

Exports — An Australian's Perspective®

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Australia and South Africa have many things in common when it comes to export. We are both in the Southern Hemisphere and as such crop production is counter-seasonal from North America, Europe, and Asia. We are both a long way away from those markets and need to develop good supply chain processes to be able to participate. Also we both are believers that we need to look outwards for a future in the world economy.

TIMES ARE CHANGING FAST

The growth in world trade is expanding free-trade agreements are being signed by countries that you would not have believed even possible 10 years ago, and strong partnerships are being forged. If we want a piece of the cake that is expanding trade, then we need to be active in participating in the new world economy. To do nothing will leave us in a situation where advantages that can flow from this new world trade will pass us by. Always in changed conditions, there are winners and losers; I would like to think that both Australia and South Africa would come out in the first group.

A few years ago if you mentioned the word “export” then the image would be a huge ship in a harbour with cranes moving bulky goods in or out. Orders were in telephone numbers and the capital input required would have had all baulking, save the foolhardy and wealthy. That trade still exists, but from an Australian perspective that is not necessarily where the real advances can be made.

The reality of new export business today is different, very different from that image. Most exporters are starting from small bases, growing in size as they gain confidence and an ability to meet their customers needs. It is now about niche marketing to a larger marketplace rather than a single commodity to one buyer.

WHY IS THIS HAPPENING?

Well there are several reasons and I would like to explore a few as they may give a clue as to how you may begin to examine possibilities for export yourself.

Reduction in trade barriers is an ongoing process. No country can now afford to be protectionist; no country can now live in a vacuum from outside influences. As a result more and more countries are joining the World Trade Organisation, including the last great giant China.

Increased communication is also a significant changer here. In the past it was difficult, almost impossible to have a small-scale manufacturer talk to customers in different countries. Today I can use my cell phone in most countries and talk to people around the world from most spots on the planet. An office is now a mobile phone and a laptop computer.

Likewise the Internet has been able to bring various groups together. It is just about impossible to seek a product and not find someone who is producing or growing it with an Internet search, just try it yourself. The Internet has allowed people like me with a special interest in specific plants to meet up with others and share our passion. I now have contacts around the globe that I could not have had even 5 years ago. The Internet will continue to expand and this creates great opportunity.

Lower international travel costs mean that I can afford to explore areas and go to trade shows that would have been impossible until recently. It is now possible, even easy, to meet up with clients and suppliers in disparate areas and then continue the relationship by other means. It has been said that people trade with people and we are all in the people business. Lowering the barrier to meeting people face to face is a real boost to trade.

Government support is also increasing. That is not to say that governments will subsidise your product, but they are making a real attempt to increase the ability of small businesses to trade internationally. The Australian Government regularly runs free courses in exports; Austrade offers new exports assistance and there are export incentives for those marketing their products. The South African Government, I am sure, is doing similar things.

With the increase in international trade, the cost of freight is on the decline. Shipping firms have improved their logistics quite significantly; you can now even track progress on the internet. Some parcel firms are offering delivery to just about any place you name. Freight of highly perishable products like plants is getting easier and faster.

IT'S NOT ALL EASY

Now before you start to jump onto the export wagon there are some sobering aspects that should be noted. It is not only South Africa and Australia that are seeking easier exports, but also every other country in the world. Having the ability to trade feely all over the world means that you can buy as well as sell. Others can access our markets just as easy as we can theirs.

As I have mentioned before, trade is a two-way street and there will be winners and losers in the changes we are seeing. This increase in international trade has been the reason for whole Australian industries closing their doors. Bringing in cheap manufactured clothing and foot ware has been devastating on the Australian industries working in that area as they were unable to compete. Luckily for plant growers there are severe restrictions on the importation of growing plants and we will most likely bypass stiff competition from cheap producers. Your distance to markets is as much an advantage as a disadvantage as it makes imports of plant material more costly.

If you think that export is for you, then be aware of why you are getting into this trade. Export is not a way to get rid of excess products, it is not a way to make big money quickly (exporting rarely gives a premium price), and it is not a short-term venture. Export is a way to increase turnover over time and build increased business that is not susceptible to local market fluctuations.

