

Agri-Business, Production, Processing and Marketing Information News

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**A pro-active market research
study produced by AgEnt to
assist the Sri Lankan Floriculture
Sector to identify/expand into
new export markets**

**The Export potential
for selected Sri Lankan
Floricultural produce in the
Hongkong market**

AgEnt's BIC/Business Information Center has a considerable section devoted to the floriculture sector and the project is assisting a number of growers to introduce new technologies/export material etc utilising our "shared investment grants" program briefly described overleaf

For further details on freely available BIC data please contact Mrs. Gavatri Abeydeera (BIC Manager), whilst information on AgEnt's "shared investment grants" program can be obtained from Gamini Kumarage (Agri-Business Advisor) or Anthony Dalgleish (International Marketing/Agro-Processing Advisor)



HELPING SRI LANKA TO GROW !

AgEnt is a dynamic USAID funded private sector agro-enterprise development initiative successfully assisting companies and entrepreneurs with viable business/marketing plans to expand existing operations or start-up new ventures targeted at both domestic and export markets.



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24th April 1994

AgEnt can make available "shared investment grants" (50% coming from AgEnt - 50% coming from the client) in a number of Agro-Enterprise sectors. Below we have outlined typical illustrations of where AgEnt can or cannot make "shared investment grants" related to a finally approved client project.

Sectors where AgEnt can make "shared investment grants" available

1. Purchase of pieces of new equipment and technology which will lead to increased sales, open new markets, create higher added value marketing opportunities etc. However, in this sector AgEnt can only make "shared investment grants" up to US\$5000 per equipment/ technology item of a non United States source. AgEnt does not make "shared investment grants" available for the purchase of second hand or rebuilt equipment/technology.
2. Export product opportunity or new equipment/technology assessment trips.
3. Sending product samples overseas for Buyer evaluation.
4. Production of export promotional material.
5. Participation in trade fairs.
6. New product development utilizing facilities available through identities such as the CISIR, HDRI etc
7. Environmental Impact assessment studies.
8. Buying/Bringing into Sri Lanka new planting material/seed varieties etc.
9. Trialling new crops, post harvest handling and processing technologies

Sectors where AgEnt does not make "shared investment grants" available

1. Purchase of buildings, vehicles, major capital plant, freezer/chiller facilities, boilers, transformers, generators, compressors, electric motors, air conditioners etc.
2. Land and land development
3. Loans and working capital

AgEnt also only works with clients on a phase by phase basis i.e. we seek to evaluate the success outcome or otherwise of Phase I activities before deciding whether AgEnt will assist a client at the next stage of development

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1. SUMMARY AND RECOMMENDATIONS

The Hong Kong market for cut flowers, cut foliage and pot plants is growing because of an increase in the income per capita of its 6 million inhabitants.

The domestic production of Hong Kong has never developed because of the physical lack of land coupled with its astronomical cost. Consequently, production locations have been established in the New Territories and on the Chinese island of Hainan Dao. However, the rate of production cannot meet the demand and as a result imports continue to increase. Per capita consumer expenditures amount to some HK\$ 118 per year (1993) and show a growth rate of 32% over the last three years. The main supplying countries are the Netherlands, Colombia, Thailand and Malaysia. Sri Lanka only exports very small quantities to Hong Kong.

The importance of the Hong Kong market is not restricted to its own domestic consumption and, depending upon the future political developments there, Hong Kong could well become an important gateway to the Chinese mainland and therefore become an re-exporting port of entrance.

At present Hong Kong traders are already exporting to some major cities. These traders have an important comparative advantage with other traders because:

- 1) they speak Chinese;
- 2) they are well acquainted with Chinese trading practices and patterns
- 3) they can make full use of trade privileges between Hong Kong and China.

Altogether this makes Hong Kong's position unique and certainly worthwhile any further development.

To a large extent the Hong Kong floricultural trade is determined by a lack of physical space and its costs. Both retailers and importers/wholesalers have only very small but costly physical outlets available, often a maximum of some 30m². Lack of space is forcing these traders to purchase only very small volumes of a wide range of products, and having to replenish their stocks almost daily. This, in turn, causes the wholesaler/importer to prefer to deal with exporters who can frequently supply a wide range of produce. This state of affairs will explain the strong position of the Dutch exporters who, despite high freight costs, have acquired an important market share. It may also explain the weak position of Sri Lanka as an exporter. Although the Consultant did not have the opportunity to visit Sri Lankan exporters to confirm this view, Hong Kong importers report that Sri Lankan exporters mostly operate on an individual basis. The variety of products which they produce themselves is rather limited. Nevertheless, they do offer a wide range by buying from other Sri Lankan growers but this system does have a few serious drawbacks. Firstly, if a Sri Lankan producer does not deliver to the exporter for whatever reason, the exporter cannot meet his business obligations. Secondly, there is little production coordination for the smaller sub-contracting growers and therefore product standardization has not yet been achieved. Consequently, the composition of the shipments of ordered varieties may not meet with the requirements of the Hong Kong importer.

