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& DEVELOPMENT CORPORATION

Flower Export Statistics

A report for the Rural Industries Research and Development

By Peter Brooks

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Foreword

For many years, figures that describe the size of the Export Flower Industry have been used in many public forums. During this period, there has been an "awareness" that the figures are not showing a true indication of the industry.

The existing data has been used in reports which have formed a basis for a negative view of the size and growth of the Export Industry. FECA is concerned that this has led to a reduction in funding support for research and development for the wildflower industry in particular and that the basic information is misleading and incorrect.

Approximately 50% of the flowers exported are sold in Japan. These are sold on the auction system in Japan and their final value is only known after they are sold. Pro forma values are used and it is not known whether values are realistic. It is also not known whether values are "market", "gross", "net" or "guess".

Therefore the $ figures recorded are misleading.

The Flower Export Council of Australia has undertaken in three stages, a review of the statistics that are recorded for the Export Flower Industry and from this review has suggested a range of proposals that will set a system that will be useful for all parties.

This project was funded from RIRDC Core Funds which are provided by the Federal Government.

This report, a new addition to RIRDC's diverse range of over 700 research publications, forms part of our Wildflower and Native Plants R&D program, which aims to improve the profitability, productivity and sustainability of the Australian wildflower and native plant industry.

Most of our publications are available for viewing, downloading or purchasing online through our website:

- downloads at www.rirdc.gov.au/reports/Index.htm
- purchases at www.rirdc.gov.au/eshop

Peter Core
Managing Director

Acknowledgements

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Executive Summary

The Flower Export Council of Australia has undertaken in three stages, a review of the statistics that are recorded for the Export Flower Industry and from this review has suggested a range of proposals that will set up a system that will be useful for all parties

For many years, figures that describe the size of the Export Flower Industry have been used in many public forums. During this period, there has been an "awareness" that the figures are not showing a true indication of the industry.

In Stage 1, investigations into exports of flowers using tonnage instead of $ value has indicated the exports of fresh flowers have almost doubled in the last two fiscal years whereas tonnage of dried flowers has almost halved. Examination of exports by $ value did not show comparable increases.

In stage 2, a workshop highlighted the anomalies in the present recording system. The opinions of Industry leaders were sought and recommendations have now been put forward to create a system that will provide a clearer picture of the export industry.

The Australian Bureau of Statistics will now be approached and FECA will request a change to the Statistical Codes that are used in the Export Flower Industry. A classification feasibility study will need to be undertaken as a prerequisite to changing any statistical codes.

Objective

To review the statistics that are recorded for export flowers with an aim to set up a system that will be useful to all the parties involved.

Introduction

For many years, figures that describe the size of the Export Flower Industry have been used in many public forums. During this period, there has been an "awareness" that the figures are not showing a true indication of the industry.

Some people say the industry is bigger than what we think, some say that the Export sales figures show an industry in senescence. Some people say they just have no idea and others say that until we start measuring correctly we will never know.

However the existing data has been used in reports which have formed a basis for a negative view of the size and growth of the Export Industry. FECA is concerned that this has led to a reduction in funding support for research and development for the wildflower industry in particular and that the basic information is misleading and incorrect.

An inherent problem with the figures recorded today is that they do not reflect where the flowers are grown for the export market. Eg Exports out of Sydney may include flowers that are grown in Victoria and transported overnight by truck to catch an International flight to Japan or Europe. Similarly many flowers are flown out of Western Australia to depart from Melbourne and Sydney. In addition to this, virtually 100% of flowers grown in South Australia are exported from Melbourne and Sydney. In other words the frequency of International flights, the locality of the International airport and the locality of the exporter can all affect the export figures on a state by state basis.

The interstate movement of flowers is not recorded and this poses a problem when government, education and businesses begin to discuss the flower industry.

The $ value of flowers recorded at the point of exit is also a concern. Approximately 50% of the flowers exported are sold in Japan. These are sold on the auction system in Japan and their final value is only known after they are
sold. Pro forma values are used and it is not known whether values are realistic. It is also not known whether values are "market", "gross", "net" or "guess".