Talking of prices, export prices are impacted by currency changes. For example there has been a significant lift in the Rand versus the U.S.A. dollar in the past year, and the same is true of the Australian dollar. We have seen a massive 36% increase in value, great for imports but harsh treatment for exports. Be aware of the money aspects if you get into exports.

As with currency changes the roadway to successful exporting can have a few pitfalls, so look out for landfalls. Free trade sounds great in theory but the reality is sometimes not backing up the dream.

For example, theoretically countries do not have trade barriers, in practice it can be a different story. There can a myriad of "technical" reasons that will halt your

product getting access into some countries. Also note that “support” is also offered to export countries primary producers in particularly urbanized regions. The farming lobby can be a powerful voice when muscles are flexed. Access agreements can take time, years, and decades in fact, so whilst they can be saying ‘yes’ it can be ‘in the future...never’.

GREEN LIFE INTERNATIONAL TRADE

So let's now concentrate on plants for trade, as so far my discussion has been general in nature. There is already a significant international trade in green life. A garden centre in the UK will most likely have on display advanced trees from Italy and Israel, shrubs from Ireland, flowering potted colour from Holland and Germany, and even a few exotics from Africa.

It is easier to expand an existing arrangement rather than gain a new market. My first suggestion is to seek out who is exporting now and see if there is any opportunity to “piggy back” on what they are doing.

There are some sound technical reasons why plant material is a prohibitive import to some countries. Australia for instance is free of many of the major diseases found elsewhere and we would like to keep it that way. So it would be impossible to trans ship growing plants in soil to Australia. Likewise we are wary of importing weed species and so limit potentials.

Australia, like South Africa is a signatory of the *Convention on International Trade in Endangered Species* (CITES). This means that we will not allow trade in many plant species (like rare orchids, succulents, ferns) in an attempt to save them from greedy collectors in the wild. You can export these but in Australia a permit is needed, and will only be given for plants propagated in culture rather than just wild collected.

What stops more plants moving from the southern hemisphere to Europe (and vice versa) is the distance we are from that marketplace. Trials undertaken in Australia showed that even by the fastest ships we would not get a good result from transporting plants by boat that far. I think that rail or road in Africa would not be a reliable transport process. That leaves airfreight which is expensive save for some high-value crops like palm seedlings, orchids, and very hard to grow plants.

Another aspect of this is the cost of growing product. Asia has very low labour costs, which makes local production more viable than imports, so long as quality can be maintained. This is also true for southern Europe, and surprisingly the U.S.A.

Green life is a highly perishable product, which can in a few days alter from a desirable item to garbage. Plants need the environment to be kept at tight parameters to survive transport, i.e., certain temperatures, light, oxygen, and ethylene scrubbing. Even quick changes in the environment can be an issue.

I hope by now you are not despondent and have wiped exporting completely from your list of potential sales areas. Now we know that green life is difficult, but there is more to plant production than green leaves. Thinking outside the square can bring great results.

SOME SUGGESTIONS

Here are some suggestions and ways in which exports have developed successfully.

Seeds and Tissue Culture. Both seeds and tissue culture are already out there but with plenty of room for competition. Seeds generally have a low pest risk and

can be exported to most countries including Australia. Do not be restricted to South African native plant seeds. Some of the purest stands of eucalypt are growing in your country. Tissue culture is a little more difficult but save for a few destinations there is little to worry about. Australia accredits tissue culture labs and allows free trade from these. For both of these options the product is low in weight and size and high in value, so airfreight is a good option.

Sprouts. Australia is a major exporter of certain palm sprouts. These are sold bare rooted and used by production nurseries to shortcut the long time and heating costs for germination. The key here is to have the right sought-after species and to be able to overcome germination difficulties.

Knowledge. Now this is the best export of all. It weighs nothing and can sell for significant money. Mind you obtaining this knowledge can be expensive and risky. There are companies that already sell rights to specific breeding, production systems, marketing concepts, etc.

