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Nursery export markets in Asia

Study Tour - May 1995 - January 1996

NY427

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Tasmanian Department of Primary
Industries & Fisheries

FINAL REPORT

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**REPORT TO HRDC
NURSERY EXPORT MARKETS IN ASIA.**

31 May 1995 - 1 January 1996

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**Department of
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T A S M A N I A



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29 January 1996

NURSERY EXPORT MARKETS IN ASIA.

31 May 1995 - 1 January 1996

The Tasmanian Nursery Growers Export Group is a network formed in May 1994 to research and develop export markets for nursery products. Members of the group wished to make better use of their production facilities and to widen their market base.

A preliminary survey of Asian nursery markets indicated that a demand for imported plants existed, but did not provide detailed information on desirable plants or market specifications. Consequently, representatives of the group visited Japan, Taiwan, Hong Kong and Singapore in May 1995 to follow the market trail from airport quarantine inspection to retail nursery. Meetings were also held with importers, wholesalers, auction markets and Austrade and Australian Business Office staff.

STEPS TO EXPORT

1. **NETWORK GROUP FORMATION** (Issues)
2. **MARKET PLANNING** (Reasons for export, Research, Strategy)
3. **FUNDING SOURCES** (DPIE Agribusiness Program, Export Access)
4. **MARKET VISIT** (Purpose, Preparation, Follow-up)
5. **BUSINESS PLAN** (Development, Implementation)
6. **SHIPMENTS** (Quarantine, Costs)

The following notes indicate the steps the Tasmanian Nursery Export Group ("TasPlants") took to investigate and develop export markets. The methods used by TasPlants are not necessarily the best and any individual or group considering export needs to conduct careful research relevant to their own situation.

1. NETWORK GROUP FORMATION

Networking is the coming together of a group of small firms. They use their combined talents and resources co-operatively. They can then achieve a commercial objective not possible as an individual operation. By sharing resources and costs, financial exposure and risks are reduced (AusIndustry, 1994). AusIndustry has a "Business Networks Program" with 'Network Brokers' available to assist you.

Issues that need to be considered when forming a network include:

- Potential members - also how many are required (avoid a group that is too big)
- Administrative support - in the early stages this will usually fall to one member.
- Funding requirements and financial arrangements.
- Structure of the network - member roles and responsibilities; partnership, co-operative or company, etc? Rules of operation and code of ethics.
- Development of business and marketing strategies.
- Ownership of assets and property. Liabilities.

2. MARKET PLANNING

- Consider your reasons for exporting, level of commitment you are prepared to make, and use S.W.O.T analysis (Strengths, Weaknesses, Opportunities, Threats).
- Conduct preliminary market research looking for market and product information. Try to categorise the potential of various markets.
- Select target market(s) and identify critical information still required. Perform financial analysis of options.
- Develop an export market strategy, including market entry and development. Plan for an initial market visit.
- Document the export market plan, including: key actions; milestones or outcomes; associated time frames; resources needed; forecast cash flow.
- Use Austrade, AusIndustry and/or Export Access to assist with implementation of the plan and for market follow-up.

3. FUNDING SOURCES

Export Market Development Grant Scheme

- Provides financial incentives in the form of taxable grants based on eligible expenditure to promote exports.
- It focuses on direct promotional activities and does not assist in the general establishment of business or product development.
- Grants are determined on the basis of 50 per cent of eligible expenditure in excess of \$15,000 subject to a minimum eligible expenditure threshold of \$30,000. The maximum grant is \$250,000.

Marketing Skills Program

- Provides funding and consulting support for export marketing skills development.
- The Program provides practical assistance to industry/grower groups and agribusiness enterprises.
- Typically, grants are provided for 50% of a project's total cost. Grants are not repayable.

Export Access

- Provides a comprehensive package of training and practical assistance to small/medium sized enterprises which may require specialist help to develop successful offshore activities.
- Assists with identifying opportunities, training, preparation for and arranging of an overseas market visit, and post-market evaluation.
- Export Access is not a grant scheme.

The Export Market Development Grants Scheme and Marketing Skills Program are administered by Austrade. Export Access is administered by the Chamber(s) of Commerce in your state. Other funding options are available for particular situations.

TasPlants chose the Export Access option as it appeared to provide the best assistance for a market visit with minimal delay.

4. MARKET VISIT

Purpose:

- Conducting in-market research, both to check desk research and for further information.

- To investigate and understanding competitors.
- Researching potential contacts in the market, and potential customers.
- Fully identifying and understanding pricing.
- Researching the Government, including tariff rates, quarantine requirements, etc.

