## Where to Send the Products

The final choice of market contact(s) for the exporter depends to a large extent on what quantity he intends to export, which assortment and what quality he can produce and whether he is inclined to work with one major importer or two or more smaller importers.

**A small exporter** is recommended to establish a long term business relationship with a minimum of two distributing wholesalers, especially if he is producing a standard assortment of good export quality. If he is producing a speciality product e.g. Heliconia, he may have to export either to several distributing wholesalers in various geographical areas, or to one shipping wholesaler to sell the whole quantity. The choice often depends on whether the exporter can supply sufficient quantity to each customer to benefit from the lowest air cargo rates. The exporter may obtain a higher price from the distributing wholesaler than from the shipping wholesaler, but their capacity is usually limited and the company may be less secure financially because of the size of operation and the absence of assets e.g. in buildings etc. It is the responsibility of the exporter to chase up payments, and, should delays occur, to discuss the situation with his customer. (See Appendices 7 and 8).

Distributing wholesalers are generally more amenable to prolonged import seasons than the large import enterprises, especially if the exporter has a unique quality or assortment and if there is a good relationship between the two companies.

**A medium size exporter** may choose to export his produce either to several distributing wholesalers or to one shipping wholesaler depending on the volumes and the assortment he is producing and on how much marketing he is prepared to do. Exporting directly to several distributing wholesalers will probably result in a higher average price and spread the payment risks. It will also entail additional costs for a sales organisation within the exporting enterprise and for handling smaller volumes. If the exporter has produce of unique quality and/or a unique assortment, a shipping wholesaler may contract his total production for a whole season and at premium prices. The market is, however, very competitive and if either the contracted price or the quality or the assortment proves to be wrong at a specific time the importer is likely to renegotiate the contract.

**Well organised and large exporters** who can ensure regular supplies of well packed, high quality produce should only consider dealing with the major shipping wholesalers. Depending on the volume they have to export it may be necessary to seek market contacts at this distribution level in other countries as well in order to secure a market for the whole production and for as long a season as possible. The major shipping wholesalers often sell the produce before arrival or on supply contracts. It is therefore extremely important to adhere to pre-arranged volumes and schedules.

**Most exporters of cut flowers and ornamental foliage are also the producers. It is not common to collect produce from outgrowers and export through a middleman. This system does exist for some products, especially from Kenya, and also for assorted ornamental foliage collected from the wild. Exporters may choose to sell a portion of their production through an auction, either in the Netherlands or in Germany, to compare prices and market information. Different brand names should be used when selling through both auctions and importers or the exporter may disrupt his regular wholesale market.**

**Whichever market channel is chosen, it is the exporter's responsibility to identify the market channel(s) and convince the importer(s) that his cut flowers and/or ornamental foliage are worth buying. It is a highly competitive trade, but the importers are usually keen on new exporters and new products. The exporter who identifies the most suitable market channel(s) for his produce will also have the best assistance with his initial market entry.**

## Working with German Importers

**German importers are looking for exporters who can regularly supply sufficient volumes of an attractive range of cut flowers and/or ornamental foliage of high quality and who can adjust, as far as possible, to the seasonal variations in market demand. Preference is given to countries with a good infrastructure and to exporters who can constantly abide by their commitment to reliability, quality and regularity. Importers are most comfortable working with people who are directly responsible for quality control and regularity. Good personal relations between the importer and the exporter are essential when building a long standing business relationship and overcoming temporary difficulties.**

The following are common complaints about exporters:

- They often fail to alert either the importer or the clearing agent to the arrival of a shipment. This is extremely serious for highly perishable products since prompt notification may save up to one day in handling.
- They omit important paper work such as a phytosanitary certificate or certificate of origin.
- The export produce is too mature or has been harvested prematurely or it has been stored wrongly or for too long.
- The wrong packing material has been used which may result in damaged cartons and bruised produce, poor presentation, damaged produce due to condensation in plastic sleeves etc.
- The export products do not meet market expectations for quality, grading and freshness, or they deviate too much from EC quality standards.
- The produce is infested with fungus disease and/or insects, or has too high a pesticide residue.
- The exporter does not comply with scheduled deliveries.

There are EC regulations for phytosanitary and quality standards. However, the quality standards are applied liberally and the most important factor is that the exported produce should comply with the expectations of the importer and market demands.

