

# **CUT FLOWER EXPORT FROM BANGLADESH: PROSPECTS, CHALLENGES, AND PROPOSITIONS**

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## **ABSTRACT**

*This paper attempts to study the export oriented cut flower industry of Bangladesh. The focus of the study is on identifying the prospects and challenges of the industry and would also attempt to provide some propositions to improve the export performance of cut flower industry. Even though the cut flower industry in Bangladesh is small when compared to global market, this industry is showing great prospects in the international market. The rapid growth in production of cut flowers has been driven largely by opportunities to supply high-income markets in Europe, United States, and Asia. Improved cultivation and post harvest techniques combined with widely available air transport makes it possible to take advantage of cost, seasonality, and climatic affect in producing flowers for these markets. Bangladesh, being gifted with favorable climatic condition, fertile land, and a set of excellent workforce is capable of producing a large variety of flowers, foliages, orchids, and ornamental plants of international standard. This study discusses the existing market of cut flower in global arena, the challenges faced by flower producers and exporters, and the prospects that may lead to further development of the industry. The methodology used in this study is qualitative.*

**Keywords: Cut-Flower, Export, Industry, Bangladesh,**

## **1. INTRODUCTION**

Through the 1970's activities of the European flower industry had begun to influence cut flower production and sales beyond the borders of Europe. Cut flower sales through the Dutch flower auctions had gained a share of the US market. This was achieved by

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promotion activities in the USA supported by the Holland Flower Council (C. Wernett, 1998). Kenya, Israel, Zimbabwe, Ecuador, Uganda appeared as major flower exporting countries as the cut flower trade turned into a multibillion dollar world industry with United States, Germany, the Netherlands, the United Kingdom, Switzerland, Italy, France, and Japan begin major world consumers (Arya, 2014).

Export earning is one of the most important driving forces for developing economies, of which Bangladesh is not an exception. Bangladesh exports many products to different parts of the world. Cut flower is one of the promising export products and it would be a growing export product in near future. export of this product is growing every year. Over the past couple of years, the export of cut flowers and foliage has exceeded target by over 10% as it had turned out to be an emerging industry of high potentials for the entrepreneurs that would widen the country's export basket.

## 2. OBJECTIVES OF THE STUDY

The main objective of this study is to identify the prospects and challenges of cut flower industry in Bangladesh with a focus on export performance. To achieve this main objective, the following specific objectives would have to be achieved.

- To study the growth of cut flower industry in Bangladesh.
- To analyze export performance of cut flower from Bangladesh to different countries.
- To identify the challenges faced by export oriented cut flower producers of Bangladesh.
- To suggest measures to improve cut flower export to assure greater contribution of this industry to the economy of Bangladesh.

## 3. RATIONALE OF THE STUDY

Bangladesh has experienced a significant export growth despite many hindrances; namely the world economic recession and domestic political uncertainty. However, export of agro-based products is not as considerable as other manufacturing products. The export policy portrays the strategies taken by the government to ensure the efficiency in export business. Cut flower is one of the items which come under special development sector, and there are many incentives and plans to enhance the growth of cut flower and foliage export to different countries.

Not many studies have been done concerning this prospective industry of Bangladesh. Although few studies have been conducted in this sector, none of them focuses on identification of challenges and propositions for this industry. This study will present a clear picture of business opportunity of cut flower in global market as well as domestic market. The study also highlights the contribution of government to this business. This paper would have significant roles to play in shaping the future of cut flower industry in Bangladesh and encourage new entrepreneurs to come up with new ventures in the export

business of cut flower and foliage. This study would also open up further research avenues for both government research and private sector research works.

#### 4. RESEARCH METHODOLOGY

Both exploratory and descriptive research methods have been used to conduct the study. Information have been collected from both primary and secondary sources. Secondary information has been collected from research documents, articles, journals, online, annual reports and other such materials. The existing literatures have been studied thoroughly. The primary data have been collected through some unstructured interviews with flower growers in Bangladesh. The interviews were conducted on flower growers near Dhaka city for the reason of convenience of data collection. Like secondary data, primary data have also played a significant role in deriving findings of the study. After analysis of both primary and secondary data, findings have been presented in tabular and graphical format. The relevant information then has been analyzed for qualitative explanation of the matter.