What you need to be able to be an exporter is a unique or different product. It is this that will attract customers and this is how you can make your mark. Why should I as a consumer buy a plant imported from South Africa when I can buy the same thing from down the road?

A common mistake made in Australia is to think that we are the owners of our entire flora. Plant collectors have been all over my (and your) country chasing the unusual and interesting many times before. Europeans started this in Australia with Joseph Banks (he came with James Cook in 1788) and it has continued ever since.

Just because it's rare, does not make it beautiful. I know that beauty is in the eye of the beholder, but let's face it, some plants have a look that only a mother could love. Don't get caught up on purity and remember the customer is looking for something that fits their needs which could be your export plant, another species, or a piece of plastic that looks like one. Beware of the super enthusiast, as they do not necessarily have a clear idea of what consumers want.

PROTECT WHAT YOU HAVE

Again it's a cruel world and there are people who will sell you short every time. In Australia we have a pretty little plant called *Scaevola* 'Purple Fanfare'. A European plant collector picked it up and it has been selling in the millions since without any royalty. If you have something special that has taken you a lifetime to develop, protect it before you start selling. If in doubt seek advice from experts.

Australia is a signatory to UPOV, the *International Union of Plant Varieties*. We have enacted Plant Breeder Rights and so has South Africa. This gives protection to owners of a particular plant cultivar and gives considerable commercial advantage. If you have something special then my advice is to get it PBRed before you even think about export.

THE FUTURE

So this is what I have been alluding to in this discussion. I think that the future in plant exports lies in putting all of the above together in a package. A package that includes royalties for the breeder, access to mother plants, a cultivation process, and even the marketing material is the future.

It also makes sense to have a partnership arrangement with a nursery in the exporting country. Know your limits in the supply chain process. It is easy to get your

end right, but much more difficult dealing with the nuances of another country's distribution process.

The partnering nursery would need to have the local logistics in hand, know the retail clients (by name even) and have an ability to 'massage' your unique product into sales for them (and you). Yes you will be giving away some of the margin you might otherwise have received... if you could get the plant onto the market without local support and that is not an insignificant aspect of the process.

An important aspect of the package is to have good strategic partnership arrangements. This may mean that you travel to other countries and see who might be a useful partner and this is where I.P.P.S. can be a great starting point. You will need to deal with honest and reputable people. Unfortunately not all crooks have tattoos on their forehead and sometime good people can do bad things. However by starting small and by helping each other build, the future should be rosy. A good idea is to seek out reciprocal arrangements, seek and share so to speak.

A package needs to give fair returns to all involved. I liken it to having a few chooks in the backyard. Feed them little and you don't get eggs. Overfeed then and they get lazy. Get it just right and there are golden eggs a plenty. Do not under or over value your input into the process here. The bottom line is that we all need to make some profit or it is not worth the effort, networking, and contacts. This is the essence of the export game, knowing what is wanted and being able to meet the need. You can sit at home with a superior product and wait for someone to discover it... but don't hold your breath. Explore the marketplace, go to trade shows and get to IPPS meetings in other parts of the world. Ask your government export agency to assist. In making contacts, get a website so that others can find you.

Read and communicate. The IPPS black book is a wealth of knowledge, both for its technical aspects and "who is working with what". I have on many occasions sought out specialists from the book and have always been met with enthusiasm. Use the Internet to make contacts and share knowledge, you can also see how others are going at making their products more available.

Make mistakes. You won't win with every idea, it's silly to think that you will. Change and learn. As Mark Twain said "If you keep doing the same thing you will get the same result."

The majority of Australian nurseries do not export. They prefer to limit their horizons to the domestic market and are content with that. For those that have ventured into exporting the results have been mixed, with only a few sticking at it for a length of time. There is a belief that Australia's special situation will protect the ornamental plant industry from outside competition.

It is my view that exporting is something that needs to be considered by nurseries in Australia as well as other countries, like South Africa. With the right product and the right expertise there are opportunities to build solid income streams that are not dependent on the vagaries of the local politics, market fluctuations, and weather conditions.