

# DIRECT IMPORTS – CUT FLOWERS FROM THE ANDEAN COUNTRIES TO THE UK

## IPD guide for success in direct imports

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## How to use the guide



This guide will support you in understanding directly importing cut flowers into the UK from the Andean Countries.

Within this guide the term “**Direct Imports**” is defined as the product journey directly from the grower country, into a UK port of entry (air or sea): i.e. without travelling via the EU, principally the Netherlands and the Dutch Auction (indirect imports).

**Direct Imports of cut flowers** to the UK are increasing generally, and there is greater interest in the potential benefits of direct imports.

**Key information**, highlighting the benefits and possible challenges for importing cut flowers directly into the UK from the Andean Countries will be covered within this guide.

An overview of the process and journey for the importation of cut flowers from Andean Countries is also provided.

This guide should be used for information only, as the situation is rapidly changing and regulations being revised. It is essential therefore to **review the situation** as it applies at the time of embarking on buying and importing directly from the grower.



# Content



This guide will provide information on the process of Direct Imports for cut flowers from the Andean Countries to the UK.

The aim is to help you to understand whether Direct Importing could be a viable option and right for you, by providing information on the key aspects of the process.

## **The following sections will be covered within this guide:**

- + An introduction to the benefits of direct imports
- + The import cost circle
- + A comparison of transportation timescales
- + Applicable charges and documentation – the new UK-Andean Countries Trade Agreement
- + Indirect import handling process
- + Corporate Social Responsibility benefits
- + An explanation of the direct import process ‘journey’
- + Useful Contacts & Glossary of Terms



## Context

The events of 2020 have highlighted the need for industry and supply chains to rethink their ways of working. This has the potential to give **positive change** across a number of areas, especially in terms of increased supply chain efficiency and resilience, and control of costs.

By necessity, industry has had to adapt due to **Brexit**, and implement new ways of working. Historically, the majority of cut flowers, c. 80%\*, have been imported via the Netherlands into the UK, and Brexit has prompted a re-evaluation of the supply chain to seek out efficiencies. In turn this is also **identifying new opportunities**.



The response to **Covid-19** has similarly prompted a re-evaluation of the supply chain. Especially its **resilience** and the need to minimise links within the chain, ultimately making it **robust** and fit for future challenges.

A **resilient supply chain**, offering attractive and competitive products, post-pandemic and working within the reality of Brexit, means that direct imports from Andean countries to the UK offers potentially viable **opportunities for importers**.