#### 5. LITERATURE REVIEW

Though Bangladesh has great potential to grow into one of the major exporters of flower to many countries of the world, not many academic studies have been conducted to explore the problems and prospects of this industry. However, some studies have been done in many other flower exporting countries which can be considered as learning points for Bangladeshi flower growers and exporters.

A research paper on economic policy on WTO Agreement on agriculture by Choudhury and Sharifa in 2005 has discussed potential of agro processing products in Bangladesh. They have presented global economic situation, a review of business environment, investment, export and import climate of Bangladesh. They have also indicated trends of production and export of agricultural and agro processed products from Bangladesh. They also have analyzed the National Agricultural policy and Export Policy of Bangladesh, highlighting features of Agreement on Agriculture, and explained the agriculture trade under GATT regime.

A report on Market News Service, a monthly bulletin by ITC, Plasmeijer and Yanai, 2012 has presented informative notes and statistical analysis on Cut Flower trade in major European and international markets, which are helpful for identifying relevant factors of cut flower export.

A research paper on cut flower production and development in Asia done by FAO, indicated some key factors which promote cut flower business in Asia. The study analyzes market opportunities in both domestic and export market from south Asia and highlighted the production opportunity for cut flower in Asia. It suggests to emphasize cooperation and commitment in terms of education, research, funding and

communication from countries in Asia is essential for the Asian flower industry to succeed. (C.Wernett, 1998)

A report on cut flower business in rural China explained export success of China. In this report, the author gave details of how Yunnan's cut flower industry has grown from a mere 16 hectares to more than 10,000 hectares of production and yielded a successful export trade with the help of International Trade Center (ITC). (Hunt, 2004)

Another study on export growth and prospect of floriculture in India by Dr. Amitava Saha, Deputy Director, DGCI&S has compared global floriculture business from 1996 to 2005 with India's export and import business performance from 1996 to 2005. The study has also underlined the problems in export of flower from India and suggests some measures to overcome those problems. In this regard, a study on Economics of floriculture in Pakistan (Manzoor *et al*, 2001) indicated economically the flower business is not doing well. This study identified some constraints and in flower business mainly in farm level and retail level and suggested recommendations to enhance flower business in Pakistan.

Another study on present status of cut flower business in Kathmandu, Paudel, 2014 illustrated the production process, storage and maintenance process, the marketing system and the problems pertaining to this industry. The study also identified prospects of cut flowers business in Nepal as well as the export obstructions and recommended some requirements to promote this business.

In a study on export potential of cutflower in Bangladesh, Jalil *et al*, 2007 examined the export potential of some selected flowers such as tuberose, rose, gladiolus and marigold of Bangladesh. They used exponential model for describing the growth pattern of cut flower export and made forecast on growth pattern. They also described the scope of Bangladesh for expanding floriculture export as it enjoys comparative advantages in terms of favourable climatic conditions to meet seasonal market opportunities in the overseas market. Some problems in the export of cut flower have also come up with recommendations. In this regard, Mannan *et al*, 2007 conducted a study and identified the present status of flower cultivation along with the problems faced by the farmers at Zhikargacha Upazilla of Jessore district of Bangladesh.

Mou 2012 in her study on profitability of flower production and marketing system of Bangladesh, examined the production and profitability of some selected flowers in comparison with their competing crops. She identified the value chain and channels of flower marketing in Bangladesh, the constraints of flower marketing and also suggested recommendations which may help develop flower industry and strengthen its marketing system.

Islam and Rahman, 2013 in a study on flower cultivation in Jessore, have presented flower cultivation as a lucrative business which ensures higher potential to return compared to other agricultural crops. They illustrated mainly with economic viewpoint such as positive influence in national GDP growth and in employment generation and potentialities to grab international market due to low production cost. Salahuddin, 2013 conducted an economic study to estimate productivity and profitability of commercial floriculture in some selected areas of Jessore district of Bangladesh. He used simple statistical technique as well as Cobb-Douglas production function to analyze the data. He found that floriculture was profitable in the study area where Rose, Marigold, Gladiolus are mainly produced. Alike other studies, this study also highlights the constraints prevailing in this business sector. Correspondingly, in a newspaper article, Arya 2014, has discussed the current situation of flower business in Bangladesh which specifies the history of cut flower industry in Bangladesh and the problems faced by the farmers and intermediaries.

