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## Colombia

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### **The History of the Colombian Flower Industry and Its Influence on the United States**

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**Report Highlights:**

FAS/Colombia is writing a series of reports on the opportunities and challenges for agriculture under the United States - Colombia Trade Promotion Agreement (CTPA), which went into effect on May 15, 2012. This report highlights the Colombian flower industry, which supplies the majority of cut flowers in the United States and has grown into a billion dollar industry. This year marks the 50th anniversary of the first Colombian flower exports to the United States on October 18, 1965.

## Introduction



Luther Burbank, the American botanist, horticulturist and pioneer in agricultural science, once wrote that “flowers always make people better, happier, and more helpful; they are sunshine, food and medicine for the soul.” For almost 50 years, a gift of Colombian flowers has put a smile on

the faces and warmed the hearts of millions of Americans. From its humble beginnings, the cut flower industry in Colombia has developed into a billion dollar industry with around 75 percent of flowers in the United States today originating from this South American country, creating hundreds of thousands of jobs in both Colombia and the United States. The success of the Colombian flower industry is a testament to the partnership between the United States and Colombia and the benefits of free trade, and is an example of positive things to come in trade between the United States and Colombia with the implementation of the CTPA in 2012.

## The Start of the Colombian Flower Industry

While you may be aware that the flowers you buy for Valentine’s Day and Mother’s Day come from Colombia, you probably do not know that this successful industry had its birth in John Kennedy’s Alliance for Progress of the 1960s and the work of the U.S. Agency for International Development (USAID). The Alliance for Progress, which began in August 1961, was developed by the Kennedy Administration to enhance economic cooperation between the United States and Latin American countries to combat communism. Colombia was one of the showcase countries of the Alliance, and John Kennedy even visited Bogota to enthusiastic crowds in December 1961 to promote his new program.

USAID was tasked with administering development projects in Colombia in support of the Alliance for Progress, with a major focus on agriculture. Walter Tatum, the USAID Market Promotion Specialist in Colombia, was amazed at the potential for non-traditional agriculture, particularly for export. Much of the country was blessed with mild temperatures, a twelve-month growing season, fertile soil, an abundant water supply, and long equatorial days. Its close geographic proximity to the United States and cheap labor supply were also extremely favorable to exporting non-traditional agricultural products such as flowers.

The origin of the Colombian export flower industry can be attributed to Edgar Wells, a Colombian of English descent.<sup>[i]</sup> A floriculture hobbyist turned entrepreneur, Wells was intent on making Colombia into a producer and exporter of cut flowers. In fact, he once compared the Colombian flower industry to the legend of El Dorado, the mythical Indian city in Colombia of unimaginable riches. “After 400 years,” Wells commented, “the true riches of El Dorado have been discovered...a permanent source of riches for all Colombians, for all time.”<sup>[iii]</sup>

While visiting New York City, Wells apparently got his entrepreneurial idea by witnessing the prices that were being paid at wholesale flower markets in the city. Excited by the prospect of exporting flowers, Wells consulted an agronomist in Florida to learn the latest techniques in producing commercial flowers. An added boost to his idea was the fact that some airlines established jet flights from Bogota to Miami in the early 1960s. Wells set up an export company in Colombia and on October 18, 1965 sent the first shipment of cut flowers to Miami worth \$20,000. <sup>[iii]</sup> Thus, 2015 marks the 50<sup>th</sup> anniversary of flower shipments to the United States.

In 1966 USAID along with the Kellogg and Ford Foundations funded the Nebraska Mission to Colombia to provide technical assistance in agriculture to the country. The Mission, led by the University of Nebraska, was made up of a consortium of land-grant universities including Colorado State University, Iowa State University, Kansas State University, Oklahoma State and the University and Missouri.

David Cheever, a graduate student from Colorado State University, was influenced by the work of Edgar Wells and USAID in Colombia. His 1967 master's thesis was entitled "Bogotá, Colombia as a Cut-Flower Exporter for World Markets." <sup>[iv]</sup> Cheever emphasized in his thesis that the plateau region surrounding Bogota was ideal for growing flowers, and being close to an international airport made it possible to export these flowers to the United States. His master's thesis was the catalyst for the development of Colombia's billion dollar flower industry.

## Early Success



David Cheever displaying carnations

In 1969 Cheever proved his thesis was correct by partnering with three American business associates, each invested \$25,000, to form a company named Floramerica to cultivate and export carnations. According to Cheever, "we did our first planting in October of 1969, for Mother's Day 1970, and we hit it right on the money." <sup>[v]</sup> So successful was Floramerica that within five years ten companies were in the same business. After spending his career associated with the Colombian flower industry, David Cheever passed away in 2013 at the age of 75 leaving behind the legacy as the man who brought the flower industry to Colombia.

