

Flower Power

The floriculture industry in India is witnessing brisk, 25 per cent growth per annum, as growers across the country are catering to the huge demand for flowers from all over the globe.

Annamma Oommen reports.



The Indian floriculture industry, growing at a compound annual growth rate (CAGR) of 25 per cent over the past decade, has blossomed into a \$230 million business.

While exports remain the prime motivator for cultivators, local demand is also growing by leaps and bounds, especially in cities. Modernisation and growing western cultural influences has resulted in consumers – especially the young – buying flowers on occasions like Valentine’s Day, Friendship day, Mother’s day, Father’s day and so on. Of course, there is a huge spurt in demand for flowers during religious festivities.

Flower retailing is also undergoing a change. Many of the new shopping malls and large format retailers have exclusive flower shops that witness demand round-the-year.

But many cultivators enter the business with a focus on exports and an eye on the global industry. Internationally, the floriculture business is estimated to be worth \$11 billion and growing at 15 per cent per annum. The Flower Council of Holland projects this would top \$16 billion by 2010. India’s flower exports have been growing by a robust 25 per cent CAGR. It added up to \$90 million in 2006-07 and is projected to touch \$160 million by 2010.

Fresh flowers from India have already gained entry into nearly 90 countries

including Australia, Japan, the UK, the Netherlands and the UAE. The world’s biggest flower markets include USA (\$12.5 billion), Japan (\$5.46 billion) and Italy (\$4.27 billion), while the highest per capita consumption of flowers is in Norway (\$146) followed by Switzerland (\$126) and Germany (\$88).

While international markets offer a lot of opportunities for Indian exporters, they also face substantial challenges. Indian exports of cut-flowers face import tariffs of up to 17 per cent (calculated on a free on board+freight basis) in Europe between May and October, considered non-peak months. It’s only when Europe requires imported flowers during the peak season that import tariff is reduced by five to six per cent.

Despite these challenges, the floriculture sector has been doing well. According to sources in the trade, much of the credit for growth of the industry should go the government. Post-liberalisation, the government identified it as a priority sector and accorded it 100 per cent ‘export oriented unit’ (EOU) status.

This meant tax exemptions to new EOUs and tax holidays on income from floriculture. Additionally, there were substantial duty exemptions for imports including cut flowers, flower seeds and tissue-cultured plants. Also, allowing 100 per cent FDI (foreign direct investment) in

the industry has facilitated joint ventures, ensuring a steady inflow of capital and modern technology.

Further subsidies have been offered for air-freight for export of cut-flowers and tissue-cultured plants, and direct subsidy of up to 50 per cent has been offered for establishing cold storage, pre-cooling units, refrigerated vans and green houses. Subsidy is also given by the Agricultural and Processed Food Products Export Development Authority (APEDA), for using improved packaging material. Refinance assistance is available from the National Bank for Agriculture and Rural Development (NABARD) to a number of hi-tech units at reasonable interest rates. The Union Ministry of Agriculture has also set up 11 model floriculture centre units, two large centres and 20 tissue culture units.

Six agri-export zones have also been set up for floriculture where large flower farms share common infrastructural facilities, thus bringing into effect the benefits of scale. Walk-in cold storages have been allowed at international airports like Delhi, Mumbai Hyderabad, Chennai and Thiruvananthapuram and similar facilities are expected at other airports soon.

Auction centres are also being set up at major cities, helping in price discovery and trading. In fact, APEDA has even set up a Market Facilitation Centre at Aalsmeer, in the Netherlands, the world’s largest flower

auction centre. The authority aims to set up similar centres in the Middle East and the Far East in due course, to help Indian flower exporters.

Najeeb Ahmed, president of the South Indian Floriculture Association, says India's share of the world rose market is still tiny. But the country is making its presence felt in several countries

including Australia, Japan, Britain and Germany. "The quality of Indian roses is good and there is substantial demand in competitive markets around the world," he explains. "We can grow roses round the year without artificial heating, lighting and cooling systems, and there is abundant availability of manpower."

S.K. Gutgutia, managing director,

Florance Flora, Bangalore, points out that "India needs to develop indigenous technology as the cultivation of flowers in greenhouses here is dependent on foreign technology." But initial investment is very high, so many growers opt for joint ventures with international partners.

The huge potential for growth for the floriculture sector has attracted top Indian

IN FULL BLOOM

The floriculture business in India is expected to get a boost with the government deciding to set up various facilities for the trade. Floriculture regional centres, agro export zones for floriculture and flower clusters are being planned in different parts of the country.

Floriculture regional centres are coming up – or are being planned – in cities like Bangalore, Chennai, Thiruvananthapuram, Pune, Lucknow, Mohali, Srinagar, Kolkata and Gangtok. These centres would not only conserve important varieties of flowers of the region, but would also encourage large-scale multiplication.

The National Horticulture Mission aims to promote half a dozen agro export zones and flower clusters to encourage floriculture and the export of flowers. About 150 export oriented units are being set up in and around the major floriculture hubs including Pune, Chandigarh, Bangalore, Delhi and Hyderabad.

The Agricultural and Processed Foods Export Development Authority (APEDA) has set up half a dozen agro export zones in Maharashtra, Sikkim, Tamil Nadu, Uttarakhand and Karnataka. It has also set up export facilitation centres in the Netherlands, Dubai and Tokyo, and plans flower auction centres in Mumbai, Bangalore, Kolkata and Noida.

At present, over half the floriculture units are located in south India. Kochi in Kerala, for instance, recently hosted the first international anthurium cut-

flower show in the country, attracting participants – and buyers – from around the world.

Pune in Maharashtra has also emerged as a major flower-growing region. The city, and some of the neighbouring areas, accounts for a third of flower exports from India. Pune and Bangalore are the two largest flower clusters in the country, with about 40 units operating from the two cities.

Indian floriculturists have also been making bold forays abroad. Ramakrishna Karuturi, a US-educated entrepreneur, and founder, Karuturi Global, started a 100 per cent EOU in Bangalore in 1995. He also launched Rose Bazaar.com, an internet auction portal, a few years later.

Today, the company is not only the biggest producer of roses in India, but is a global leader in cut rose production and has expanded abroad, setting up a presence in Ethiopia.

Karuturi Global today manages 220 hectares of rose farms in India, Ethiopia and Kenya and is adding 450 hectares in Ethiopia. This year, the company will produce 650 million stems and by 2010, hopes to cross the one billion-mark.

Karuturi, who raised \$250 million recently to acquire additional land in Ethiopia, also acquired a Dutch firm for \$70 million last year.

The huge growth opportunities in the floriculture business in India will see the blossoming of many more such entrepreneurs, cultivating both on domestic and foreign soil.

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corporates. They include Reliance, ITC, Tata Tea, Bharti Group and the Thapar Group. Their plans are being driven by demand from overseas retailers like TESCO, Sainsbury, Wal-Mart, Asda, Sears, Carrefour, Metro and K-Mart.

International retailers buy in large volumes, so scale of operations and quality control will be of paramount importance. This is encouraging domestic corporates to enter the sector. "Floriculture in India is becoming an attractive, commercially viable diversification option," says industry expert S. Jafar Naqvi. "Several companies involved in agro business are set to venture into this sector." Some of the smaller players are looking for innovative methods to take advantage of benefits that scale and size provides, by forming cooperative societies. By doing so, they hope to collectively buy farming materials, fertilisers and other supplies as a single entity helping them drive down costs through bulk purchases. With corporate players getting in on the action, and smaller players consolidating their efforts, India's floriculture sector can expect to blossom over the coming years.