Bangladesh Trade Assessment 2013, a study, which was conducted by USAID through Carana Corporation to determine the potential for promoting regional and global trade linkages with the South/Southwest region of Bangladesh, which is considered to be the FTF region. The study identifies exports prospects for value chains in the SSW, cut flower is evaluated to have promising export growth potential. These are non traditional exports that have not yet penetrated export market on a substantial scale, though, global demand for cut flower is strong and Bangladesh should be able to make inroads in foreign markets. In Another technical paper on floriculture and flower market development in Bangladesh, Khan 2013, suggested that the flower market development initiative should take different strategies for local market and export market. Several weaknesses are identified and specific recommendations are proposed. Infact, a report on Annual General Meeting of APBPC (Agro Products Business Promotion Council) held on November 3, 2013, advised some planning for export promotion of cut flower.

## 6. ANALYSIS AND FINDINGS

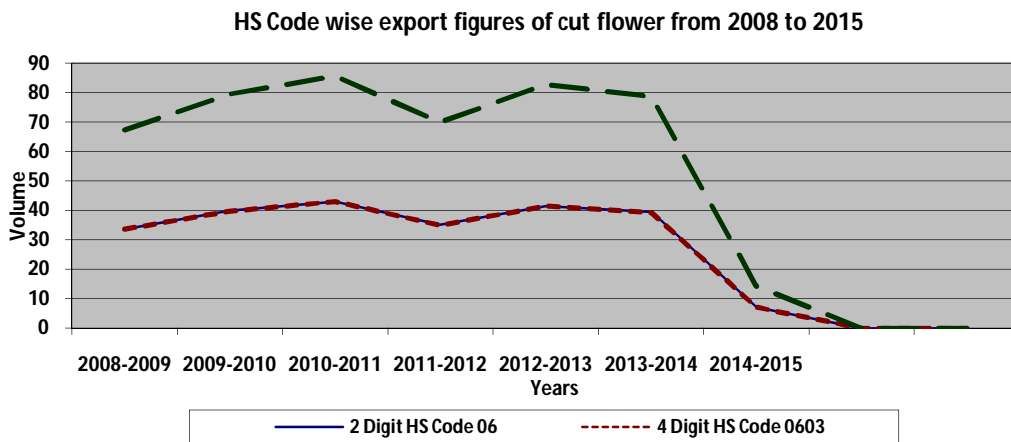
### 6.1 Cut Flower Industry in Bangladesh

Cut flower industry in Bangladesh started in a small-scale range with tuberose. The large-scale commercial production started from mid 80's in Jhikargacha upazila of Jessore district. Since it was profitable, many farmers became interested in this business. Within a short period of time, Jessore, Savar, Chuadanga, Mymensingh and Gazipur turned to be a major flower production belt of Bangladesh. At present, 10,000 hectares of land covers flower cultivation taking the lead by Jessore district. More than 5000 resilient farmers are growing flower and foliage in the country and about 150,000 people are directly or indirectly involved in floriculture business. Bangladesh exports a large number of cut flowers and ornamental foliage to foreign countries. Tube rose, rose, orchid and marry gold are among the major flowers that make up Bangladesh's floral basket for exports.

Bangladesh exports flowers and floral products to India, Pakistan, Italy, Portugal, Saudi Arabia, the United States, South Korea, the Philippines, Singapore, Japan, Germany, Britain, Denmark and France. Despite the domestic production, Bangladesh has to import significant quantity of flowers due to customer demand. The major imported flowers are gladiolus, tuberose, chrysanthemum from India; orchids, gerbera, anthurium and Thai rose from Thailand and a massive number of flowers from China and Indonesia.

### **6.2 Export Performance of Cut Flower from Bangladesh**

Flower is a widely-used product around the world. Flowers are exported to different countries of the world in the form of bouquets, fresh or dried. Even though Bangladesh is not one of the top 10 Cut flowers-exporting countries, this industry is growing every year and is showing more potentials as a larger contributor to the economic development of the country. After starting to produce flower commercially in the mid 80s, Bangladesh has generated lots of economic benefits from this sector through local and export sales. In 2013-14 fiscal years, flower export generated \$39.34 million of foreign earnings for the country, which is slightly lower than \$42.88 million in 2010-11 fiscal years.