There were a number of reasons for the early success of the Colombian flower industry. <sup>[vi]</sup> Because of the fragile nature of cut flowers, until the 1950s production in the United States was concentrated close to the major urban areas in the eastern United States. However, with improvements in air transportation, refrigerated trucks, and the expansion of the interstate highway system in the 1950s, flower production didn't need to be located close to the consuming areas. It was now possible to cut and transport flowers anywhere in the United States within hours. The U.S. cut flower industry began to move from the eastern United States to the west and south, in such states as California, Colorado and Florida, because of lower land, labor and energy costs. The search for better growing conditions and lower production costs helped to shift the cut flower industry to Colombia in the early 1970s, where improvements in air transportation, coupled with fertile soils, long-sunny days,

and inexpensive land and labor made the country an ideal location for growing flowers. Moreover, the Colombian entry into the cut flower market made flowers more affordable for Americans and led to increased access through non-traditional outlets such as supermarkets and street vendors.<sup>[vii]</sup> Flowers were no longer considered a luxury.

Another reason for the success of the Colombian flower industry was the change by the Colombian government in the late 1960s away from an import substitution economic policy. Like most countries in Latin America, during World War II Colombia implemented an import substitution economic model because of the shortage of imported goods.<sup>[viii]</sup> With import substitution, the Colombian government promoted domestic industries through high tariffs, subsidies to domestic industries, and an artificially high exchange rate for the Colombian peso, which was a major disincentive to export. In the late 1960s the Colombian government created policies that were more free trade oriented. With the Presidency of Carlos Lleras in 1966 the Colombian government wanted to diversify and promote exports and created PROEXPO a Colombian government agency to promote exports and also allowed for a gradual devaluation of the peso that made exports cheaper.

### **The Key to Success – Overcoming Obstacles**

The industry's success can also be attributed to Colombian flower growers being entrepreneurs and business people that have allowed the industry to overcome obstacles and adapt to changing business environments.

An early initiative of the Colombian flower industry that proved a wise investment was the creation of The Association of Colombian Flower Exporters (Asocolflores) in 1973. The purpose of the

association was to promote flower exports, to defend and maintain access to international markets, and to develop the Colombian flower industry. The Association has been critical to the success of the industry. One of the keys to success was overcoming the handling and transportation of flowers.<sup>[ix]</sup> For example, in the 1960s Colombia was served by few airlines and the planes were generally old. Flowers were transported in the luggage hold because there were no dedicated cargo planes. The narrow cabins required manual loading and unloading, adding to transportation costs. Asocolflores hired



A flower farm outside of Bogota

a charter airplane and required that growers send a certain amount of flowers per shipment. Once other companies saw that transporting flowers was profitable, they began transporting flowers. The Miami airport did not have the proper equipment to unload flowers, or the cold storage facilities to keep flowers fresh. Asocolflores helped to establish a company responsible for loading and unloading flowers and keeping them in refrigerated storage facilities.

Early on, Colombian growers established importer-distributor companies in Miami and Europe.<sup>[x]</sup> This allowed the industry to bypass third party brokerage houses and to control their own marketing efforts. Distribution within the United States was also an issue. Colombian growers contracted with an established trucking company to ship throughout the United States.

By the 1980s Colombia was the leading supplier of cut flowers in the United States. This early success, however, led to a backlash from some American growers. For a dozen years (1987-1999) there were legal battles between U.S. and Colombian growers.

The Flower Promotion Organization (FPO) was launched in August 1999 to resolve these legal issues. Colombian and U.S. growers pooled their money to expand the market for flowers in the United States. FPO had some success in increasing demand. In 2004, for example, an analysis by Ronald Ward stated that, “Simply stated, there is increasing evidence that the FPO promotions have attracted additional buyers within the target cities.”<sup>[xi]</sup> In early 2013, FPO decided to shift its focus, disbursing its final assets to the Floral Marketing Research Fund and the Society of American Florists’ PR Fund to continue its core work on promotion and research.<sup>[xii]</sup> FPO would continue to serve as a forum for the U.S. and Colombian flower industries to discuss promotional issues and goals.

To combat illegal drugs, the U.S. Congress enacted the Andean Trade Preference Act (ATPA) in 1991. The law offered duty-free access to a wide range of exports from Bolivia, Ecuador, Peru and Colombia. While the law benefited the Colombian cut flower industry, Congress had to periodically renew the ATPA and sometimes allowed the law to lapse, sending the industry into a panic. The implementation of the CTPA in May, 2012 solidified these trade preferences and eliminated the uncertainty for the Colombia flower industry.