### Terms of Trade

There are a number of different types of buying agreement. The most common are described below (see also Appendix 7 where the contractual terms recommended by the German Wholesalers Association are set out):

**Firm purchase** is the most common agreement for imports of cut flowers and ornamental foliage. A fixed price, either FoB or C&F, is agreed between the exporter and importer prior to export. Such an agreement should also incorporate terms of payment, volumes, assortment etc. Prices and market demand will change for all floricultural products. Prices are therefore fixed for short periods of 1-3 months, depending on the species and the season.

Bank guarantees, letters of credit etc. are unusual as produce is perishable. Normally the importer should pay for the shipment 15-30 days after receipt of the produce. The payment is by bank draft or bank transfer. The importer is responsible for paying any import duty, import taxes and clearing costs as well as all other costs incurred in the country of destination. The exporter should aim to export produce on FoB terms to avoid incurring air cargo costs. When air cargo rates are less expensive when paid in the country of origin, the exporter should send C&F.

**Commission sales** mean that the exporter bears all the financial risk and the importer sells the produce on a commission basis, i.e. the importer deducts commission and all other costs from the sales price and the remainder is paid to the exporter. Sales prices are very difficult to predict and to control. It is common for the exporter and the commission agent to disagree on the actual outcome of the sales. If export prices are fixed by the authorities in the country of origin, a guaranteed minimum price is used so the export price will often only cover the cost of production.

**Direct auction sales** are difficult to establish from many countries since there are no fixed export prices for the products until after they have been sold at the auctions. Auctions will not handle products accompanied with a minimum price invoice. Generally direct auction sales are executed by exporting the produce to the auction accompanied by a pro-forma invoice stating the name of the customer (auction), the volume, assortment, quality, number of boxes etc., but without a fixed price. The shipment is cleared by customs, both in the country of origin and in the country of destination, after the auction sales when the price has been established. The exporter is paid by the auction after deduction of handling fees, auction costs and import duty. Produce which originates from countries where export prices are fixed on the export invoice is generally handled by a market agent or via the exporter's own marketing company. The prices set on the export invoice often represent only the production costs of the produce.

**The majority of produce is imported at fixed prices, as commission sales have proved to be unsatisfactory for exporters and the German auctions are too small to handle large volumes. An increasing percentage of the produce is sold on FoB terms. The exporter is strongly advised to obtain references about the solvency and reputation of the importer(s) before entering into a firm business relationship. Payments should be followed up carefully and exporters should act immediately when they are consistently delayed.**

**It is often an advantage to export into more than one market, since market demands for specific seasons and/or peak sales periods may vary.**

## Packaging

In 1991, Germany implemented new regulations for packaging material, in order to recycle as much as possible for environmental reasons. In short this involves the following:

Packaging must be manufactured from materials which are environmentally sound and can be recycled.

Waste from packaging shall be avoided by ensuring that packaging:
- is restricted to the dimensions actually required to protect the contents and to market the product,
- is designed so that it may be refilled provided this is technically feasible, reasonable and compatible with the regulations applying to the contents,
- is reused or recycled, if it cannot be refilled.

The above regulations cover transport and sales packaging and secondary packaging such as plastic sleeves, newspaper etc.

Normal cardboard cartons can be recycled and are acceptable, whereas waxed or plastic coated cartons are unacceptable. Cartons may be lined with plastic film. Flowers may also be packed in plastic sleeves and paper wrapping.

There are a variety of sizes of cardboard boxes being used. There are no set standards for packaging units and/or sizes for any specific species on the German market. Often, the major exporting country of a specific species sets the standards. These may be followed by other countries exporting the same species.