In spite of the foregoing, Sri Lanka does have excellent growing conditions and a variety of agro-climatic zones at its disposal. Several growers/exporters successfully supply the Dutch market and are able to meet international quality standards. Based on the information received from the Hong Kong importers, the Consultant ventures to state that Sri Lankan exporters could penetrate the Hong Kong market providing certain conditions in Sri Lanka are met. Since the Consultant did not have the opportunity to visit Sri Lanka, these conclusions are to be considered as preliminary.

In the Consultant's view, the main factor behind the inability of Sri Lanka to penetrate the Hong Kong market at present is due to the organizational and institutional marketing framework of Sri Lanka. The Sri Lankan export package can be diversified if production and planning are coordinated. This can be done either by an export company or a common floricultural branch organization. The assessment of the Hong Kong market, the production planning (coordination) for timely delivery, quality control and sales promotion could be its main objectives.

Export organization could be the means by which the production and marketing of large and small growers alike could be properly channelled. A prerequisite is, of course, that the producers are willing to cooperate with each other. This issue could be a subject for closer study. Pot plants and cut foliage deserve the most marketing attention. Another advantageous factor is that there are not many locations in the Far East where such a wide range of these products can be grown.

The fact that importers and wholesalers frequently buy small consignments is useful information for further development of the Sri Lankan marketing strategy. The establishment of a joint-venture between a Sri Lankan export marketing organization (which would represent a number of Sri Lankan producers) and a Hong Kong importer possibly located in the New Territories should also be investigated. Such a joint-venture would be advantageous because:

- a) the location in the New Territories can serve as a buffer to supply the wholesalers; large shipments can be relatively cheaply transported to Hong Kong;
- b) the location can be used to fully grow cuttings and half products;
- c) marketing in Hong Kong can be done by the Hong Kong partner in concert with the Hong Kong trading culture;
- d) export market development to China can be done by the Hong Kong partner as well, making full use of Hong Kong's trading privileges;
- e) together with a qualified partner, the joint-venture can offer a comprehensive package of services in line with the demand of the institutional buyers (public sector, offices, companies) which would include interior landscaping services as an outlet to sell larger amounts of products.

2. LOCAL DEMAND, PRODUCTION, IMPORTS AND TRADE

2.1 Local Demand

Cut flowers and ornamental plants are important products which express the quality of life, especially in those countries where people can afford to buy them. This is increasingly the case in Hong Kong because of its fast developing economy. Over the last three years imports have increased by some 30%. Hong Kong's six million inhabitants import an estimated HK\$ 118 per capita per year of cut flowers and ornamental plants. In comparison, the consumer expenditure in most West-European countries and Japan is more than US\$ 60 per capita so one can expect further growth to develop in Hong Kong.

2.2 Local Production

The Agriculture and Fisheries Department of Hong Kong estimate that roughly 150 ha is primarily being used for local production of Gladioli and Ginger Lilies. This area is decreasing yearly because land is scarce, expensive and mountainous and also because the growers prefer to produce high value horticultural crops.

More and more products are being produced by the New Territories and on the Hainan Dao island. This island has a very mild climate in winter which is one of the reasons why the Hong Kong wholesalers have set-up pot plant nurseries there. The main basis of the flower production is concentrated on traditional seasonal products like Gladioli, Ginger Lilies and autumn Chrysanthemums as well standard as spray types of Lotus flowers and Lotus pods and flowering branches in the spring. As far as pot plants are concerned, those preferred are Bonsai-type trees and shrubs, *Dracaena* vars., *Dieffenbachia* (old varieties), *Saint Paulia*, *Codiaeum*, *Hedera* and *Asparagus*.

2.3 Imports

2.3.1. Total Imports

Imports in 1993 amounted to some HK\$ 237 million and showed an increase of 32% over a period of 4 years.

Although cut flowers dominate the import package, their share is gradually diminishing and pot plants are gaining importance.

**Table 1. Total Imports Floricultural Products Hong Kong
(in HKS millions)**

Category	1990		1991		1992		1993	
	Value	%	Value	%	Value	%	Value	%
Cut flowers and Flower buds	138	77	145	72	168	73	165	70
Foliage	11	6	11	5	9	4	14	6
live plants, cuttings	31	17	46	23	53	23	58	24
Total	180	100	202	100	230	100	237	100
Growth (1990-100)		100		112		128		132

2.3.2. Imports of Cut flowers and Flower Buds

The Netherlands, Singapore, Colombia, Malaysia and Thailand are the main importers of cut Flowers and flower buds. In ranking Sri Lanka holds 16th position with a volume of HKS 0.571 million.

