

Rāpopoto - Summary

- The Dutch horticulture sector is a major contributor to the Netherlands economy and to the labour market. The Netherlands is also a key exporter of horticultural products to other EU markets. However, the sector is facing rising energy prices, supply chain disruptions, a decreasing labour supply, and decreasing consumer demand. Sector experts expect significant consolidation, with a 30 to 40 percent reduction in businesses.
- Government interventions are seen as ineffective and too late by some stakeholders, with the Netherlands being one of the last countries in Europe not supporting its horticulture sector. Proposed solutions include targeted subsidies, tax breaks, cooperating with other sectors on workforce sharing, and government guarantees for businesses to attract more funding from banks.
- With production in the sector expected to fall, the Netherlands will look more towards imports of certain products, leading to opportunities for businesses outside the European Union, such as New Zealand.

Pūrongo - Report

Facts and figures

Horticulture is a major contributor to the Dutch economy. The sector accounts for roughly 2.7 percent of GDP (€21.1b) and is responsible for 3.4 percent of jobs and 4.5 percent of R&D expenditure.

Greenhouse horticulture, which contributes 1 percent to GDP and generates €9.2b in export value, is an important part of the broader horticulture sector. An estimated 96,880m² of the Netherlands are covered by greenhouses: around 45% of this is devoted to vegetable production, and the remainder to flower and fruit production. Due to their production intensity and scale, Dutch greenhouses produce 21 percent of the peppers, 20 percent of the cucumbers and 17 percent of the tomatoes grown in Europe.

Greenhouses are intensive energy consumers. In 2019 the total energy consumption in the Dutch greenhouse sector was 106 petajoules (PJ). Greenhouse energy use, most of which is needed for heating, is overwhelmingly dominated by energy from natural gas. Around 58 percent of electricity was produced at the greenhouses by cogeneration (most greenhouses have a combustion plant on site) while 42 percent was purchased. Energy from renewable sources (mainly geothermal) has been growing rapidly in recent years.

Challenges

Challenges currently facing the Dutch horticulture sector are rising energy prices, labour costs, supply chain issues, and a decrease in consumer demand.

Rising energy prices seem to be the main issue facing the sector. Since Russia's invasion of Ukraine, gas prices have risen from around EUR 0.80 per cubic metre, to about EUR 2.5 per cubic metre. This sharp increase has multiple adverse effects. One effect is that growers will lower the heating in greenhouses, leading to lower production output. Scaling down production in general is another option, or turning towards seasonal production, to make use

of lower energy prices in summer. However some growers in the Netherlands are completely shutting down in response to the increase in costs. For businesses with fixed energy contracts for example, simply shutting down operations and on-selling their energy contracts on the market is more economically sensible than staying in business. Alternatively, growers with their own geothermal energy production can sell that generated energy on the market, instead of using it for their own production.

Increased costs of cool storage is another feature of the energy crisis. This affects in particular growers of longer-lasting crops such as onions, carrots, squash and potatoes. European growers may be tempted to sell these crops earlier rather than hold them in expensive cool storage for the usual 6-8 months. This makes particular economic sense at the moment, as the recent dry summer has meant smaller European crops of these vegetables, and thus higher prices.

The sector also faces a shortage of **labour supply**. Many workers in the sector often make only minimum wage, and the sector relies to a large extent on migrant workers from countries such as Bulgaria, Poland, Romania, and Ukraine. Due to rising wages in home countries and better work opportunities in other sectors, labour supply has fallen. This is compounded by an expected drop in labour supply should growers decide to turn towards more seasonal production cycles, making it harder to retain workers.

Supply chain issues are also hitting the sector hard, especially in the ornamental sector i.e. flowers and pot plants. The increase in transportation costs, compounded by international sanctions and Brexit (the United Kingdom and Russia are traditionally important export destinations for Dutch ornamental flowers), are leading to a decrease in demand. Furthermore, due to increasing inflation in Netherlands and in Europe in general, **consumer demand** has fallen as well.

Innovation and Solutions

One of the proposed solutions is **working with banks to finance the energy transition**, making it feasible to invest in businesses which are recording losses now but are committed to sustainable energy or which are innovative in other ways. The three largest banks in the Netherlands – Rabobank, ING, and ABN Amro are all interested in investing in the energy transition, and stakeholders are keen to see banks step up in the absence of tailored support from the government. Banks could be supported by government guarantees for SMEs, making these more attractive targets for investment.

Tax breaks have been mooted to mitigate the effects of rising energy and labour costs, issues compounded by an inability to adjust prices, due to the context of the international market. Stakeholders are also calling for more **targeted subsidies** for businesses with sustainable practices, worried that these businesses may face unfair competition vis-à-vis other producers in the European internal market, if they continue to not receive support.

Year-round contracts for labourers are also being recommended, in order to attract more workers. Seasonal horticulture is understandably not especially attractive for migrant workers. Individual business are running trials guaranteeing work in the off-season in other sectors, i.e. warehousing, in the hopes that this will alleviate labour shortages during the growing season.

Opportunities for the New Zealand horticulture sector

Sources anticipate the Netherlands will produce 30 to 40 per cent less fruit, vegetables and flowers this winter, and expect potential shortages on the supermarket shelves in January and February 2023, as a result of delayed and scaled down production. The energy crisis may see more production shifted overseas and a growing demand for fruit and vegetables imported from other warmer, seasonal climates over the European winter. Likewise, increased costs of cool storage may mean growers of outdoor vegetable crops may sell their produce earlier, thus extending the window for exports from the Southern hemisphere.

Aside from goods, the Netherlands, led by its Topsectoren (“top sectors”) policy[i], continues to be the ‘holy grail’

for New Zealand tech businesses looking to break into the sustainable agriculture and horticulture equipment and supply sector. The Netherlands hosts inwards trade delegations from all over the world as farmers and growers come here looking for the latest cutting-edge innovations, the best seeds and the best supplies. Much of this innovation is driven internally through active Dutch government investment in stimulating collaborations in the 'triple helix' of science, commerce and government, so many of the key sellers of, for example, high tech greenhouse systems, don't feel a need to look beyond the Netherlands for inputs. However, if New Zealand businesses with hort-tech innovations are able to get noticed here, it is likely this will open up a wider range of opportunities well beyond the Netherlands.

The Topsectoren approach also supports direct private sector partnerships e.g. in seed breeding and supply. If a New Zealand company partners with a Dutch company in a 'top sector', significant investment opportunities can be tapped.

Given the priority put on the horticulture sector in the Netherlands, there are opportunities for research collaboration. Wageningen University and Research (WUR) the world's top-ranked agriculture research institute, for example, is widely inter-networked with corporates and other research bodies, including New Zealand's Massey University. WUR coordinates a number of research projects which may be of interest to New Zealand public or private sector partners looking to invest in cutting edge horticultural science.

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