**Figure 1: Export figure of Cut flower and buds**

**Source: HS code wise Export Details from EPB’s website**

*Figure 1 and appendix 1* illustrate export performance of cut flower from Bangladesh. The export figures are showing a slightly downward trend after 2011. Proper initiative by both entrepreneurs and government can play a vital role in improving situation and make this industry more lucrative and contributing towards the economy of this country.

### **6.3 Prospects for Further Development**

As mentioned in the earlier discussion, number of factors such as landscape, climatic condition, government supports, and increasing foreign demand are some of the major reasons that may instigate further development of cut flower industry of Bangladesh. Considering future growth potentials, government of Bangladesh has identified this sector as one of the thrust sectors and is determined to provide special facilities in the form of cash incentives, venture capital, and other forms of subsidies. The ministry of commerce has taken initiatives to seek duty-free / quota free market access of Bangladeshi products (including cut flowers) in the markets of developed and developing countries. As a result, Bangladesh has already received duty free / quota free market access from a number of countries which includes Australia, New Zealand, Norway, Canada, and the European Union countries. Besides, Bangladesh has also got tariff concession for export to India, Pakistan, China, Thailand, Russia and Turkey. Bangladesh has also signed bilateral investment treaties with USA, UK, and Italy, which are among the major importers of cut flowers from Bangladesh.

To encourage the exporters to establish market contacts in potential and unexploited markets, participations in different international trade fairs have been organized which have resulted in familiarization of our products. Due to various support and activities undertaken by Bangladesh government, exports of some non-traditional items like cut flower and foliage have been possible. The cut flower industry in Bangladesh is small when compared to global market. Bangladesh is a new entrant in the cut flower business. The most non-traditional item has now become a promising one, the export of which registered a phenomenal growth of 865.79 percent over the period of one year. In the year 2004-2005 the performance of this sector was \$7.34 million while in 2003-2004 the figure was just \$0.76 million.

### **6.4 Challenges**

The growth of cut flower export industry is not without constraint. Some of the major challenges that cut flower industry faces are:

- Most of the farmers are illiterate and they lack scientific knowledge and modern technology of flower cultivation. In addition, they hardly receive quality seeds or plants for flower production. As a result, the production level is at times not satisfactory.
- Besides, the weak networks, insufficient stock of fertilizer and pesticides, stealing, flower damage by animals, and spoilage also have negative impact on production.
- Preservation of both flower seeds and flowers is extremely important for successful economic outcome. Even though the agriculture department of the government of Bangladesh provide some support to flower growers, their support is restricted to cultivation process, pest control, and providing of seeds. There are dire need for government initiatives on post harvest management of flowers in terms of preservation and distribution.

- Transportation system is a huge concern for flower growers and exporters. As a perishable good, preservation during transportation and shipment is of paramount significance for this industry. At the present moment, the logistic supports that flower production and distribution requires are not sufficient. This is one of the reason for which a noteworthy portion of total produce is damaged and are not capable of meeting the quality of foreign buyers.
- The intermediaries also face some problems like the farmers. Difficulties in getting institutional credit, higher rate of interest, lack of knowledge of proper storing and packaging procedure have been hampering the business (Arya, 2014 ; Mou, 2012).
- Packaging is of utmost importance for export of products like cut flower. And the importance of packaging is further enhanced when it comes to some high value flowers. The traditional ways that are used for packaging flowers, sometimes are not appropriate for export markets. Affective packaging can not only ensure better quality of products, but also lower transportation cost at a significant rate.

### **6.5 Propositions for Improvements**

Flower export is showing great potentials for Bangladesh to earn significant amount of foreign currencies. However, this study has identified some of the problems that flower growers and distributors have been facing. Initiatives are required at both government and entrepreneurial levels to improve performance of this industry. And if proper initiatives are taken, this industry can prove to be one of the major export products of Bangladesh.