Table 2

IMPORTS OF CUT FLOWERS AND FLOWER BUDS
(in IKS '1000)

	1990	1991	1992	1993	Ranking 1993
Netherlands	52,52	46,650	59,359	55,029	1
Singapore	21,493	22,169	20,282	28,494	2
Colombia	18,980	23,251	28,781	25,259	3
Malaysia	3,677	11,084	17,130	13,556	4
Thailand	11,590	11,748	13,679	13,074	5
China	4,667	4,403	4,243	6,820	6
New Zealand	6,659	6,460	5,581	5,626	7
USA	1,976	3,411	4,132	4,370	8
South Africa	2,209	2,369	2,616	2,302	9
Taiwan	3,558	3,324	2,388	2,155	10
Australia	3,193	2,307	1,976	2,074	11
Indonesia	4	144	1,646	1,296	12
United Kingdom	226	1,491	780	1,083	13
Germany	446	476	446	866	14
Mauritius	985	891	697	796	15
Sri Lanka	1,211	796	193	571	16
France	504	257	1,431	556	17
Japan	2,110	2,120	569	346	18
Brazil	70	940	698	206	19
India	45	-	-	160	20
Canada	-	-	126	122	21
Austria	43	67	-	-	22
Belgium/Luxembourg	-	27	64	-	
Italy	178	131	220	-	
Spain	145	548	120	-	
Ecuador	1,420	274	558	-	
Guatemala	-	-	148	-	
Peru	212	99	28	-	
Israel	32	-	-	24	
Philippines	189	42	68	-	
Korea	-	34	-	-	
Vietnam	27	20	-	-	
Pakistan	75	18	-	-	
Others	-	-	-	-	
Total	138,377	145,551	168,359	164,785	

2.3.3. Imports of Foliage and Branches for Ornamental Purposes

This category constitutes some 6% of the total import package and China is the single largest supplier. Sri Lanka's volume is so small that it is not even mentioned in the National Statistics.

Table 3. IMPORTS OF FOLIAGE, BRANCHES FOR ORNAMENTAL PURPOSES
(in HKS '000)

	1990	1991	1992	1993	Ranking 1993
China	8,364	6,760	6,194	8,757	1
USA	868	840	1,884	1,828	2
Thailand	24	9	502	910	3
Germany	60	449	114	413	4
Japan	53	7	-	386	5
Philippines	309	470	186	297	6
India	125	154	-	248	7
France	-	-	87	248	8
Netherlands	2	-	-	150	9
Taiwan	271	255	67	108	10
Belgium/Luxembourg	-	69	-	80	11
Vietnam	-	-	-	28	12
Denmark	55	-	14	-	
Italy	226	242	180	72	
United Kingdom	-	-	68	32	
Indonesia	36	105	-	-	
Malaysia	38	-	-	-	
Singapore	98	60	-	-	
South Africa	358	876	-	-	
Australia	71	179	-	-	
New Zealand	100	-	166	-	
Others	-	-	-	-	
Total	11,167	10,602	9,462	13,581	

2.3.4. Imports of Other Live Plants and Cuttings

This group is of increasing importance and covers a quarter of the total imports. Sri Lanka ranks 12th place with a modest US\$ 15,000 (1993).

Table 4. IMPORTS OF OTHER LIVE PLANTS, CUTTINGS
(in HKS '000)

	1990	1991	1992	1993	Ranking 1993
China	18,606	29,238	32,187	32,695	1
Netherlands	7,885	8,853	10,581	11,354	2
Thailand	497	638	1,712	4,486	3
Costa Rica	482	1,323	2,046	2,247	4
Taiwan	343	1,890	1,351	1,557	5
Japan	271	526	442	1,194	6
Korea	42	390	490	671	7
USA	185	472	687	632	8
Malaysia	-	-	149	340	9
Belgium/Luxembourg	371	1,387	2,940	170	10
Guatemala	-	-	-	106	11
Sri Lanka	509	429	510	104	12
Israel	-	-	34	102	13
Philippines	74	51	-	94	14
Singapore	36	123	27	90	15
Canada	-	66	24	-	
Germany	25	-	-	-	
Spain	-	-	124	-	
France	35	104	-	-	
United Kingdom	74	72	-	-	
Australia	1,375	520	27	90	
New Zealand	102	-	32	-	
Others		-	-	-	
Total	30,913	46,082	53,336	57,844	

2.4 Specialities of the Main Exporting and Competing Countries

USA

The USA exports mostly cut foliage like leather-leave fern and bear grass from Florida and the West Coast. Products like leather-leave fern, cut foliage and also cut flowers come from Central America and Colombia are reexported through the USA. Large Colombian flower production companies have established their sales offices in Miami for this purpose.

Hawaii exports mainly Anthuriums and cut foliage and the quality of their products is good and packed professionally. Over the past years Hawaiian Anthuriums have lost a bit of their ground in the market and are rapidly being substituted by other suppliers from Malaysia, Mauritius, Philippines who have taken over some of the share of the market.

Netherlands

The Netherlands is the biggest supplier on the market of mainly cut flowers, pot plants and young plants. Dutch cut flowers are very widely available year-round. Their well-known specialities in the winter and spring are bulb flowers such as tulips, hyacinths and daffodils. However, in summer Colombia and Malaysia have taken over the Dutch market share of the large assortment of summer flowers such as roses and carnations.

Typical Dutch products which are still widely available are *Alstroemeria*, *Bouvardia*, *Freesia* and *Iris*. At the moment lilies are the most important Dutch product. The large selection of pot plants and young plants gives the Dutch an important advantage. Flowering pot plants like *Saint Paulias* and *Begonias* and foliage plants like *Dracaena*, *Hedera*, *Calathea*, *Philodendron*, *Ficus* and *Epidendrum* are also strongly represented.