The Colombian flower industry continues to look for opportunities in the world market. For example, a Colombian company grows biotech flowers for export. Under greenhouse conditions, the company produces blue carnations for export to Europe and Japan.

## **The American Connection**

Asocolflores estimates that the value to the U.S. economy of Colombian flower exports is actually multiplied tenfold by the time it reaches American consumers. Therefore, over \$10 billion of added value is distributed along the value chain, including many U.S. based importers, brokers, truckers, wholesalers, florist retailers and mass marketers such as supermarkets.

According to the Colombian association, a number of flower export businesses in Colombia have been owned by Americans.<sup>[xiii]</sup> There are around 150 companies that import and distribute Colombian flowers in the United States, mostly located in the Miami area. At three major international airports (Miami, Bogota, and Medellin) flowers are the single most important cargo items. In fact, flowers have turned the Bogota airport into Latin America’s foremost air cargo handler, with 200,000 tons of annual airfreight. In addition, flowers are the single most important cargo item for the Miami airport. International trade in Colombian flowers also generates nearly \$250 million per year in freight revenues for U.S. and Colombian airlines. Flowers carried by eight airlines, flying mainly to United States, represent their major cargo business. During the peak

season, 30 to 35 fully loaded flights per day take off from Colombia, most landing in Miami.



Colombia flowers leave Bogota for Miami

In the United States, about 30 companies operating hundreds of trucks haul flowers daily to hundreds of cities. Over 25,000 traditional florist retailers, selling flower arrangements to consumers, and nearly 1,000 wholesalers that supply these retailers, source 60% of their product from Colombia. Supermarkets chains, such as Wal-Mart, Kroger, Safeway, Wholefoods, Albertson's, Costco, which have an overall flower market share in the United States of about 50%, also source most of their flowers from Colombia.

### **The Future Looks Bright**

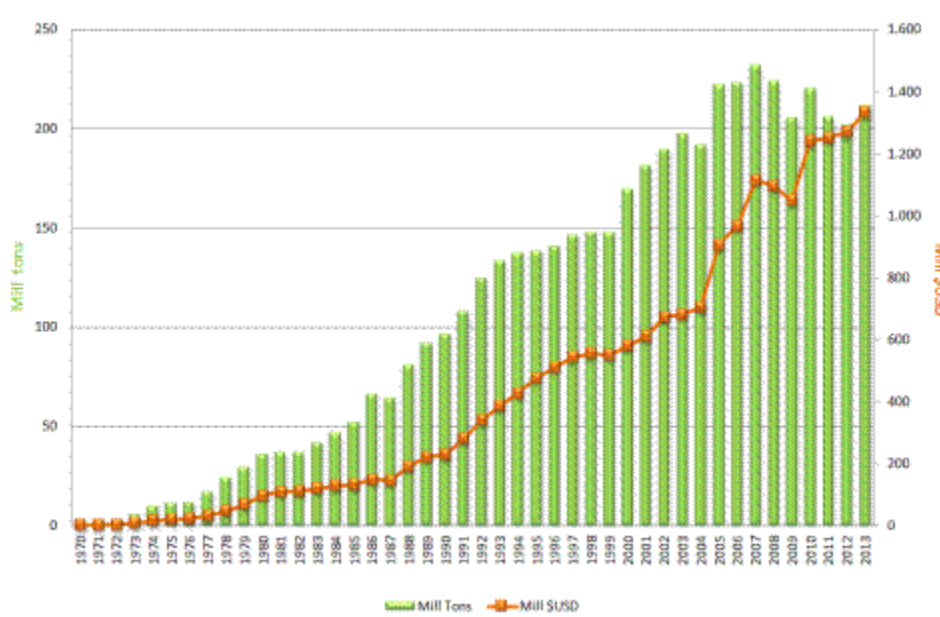
With symbolic meaning, a plane loaded with cut flowers departed from Bogota's El Dorado Airport for Miami International Airport just before midnight on May 14, 2012. When it landed in the early morning of May 15 the CTPA had taken effect, eliminating tariffs on most Colombian products.<sup>[xiv]</sup> Thus, cut flowers became the first Colombian product to benefit from the CTPA.



The ceremony at Bogota El Dorado Airport marking the start of the CTPA

In 2013, Colombia exported \$1.34 billion worth of flowers, with the United States accounting for over 75% of the total at \$1.09 billion. Roses were the primary export flower, at \$365 million, followed by carnations at \$156 million and chrysanthemums at \$147 million.

## COLOMBIAN EXPORTS OF CUT FLOWERS TO THE WORLD



Source: Asocflores

Colombia grows 8,000 hectares (20,000 acres) of flowers. <sup>[xv]</sup> Around 7,000 hectares are cultivated under greenhouse conditions while 1,000 hectares are produced outdoors, under rain fed conditions.