- Bangladesh has some natural advantages over many other flower growing nations of the world. Numbers of European countries produce flowers. But these countries have to rely on green house, whereas Bangladesh has suitable climatic conditions where such technologies are not required. But there are some flowers that are very sensitive and require green house facilities. But the components that are being used in Bangladesh for making green house for flower cultivation are not very scientific and environment friendly. Thus, government needs to provide technical and material supports to flower growers.
- Flower growers of the country need education and training on flower cultivation, preservation, packaging, and distribution. Development in research and development sector for flower production and storage should also be initiated by agro based or floriculture institution.
- Major flower growers should be given opportunities to participate in national and international conferences, workshops, and training programs; so that they can learn from experts all over the world about all aspects of flower cultivation and exports.
- Government and floriculture institutions should take initiatives to collaborate with international organization such as ITC, WTO, and USAID for administrative, production, and distribution related assistance.



- To be successful in international flower markets, Bangladesh has to be very competitive in terms of product quality, price, and on time delivery. Export oriented flower cultivation is one of the major industry in India, which is one of the major competitors of Bangladesh. Indian government and related institutions are taking many initiatives for the growth of this industry, whereas no significant measures are visible in Bangladesh. Government need to take more initiatives to make our farmers efficient and capable of producing better product in an efficient way.
- Even though the government of Bangladesh has many policy guidelines for the development of flower export sectors, field level implementation of these policies are restricted to consultation on cultivation and pest control. Both government and private sector should enhance initiatives to take measures in implementing the policies and provide financial and technical supports to flower growers, distributors, and exporters.

## 7. CONCLUSIONS

The landscape and climatic conditions of Bangladesh provide great advantage to flower growers of Bangladesh, which many of the major flower growers of Europe lack. Utilization of these natural advantages to a large extent can ensure the growth of this sector. However additional educational, technical, preservation, distribution, and financial support is needed from both government and private sector institutions. Implementation of governments' policies in this industry can enhance the development to a great extent. Proper care and support can take this industry to a stage where it would be considered as one of the major export industry of the country in near future.

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**Appendix 1**

| <b>4 digit HS Code : 0603 : Cut flowers and flower buds for bouquets, fresh or dried</b> |                  |                  |                  |                  |                  |                                   |
|--|------------------|------------------|------------------|------------------|------------------|-----------------------------------|
|  |                  |                  |                  |                  |                  | <b>Unit : US \$</b>               |
| <b>2008-2009</b>   | <b>2009-2010</b> | <b>2010-2011</b> | <b>2011-2012</b> | <b>2012-2013</b> | <b>2013-2014</b> | <b>2014-2015 (up to February)</b> |
| 10,881.07  | 15,866.12        | 127,488.50       | 50,503.73        | 30,106.98        | 23,992.87        | 202.55                            |

| <b>4 digit HS Code : 0604 : Foliage, branches etc</b> |                  |                  |                  |                  |                  |                                   |
|---|------------------|------------------|------------------|------------------|------------------|-----------------------------------|
|   |                  |                  |                  |                  |                  | <b>Unit : US \$</b>               |
| <b>2008-2009</b>                                      | <b>2009-2010</b> | <b>2010-2011</b> | <b>2011-2012</b> | <b>2012-2013</b> | <b>2013-2014</b> | <b>2014-2015 (up to February)</b> |
|   |                  |                  |                  |                  |                  |                                   |

**Table 1: Export figures of cut flower from 2008 to 2015 (February)**

Source: HS Code wise export details from EPB's website

| <b>2 digit HS Code : 06 : Live trees, plants, bulbs, roots, cut flowers etc</b> |                  |                  |                  |                  |                  |                                   |
|---|------------------|------------------|------------------|------------------|------------------|-----------------------------------|
|   |                  |                  |                  |                  |                  | <b>Unit : US \$</b>               |
| <b>2008-2009</b>  | <b>2009-2010</b> | <b>2010-2011</b> | <b>2011-2012</b> | <b>2012-2013</b> | <b>2013-2014</b> | <b>2014-2015 (up to February)</b> |
| 33,673,949.21   | 39,844,967.46    | 42,886,975.69    | 35,018,800.64    | 41,428,334.35    | 39,338,682.80    | 7,152,259.12                      |