





## Kiwi expert sets scene 'Japan strategy' urged for growers

After four years immersed in the Japanese flower market, Mike Limbrick, manager for exporter New Zealand Bloom, is back in New Zealand with a message for growers.

WITH a degree in botany and marketing, it is hardly surprising Mike Limbrick found himself in the flower trade.

Add to that a strong affiliation with Japan, developed while teaching there in the early 1990s, and it is clear why New Zealand Bloom managing director David Ballard chose him to establish the company's new office in Japan in 2000.

With an office already established in the United States, NZ Bloom felt it needed better links with Japan to provide a truly global picture of the flower trade.

At first the Japanese were a little sceptical. Mr Limbrick was welcomed, but there was a feeling people shouldn't get too close to the new Kiwi company in case it didn't last the distance.

Four years later, NZ Bloom has proven its stamina and is a well-established supplier to the Japanese auction floor.

Mr Limbrick has now returned, hoping to pass on his first-hand market experience to the company's growers.

One of the biggest advantages of

having a dedicated Japanese office has been the access to accurate, timely, market information, he says.

New Zealand has been exporting flowers to Japan for more than 20 years, but had not previously had permanent offices in-market, where staff are dedicated solely to our product.

Regular visits by representatives from many Kiwi export companies brought back useful knowledge, but were not able to fully grasp many intricacies of the market.

"Short trips may pick up on broad generalisations, but you can often miss out on the subtleties that develop."

In his own case, Mr Limbrick learned many Japanese buyers were not as enamoured with our flowers as growers here might like to think.

Talking with auctioneers, he found complaints over packaging and grading which had existed for years without being addressed.

"That was a heck of a surprise," he says.

"Here we were, the beginners in the market, finding these problems which

for 20 years had inhibited growth and perception of our product and therefore limited returns to growers."

Calla lilies, New Zealand's second-largest crop, were a case in point.

When the market first emerged in the late 1980s, demand was so strong growers could send almost any bloom and have it sell for good prices.

The boom times eventually ended, but old export habits took longer to fade.

"When we arrived we found plenty of problems with callas.

"The perception among auctioneers was there were plenty of crushed blooms, slimy stems and bad grading.

"We may have got away with it in the early days.

"But now, with a more discerning market, customers are on a budget and expect the best, not extremely variable quality," says Mr Limbrick.

The company immediately moved to address packaging issues and the results were dramatic.

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NZ Bloom was quickly able to identify stand-out growers, whose flowers were previously being lost among lesser product and customers reacted accordingly.

The company also worked with smaller growers and in partnership with packhouse operator FlowerPac to develop a co-branded box which contained only top-grade flowers.

"We created a trustworthy line of product that is very well received," says Mr Ballard.

Price premiums were created for the brand and fixed price sales were maximised, enhancing returns to growers.

"Buyers now can be confident that when the product arrives it will be the best. That makes them happy."

In a market which has struggled as Japan experiences a prolonged economic downturn, happy customers mean repeat business and better returns for growers.

That should set the company in good stead when the economy recovers, says Mr Limbrick, who has already noticed a gentle upswing in buyer activity.

Economic indicators show Japan's economy may be recovering and, more importantly, auctioneers are also confident of better days ahead.

"Auctioneers feel trends have hit rock bottom and certainly can't worsen."

Sales data backs the trend, showing yen prices have stabilised following their sudden decline in 2009, though the high \$NZ is hampering attempts to get much of this return back to growers.

A market resurgence may be on the way but, Mr Limbrick says, the leaner years have left their mark on the Japanese flower market.

When the economy slipped into

recession, Japanese businesses were the first to cut back, scrapping expensive floral displays which had become the ubiquitous symbol of commercial success in many company offices and foyers.

This caused a massive drop in demand for the biggest flower grades, but has been tempered by new growth in the personal market — flowers for girlfriends and family.

This doesn't mean New Zealand needs to look at different blooms, but maybe at a wider range of grades.

"Boyfriends don't give their sweethearts a 90cm calla," says Mr Limbrick.

"In any market, there are always customers who want the biggest and the best. But in Japan there is a trend toward a more flexible grade — one that has the length to suit larger displays but can be easily cut back for a bouquet."