Methodology

On Friday April 29, 2001 State representatives from the cut flower industry attended a workshop at the Boardroom of the National Flower Centre located in the Melbourne Markets. (Appendix 1)

This was stage 2 of the "Review of the statistics that are recorded for the Export Flower Industry" being undertaken by the Flower Export Council of Australia.

Previously Stage 1 had been undertaken - Collection, examination and evaluation of current statistics and presentation of initial findings at Flowers 2000. (Brooks, 2000 - Australian Export Statistics - the FECA perspective, Flowers 2000 Appendix 4)

Workshop Discussion

The workshop begun with a discussion led by Peter Brooks, of the methods involved in obtaining an Export Clearance Number (ECN). In most cases this process is undertaken by the freight forwarder.

An ECN is needed to allow the export to occur. The ECN is placed on the Air Way Bill which accompanies the flower shipment to its overseas destination. The Australian Bureau of Statistics uses this information to collate our export statistics. Before an ECN is allocated Customs require details of the export shipment. eg the total weight of the shipment, the $ value of the shipment and the breakdown of the shipment with respect to the existing Australian Harmonized Export Commodity Classifications (AHECC).

During the workshop discussion, many anomalies in the present recording system were highlighted to the members of the workshop. Information collected in Stage 1 of this study was used in the workshop discussion.

The following outcomes were agreed.

Outcomes

The AHECC categories that are currently used need to be changed to better reflect the composition of the industry. Some categories needs to be deleted as they are rarely used eg mosses and lichens . Some categories need to be split eg Other Australian Species. Some categories need to be joined into one category eg Dried Flowers. In summary, some need to be deleted and some new categories need to be created. (Appendix 2 & Appendix 3)

That the categories also need to be written in simple words that are easily understood. Eg Fresh Flower Waxflower instead of Fresh Artificially propagated Waxflower. (Appendix 3)
That flowers exported in the past have been placed in the wrong AHECC categories due to misunderstanding of the existing categories.

That the category "Other Australian Species" needs to be divided into several new categories.

That the three categories for Dried flowers and Dried foliages should be reduced to one AHECC category.

That it is not necessary to record the number of stems of each category as many flowers are sold by weight and not by the number of stems. Currently we do not record number of stems of foliages exported.

The $ figure that has been recorded for the export industry is not correct. The current recording method under values the size of the export cut flower industry.
However to introduce a new ABS system to accurately measure the $ value is not feasible under the current system. Nearly 50% of Australian flowers are auctioned in Japan and therefore the price is not known until after the flowers have left Australia.

That if it is not possible to obtain correct $ value of exports under the existing ABS AHECC system then consider creating a new method of measuring the $ value of exports.

That there is valuable information recorded on Environment Australia forms (LCN) which is not being utilised. From information received at the meeting (Carole Davies) LCN forms are stored after completion and because of budget limitations the information on these forms is not collated. If this information was collated it would provide the industry with a much clearer picture of the size and value of the bush picking industry in Australia and particularly in Western Australia.

That if the information on the LCN form was available it would help the industry obtain an insight into the interstate movement of flowers.

The workshop then decided on the following recommendations.

Recommendations

1. To change the existing AHECC categories as set out in appendix 2 to those in Appendix 3 so that we can begin to get a better understanding of our export industry.

2. To discontinue measuring the number of stems in each AHECC category.

3. To maintain the existing $ value and kilogram measurements of the AHECC.

4. To begin an annual survey system of exporters to collect a "correct" $ value of exports. This could be as simple as independently surveying each exporter to find out the total $ value of their exports. If this is not achievable then survey exporters for an average landed price per kilogram for each AHECC category in each country. Using these figures we can then calculate the $ value of each category and then total these to reach an more meaningful $ value for the export industry.

5. To publish the FECA $ value alongside ABS statistics $ value when describing the export industry.

6. To notify ABS the recommended proposed changes to the AHECC categories by July 2001 so that they can be implemented by March 2002.

