

Should I grow wildflowers? information kit

Reprint – information current in 2000



REPRINT INFORMATION – PLEASE READ!

For updated information please call 13 25 23 or visit the website www.deedi.qld.gov.au

This publication has been reprinted as a digital book without any changes to the content published in 2000. We advise readers to take particular note of the areas most likely to be out-of-date and so requiring further research:

- Chemical recommendations—check with an agronomist or APVMA www.apvma.gov.au
- Financial information—costs and returns listed in this publication are out of date. Please contact an adviser or industry body to assist with identifying more current figures.
- Varieties—new varieties are likely to be available and some older varieties may no longer be recommended. Check with an agronomist, call the Business Information Centre on 13 25 23, visit our website www.deedi.qld.gov.au or contact the industry body.
- Contacts—many of the contact details may have changed and there could be several new contacts available. The industry organisation may be able to assist you to find the information or services you require.
- Organisation names—most government agencies referred to in this publication have had name changes. Contact the Business Information Centre on 13 25 23 or the industry organisation to find out the current name and contact details for these agencies.
- Additional information—many other sources of information are now available for each crop. Contact an agronomist, Business Information Centre on 13 25 23 or the industry organisation for other suggested reading.

Even with these limitations we believe this information kit provides important and valuable information for intending and existing growers.

This publication was last revised in 2000. The information is not current and the accuracy of the information cannot be guaranteed by the State of Queensland.

This information has been made available to assist users to identify issues involved in wildflower production. This information is not to be used or relied upon by users for any purpose which may expose the user or any other person to loss or damage. Users should conduct their own inquiries and rely on their own independent professional advice.

While every care has been taken in preparing this publication, the State of Queensland accepts no responsibility for decisions or actions taken as a result of any data, information, statement or advice, expressed or implied, contained in this publication.



Queensland Government

The most important decision before you start your wildflower enterprise, and well before you start planting, is where and how you are going to sell your cut flowers. Both the domestic and export markets expect good quality flowers, so some form of quality assurance scheme is invaluable. The export market is highly competitive and requires considerable commitment from growers.

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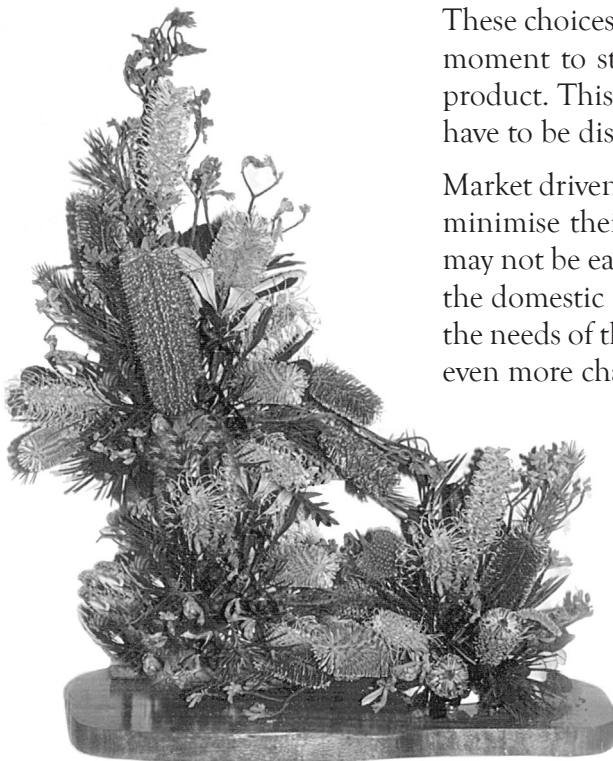
Market requirements

When going into a new business it is tempting to grow what you like or a plant that you have been advised is likely to do well on your site. These choices are focused on your needs. Harvest time is not the right moment to start thinking about whether there is a market for your product. This approach can easily prompt a selling crisis: flowers may have to be disposed of below cost.

Market driven production is one of the best ways for flower growers to minimise their risks and ensure a return on their investment. But it may not be easy. Your product is sold for its aesthetic appeal and both the domestic and export markets expect good quality. While meeting the needs of the domestic market can be difficult, overseas markets are even more challenging.

Conventional marketing wisdom says that customers want quality, service and value for money. It is also known that the perception of what this constitutes varies from market to market and from one customer to another. Good market feedback is needed to serve the needs of any market.