Preparation:

- Determine normal business hours and public holidays.
- Investigate the best method of transport between meetings and the time required.
- Arrange interpreter services - generally it is better to have your own.
- Accommodation and meals - allow sufficient funds, particularly if you plan to entertain!
- Preliminary contact - sometimes it is appropriate to send brochures or samples prior to the visit.
- Allow sufficient time in the market.
- Appropriate appearance and behaviour (e.g. you will usually require a suit in Japan and it is impolite to blow your nose in public).

Follow-up:

- Send a thank-you to contacts upon returning home and confirm any agreements.
- Short-list potential products and clients.
- Plan production, shipments and further visits.

You may have the opportunity to make a market visit as part of a Trade Mission, but make sure that the itinerary of the mission suits your needs. It is a good idea to visit Trade Shows in the target market if the opportunity arises, but not usually a good idea to exhibit on a first visit.

5. BUSINESS PLAN

Creating a business plan is vital to decide if exporting is viable. It is essential to be able to measure progress or export efforts may just be a money drain with no indication of benefit. A business plan is also a requirement of most government funding schemes.

Development:

- Perform detailed assessment and analysis of business objectives.
- Make detailed financial projections.
- Include a situation and market analysis.
- Show a timeline with milestones for implementation of the business plan.

For a network:

- State the anticipated type of formal legal business structure.
- Outline each participant's role in financing, operation, ownership and management.

Implementation:

Will usually mean establishing a permanent management and operation structure, e.g:

- Employment of a manager.
- Rationalising production.
- Joint purchasing.

6. SHIPMENTS

- Attractive presentation and uniformity of plants is important for sale at auction in Japan.
- Accurate documentation is required to pass quarantine and avoid problems.

- Small cartons and/or trays of 8-12 plants are preferred for ease of handling and distribution through the Japanese retail system.
- Plant size, weight and packing must be optimised to minimise freight costs.
- Direct flights should be used to avoid transfers or delays as holding conditions at airports are not usually suitable for pot plants.
- Shipping through a specialist freight forwarder is usually easiest.

Quarantine Requirements:

JAPAN: Phytosanitary Certificate with appropriate additional declaration.
Invoice/Packing List (*accurate*)
No Soil

TAIWAN: Phytosanitary Certificate with appropriate additional declaration.
Permission from Bureau of Commodity Inspection & Quarantine (BCIQ).
No Soil

HONG KONG: Phytosanitary Certificate
Plant Import Licence
No Soil

SINGAPORE: Phytosanitary Certificate
Import Permit
No Soil

Additional declarations may include statements such as: the potting medium is free of *Ditylenchus dipsaci* (nematodes); or that the potting mix has been steam sterilised at 60°C for 30 minutes, etc. Quarantine in your state can advise on the appropriate additional declaration to include on the phytosanitary form, depending on the product and destination country.

SUMMARY OF TASMANIAN NURSERY EXPORT GROUP FINDINGS:

Japan

The Japanese pot plant industry consists of around 1,730 ha of greenhouse space and produced plants worth US\$1,203 million at auction in 1993 (Ministry of Agriculture, Forestry & Fisheries, Japan (MAFF)). Japan imported live plants to the value of ¥3,599 million in 1993, ¥1.45 million of which was from Australia (MAFF).

Japanese nursery producers were interested in plants which were hardy - able to withstand hot, humid summers and cold, wet winters. A number of Australian species were already being grown by nurseries.

Plants, pots and media must be absolutely free of pests to pass quarantine into Japan. Soil is a prohibited import. Artificial media (peat, perlite and vermiculite) are acceptable. Coarse sand, peat moss, coconut fibre and pine bark have also been confirmed as acceptable (correspondence, MAFF).

Import inspection quarantine charges in Japan are high and most importers asked for the Australian government to encourage Japanese authorities to reduce charges. Many Japanese importers suggested that one or more Japanese quarantine inspectors be employed in

Australia to provide pre-shipment certification (as is done in Holland) as this would ease the entry of exports to Japan. Airport charges are higher at the new Kansai airport (Osaka) than at Narita airport (Tokyo).

Reliability of supply and consistency of quality are both extremely important to Japanese importers and wholesalers. Presentation and quality must be of a high standard to sell at auction (e.g. Erica's were trimmed three times during production to produce a compact, even, and full-flowering final product for premium sale). Importers usually have facilities to import and distribute to auction markets. It was also stated that the delivery system in Japan is well organised across the whole country, but that foreign companies needed to understand the system to enable effective distribution. Auction markets take 10% of sale price as commission from the seller plus 3% tax.

Pot plant sales are greatest in February to June, because of graduations, farewells, welcomes, Valentine's Day and Mother's Day. Sales drop to a third in July to August, and then go up again from September to December.