7. To create a directory listing all flowers and foliages that are exported with their AHECC name and code number. Every exporter and freight forwarder will hold a copy so that they can easily check which category should be used. In this way consistency of results will be achieved.

8. To inform freight forwarders and exporters of the new categories and the importance of correctly identifying where possible the origin of flowers when obtaining an Export Clearance Number - ECN.

9. To review the Environment Australia LCN form so that in future the information can be recorded in a way that it can be used and collated in a more efficient way.

10. To examine if it is possible to retrieve the historical information on LCN forms.

11. To begin discussions with Australian domestic Airlines and domestic road freight companies to begin an independent annual survey to research the volume of flowers and foliages being transported between states.

Appendix 1

Attendees Stage 2 - Workshop - National Flower Centre, Melbourne Markets Friday April 29,2001

Peter Brooks President FECA

Tony Slater Dept Ag IHD Victoria

Christine Horsman President AFPGA and South Australia

Gillie Brown AGWEST Western Australia

George Hendricks Queensland Waxflower and Native Flower Growers Association

Lodi Pamcijer Queensland Flower Growers Association

Paul Dalley Grandiflora Group NSW

Carole Davies Heritage Wildfowers Western Australia

John Presland IHM New South Wales

Brian Harris Collina Export Victoria

Frank and Ros Heward South Australia

John and Julie Leslie South Australia

Mike and Rennie Keith Waxflor South Australia

Will Spierenberg Premium Greens Queensland

Bob Ward Golden West Flowers Western Australia

Brian Richards Great Aussie Flower Growers Queensland

Richard Passeri Alternative Cargo Services Victoria

Appendix 2

Current Australian Harmonised Export Commodity Classifications (AHECC) pertaining to the cut flower industry.

Flower Description	AHECC Code
Fresh	
Wild Picked	0603.10.30
Artificially Propagated	
Waxflowers	0603.10.41
Kangaroo Paw	0603.10.42
Other Australian Species	0603.10.43
Orchids	0603.10.50
Exotic Proteaceae	0603.10.52
Other Exotic Species	0603.10.53
Foliage (Wild Picked or Artificially Propagated)	0604.91.00
Dried	
Wild Picked	0603.90.11
Artificially propagated	
Australian Native Species	0603.90.70
Exotic Species	0603.90.70
Foliage (Wild Picked or Artificially Propagated)	0604.99.00
Mosses and Lichens (Any)	0604.10.00

Appendix 3

Stage 2 - Workshop

Current Australian Harmonised Export Commodity Classifications (AHECC) for the cut flower industry (0603 and 0604)

	code	*change?*	*Action*
Fresh Flower Wild picked	0603.10.30	no	rename
Fresh Artificially propogated Waxflowers	0603.10.41	no	rename
Fresh Artificially propogated Kangaroo paw	0603.10.42	no	rename
Fresh Artificially propogated Other Australian Species	0603.10.43	no	rename
Fresh Artificially propogated Orchids	0603.10.50	yes	delete
Fresh Artificially propogated Exotic Proteaceae	0603.10.52	no	rename
Fresh Artificially propogated Other Exotic Species	0603.10.53	no	rename
Fresh Foliage (Wild picked or Artificially propogated)	0604.91.00	yes	split
Dried Wild picked	0603.90.11	yes	join
Dried Artificially propogated Australian Native Species	0603.90.70	yes	join
Dried Artificially propogated Exotic Species	0603.90.70	yes	join
Dried Foliage (Wild picked or Artificially Propogated)	0604.99.00	yes	join
Mosses and lichens	0604.10.00	yes	delete
	13 categories		

Outcome: 13 categories become 8 and add suggestions appendix 3 below
Re word categories to names that are easily understood