Colombia

Colombia is the main supplier of carnations; mostly the standard type but also spray type. Their quality is excellent and the standard of packing and grading is beyond reproach. They also supply long-stem roses mostly of the red variety called "Visa". Furthermore, Colombia is the main supplier of *Baby Breatin Gypsophila Paniculata 'Perfecta'*.

The Colombian product arrives in Hong Kong via Frankfurt and sometimes Los Angeles-Anchorage. Transport costs are high but their organization is good. Products arrive generally in good condition. No cut foliage or pot plants are supplied.

Taiwan

Chrysanthemums of standard type are important; also some spray-types. Taiwan also supplies pot plants, specializing in the *Bonsai*-types trees and shrubs like *Pachira* and *Ficus* varieties, also different sorts of *Palms* and *Aspidistra* and *Bambusa*.

Thailand

Thailand supplies cut flowers mainly *Orchids* of the *Dendrobium* type. Also cut foliage ferns and palms are well represented and pot plants such as *Orchids* and *Palms*.

China

China is the most important supplier of pot plants to Hong Kong. Young plant material originates from Holland, Costa Rica, Brazil, Japan and Thailand. Small amounts are imported from Sri Lanka for further cultivation in China. As far as cut flowers are concerned, China produces mainly seasonal products like *Gladioli*, *Ginger Lilies* and flowering branches such as *Jasmine* and *Lotus* flowers

Malaysia and Singapore

These countries have been grouped together because Singapore is an important location for the transit of the Malaysian flowers and cut foliage.

In Singapore and lowland Malaysia products such as Orchids, Anthurium and cut foliage from tropical plants like Flax (*Phormium tenax*), Hala (*Pandanus* without spikes) and tropical palms are developing fast. In the Malaysian highlands and the Cameron Highlands, Chrysanthemums (mainly the spray type) and carnations and roses are becoming very strong export products and to a lesser extent, Limonium "Misty Blue" and Peacock Aster appear on the market.

New Zealand and Australia

New Zealand and Australia are specialised in the cultivation of native flowers from trees and shrubs like Proteas, Wax flowers (*Chamelaucium*, *Leucadrendon*) and Kangaroo-paws (*Anigozanthos*). The importance of roses and carnations is small and concentrated in the summer time of Australasia which is from November until March. *Zantedeschia* (Cala lily) is an important New Zealand product.

2.5 The Main Imported Cut Flowers, Cut Foliage in Hong Kong and their Origin

Table 5 shows a review of the main supplying countries for the various species of cut flowers and cut foliage.

Table 5

Country	USA	NL	Col	Thai	Mal	Singa	Aus	NZ	Tai	Chi
SPECIES:										
Alstoemeria	?	+	+	-	?	-	-	?	-	-
Anthurium	+	?	-	?	+	+	-	-	+	-
Aster	-	+	+	-	+	-	-	-	-	?
Bouvardia	-	+	+	-	?	-	-	-	-	-
Chrysanthemum standard	-	?	+	-	+	-	-	+	+	
Chrysanthemum (spray)	-	+	+	-	+	-	-	-	+	+
Cymbidium	+	+	-	-	-			+	-	-
Other Orchids	+	+	-	+	+	+	-	-	-	?
Dianthus spray	+	+	+	-	+	-	?	+	?	-
Dianthus standard	+	+	+	-	+	-	?	?	+	-
Freesia	-	+	-	-	-	-	-	?	-	-
Gerbera	?	+	?	?	?	-	-	-	+	-
Gладиолус	-	+	-	-	-	-	-	-	+	+
Gypsophila	+	+	+	-	+	-	+	+	?	-
Heliconia	+	-	-	+	+	+	+	-	+	-
Hippeastrum	-	+	-	-	-	-	-	-	?	?
Iris	-	+	-	-	-	-	-	?	+	?
Lilium	-	+	?	-	+	-	?	+	+	+
Limonium sinuatum	+	+	+	-	+	-	+	+	?	+
Limonium others	+	+	+	-	+	-	+	+	+	?
Roses	+	+	+	-	+	-	?	?	-	-
Tulips, Dafodils	+	-	-	-	-	-	-	-	-	-
Summer flowers 1)	-	+	-	-	+	-	+	+	+	+
Native flowers 2)	+	-	-	-	-	-	+	+	+	+
Cut foliage 3)	+	+	+	+	+	+	+	+	+	+

+ means regular supply, important supplier

? means irregular supply, no importance as a supplier

- means none or little supply

1) Summerflowers are:

Achillea, Aconitum, Allium, Amaranthus, Amaranthus, Anemone, Anethum, Anthirrhinum, Asclepias, Astilbe, Astrantia, Atriplex, Bupleurum, Callistephus, Campanula, Carthamus, Celosia, Centaurea, Dahlia, Delphinium, Dianthus barbatus, Thistles (Echinops and Eryngium) Eupatorium, Eustoma, Helianthus, Lathyrus, Liatris, Lysimachia, Matthiola, Paeonia, Phlox, Physostegia, Scabiosa, Solidago, Solidaster, Tanacetum, Trachelium, Veronica, Zinnia.