A grower can respond to changes in market requirements for packaging and presentation fairly promptly, whereas there is invariably a significant lead-time to change the species or cultivar of flower grown. Do trial plantings of new flower crops and new varieties on a continual basis so that you can quickly respond to market demands for those products.



ULCIE WATERS

An arrangement for the domestic market featuring *Banksia plagiocarpa*, kangaroo paw and highly perishable *Grevillea*

Domestic markets

The main sales outlets for the domestic market are:

- florists
- merchants in flower markets in major capital cities. These merchants negotiate a price with the grower and purchase flowers to be re-sold to florists and other buyers. Seek advice on selecting merchants from local growers in your area or other growers of your product
- supermarket bunch trade. These outlets require a regular supply of uniform quality product
- roadside sellers
- flower auction in Brisbane—sells on 15% commission
- other retail outlets such as service stations, hardware stores, nurseries and Sunday markets.

Occasionally exporters divert product that does not meet minimum export standards back to the domestic market.

Market intelligence

To be a successful wildflower grower you need to be aware of what your market wants. Good market intelligence can be obtained from the flower markets, florists, wholesalers and grower groups. Industry newsletters and written market reports from auctions and wholesalers are useful. The wholesale value of flowers is generally 40 to 50% more than the farm gate value.

Unfortunately, marketing information on flowers is not as coordinated and reliable as that on fruit and vegetable crops. Aggregated information on minor and low throughput flower crops does not always have practical implications for individual growers.

Competitors

The domestic market is predominantly price-driven. It is only product-driven if that product is in short supply. Your product will compete with:

- similar or substitute product produced by other growers more cheaply at the same time
- other types of flowers imported from Australia's southern states and Western Australia.

Risk management and market trends

- Use multiple outlets to spread risk.
- Determine terms of trade before you start. What are your obligations as a grower? What can you reasonably expect from your wholesaler or buyer? Talk to other growers to find out who are the good payers and who are the slow payers.
- Good wholesale practice is payment within 30 days. Slow payment can cost your business dearly.
- Develop a product range to target high price niche markets.
- Identify requirements for special occasions, for example Valentines Day, Mothers Day and Christmas. Production timing is critical when growing for special days as the price is far lower after the event.
- Identify the critical times in the seasonal supply of flowers to market. For example, flower sales are known to slump in January after Christmas, and each spring supply exceeds demand. Look at when flowers are in short supply so that you can grow the right type and quantity of flowers to fill the gap. This may mean that some otherwise highly suitable cultivars are minimised in your plantation on the basis that their flowering coincides with a flat demand period. Although a lot of research has been conducted on traditional flowers, the control of flowering in wildflowers and proteas is difficult for most growers to influence and varies between seasons. In most instances it is limited to the initial choice of cultivars and localities.
- Determine what grows well in your area and is in demand in the markets.
- The product and market combinations identified must have reasonable economic returns. For example, Queensland rice flower is in

demand in southern markets during September and October, but prices are low. A similar phenomenon occurs with Christmas bush in December. Better returns are achieved on the export market.

Logistics of the domestic market

- Determine terms of trade.
- How will you supply the product? Boxed or in buckets? Single stems or bunched? Sleeved or unsleeved?
- Who pays the freight costs? When is delivery required? Are you using refrigerated transport? If not, how will you maintain the life of your flowers?
- Request feedback from the market.

Export markets

Exporting requires an extra commitment from growers. This involves extra time, resources, skills and knowledge compared to selling on the Australian market. Growers need to be prepared to grow, handle, pack and document to export standards; otherwise they should stick to the domestic market. If you have large plantings you must export. Mechanisms for exporting and preparing the product must be in place before you start your first export harvest.



DAVID CARSON

Sleeved bunches of Christmas bush prepared for export

Export options

Growers can send flowers through a specialised flower wholesaler-exporter or send flowers directly overseas as a grower-exporter. International trade is complex, and we do not recommend that new growers conduct their own export. Choosing the right exporter or exporters is one of the most important business decisions you will make in flower farming.

There are several ways of dealing with exposure to risk in the export cut flower business. The risk can be:

- borne solely by the grower (in the case of a grower-exporter)
- shared between the grower and the exporter
- borne solely by the exporter.

Sometimes exporters will buy certain products at a fixed price directly from growers. In this case, the exporter accepts the risk, provided that the grower is not considered at fault in the event of a claim. For consignment transactions the risks are normally shared between the grower and exporter. The partitioning of the risks is negotiated on an individual basis as part of the terms of trade.