New Proposed AHECC categories for the cut flower industry
April 29 2001 National Flower Centre Melbourne

			new?	*Current code*	*Comments*	*Action*
Dried	Flowers & Foliages		yes		join 4 categ.	
Fresh	Flower	Waxflower	no	0603.10.41		
Fresh	Flower	Thryptomene	yes			
Fresh	Flower	Riceflower	yes			
Fresh	Flower	Festival Bush	yes			
Fresh	Flower	Actinotus	yes			
Fresh	Flower	Boronia	yes			
Fresh	Flower	Proteaceae Australian	yes			
Fresh	Flower	Proteaceae not Australian	no	0603.10.52		
Fresh	Flower	Kangaroo Paw	no	0603.10.42		
Fresh	Flower	Exotic	no	0603.10.53		
Fresh	Flower	Wild Picked	no	0603.10.30		
Fresh	Flower	Other Australian	no	0603.10.43		reclassify
Fresh	Foliage	Wild Picked	yes			
Fresh	Foliage	Not Wild picked	yes			
			15 categories			

Appendix 4

Australian export market statistics - the FECA perspective.

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Abstract
FECA has undertaken a review of the statistics recorded for the flower export industry, which have been viewed with scepticism for some time. The only reliable measure of the industry is gross weights. Analysis of the current data has uncovered an interesting picture of the industry. Following a period of consolidation, fresh flower exports have almost doubled in the past two fiscal years, while dried flower exports have halved. The major destinations for Australian fresh flowers are Japan, the USA, the Netherlands, Canada and Germany. The past two fiscal years has seen a change in the domestic origin of exported flowers, with Victoria and New South Wales gaining on the traditionally dominant Western Australia.

Key words: export, flowers, statistics,

Introduction
For many years, figures that describe the size of the Export Flower Industry have been used in many public forums. During this period, there has been an "awareness" that the figures are not a true indication of the industry. Some people suggest the industry is larger than the figures indicate and others say they simply don't know and that until the industry is accurately measured, we will never know (Yencken 1999). The existing data however, has been used in reports that have concluded that the Export Industry is in senescence.

FECA is concerned that such reports, based on what we believe is erroneous data, may lead to a reduction in research and development funding and government support for the floricultural industry, in particular the wildflower industry. (Karingal 1994, Karingal 1997). Two of the problems inherent in the current measurement system are:

- flowers sold by an auction system are attributed a token value as the sale price is not known until they are sold. As 50% of Australian fresh flower exports are to Japan, where the majority are sold on the auction system, the value of the industry may be greatly under-estimated.

- the interstate movement of flowers is not recorded, leading to erroneous figures being recorded for state industries. Many flowers grown in Victoria are shipped to Sydney in order to be flown to Europe or Asia. Similarly, many flowers originating in Western Australia are exported via Melbourne or Sydney as are virtually 100% of South Australian and Tasmanian grown flowers. The location of an international airport and the frequency of flights are determining factors in recording the origin of flowers, rather than where they are grown.

It concerns the Flower Export Council of Australia that nothing has been done to address this important issue. Without accurate statistics, it will never be known if the flower export industry is indeed senescing or, as FECA believes, a thriving and expanding industry. With the support of RIRDC, FECA has begun a review of the statistics collected for the industry with an aim to set up a system that will be useful to all the parties involved.

We plan to do this in 3 stages:

Stage 1 - Collection of data from Australian Bureau of Statistics, examination & evaluation of current statistics. The findings of this section are what I will present here. The categories for which statistics are currently collected are listed in Table 1.

Table 1. Current Australian Harmonised Export Commodity Classifications (AHECC) pertaining to the cut flower industry.

Flower Description	AHECC Code
Fresh	
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Australian Native Species	0603.90.70
Exotic Species	0603.90.70
Foliage (Wild Picked or Artificially Propagated)	0604.99.00
Mosses and Lichens (Any)	0604.10.00

Stage 2 - Workshop. This involves bringing representatives from key areas of the industry for a one-day workshop so that we can discuss all the issues and set out a list of objectives so that we can commence the review.

Stage 3 - Final report to RIRDC with recommendations to Australian Bureau of Statistics as to suitable Australian Harmonised Export Commodity Classifications to be used in the future.