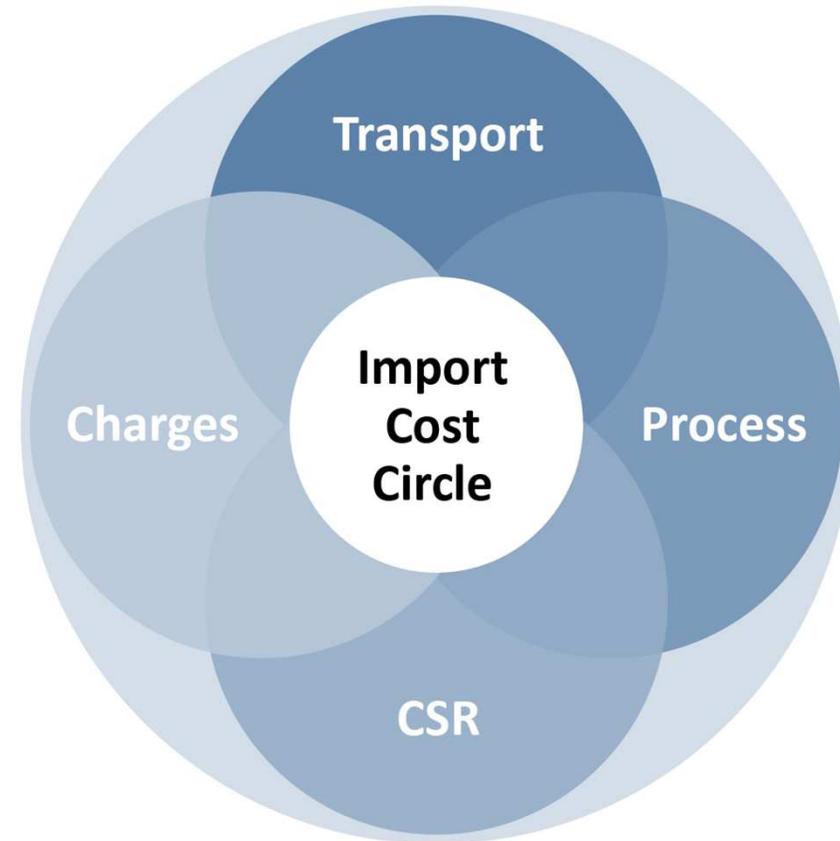
\* Source: British Florist Association



# Introduction to the potential benefits of direct imports

**The import of flowers to the UK is of course reflected in the cost of the final product. We can view the cost of the import of cut flowers as being a 'circle', comprising overlapping costs associated with transportation, regulatory processes, import charges and CSR.**

The components within the import cost circle could be positively or negatively affected through adopting a direct import route. Each component therefore has the potential to realise benefits for you and your customers.





# Introduction to the potential benefits of direct imports



The cost benchmark when considering the direct imports of cut flowers, is the present day indirect imports via the Netherlands. An indicative breakdown of the present day indirect import costs is demonstrated below.

We will explore how each of these cost components may be influenced by direct imports over the following slides and then take a look at the direct import process 'journey'.

In this guide we do not explore cost and quality considerations associated with the cut flower product itself as we have assumed that this is cost neutral: essentially the same final product is either shipped direct to the UK, or indirectly via a third country.



## Mix of product import costs via the Netherlands and the UK

We consider below whether directly importing into the UK has the potential for cost changes, especially in relation to duty charges and transportation between the Netherlands & UK.



# Transport timescales



**Given the delicate nature of cut flowers and there is a value attached to an optimum vase life. Transportation times erode this vase life.**

At each stage of the chain it is therefore beneficial to analyse the transportation time and reduce it where feasible.

Opening up direct links between yourself and the grower may unlock potential savings including:

- + Direct transit via air from Colombia & Ecuador to the UK takes between 1-3 days (sea freight for longer life stems is 16-28 days).
- + Transit through The Netherlands could add +1 day to this transportation time.
- + Every additional day spent in transit declines a stem's value by up to c. 15%, through deterioration and reduced vase life for the end user.
- + Driving time efficiencies in the transportation chain can also deliver reduced grading out, wastage and improved quality of product.

Depending on freight costs and capacity these benefits may be delivered at no additional cost.

Time efficiencies in the supply chain therefore offers cost effective benefits to not only you but also value to your end consumer.



# Duty Charges



## **Following Brexit, the UK and Andean Countries have signed a Free Trade Agreement in May 2019.**

- + The countries covered by the UK-Andean countries trade agreement are: Colombia, Ecuador and Peru.
- + The Agreement gives continuity to these countries relationships.
- + The Agreement provides business certainty following the UK's departure from the EU in January 2021.
- + The Agreement secures preferential tariff rates (see below).

The Agreement has delivered and resulted in the standard 8% Duty being waived\* for all cut flower and foliage directly imported from the Andean countries into the UK.\*\*

The same product, traded via the Netherlands before arriving in the UK does not benefit from this, resulting in the 8% Duty being applied per consignment.

There is therefore a clear cost reduction in waived duty achievable through direct imports.

\*Proof of origin is required - the approved exporter is responsible and can provide an "invoice declaration" as proof of origin

\*\* Source: Gov.UK.



