A recent decision to add roses to a federal trade program that removes tariffs on certain imported goods will result in tens of millions in savings for businesses along the floral industry supply chain.

Effective Nov. 1, cut roses became part of the Generalized System of Preferences (GSP), meaning U.S. wholesalers and importers no longer must pay a 6.8 percent tariff on Ecuadorian roses. This change is culmination of a year-long effort by the Society of American Florists and other industry groups to bring economic relief to buyers in the industry. SAF estimates this change will save the industry $15-20 million in the next year alone.

“In these challenging economic times, removing the tariff is welcome bottom-line relief to hard-hit segments of the U.S. floral industry,” said Kate Penn, CEO of the Society of American Florists. “By eliminating this extra cost of doing business, which have been either absorbed or passed along, the entire industry benefits.”

A Push to Remove Unnecessary Burdens

U.S. floral retailers have benefitted greatly from duty-free imports of cut flowers both through trade agreements and GSP. Nearly 80 percent of cut flowers purchased in the U.S. are grown in other countries and almost 95 percent of those imported come from countries where relief from duties is applied. However, because roses as a product were not included in the GSP — and because the U.S. does not have a separate trade agreement with Ecuador — the industry had to pay a 6.8 percent duty on Ecuadorian roses until now.

“Our industry depends on imported roses, and the $15 million annual duty bill was nothing more than a tax on our industry,” said Ben Powell, president of Mayesh Wholesale, headquartered in Los Angeles.

Tim Dewey, vice president of procurement, e-commerce, quality assurance and marketing services for DVFlora in Sewell, N.J., said that “the decision to add roses to the GSP will help provide more of an even playing field in terms of costs to import highly desired varieties of roses grown in Ecuador.”

“On top of existing higher freights rates from Ecuador, the added 6.8 percent import tariffs duty unnecessarily made cost price higher to our customers for many of the roses they need to suffice customers’ demands,” Dewey added.

Steve Dionne, executive director of CalFlowers and the owner of Wafex USA, called the news “a boon for the floral industry overall,” one that “strips unnecessary costs out of the supply chain.”

Joe Bischoff, Ph.D., SAF’s senior lobbyist agreed. “Removing the rose duty benefits a diverse group of U.S. stakeholders,” he explained. “There is an eco-system of airlines, importers, customs brokers, logistics companies, trucking companies, local manufacturers and packaging suppliers, re-processors, freight forwarders, and bouquet assemblers whose businesses depend on rose imports. Combined, those companies employ tens of thousands of people.”

The Need for Duty-Free Imports

Not everyone in the industry supported this effort. In a joint press release issued on Nov. 2, the California Cut Flower Commission (CCFC) and Certified American Grown (CAG) expressed disappointment with the decision, which they see as a step toward further eroding market share of domestic flower growers.

“The U.S. industry lost scores of growers over the past 30 years due to trade policies that encouraged imports of low-priced roses from Colombia and then Ecuador, with our industry going from over a hundred to less than 20 large-scale rose producers in the U.S. today,” said Dave Pruitt, CCFC’s chief executive officer and CAG’s administrator. “It’s both surprising and disappointing that this administration, which prides itself on protecting American agriculture and workers, would choose to put our industry at further risk. This is especially the case given the catastrophic impact the ongoing pandemic has had on American rose growers.”

Powell and Dewey, however, argue the decision to remove the tariff is not a threat to domestic growers, and that the overall benefit to the floral industry and end consumer outweigh any downsides.

“The duty did nothing to protect or benefit domestic growers, whose share of the U.S. rose market is extremely small,” Powell said. “We embrace our domestic growers and the wonderful products they grow. We need them to be successful. But the disappearance of this import tax of roughly 2 cents per stem won’t change the playing field in roses. It will simply relieve our industry — which has enough challenges — of a significant and unnecessary tax on the supply chain, florists and, ultimately, on the consumer.”

Dewey’s take was similar. “Today, less than 5 percent of the roses sold in the USA are produced domestically and production capacity has not increased in many years,” said Dewey. “There is still plenty of room for successful sales of these domestically grown blooms, even with the import duty eliminated due to addition of roses to the GSP.”

Dionne acknowledged the tension that exists between domestic and offshore producers, for whom margins are razor thin and competition is steep, but he said CalFlowers supported the effort to add roses to GSP.

“Here in California, there has always been a sentiment of [frustration about the] lower costs of offshore production — but it’s a reality,” he added. “With Ecuador, however, and particularly Ecuadorean roses, this a well-established supply chain. Ecuadorean roses are used all around the country in bouquets and designs right alongside California gerberas and focal flowers. And the tariff was just a drain. Step by step down the supply chain, people had to absorb that cost.”

In response to concerns about the impact on domestic producers, SAF testified during GSP hearings that removing duty will not result in an increase in imported products because the U.S. currently imports an amount of Ecuadorian roses that almost equals the Competitive Need Limitation, or cap imposed on imported products benefitting from GSP. Additionally, Ecuador’s ability to increase production would be limited due to growing cycles of roses and land and infrastructure limitations. The GSP change will not harm the domestic rose production market, which currently represents only about 1.5 percent of U.S. rose market.

Strength in Numbers

SAF’s advocacy on this issue goes back more than a year and a half to an initial meeting with U.S. Trade Representative in March 2019, eventually culminating in SAF submitting a formal petition to the USTR in March 2020. SAF wholesaler and importer members also testified on behalf of SAF and the industry to the U.S. International Trade Commission in June.

Throughout the process, SAF worked with a coalition of other industry groups that supported SAF’s position and petition effort, including the Association of Floral Importers of Florida and Flor Ecuador.

SAF Board Member Oscar Fernandez, director of sales for Equiflor-Rio Roses in Miami, pointed to that collaborative approach as a cornerstone of the successful outcome.

“It goes to show the strength of the floral industry,” he said. “When we come together, when we work collectively, we can make big things happen.”

Mary Westbrook is the editor in chief of Floral Management.