Sources of market intelligence

Information can be obtained from exporters, importers, Internet sites, the Flower Export Council of Australia (FECA), export-orientated state and regional organisations, and other growers. Some written information is available in newsletter and journal articles and market research reports.

Industry workshops and conferences are a good source of information. International speakers often attend flower industry conferences, reporting on overseas market trends and statistics.

Knowledge of your competitors and how to respond to them in a global market is an essential part of business survival. The book *Rice flower as an export industry—market opportunities* provides a useful summary of flower producing countries providing competition for Australian wildflower exports.

Competitors

The most important competitors for wildflowers grown in Australia are:

- Northern Hemisphere—the USA, Mexico, Israel, Portugal, Turkey, France, Spain, China and India. The latter two countries are emerging markets
- Southern Hemisphere—Zimbabwe, Kenya, South Africa, New Zealand, Peru and Chile.

Australian export markets are predominantly in the Northern Hemisphere. They are the USA, Japan, Canada, Taiwan, South-East Asia, the European Union, and eastern Europe.

Risk management

Business

Once you have located a reputable exporter, there are three main types of financial risk:

- credit risk (the ability of the overseas buyer to pay for goods)
- exchange rate fluctuations (Australian exporters and growers are favoured by a weak Australian dollar)
- transfer risk (government-imposed restrictions on moving money from importing countries).

Established exporters have all encountered these risks and have instituted their own safety mechanisms to overcome them. Their systems are not seen by most growers and are part of the skills involved in successful export wholesaling.

Long payment delays can cause growers cash flow problems. It would be reasonable for a grower to expect payment about 45 days (range 30 to 50) after sending goods. Some tardy overseas importers extend their credit to 120 days. If you allow your buyers extended credit you have effectively become an interest-free moneylender! Unless you can afford to deal with slow payers, find alternative buyers.

Another common cause for delays is paper work problems (such as when

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an invoice is issued for a whole consignment, however for unexpected reasons only part of the consignment is sent, stalling the process). Close attention to the administrative side of your business has direct monetary rewards.

Product

Almost all export cut flower growers have stories of consignments for which they were either very poorly or never paid. This normally relates to flowers spoilt during transit to market. Identified risk areas are:

- incorrect carton packing density
- poor carton strength
- mechanical damage and poor handling practices
- overheating
- delays in the movement of product
- pests and diseases (including damage from fumigation in the importing country)
- deterioration of inherently poor quality product.

Poor quality and badly packaged product can easily yield negative returns after commission, government charges and freight have been deducted. This necessitates a rigorous adherence to quality standards on-farm and in the export packing shed before departure. Many exporters have their own quality audits on flowers and provide feedback to growers.

Insurance against damage during air transport is expensive and can erode profit margins. Provided adequate documentation and proof exists of airline negligence, claims are paid in around six months. It can be extremely difficult to prove that an airline was at fault.

Low returns for product

The costs associated with export are substantial, and must be paid irrespective of the return achieved for the flowers. Although it is unusual for consigned product to be left unsold, very low returns are sometimes achieved at auction. If your initial product quality is poor, negative net returns can result. Some costs—such as insurance, domestic freight, Australian Quarantine and Inspection Service (AQIS) fees, overseas freight forwarding and distribution costs overseas—are independent of the sale price of the flowers. Other charges—such as auction, importer's and exporter's commission—are usually a percentage of the sale price.

The cost of exporting can be one to two and a half times the return to the grower, depending on the importing country. Hence a product returning \$1.00 to the grower might cost \$1.00 to \$2.50 in export charges, the cost to the overseas wholesaler being \$2.00 to \$3.50.

The changing value of the Australian dollar has a significant impact on export market returns. Growers generally receive a higher return when the Australian dollar is lower, relative to overseas currencies.

Since the same fixed overheads are associated with lower value or poor



quality products, an appreciating Australian dollar reduces grower returns for lower value products more than for high value products. If the price received is poor for any reason, the exchange rate has the capacity to completely erode profits after production costs have been deducted. The answer is to know your product and to know your market. Further risk reductions can be achieved by having diverse products, markets and marketers.

Other risks

In addition to the risks already mentioned, several unpredictable events can impact badly on the flower export business. Some 1990s examples include the Australian airline pilots' strike, the Gulf War and the death of the Japanese emperor. Australia's diplomatic standing with trading partners is also a factor. Economic crises in any importing country or region normally affect trade in flowers.