Evidence of this can be seen in the multitude of flower stalls that have sprung up outside train stations and the huge growth in supermarket flower sales.

Both offer mainly cheaper blooms but have served to promote flowers in general and have prompted knock-on demand for mid to high-end flowers — a market New Zealand is perfectly placed to meet.

Much to the dismay of local growers, this cheaper market segment has also come to be dominated by imports from South East Asia and China, where costs of production are significantly lower, thanks to an abundance of land and cheap labour.

Plenty of supermarket flowers are for household altars or general use so there tends to be large volumes of lilies, carnations and hardy leaf products with a long vase life. These were once a

mainstay of domestic production but now increasingly come from China," says Mr Limbrick.

"You also have plenty chrysanthemums from Korea, Malaysia and Vietnam. That is really hurting domestic growers. Chrysanthemums used to be their bread and butter. Now that business is being toasted."

In many cases, Japanese businesses are adding salt to the wound by investing in Chinese growing operations, offering finance or advice.

Such investment, combined with huge input from Dutch companies, is helping China become a major world flower producer.

But neither Mr Limbrick or Mr Ballard believes Kiwi growers should feel too threatened.

"For most of New Zealand's seasonal products there are no signs of major competition from South East Asia at present," says Mr Limbrick.

Asian growers have focused mainly on "easy-to-grow" flowers with little or no seasonality, which enables them to export all year round.

"Some Taiwanese growers have been trying to grow callas hydroponically so they can ship 12 months a year, but that has proved uneconomic for several reasons, mainly a lack of quality and high production costs."

Mr Ballard says South East Asia is welcome to the low end of the market. Luxury flowers are where New Zealand needs to be.

"It is really the only part of the market we can address."

Defining just what "luxury" means to a flower buyer is a tough call, but to fit the bill blooms must be interesting, of good quality and appearance, must fit fashion trends and, most importantly, perform in the vase.

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"You can't have it falling apart after two days."

With air cargo costs a major factor in pricing for New Zealand flowers, growers have to justify their price premiums by providing a well-graded, well-presented flower of a type which is in demand, says Mr Limbrick.

Timing is crucial. "If there is no demand then no matter how good the flower is, it won't get a good price."

"Take callas, for example. Most of the demand is generated by the wedding market. By the end of November the wedding season is effectively over so there is no point having huge long grades up there — no-one wants them."

In general terms, Mr Ballard is not convinced the New Zealand industry has made its biggest play for the luxury market.

To do so, he believes "plenty of little details have to come right".

That is the main reason for bringing Mr Limbrick back from Japan: allowing him to help growers here tune their businesses to better suit market demands.

"New Zealand growers can find it tough being so far away from the markets they are trying to service. It can be difficult to figure out what exactly is going on up there. That is why it is so important growers spend some time with people who know the market well."

It is also important growers continue to invest in their business, says Mr Ballard.

After several years of low returns he understands why some growers are reluctant or unable to undertake business development. But at the same time he warns that without such work growers will be unable to benefit fully from any new surge in demand.

"That is a concern. There is a lag in

production after investment, and there is not much investment going on at the moment. We could come into a period of strong demand when our production is, at best, stagnant."

Volume alone is not the only issue — it must also be at the right-quality level.

Being a solid producer of an established crop is likely to be more profitable than holding out for new ones and the sudden, if brief, surge of income they can provide.

"Too many growers are looking for the 'Holy Grail' of flower crops — the latest fad they can come into the market with," says Mr Limbrick.

"Those crops are few and far between. There have been some, like hypericum in the late 1990s. Back then, everyone was planting it and getting huge prices. Now that market is mainly supplied more cheaply from countries such as Ecuador, Zimbabwe and Israel, leaving growers here to pull out their crops."

Meanwhile, cymbidium growers who have focused on their operations and done a good job have continued to make money.

"It is not all about new crops. It is about looking at growers, what crops they have and what quality issues are challenging them. Look at timing and find a better approach to both that works for them and their business."

Mr Limbrick says part of this involves every grower having what he calls a "Japan Strategy".

Growers may not even sell to Japan, but it is the world's biggest flower market and, as such, still influences their returns by helping set prices.

"If you don't know where you fit in Japan, you won't know what is driving your prices elsewhere. We hope that by sharing our knowledge of the market we can help maximise grower returns."