The paper I am presenting today will summarise the findings of Stage 1. While examining this data, some very interesting facts about our industry have emerged. Before this information is presented, it is important to note that all information presented today will be in units of the **gross weight** of flowers only. FECA believes that the value and stem numbers recorded are not reliable figures and that the only accurately recorded figure when talking about exports is the total weight of a shipment. From our investigations, it is clear that all other recorded statistics have in some way been adjusted, or not recorded. These problems will be addressed at Stage 2 -The Workshop.

Discussion

Following a period of consolidation in the industry, in part brought on by the Asian Recession, exports rose in the 98/99 financial year mainly due to very strong growth in fresh flower exports (47%)(Fig 1.). This was tempered by a sharp decline over the same period of dried flower exports, leading to only a small increase in the industry overall. Projected figures for the most recent 99/00 financial year (based on figures to March) indicate that fresh flowers exports are continuing their strong growth while dried flowers continue to slip away. Effectively, in the past two years, fresh flower exports have doubled, while those for dried have halved.

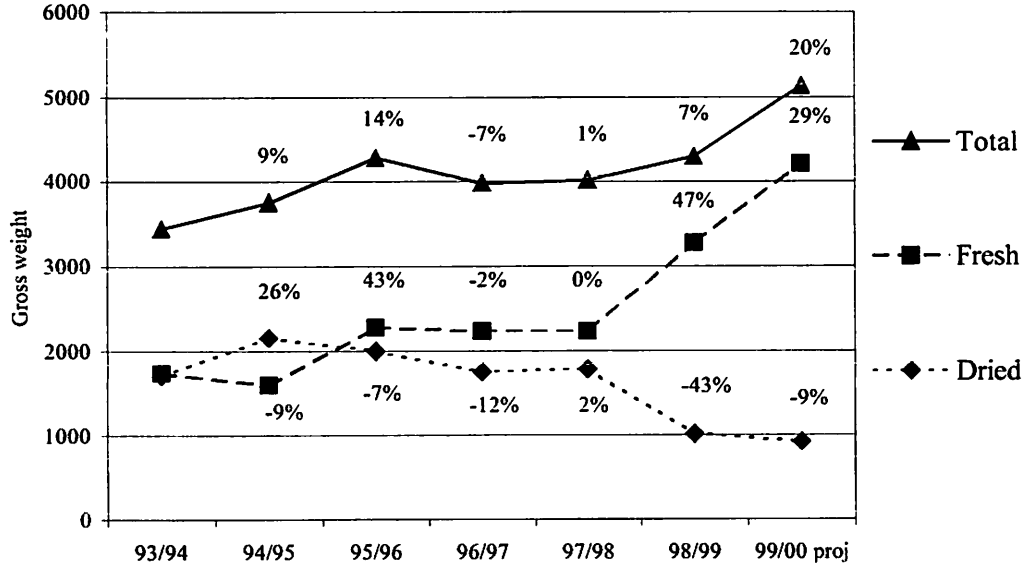


Figure 1: Total Australian Flower Exports from 93/94 to 99/00. Percentages indicate the percentage change relative to the previous year. Source data: Australian Bureau of Statistics