2) Native flowers are:

Anigozanthos, Chamelaucium, Leucadendron, Protea.

3) Cut foliage is:

Anthurium leaves, Arachniodes (Leather Leaf Fern), Asparagus seaceus, Asparagus umbellatus, Asparagus virgatus, Beargrass (Xerophyllum tenax), Eucalyptus, Pittosporum, Ruscus, Adiantum, Aspidistra, Asplenium, Calathea, Palm leaves (Caryota, Chamaedrea, Chrysalidocarpus) Cordyline, Ctenanthe, Cyperus, Dracaena deremensis, Dracaena marginata, Dracaena reflexa and Dracaena sanderiana, Monstera, Nephrolepis.

2.6 The Main Pot Plants, Plant Material and Their Origin

Table 6

Country	USA	NL	Belgium	C.Rica	Taiwan	Thailand	Japan	China	Korea
SPECIES:									
Adiantum	-	+	+	-	-	+	-	+	-
Aglaonema	+	+	?	?	+	+	?	+	-
Ananas	-	?	-	-	+	+	-	+	-
Anthurium	-	+	+	-	+	+	-	+	?
Aphelandra	-	?	+	-	+	?	+	+	+
Asparagus	-	+	+	-	+	?	+	+	+
Aspidistra	?	?	?	-	+	+	+	+	?
Asplenium	-	+	+	-	+	-	?	+	?
Begonia	-	+	+	-	?	-	-	+	-
Bonsai	-	?	-	-	+	-	+	+	+
Bougainvillea	-	?	?	-	+	+	?	+	?
Cactaceae	-	?	?	-	+	-	+	+	+
Calathea	-	+	+	-	?	+	-	?	-
Chamaedorea	-	+	+	-	+	+	?	+	?
Chrysanthemum	-	+	?	-	+	-	-	+	-
Codiaeum	-	+	+	-	+	+	?	+	?
Cordyline	?	+	+	+	?	+	?	+	?
Cyclamen	-	?	?	-	?	-	-	+	-
Dieffenbachia	-	+	+	-	+	+	?	+	?
Dracaena	+	+	?	+	+	+	+	+	?
Euphorbia pulcherrima	-	+	+	-	+	-	?	+	-
Ficus	+	+	+	+	+	-	+	+	?
Guzmania	-	+	+	-	-	-	-	+	-
Hedera	-	+	+	-	+	-	?	+	-
Hibiscus	-	?	?	-	+	+	?	+	-
Hydrangea	-	+	+	-	+	-	?	+	-
Kalanchoe	-	+	-	-	-	-	-	?	-
Marantia	-	+	+	-	?	+	?	+	-
Neoregelia	+	+	+	-	+	+	-	+	-
Nephtrolepis	-	+	+	-	+	+	+	+	-
Nolina	+	?	-	+	-	-	?	+	-
Pachira	-	-	-	-	+	-	+	+	+
Philodendron	+	+	+	-	+	+	?	+	-
Polyscias	+	+	?	+	+	?	+	+	?
Rhododendron (Azalea)	-	+	+	-	+	-	+	+	+
Santpaulia	-	+	+	-	?	-	-	+	-
Schefflera	-	+	+	-	+	?	+	+	
Simningia- (Gloxinia)	-	+	+	-	+	-	-	+	-
Spathiphyllum	-	+	+	-	+	+	+	+	?
Syngonium	-	+	+	-	+	+	+	+	?
Tradescantia	-	+	+	-	+	+	+	+	?
Vriesea	-	+	+	-	+	-	?	+	?
Yucca	+	?	?	+	+	-	?	+	+

2.7 Consumer Preferences

The flower and pot plant consumption in Hong Kong is not as well developed as in most West-European countries. The reason for this is the limited amount of living space for living and tradition.

The most popular flowers are Roses and Chrysanthemums (standard and spray), Carnation standard and spray, Lilium, Gladioli and Anthurium. The preferred colours are red and yellow. White is associated with mourning.

With regard to pot plants, flowering pot plants play an important role especially during the Chinese New Year which is an important celebration when flowers and especially flowering pot plants, are used profusely. The favourite flowering pot plants are Saint Paulia, Rhododendron (Azalea), Rhipsalidopsis, Kalanchoe.

The trend for green plants, especially for interior landscaping, is growing. Aglaonema, Dieffenbachia, Dracaena, Cordyline, Hedera, Schefflera, Spathiphyllum, Polyscias and Pachira are commonly used for this purpose. There is also a growing interest for "new" varieties of pot plants. Calathea, the newer Codiaeum varieties. Palms like Chamaedorea, Chamaerops, Chrysalidocarpus are in fashion whereas Hibiscus and Bougainvillea are commonly used in parks and gardens.

Table 7 Market Segments for Cut Flowers and Pot Plants

	cut flowers	pot plants
Own Use	20 %	75 %
Present	78 %	25 %
Cemetery and funeral	2 %	0 %

source

Estimation Agricultural Department, Hong Kong

The expenditure on flowers and ornamental plants per capita is estimated to be about HK\$ 118 per year.