## Indirect import process



### **Close control and careful handling of stems during transportation delivers clear traceability of product for the importer.**

- + Transport via the EU now means additional border management, new inspection requirements and documentation checks, taking away previous links and benefits and therefore adding complexity and time to the process.
- + This is estimated to add up to an increase of +10% on the product costs.\*
- + Direct relationships with growers lowers the costs of monitoring, improves traceability and facilitates a closed-chain approach.
- + Having fewer links in the chain, may also reduce exposure to supply interruption and hence increase the supply chain resilience.
- + In addition to the transportation times, opportunities for direct imports to the UK therefore also brings cost and resilience benefits for the importer.

\* Source: Royal FloraHolland



# Corporate Social Responsibility



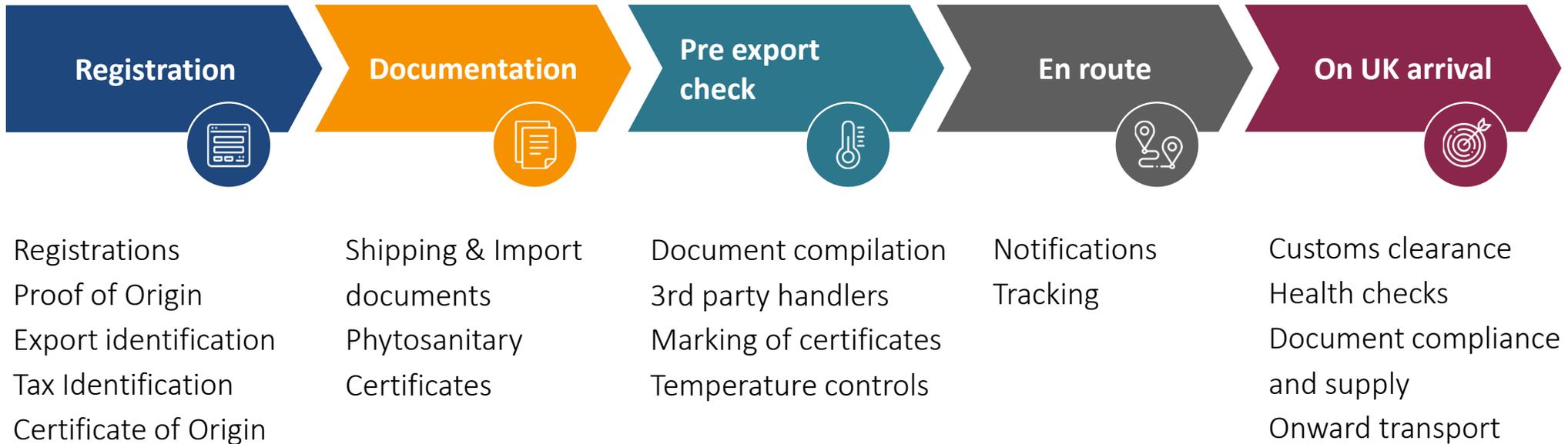
**Working directly with the grower and country of origin brings further qualitative benefits. With effective communication, these can be transferred into additional value for the consumer:**

- + A closer relationship between the consumer and the grower and engendering a sense for the former that they are supporting economic and social development.
- + The closer relationship between buyer and grower of the cut flowers lends itself to stronger promotion of sustainable production practices (reduced fertiliser and pesticide use, waste etc).
- + Potential opportunities for reduced carbon footprint from streamlined transportation chains.

**A good example where this is happening is with East Africa, with 50% of cut flowers now being directly imported into the UK.**



# Journey





## Registration process



**To avoid potential delays and complexity in the supply chain - especially around key peak trading windows – direct sourcing and imports is a viable option.**

Registration as an importer is required for trade and takes the form of the following stages:

- + **PEACH** registration by the importer is the initial step (the DEFRA computer system, soon to be IPAFFS).
- + **EORI** number (Economic Operators Registration & Identification Number) is generated by PEACH to gain clearance from DEFRA and UK Customs before importing commences.
- + **Commodity Codes** (eg roses 06 03 11 00 00) will be needed for the import declaration along with the value of goods.
- + **Proof of Origin (Certificate)**, exporters **Tax Identification Number (TIN)** and **Export Declaration** must be registered in advance of shipping.
- + **Certificate of Origin** allows for 0% Duty where applicable (20% VAT will apply), secured by the exporter.