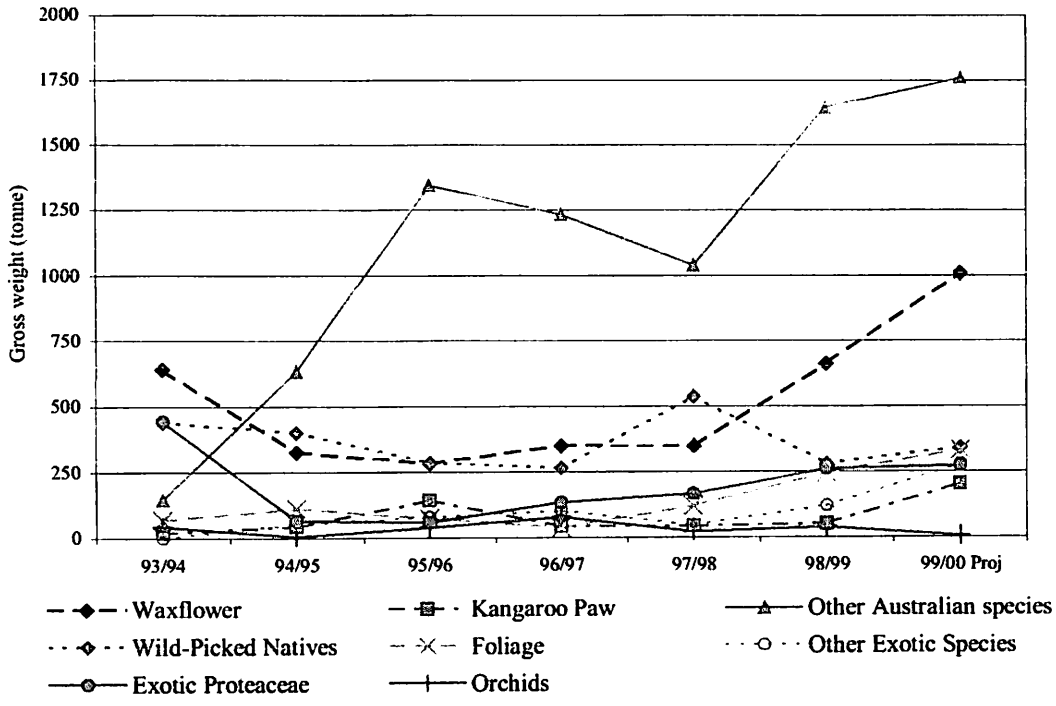
Dried Flower Exports

Although dried flower exports to Japan and the USA (being the 1st and 4th largest dried flower markets) have increased slightly in the past year, this has not halted the general decline in the industry. All dried flower categories have exhibited a decline in the past two years The decline in dried flower exports is of great concern to FECA as they have slipped from representing 50% of the total industry only five years ago to just 18% now.

Fresh Flower Exports

The decline in dried exports is tempered by extremely strong growth in fresh flower exports. The largest export category is clearly Other Australian Species holding 42% of the market, followed by Waxflower with 24%. Other categories hold 5-8 % of the market except orchids which are negligible. As shown in Figure 2, the composition of fresh flower exports has changed over the past seven years with Wild- Picked flowers declining in the face of increased export of artificially propagated flowers. All Artificially propagated categories have increased steadily in the measured period except Orchids. The ten fold increase in Other Australian species since 93/94 is especially noticeable, highlighting the demand for Australia's unique flora, however we have no figures indicating the internal makeup of this category. It includes species such as *Ceratopetalum, Actinotus, Boronia, Banksia, Thryptomene* and many others.
The break-up of this category will most likely be addressed at the forthcoming workshop.

Figure 2: Fresh Flower categories in the period 93/94 to 99/00. Categories are AHECC



categories. Source date: Australian Bureau of Statistics

As you well know, Australian fresh flowers are exported all over the world. Here however I will concentrate on the top five destinations, Japan (48% in 99/00), USA (27%), Netherlands (11%), Canada (3%), and Germany (3%)(Fig 3). Together these countries represent 90% of fresh flower exports.