2.8 Retailers and Distribution

There are about 500 retailers/sales-points for flowers and plants in Hong Kong. These shops and outlets are small and have very limited space. The quality and presentation of the produce is good. Most shops have small cooling facilities or are air conditioned. The high rental costs for these premises make the prices for cut flowers high. Margins of 200-300 % on wholesale prices are common.

2.9 Wholesalers

There are approximately fifty importers and wholesalers in Hong Kong and the structure of these companies is relatively small. Most of the business is located in the Kowloon Peninsula not far from the airport in the Mong Kok district. The wholesalers and importers run their business from very small shops with limited space and cooling facilities and it is because of these limitations that they want deliveries to be made 3 to 5 times a week. The volume they require per item is also rather small and therefore exporters who are able to provide a wide assortment have the advantage. Bulk exporters specialised in a few products will face problems because they can only supply very small quantities to most importers/wholesalers.

Communicating with the small-scale Chinese flower importers/businesses is not at all easy for those who are used to using English for business transactions. English is unfortunately not spoken well or widely in this sector. This, of course, gives the advantage to those who do speak Chinese such as some of the exporters from Malaysia, Singapore and Taiwan. Needless to say Chinese exporters have an even greater advantage not only because of the language but also because of the mentality.

Hong Kong importers are not high quality buyers and there is a limit to the sales price. On the other hand they do not buy cheap produce either.

The handling and treatment of flowers by the wholesale leaves much to be desired. Directly after receipt, flowers are unpacked and repacked in boxes or put in buckets. Pest and disease control is very limited and Hong Kong plant inspection is very tolerant.

In the case of pot plants the system is quite different and more complicated. Almost all import/wholesale companies have their own production nurseries in or around Hong Kong and, since the past few years, in other production locations in China too. The island of Hainan Dao is one of these new locations.

As previously mentioned, wholesalers/producers face the problem of space limitations. The confined display possibilities make it difficult for the observer to draw conclusions regarding the composition of the Hong Kong production and the import mix. However, a Japanese company with subsidiaries in China and Hong Kong seems to have been successful by expanding the service package to include wholesale production, imports and interior landscaping to cater for the institutional market.

2.10 Import and Wholesale Prices

Both fixed price and non-fixed price contracts are practised in Hong Kong. The Netherlands flower exporters do business at no fixed price. Prices are established on the basis of the auction clock however, Hong Kong importers would prefer fixed prices. Other supplier countries like Colombia, Malaysia and Singapore do work with more or less fixed prices. The following information and (CIF) prices was obtained:

Roses stem size about 60-70 cm

Malaysia per 24 HK\$ 36 till 37

Colombia per 25 US \$ 52 is about HK\$ 4,03 per stem

Holland per stem HK\$ 4,35 CIF price of mid June '94

Carnation standard

Malaysia per 24 HK\$ 35-36

Colombia per stem HK 1.60

Holland no listing

Sri Lanka per 24 HK\$ 40

Carnation spray

Malaysia per 10 HK\$ 22

Colombia per 12 HK\$ 24-25

Holland per 10 HK\$ 38

Gypsophila

Colombia per bunch of 300 grammes HK\$ 35

Holland per bunch of 5 stems HK\$ 38

Chrysanthemums

Malaysia per bunch of 12-15 stems HK\$ 26

Anthurium

Mauritius US \$ 0.92-1.15

Heliconia

special quality US 1.25

Wholesale prices all in HK\$ for pot plants

Asparagus small	\$ 20
Saintpaulia (Holland)	\$ 25-60
Dracaena small	\$ 30-38, medium \$ 48, big \$250-300,
very big	\$ 480
Hedera medium	\$ 35-38-40
Scindapsus small	\$ 20
Aphelandra small	\$ 20
Gloxinia (China)	\$ 20
Anthurium	\$ 70-80
Dieffenbachia small	\$ 30-35, big \$ 78-80, very big \$ 88-118
Calathea	\$ 60
Codiaeum small	\$ 48, big \$ 70
Bougainvillea	\$ 48
Asparagus medium	\$ 60
Polyscias small	\$ 25
Spathiphyllum medium	\$ 38 big \$ 78
Schefflera big	\$ 78 ,very big \$ 180
Adiantum small	\$ 60
Ficus benjamina medium	\$ 170
Ficus elastica 3 shoots medium	\$ 75
Chrysanthemum flowering	\$ 28
Asplenium	\$ 32

2.11 Importers and their product-lines (suppliers marked with * are especially important for Sri Lanka)

* Ban Fan Indoor Plant Co.

Main office: 28 Flower Market Road, Kln
tel: 381-5330, tlx 51708, fax 397-2390

Ms Chow Lam, Manageress

One of the biggest importers. Specialised in pot plants. They have their own nurseries in Hong Kong and China, import finished pot plants mainly from Holland also half-finished product and young plants for their nurseries. Also handle imports from Sri Lanka. Ban Fan has also imports cut flowers mainly Dutch product and Malaysia/Singapore. Offers wide assortment. China (Beijing, Shanghai) will be an important customer in the future .

Exland Nursery

Importer - Exporter, Plants, Potting soil, fertilizers and Bamboo wares.