# Documentation process



**Documentation required for the smooth running and delivery of products, arranged by both the exporter (grower) and importer, include:**

Shipping & Import documents as standard must be in place in advance of landing:

- + Air Waybill
- + Bill of Lading
- + Commercial Invoice
- + Packing list
- + Health (Phytosanitary Certificate), Organic & Origin where applicable
- + Declaration of Quantity in shipment

**The Phytosanitary Certificate is the most vital document for cut flowers and required as CF are deemed a Controlled Material.**

This is a statement from the Plant Health Authority confirming that the consignment:

- + has been officially inspected
- + complies with legal requirements for entry
- + free from serious pest and diseases

Freight handling and customs clearance agencies can take care of the registration for the importer, as well as the landing process; liaising between the grower and yourself to bring the product safely into the country.



## Pre export (from Andean countries) preparation



**In advance of the product departure, and within the country of origin, the consignment, in order to be secure and fit for export, will need:**

- + The Phytosanitary Certificate - needed to enter the UK, and organised by exporter.
- + Along with a Certificate of Origin; organised by the exporter.
- + The exporter handles the consignment through a secure cold-chain usually via an approved 3rd party handler for customs control and tracking.
- + All relevant certificates will be marked “Att of Border Force” and to be attached on all boxes in the consignment.

Once all product has correct certifications it is ready for loading and transportation.



## En route notification



**Whilst the goods are en route the UK Customs need to be notified, by the importer or importer's handling partner, with details of the consignment content:**

- + Pre arrival notification required.
- + The Importer must decide who will make the customs declarations and transport the goods (3rd party handler).
- + UK customs need to be pre informed (minimum 4 hrs notice) of goods arriving. This can be the role of Clearing Agent.
- + Product can be tracked through the system by the allotted 3rd party handler.

Due to the nature of Cut Flowers the minimum 4hr notice period must be adhered to in order for the flow of goods to run smoothly without time delays.



## On arrival (UK) checks



### **Once the consignment has landed, the process through Customs clearance takes place:**

- + Clearance from DEFRA, UK Customs & inspection at point of entry occurs.
- + AHPA (Animal & Plant Health Agency) inspect goods – checking both paperwork and physical inspections.
- + Inspection checks consignment includes all relevant certificates and documents, shipment contains the plants mentioned in the paperwork and is free from pests and diseases.
- + Subsequently certificates must be posted to AHPA within 3 days of landing.
- + If border checks fail, the product is destroyed, treated, or returned, at importers expense.

A 3rd party (Customs agents, brokers and transporters) who can maintain the product in temperature controlled conditions can handle the full transportation process for you.



## Summary



**Once initial set up work has been put in place to facilitate a move to direct imports it can be seen that a number of benefits can be gained from this transition.**

- + Transportation times can be reduced if shipped directly into the UK, improving product quality and therefore reducing the need for grading out and waste on arrival, resulting in cost benefits.
- + Waived import duty (presently 8% if traded through the Netherlands).
- + Enhanced grower relationships, leading to security of supply.
- + Direct lends itself favourably to socially responsible and sustainably grown flowers with traceability being secure.

These benefits would need to be balanced against other possible changes in cost structure, such as the inspection fees, working with specialist freight service handlers and transport costs.

Overall however there are clear opportunities to reduce costs and enhance supply chain resilience and customer value through the adoption of direct imports for cut flowers.