Specifications for packaging for each species are given in the product section of this handbook. The exporters in the Netherlands have tried to establish a standard carton system, including air cartons suitable for air pallet loading. These sizes are internationally accepted and have the following dimensions:

| DUTCH STANDARD BOX | | | |
|---|---|---|---|
| **Code** | **Size (cm)** | **Volume (litres)** | **IATA weight (kg)** |
| AA | 120 x 46 x 39 | 138 | 27 |
| A | 120 x 46 x 25 | 118 | 23 |
| B | 120 x 36 x 25 | 90 | 18 |
| C | 120 x 36 x 19 | 67 | 14 |

| DUTCH AIR BOX | | | |
|---|---|---|---|
| Code | Size (cm) | Volume (litre) | IATA weight (kg) |
| 21 | 106 x 35 x 36 | 118 | 21 |
| 18 | 106 x 35 x 30 | 100 | 18 |
| 15 | 106 x 35 x 24 | 79 | 15 |
| 12 | 106 x 35 x 20 | 65 | 12 |

The air cargo rates for most floricultural products are calculated by volume and the IATA weights represent the chargeable weight per box. Consequently bulky, lightweight products are more expensive per unit to air freight than heavier, more compact ones.

It is recommended that fully telescopic cardboard boxes are used as they are stronger than those which open at the top. Packaging should be clean and of good quality and show the produce well. An export carton should withstand rough handling, frequent changes in temperature and humidity and customs inspections. Poor quality cartons are sensitive to high relative humidity and consequently crush easily during transport and handling.

### Transportation

Cut flowers and ornamental foliage must be kept at appropriate temperatures throughout the marketing chain. Cold storage, refrigerated transport (both in the country of origin and in the country of destination), good packaging and rapid handling are essential. Some products may require a higher temperature to prevent damage by cold in the German winter.

## Trends in Produce Sales

**The imports of the three major cut flower species, roses, carnations and chrysanthemums, have increased less than those of other cut flowers in 1990-91. There has been an expansion in the demand for summer flowers during the winter. Novelties in this range are expected to be well received by the market.**

**There is a trend towards using a larger range of ornamental foliage, especially among specialist flower shops and garden centres. However, leatherfern is expected to remain the major ornamental foliage for the foreseeable future.**

**In the retail sector it is expected that garden centres and street vendors will continue to expand their market share at the expense of specialist flower shops and the food trade. Garden centres are increasingly selling the traditional products of the specialist flower shops e.g. specially designed bouquets, flower arrangements etc. The sales of ready-made bouquets have declined and shifted from food stores to street vendors and garden centres. Flowers for gifts and special occasions are mostly purchased from specialist flower shops, but garden centres are also taking a market share in this sector.**

**The importance of peak sales periods such as Christmas, Valentine's Day, Mothers' Day etc. is lessening as sales become more regular, but is still substantial.**

**Domestic production of cut flowers and ornamental foliage will continue to decrease and the market will become more dependent on year round imports of these products.**

## Promotion and Branding

It will take an exporter 2-3 years to build a reputation and brand name in the wholesale trade. Reputations are earned for regular shipments, prompt shipping information, good produce quality, good grading and packing and rapid adjustment to market changes. A brand name can have a negative effect if the exporter fails to service the market properly. A good brand name should result in fewer marketing problems and claims, coupled with higher average selling prices. Promotion by individual exporters is difficult and expensive, especially if targeted at consumers. However, a good brand name will help the exporter when negotiating with importers for preferential marketing support and effort.

## Starting an Export Business to Germany

**A potential exporter should start by identifying suitable market contacts. This can be done either through existing contacts or through the various importers and organisations given in Appendix 4.**

**The exporter needs to visit importers and demonstrate produce samples, show photographs of the project, and discuss production figures, prices and flight schedules.**

The importer will pay special attention to the international transport links and communication services (i.e. telephone, fax and possibly telex). Produce presentation, packaging and post-harvest handling are important and the importer may wish to alter carton sizes and presentation to suit his operation. The exporter should avoid agreeing to print the importer's brand name on his cartons as this prevents the exporter from establishing a reputation in his own right. In general, there is no need to produce promotional material such as catalogues for these meetings. This literature is important if exhibiting at trade shows.

After the market visits, the exporter should select the most suitable market contact(s) and send them samples of produce. Final selection of trading partners will depend on the reaction of the importer to the samples, the company's enthusiasm and commitment and the results of trade and financial references. Both partners will use the first few months of trade to determine the reliability and commitment of the other. In the end it may be necessary to begin the selection process again.

It is often necessary to push the importer into providing adequate and regular market feedback. It is important for the exporter to visit the German market contact(s) at least once a year to cement business relationships. These visits are used to discuss and settle mutual problems and for the exporter to see the quality of produce on arrival and how it compares with competitors. The exporter will also obtain market information and develop new product ideas.