Logistics of the export market

There are two types of export—fixed price sales and consignment to auction (for example, in the Japanese market).

Most Australian flowers sent to Japan are sold through the auction system. Auctioning is often the best way to sell large volumes of product at peak periods, but it can be associated with poor returns. Although the auction system can also achieve high prices, there is a chance that the price received will not cover costs after the deduction of importer's and auction commissions and transport costs to and within Japan.

Supplying high quality, well-timed product in reasonable volumes on a consistent basis helps to offset this risk, evening out the highs and lows and helping ensure a reasonable monetary return. Spot market sales at high prices give misleading and dangerous information, and must be considered in context.

There is a very gradual trend in Japan toward direct, fixed-price sales; however these sales are linked with the auction system and often do not give the grower any advantage. Over the season, the average price tends to be similar for both selling methods.

There are important protocols and steps in exporting. They include:

- locating a reputable exporter
- determining where your flowers will be exported from (Cairns, Brisbane or Sydney for most Queensland growers)
- obtaining quarantine/phytosanitary (AQIS) and Environment Australia export approvals
- packaging and grading to export standards
- invoicing and paper work
- maintaining the cool chain.

When you work with export agents they will provide advice and organise many of these processes for you.

Quality specifications and market requirements

Both the domestic and export markets require:

- straight stems
- unblemished foliage and flowers; no insect or other damage
- clean, clear colours for flowers and foliage; no discoloured leaves
- use of postharvest treatments, such as pulsing, cooling and floral preservative solutions, where needed.

Growers should be aware of the minimum standards for the market they are targeting. A range of standards is available. They include:

- *Australian standards for fresh cut flowers as adopted by the Flower Export Council of Australia, Version 2.* This document focuses on export flowers, but can also be used for the Australian market. It is available from: Executive Officer, Flower Export Council of Australia (FECA), PO Box 442, North Melbourne, Vic 3051 at a cost of \$20.00 plus postage.
- The company Australian Quality Assured Flowers (AQAF) Ltd has developed a distance learning kit to allow growers, wholesalers and florists to establish a quality assurance system incorporating product tracking and monitoring procedures for the domestic market, product quality standard descriptors and a guaranteed vase life at point of sale. The distance learning kit is available for \$500 by contacting: AQAF Unit, Quality Manager, National Flower Centre, Box 1, 542 Footscray Road, Footscray Vic 3011. Ph: (03) 9258 6110; Fax: (03) 9689 5135. The package is registered with the Rural Finance Board. Eligible primary producers would be entitled to a rebate of a large percentage of the cost of training through FarmBis.
- Standards Australia is considering a set of draft standards for flowers. When finalised they will be available through their Customer Service Centre Ph: 1300 654 646, Fax: 1300 654 949. Web: www.standards.com.au or any office of Standards Australia.
- Queensland Wax and Native Flower Association (QW&NFA), have a standard for waxflower exported under their Quality Assured logo. Copies of *Waxflower handbook—quality assurance guidance and procedures* (1994), by Crothers, B., Wells, I. and Mahoney, D., are available for \$250 from the secretary of QW&NFA on (07) 4638 0966.
- Product specifications for harvest stages and postharvest treatments for waxflower bunches are available in two, four-page colour brochures: *Waxflower: harvest stages*, and *Waxflower: postharvest treatments* (1998), by Beal, P., Howell, J., Joyce, D. & Young, K., Department of Primary Industries, The University of Queensland and the



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Queensland Wax and Native Flower Association. Available from GrowSearch on (07) 3821 3784 or the secretary of QW&NFA on (07) 4638 0966 for \$10.00 each.

- *Maturity stages for harvesting Grevillea for cut flowers* (1995), by Beal, P., Howell, J., Joyce, D. and Shorter, T., Department of Primary Industries and CSIRO. A four-page colour brochure. Available from GrowSearch (07) 3821 3784 for \$5.00 each.

Stem length should not be the sole determinant of quality. Open communication between grower, exporter and importer is essential so that everyone is properly informed on market requirements. Each export market has different needs, for example, single stems, bunches by stem count compared with bunches by weight, carton size and construction, and carton labelling.

High quality product is expected on the export market. Growers should undertake quality monitoring and consider implementing a quality assurance scheme.