# IPD supports direct imports



**IPD provides European buyers with contacts to carefully screened producers from Colombia and Ecuador. In both there are many small and medium-sized producers offering products of exceptionally high quality. IPD introduces them to the EU market.**

## **Advantages for European importers:**

- + Support in the complex sourcing of new partners and high-quality products
- + Direct contact to reliable exporters
- + Immediate access to detailed information about the companies: production facilities, growing regions, packing houses etc.
- + All exporters are evaluated according to defined criteria. IPD takes into account criteria such as product quality, exportability and capacity, and compliance with international standards and certifications.
- + **All IPD services are free of charge** for European importers.

## **IPD network**

In Colombia and Ecuador IPD cooperates with the following partners who offer assistance on imports - committed and uncomplicated.

- + [ProColombia](#)
- + [ProEcuador](#)
- + [Asocolflores](#)



## IPD Contact



**IPD connects you with reliable suppliers from South America!**

**Get in touch with us!**



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Expert Sourcing + Markets

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# Appendices



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# Definition of costs

**Price calculations within the chain take different forms, each used depending on what is required from the buyer and seller:**

**FOB** “Free on board”/“freight on board” is a designation used to indicate when liability and ownership of goods is transferred from seller to buyer. Indicating whether the seller or buyer is liable for goods that are damaged or destroyed during shipping. FOB contracts relieve the seller of responsibility once the goods are shipped. The buyer takes ownership as the cargo is handed to the nominated freight agent in the country of origin.

**CIF** stands for Cost, Insurance and Freight and is considered a more expensive option when buying goods. It is paid by a seller to cover the costs, insurance, and freight of a buyer's order while it is in transit. Until the goods are fully loaded onto a transport ship (plane), the seller bears the costs of any loss or damage to the product. If the product requires additional customs duties, export paperwork, inspections or rerouting, the seller must cover these expenses. The buyer takes ownership when the flight lands at the importing country, therefore all clearing and custom payment is organized by the buyer.

**Farm gate** is where the buyer takes ownership of the product from the gate of the farm.

**CPT/Fresh to door** means the seller owns the cargo until delivery is made to the buyer.

# Glossary of Terms



## Acronyms

<b>AHPA</b>	Animal and Plant Health Agency	<b>DIAN</b>	Colombian Tax and Customs National Authority
<b>ALVS</b>	Automatic License Verification System	<b>EORI</b>	Economic Operators Registration & Identification number
<b>BOL</b>	Bill of Lading	<b>FOB</b>	Free on Board / Freight on Board
<b>CHIEF</b>	Customs Handling of Import & Export Freight	<b>TIN</b>	Tax Identification Number in Colombia
<b>CIF</b>	Cost, Insurance & Freight	<b>PEACH</b>	Procedure for Electronic Application for Certificates from the Horticultural Marketing Inspectorate
<b>CPT</b>	Carriage Paid To		
<b>DEFRA</b>	Department for Environment, Food & Rural Affairs		

# Information



## Links of useful websites

For more information on Direct Imports, we recommend the following websites and links:

- + [ProColombia](#)  
can offer assistance on imports
- + [ProEcuador](#)  
can offer assistance on imports
- + [Asocolflores](#)  
can offer assistance on imports
- + [www.gov.uk](http://www.gov.uk) (HMRC / DEFRA / AHPA)
- + British International Freight Association, [www.bifa.org](http://www.bifa.org)
- + The Chartered Institute of Logistics and Transport, [www.ciltinternational.org](http://www.ciltinternational.org)
- + Fresh Produce Consortium, [www.freshproduce.org.uk](http://www.freshproduce.org.uk)
- + London Chamber of Commerce and Industry, [www.londonchamber.co.uk](http://www.londonchamber.co.uk)
- + Institute of Export and International Trade, [www.export.org.uk](http://www.export.org.uk)
- + Logistics UK (formerly FTA), [www.logistics.org.uk](http://www.logistics.org.uk)

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