Shop add. F & G, 160 Prince Edward Road, West Kowloon
tel 3977613, 3916622

Hector Lo, General Manager

Shop, wholesale , import and production of pot plants. Tel. nursery 4746078 in Hong Kong. Wide assortment small and medium size pot plants about 30% import and 70% own production.

* Japan Trading Co. (H.K)

GF., Block B & C

10-16, Flower Market Road, Kowloon

tel. 380 8986, Fax. 397 6009

Mr Mukoyama Sumako, Director

Specialised in pot plants. This company has subsidiaries in China Shenzhen\Ngan Wu Road Side tel. 3347667 and in Japan

13-18,1 Chowme Higasi Nara, 1 Baraki-City, Osakafu- Japan

tel. 0726(34)3929 Fax. 0726(34)0669

Quality of the products very good. Besides imports from Japan and China they also produces in Chinese nurseries.

Yee Ka Flowers, importer and wholesaler

Flower Market Rd, 18-20

tel. 3-813445 fax 3-971514

This company is specialised in uncommon flowers and cut foliage.

Universal Trading Co.

Flower Market Road 22. Tel. 3812136

Cut flower specialist like roses, carnations, chrysanthemum, Peacock (aster)

Barry Florist

Flower Market Road 24, Kowloon

Small wholesaler/importer with wide assortment only cut flowers. Mostly Dutch/Malaysian origin

Lily Florist Trading Co

Flower Market road 32, Kowloon

Wide assortment cut flowers mainly Dutch and chrysanthemums from Malaysia

International Trading Co.
Flower Market Road 34 A, Kowloon
Wide assortment cut flowers

Hsing Fai Trading Co.
Flower Market road 36, Kowloon
different cut flowers

Po Hing Flower Co. Ltd
G/F Yeun Ngai Street 4-8 B
Wide assortment Dutch cut flowers and USA cut foliage
Eva Fung General manager

Kam Wai Flower Trading
Yuen Ngai Street 4-8 A
Wide assortment Dutch and Malaysian cut flowers, important part is cut foliage like palm-leaves, Dracaena and Cordyline leaves.

New World Flower Co.
G/F. 38 Flower Market Road, Kowloon. Tel 3817673, 3817985
fax 3973361
Wingo Wong, General Manager
Cut flowers from Holland and Taiwan

Hung Fat Trading Co.
Flower Market Road 40
wide assortment cut flowers and sundries

Ching Yin Trading Co.
Flower Market Road 46
Dutch,N-Zealand cut flowers and native flowers, Carnations and chrysanthemums from Malaysia.

Wayfong Florist International
Flower Market Road 48, Kowloon
cut flowers and cut foliage.

Arthurs Company
Flower Market Road 50-56 no 1
cut foliage and wide assortment cut flowers

* Hing Fat Floral Co.
Flower Market Road 58, G/F, Mongkok
Tel 3807871, 3973218. fax 3976046
Stephen Choi, Director
Simon D. K. M Tsoi Sales Manger
One of the oldest and biggest importer and wholesaler of cut flowers and cut foliage. Imports carnations from Huejay international from Sri Lanka for more than 8 years
Pik Lin Flower Wholesale Centre
Flower Market Road 60, Kowloon
wide assortment cut flowers.

Yuen Hing Co.
 Pacific Trading Co.
 Flower Market Road 62
 wide assortment Colombian, Dutch, Singapore cut flowers.

Kim Shun Co.
 Flower Market Road 68 A
 Cut flowers from Malaysia and Holland

On Wah Garden
 Yuen Ngai Street 190 C
 wide assortment cut flowers

Clingo Florist Trading
 Yuen Ngai Street 190 B
 wide assortment cut flowers

Wing Tai Flowers Co.
 Prince Edward Road 189
 different cut flowers mainly Malaysian

Kong Tai Lan Yuen Trading Co.
 Prince Edward Road 198
 tel 3967398 fax 3807005
 Columbian carnations, Dutch products, cut foliage

Ngai Yuen Flower Company
 Prince Edward Road 176, Kowloon
 cut flowers and artificial flowers, sundries

* Sum Kee Yuen Import & Export Plant Co
 G/F., Shop A, Hentiff Building, 160 Prince Edward Road West
 Tel. 396 6699, 380 2753 fax 396 6655
 Nenny Ng Manager
 pot plant importer/wholesaler and producer. tel nursery 670 5775
 wide assortment mainly smaller pot plants.

Wai Chung Trading Co.
 Prince Edward Road 164, Kowloon
 Very new shop, only pot plants

Nice Garden
 G/F., 3A, Yuen Po Street, Mongkok, Kowloon
 tel 7873933, 674 4066
 fax 396 6000, 674 2020
 Jennifer Chan manager
 pot plants, Own nursery, Landscaping

Hang Hing Nurseries Ltd.
1 Yuen Po Street, G/F., Mongkok, Kowloon
tel 381 0982, fax (852) 397 1430
Wong Tak, Managing Director

Shun Hing Flower Wholesale Co.
Shop C-1B, G/F. 4-8, Yuen Ngai Street, Kowloon
tel 7890039, fax 7875561
Lam Wai Shing director
Cut flowers and cut foliage

International School of Flower Arrangement
G/F. No 1-3 Shelter Street, Causeway Bay
tel 861 2216, 866 0608, 504 0463, fax 865 5795
James Y. H. Wong, Principal and Chairman of the Hong Kong Professional Floral Designers Association. Imports cut foliage, trend-setter in flower arrangements.

