers in the populated areas in Egypt and some of them also to neighboring Arab countries. The export to other Arab countries is estimated at almost EGP 58 million (EUR 7,2 million).

SPECIALIZED PRODUCERS

Specialized producers are flower producers with only one, but not more than a few specialized products for export to mainly the auctions in Europe. Specialized producers exported about 15 million stems in 2008, mainly to the flower auction Floraholland. Important crops are carnations, Strelitzia, Molucella, Ammi and cut greens, but also more difficult crops such as Lisianthus. Because they have to meet the European standards they mainly have more sophisticated production facilities although some crops are grown in the open air. There are an estimated 10-12 specialized producers. There are clear signs that their number will increase because Egyptian entrepreneurs discover the potential of the flower industry.

INTERNATIONAL TRADE

Egypt is not an important exporting country for cut flower but can develop towards an exporting country for specialized crops to Europe and towards a significant exporter to other Arab countries. Big advantages of production in Egypt is the excellent growing conditions for summer flowers in the European winter, the low cost structure, the availability of cheap labor, of water and the proximity of the European market. With the implementation of sea transport Egypt would logistically be ahead of competitors in other African countries. There are plans to set up a fast boat connection to Italy, in cooperation with the Egyptian fruit and vegetable industry.

Total Egyptian export of cut flower reached EGP 94 million (recalculated based on exact figures from export to the Dutch auction). Over 60% of all exports of cut flowers was destined for the Arab world, including Iran. Almost 35% (EGP 33 million or EUR 4,1 million) was exported to EU member states and other countries in Europe amounted for EGP 1,9 million (EUR 235.789) or 2% and Asia amounted for EGP 1,6 million (EUR 202.105) or 1,7%. From all exports an amount of EGP 269.474 (EUR 33.684) or 0,3% was exported to Venezuela as only destination in South America.

Nowadays export of cut flowers to Arab countries already is significant with approximately EGP 58 million (EUR 7,2 million). The turnover of Egyptian producers at flower auction Floraholland amounted for EGP 22 million (EUR 2,8 million). Main export destinations are the Gulf States, Saudi Arabia and Libya, but also Lebanon, Iraq and Yemen.

Benchmarking

LEI Wageningen UR, the Dutch Agricultural Economics Research Institute conducted a benchmarking for the Egyptian flower industry with Israel, Ethiopia, Kenya, Turkey and the Palestinian Autonomous Territories. The conclusion of this extended benchmarking is that at present Egypt cannot measure up with Kenya, Ethiopia and Israel. Flower production has professionalized very rapidly in these countries and was stimulated by foreign investment (in Kenya and Ethiopia).

It is however, by no means advisable that Egypt should even try to compete with these countries. Year round growing conditions are much better in these countries because of geographical location (near equator and at a high altitude).

Egypt has a good score when it comes to labor cost, geographical location to Europe and Arab World, perfect climatic production conditions in European winter, a growing middle class and an upper class with a habit of consuming cut flowers. Also new logistic developments such as sea transport will be to the benefit of Egypt. The availability of land and water is abundant for the foreseeable future.

Local Market

The researchers consider the Egyptian local market as one of the strong points for the flower industry. Several million Egyptian peoples spent approximately EGP 1.100 million (EUR 137 million) on cut flowers at consumption level. This is EGP 366 million (EUR 46 million) at production level.

The Agriculture Economics Research Centre of Wageningen University calculated that in 2015 approximately 8,9 million households, 48% of all households in Egypt will have an income of more than EUR 140 per month. This means that buying power is still limited in 2015. However, middle class is increasing slowly and nowadays already 9 million peoples and a small top category of 4 million peoples have an income that enables them to buy cut flowers. When only these 2 categories of 13 million Egyptian consumers are taken into account, spending on cut flowers per capita reaches EGP 85 (almost EUR 11).

Recommendations

The research team has designated three targets within 7-8 years after the start of the execution of the recommendations. These targets are:

- **A. Egypt is an important regional supplier as producing and trading country;**
- **B. Egypt is a significant producer of specialized products for bulk export to the European market;**
- **C. Egypt is a flower producing nation with a strong local market;**

The team also recognizes that, to meet these targets, measures have to be taken:

1. Investment in infrastructure & knowledge
2. Improvement of performance producers
3. Strengthening and restructuring of the organization of flower producers
4. Increase regional marketing efforts
5. Improve and increase local market
6. Modernize governmental rules & regulations

Market Place - Auction

The main recommendation is the establishment of an Egyptian Flower Center, including a Central Market Place for the local market and for export. This will be the back bone of the entire industry. It is recommended to establish a flower auction to improve transparency of the market, to make the entire industry more efficient and also to improve the position of the local producers. Also the wholesale and specialized producers will benefit from this auction.

In the eyes of the research team the Egyptian Flower Council will be the leading party in the flower auction. Therefore it will be essential to strengthen and restructure the Egyptian Flower Council into an organization with a professional executive office, with a closely related department as executive body to lead the flower auction. Therefore the offices are best situated inside the Central Market Place.

Cold Chain

The establishment of a Central Market Place, of which alternatives an auction is by far the best solution, will also enable the industry to set up a cold chain. This should start with so called Collection & Service Centers in villages with a concentration of local cut flower producers. From this CSC's, the products from the local producers can be delivered to the Central Market Place by temperature controlled trucks in order to be auctioned and sold to the flower shops and other types of outlets in the Greater Cairo area.

Improving Quality

When the auction is functioning the positive signs of an improvement program for the quality will become noticeable by obtaining better prices, more sales because of improved quality and less risk for the wholesalers when buying products from the local producers.

Supplier For The Arab World

It is, based upon this benchmarking and information from many other sources strongly advised that Egypt takes measures to position itself as a main supplier of cut flowers in the Arab world.

Local Market

The local market is considered to be a strong point for the Egyptian floriculture industry. Even in 2008 export declined because of the strong local market: it was more profitable to sell at the local than on the export market, particularly the auctions in Europe. More promotion and up scaling the (artistic) skills of the local florists will contribute to even better local sales.

Assortment

Modernization, improvement and broadening of the current assortment will also contribute to a better performance of the flower industry in Egypt. It will increase sales in Egypt because consumers are triggered to buy when they see new products and it will strengthen the position of Egyptian producers in the Arab world and in Europe.

Research Facilities, Training Center And Extension Service

Research and in particular the implementation of the results of research into the daily production of flowers is not a strong point in Egypt at this moment. It is therefore recommended to set up a modern research center, if possible as a part of an existing research infrastructure, specialized in research in crops that are feasible in Egypt. A to this Research Station connected Technical Training Center and Extension Service will make this facilities more useful for the Egyptian entrepreneurs. This is required to have the production sector benefit from the results of the Research Station.

Cooperation R & D

For all knowledge related recommendations it is important to seek cooperation with existing Egyptian or international partners. The flower industry itself might be too small to finance all infrastructure. Foreign aid funds might be of help in this respect. Some institutions already expressed their interest in playing a role in this.

Boskoop, October 2009