It was suggested that sending small plants to Japan for growers to finish has potential in the long term as pressure on available land resources is high and numbers of nursery producers are dwindling. To capitalise on such an opportunity will require long-term contact with Japanese producers.

The changing value of the Yen relative to the Australian dollar has a strong effect on the viability of exports. While the yen is high or Australian dollar is low then prospects are good. If the Yen returns to a value of around 100 to the Australian dollar then our prices may become too high to sell on the Japanese market.

Taiwan

Taiwan's ornamental horticulture industry has an area of 324 ha used for pot plant production, which was worth NT\$208 million in 1992 (Taiwan Flower Development Association (TFDA)). Plant quality was more variable than in Japan. Prices paid in Taiwan were generally too low to make export of pot plants from Australia economically viable. However, Taiwan has a rapidly growing economy with corresponding increases in labour costs and goods prices, so that prices of pot plants may be at a level within the next few years that makes export attractive.

Chinese New Year is the time of peak demand, especially for flowering Azaleas, Mandarin trees with fruit, potted miniature Roses in flower and miniature potted Daffodils. Mother's Day and Valentine's Day are also becoming important selling periods.

Fresh peat moss is an acceptable potting medium with no soil present. Pine bark, peat moss and coarse washed sand is acceptable if sterilised. It would be wise to send a representative sample of potting media to BCIQ for approval before shipping pot plants in quantity.

Pot plant sales comprise about 10% of total auction sales, but trade is increasing direct from grower to wholesaler. The auction market takes 1.75% commission from the buyer and 2.55% from the grower.

Around 20% of imports are live plants. Seedlings are becoming more popular to import. Tulip bulbs are imported from Holland in September to November for flowering at Chinese New Year.

The Taiwanese climate is subtropical - more or less equivalent to Southern Queensland. Foliage plants are used for landscaping and indoor use. Plants for indoor use are also decorated with bright ribbons and other ornaments.

Many Taiwanese businesses have nursery contacts in China to whom they supply propagating material and production expertise.

Hong Kong

Hong Kong has a very small local pot plant and cut flower production industry. Over 80% of cut flower and pot plant requirements are imported from Holland, China, Malaysia and other parts of the world. Many Hong Kong importers have nurseries in China from which they source product. Imports were worth HK\$64,706,000 in 1994.

- Small indoor plants are popular in Hong Kong as more than 90% of the population live in apartments of less than 600 sq. ft. in size. Plant hire firms import small plants for potting-up and sale. Holland is a major supplier, while Taiwan is becoming too expensive, and Malaysia and mainland China are developing sources.

Many importers had sourced plants from Australia in the past but now tend to import from Holland as it was easier.

Peak demand times are Christmas, Chinese New Year and Valentine's Day.

Hong Kong does not have an auction market system. A major proportion of importers and wholesalers are concentrated on the 'Flower Market Road'. Pot plants tend to be sold through florist outlets and are only a small portion of the ornamentals market. An exception is the Chinese New Year when large quantities of potted Azaleas are required. Potted miniature roses were seen as well as foliage plants.

Singapore

Singapore obtains pot plants from nurseries in the Cameron Highlands of Malaysia, and also from Indonesia. Additional material is imported from Holland and other parts of the world. Singapore imported S\$16.8 million worth of nursery plants in 1994. Plants required were generally tropical species although there is a demand for flowering pot plants for interior home use. Potted azaleas and miniature roses in flower are required for Chinese New Year.

There is a market for short-lived potted plants. November to February is the best sales period because of shop openings, Chinese New Year and Valentine's Day.

Like Hong Kong, Singapore does not have any auction markets. A large proportion of nurseries are government-owned.

General Comments:

A common theme from all importers/wholesalers/auctions visited was that producers in Holland were very well organised and *easy to buy from*. Mixed consignments of 60-100 kg were easy to get from Holland. Examples were also mentioned where suppliers from Holland had dropped prices to compete with new entrants to the market.

Pot sizes larger than 100 mm are not likely to be cost-effective for air freight. A large proportion of pot plants are sold at auction in 100 mm pots.

Pot plants of PBR varieties should not be sent to Taiwan, Hong Kong or Singapore as the PBR is not likely to be respected and the plant may be widely propagated.

Tasmanian Nursery Export Group members have spent at least \$8,500 each (around \$41,500 total) to date and contributed a considerable amount of time. No profits have been made as yet, but sufficient potential exists to persevere. It is unlikely that the group would have been able to progress this far without the funding and planning assistance available from various government agencies.

A summary of discussions during this tour is contained in the "TasPlants Asia Study Tour Report, 7 May - 24 May 1995". Although subject to "commercial in confidence" restrictions, further information may be available by contacting members of the group.

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