* Flora Concepts Limited
G/F., 20 Pak Kung Street, Hunghom, Kowloon
tel (852) 356 9377. Facsimile (852) 764 4096
Importers & Wholesaler fresh Cut Flowers.
Reanato F. Patria, Managing Director
important importer Dutch, Colombian cut flowers and USA cut foliage.

2.12 Importers Requirements

There are more than 50 importers/wholesalers in Hong Kong for a total import of approximately HK\$ 230 million which indicates that the turnover per importer is rather small. The market sales points can be sketched as many small buyers, a mixture of florists, street pedlars and even non-professional buyers. The amount of money per transaction is small. The consumer demands a wide assortment. The consumption of cut foliage and sundries is not well-developed.

The wholesales points are rather small and not well-equipped nor do they have any cooling facilities and cover on an average an area of about 30m². Rental prices for these units are expensive: about HK\$ 40,000 a month. Because they lack any facilities, the importer/wholesalers cannot store any of their products and consequently a regular supply of a wide assortment is essential. Therefore exporters who can only offer a small assortment of specialized products will face problems.

It was observed that incoming products, especially from Malaysia, were often infected by visible pests (leaf miner) and diseases (white rust). However, it would seem that as phytosanitary controls are not stringent and because most flowers are used for arrangements, as gifts or for special occasions, the vase-life quality does not seem to be of great importance.

2.13 Competitors on the Market

As far as cut flowers are concerned, Holland is the most well-organised and in a position to supply a wide assortment of cut flowers and pot plants year round. The Dutch exporter offer a large variety not only because they have a fully automated and modern auction system at their disposal but also because this particular industry is well-developed industry in The Netherlands. This makes competition stiff and one can only try to imitate the system by organising a group of growers to specialise and produce products which are in good balance and make an interesting package.

There are not many other countries besides the Netherlands which have proven to be capable of organizing such a good horticultural export chain. The Danish have a system called "GASA" which has brought together several growers to organize their production and marketing. They are now beginning to become rather successful on the European market.

China is Hong Kong's competitor on the market for cut flowers, especially pot plants. Hong Kong traders often are often involved in setting up a production location. Their big advantage is low transport costs which is of great importance for pot plants due to the unattractive volume/price ratio. Other suppliers of pot plants do not have any more advantages than Sri Lanka.

2.14 Export Potential for Sri Lanka

Sri Lanka is gifted with a range of climatic zones because of its different altitudes. In the lowlands the climate is tropical with temperatures ranging between 25°C to 30°C at night rising to 30°C to 35°C in the daytime. The temperature at higher altitudes is more moderate up to an altitude of roughly 2,000m where evenings can be cool with temperatures between 10°C-15°C and in the daytime a pleasant mild temperature ranging from 20°C to 25°C. In general, the amount of light is good. In the rainy season heavy rains and high humidity can harm the quality of the produce, mostly because of fungus like Botrytis. Altogether these climatic conditions present a wide range of possibilities for growing many species of pot plants and cut foliage.

There is a growing demand on the Hong Kong market for pot plants and cut foliage and green plants for interior landscaping of offices, ecetera. The consumption of flowering pot plants for Chinese holidays especially for the Chinese New Year is also expanding. Furthermore, the trend to use cut flowers and pot plants for use in homes has been adopted from Europe and one can expect a growing demand in this field. If shopping centres and supermarkets also start to sell flowers and plants the consumption can get an even bigger impulse.

In conclusion, Hong Kong is the gateway to other Chinese cities. In this respect, Hong Kong importers and wholesalers have already started to send products to Chinese customers. Air cargo transport from Hong Kong to the big Chinese cities is well organised but import duties to China are unstructured and vary from 30% to 100%. This is why one has to understand the system to avoid unnecessary high costs. Because of the special relationship between Hong Kong and China, big opportunities are to be gained by establishing joint ventures with Hong Kong traders to penetrate the huge Chinese market for flowers and pot plants.

In China the development in horticulture especially in ornamentals is rapidly expanding. There is a great demand for plant material and, if one can find the right openings to enter the market, there are great possibilities.

It is important that there is a wide assortment of plant material in the newer variety range. There is not much demand for out-dated varieties. The species supplied need to be resistant to "difficult" conditions as the new nurseries in China are not well equipped and do not have ideal heating or shading facilities. There are only limited types of pesticides available so this factor should be taken into account when selecting the species to be grown.

In comparison with China, Sri Lanka has a perfect climate for growing plants in different climatic zones and therefore it can select the best species and varieties on offer. This advantage is not so big for cut flowers as for pot plants. The essential factors are to determine how one can organise the export of these products to the Hong Kong importers and to ensure that this organisation is large enough to ship the plants and plant material in controlled atmosphere containers to Hong Kong traders and eventually to Chinese importers.