In May, 2013 Vice President Biden visits a Colombian flower farm to highlight the benefits of free trade

The Bogota Savannah accounts for 73 % of flower production in Colombia and the Rionegro Valley close to Medellin accounts for 24%, with the remaining 3 percent scattered throughout the central and western parts of Colombia. There are roughly 300 farms producing flowers for export. Around 50% of these farms are between 20-50 hectares (50-125 acres) while 50% are greater than 50 hectares.

The Colombian flower industry employs 90,000 Colombians directly and another 40,000 indirectly through various companies that supply inputs and services to the industry. The Colombian flower industry is also a major employer of low-skill, largely female labor drawn from the low-income areas surrounding Bogota and Medellin.

In recent years USAID has supported the Colombian flower industry. In 2006 USAID gave over \$2 million to strengthen and expand two of Asocolflores leading social responsibility and peace-seeking programs: *Cultivating Peace in the Family*, which teaches flower farm workers, as well as their families and communities, to manage conflicts in a rational, non-violent way; and the *School of Floriculture*, aimed at training people displaced by terrorist and drug related violence, in the principles and practices of floriculture in order for them to find jobs in the flower industry.

Asocolflores still plays a comprehensive role that has impacted a wide variety of fields, and has served to bolster and defend the Colombian floriculture industry. Initially, Asocolflores was focused on logistics, but in recent years the association has invested a great deal of energy in market promotion, technical, environmental and social development programs as well as guaranteeing access to major markets that have come under the scope of influence of free trade agreements, mainly with the United States.

The importance of the industry to thousands of Colombians was underscored by a recent letter sent to the U.S. Ambassador to Colombia Kevin Whitaker. A member of the Agudelo family, who has been working in the flower industry for three generations in the Rionegro Valley, sent a letter to the Ambassador thanking the people of the United States for buying Colombian flowers for Valentine's Day. Those heartfelt words show the importance of this unique partnership between the people of Colombia and the United States that has made the Colombian cut flower industry one of the most successful and important industries in Colombia.

It is the dedication of families like Agudelo, and standing on the shoulders of early pioneers such as Edgar Wells and David Cheever, that the Colombian cut flower industry will remain prosperous in the free trade environment of the CTPA and should continue to put a smile on the faces and warm the hearts of Americans for years to come.



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[i] Catherine Ziegler, *Favored Flowers: Culture and Economy in a Global System* (Duke University Press Books, 2007), p. 24.

[ii] Michael Fairbanks and Stace Lindsey, "Introduction: The Cautionary Tale of Colombian Flowers," *Plowing the Sea, Nurturing the Hidden Sources of Growth in the Developing World* (Harvard Business Press, 2007), p. 4.

[iii] Fairbanks and Lindsey, p. 3.

[iv] John McQuaid, "The Secrets Behind Your Flowers Chances are the bouquet you're about to buy came from Colombia. What's behind the blooms?" *Smithsonian Magazine*, February 2011 (<http://www.smithsonianmag.com/people-places/the-secrets-behind-your-flowers-53128/>).

[v] McQuaid, February 2011.

[vi] Maria Angelica Arbelaez, Marcela Melendez, and Nicolas Leon, "The Emergence of Fresh Cut-flower Exports in Colombia," *EXPORTS PIONEERS IN LATIN AMERICA*, Inter-American Development Bank, 2012, p. 75.

[vii] Jose A. Mendez, "The Development of the Colombian Cut Flower Industry," *Policy, Research, and External Affairs*, The World Bank, May, 1991, p. 12.

[viii] Mendez, pp. 14-15.

[ix] Arbelaez, Melendez and Leon, pp. 81-83.

[x] Mendez, p. 10.

[xi] Ronald Ward, "Estimated Impact of FPO's Generic Promotions of Cut Flowers," Selected Paper Presented at the American Agricultural Association Annual Meeting, Denver, Colorado, August 1-4, 2004, p. 4.

[xii] "Flower Promotion Organization Donates Its Funds to Market Research Funds to PR Company" *Superfloralretailing.com*, January 22, 2013 (<http://superfloralretailing.com/FYISlider/2013/0122FPO.html>).

[xiii] Ernesto Velez, Chairman, Board of Directors, Asocolflores, *Colombia Floriculture: A case of competitive entrepreneurship, with social and environmental responsibility, in a country under difficult and changing conditions*, (The Ellison Chair for International Floriculture, No. 2 of the distinguished lecture series, Texas A&M University, College Station, Texas), pp. 6-9.

[xiv] "Colombia's Free Trade Deal: Carnation Revolution," *The Economist*, May 19, 2012 (<http://www.economist.com/node/21555592>).

[xv] Velez, pp. 4-5.