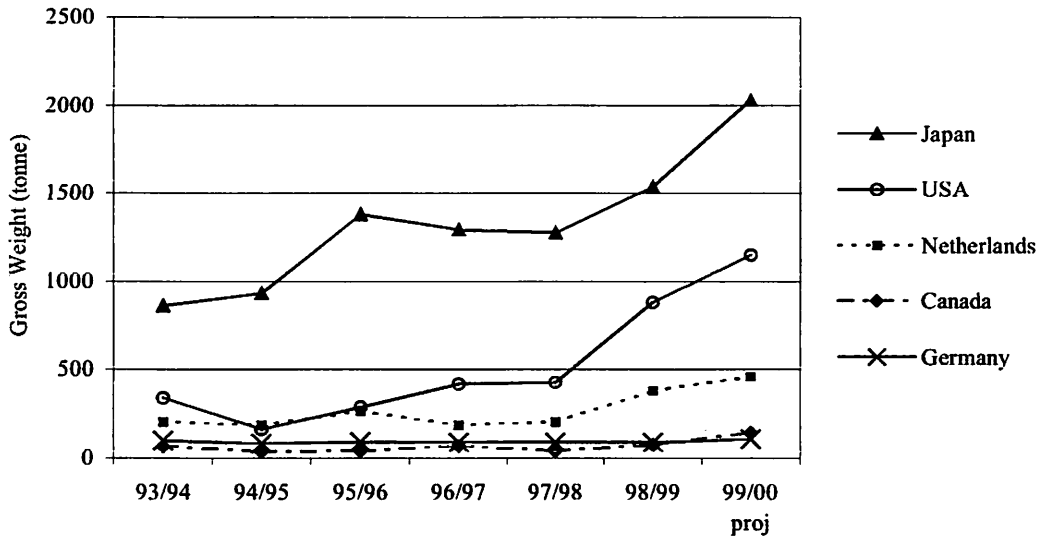


Figure 3: The top five destinations by weight of Australian fresh flower exports over the period 93/94 to 99/00. Source data: Australian Bureau of Statistics.

As can be seen, the increases in fresh flower exports is driven primarily by increases in the Japanese and USA markets, and to a lesser extent the Netherlands. Of the five markets listed, Germany is the most static, changing little in the period 93/94 to 99/00. In the table below is a summary of the products that dominate each of these markets and the states that are recorded as dominating them. You will note that South Australia and Tasmania are absent due to reasons stated in the introduction.

Table 2. The top 5 destinations of Australian fresh flower exports by category and recorded source state. Percentages apply to figures for the 99/00 financial year which are projected figures only.

Market	Major Export Categories	Minor Export Categories	States
Japan	Other Australian Species – 41% Waxflower – 25%	Exotic Proteaceae – 11% Other Exotic Species – 11%	WA – 55% VIC – 15% QLD – 15%
USA	Other Australian Species – 46% Waxflower – 32%		VIC – 53% NSW – 28% WA – 18%
Netherlands	Other Australian Species – 37% Foliage – 31%	Waxflower – 10%	WA – 37% VIC – 32% QLD – 16%
Canada	Other Australian Species – 65%	Waxflower – 18% Wild Picked – 15%	QLD – 60% WA – 23% VIC – 10%
Germany	Foliage – 65%	Other Australian Species – 17%	NSW – 43% WA – 37% VIC – 20%

The steady increase in the **Japanese** market is fuelled by increased Waxflower and Exotic Proteaceae exports especially over the past few years. The market is still dominated however by the all-encompassing Other Australian Species category. Kangaroo Paw exports have increased four fold in the past year although they still account for less than 10% of the total market.

The **United States of America** market has more than doubled in the past two fiscal years driven by large increases from Victoria and New South Wales, mainly of Waxflower and Other Australian Species. The latter category could be comprised mainly of one species, *Thyrptomene calycina*, which is very popular in the US. One category that merits observation is the Other Exotic Species category which has increased from almost negligible to 5% in the 98/99 fiscal year. This category includes traditional flowers, a market exploited by New Zealand, and an area of opportunity for Australia.

The Netherlands market is accessed by all states. It, along with its European neighbour **Germany** form the major market for Australian Foliage, predominantly from the Eastern States, particularly Queensland. Recent increases in the Netherlands market include Waxflower, Exotic Proteaceae and Other Exotic Species. Unfortunately we don't have the data points from within each year to see if exports increase during the Northern Hemisphere off season.

Canada imports only Australian native species, mainly under the category Other Australian Species. Wax flower and Wild Picked form the remainder of the market, with all categories showing great increases in the last two fiscal years. The Canadian market is similar to that of the US although without some of the diversity.

Although it has been shown previously that data by state is likely to be inaccurate, it has none the less been analysed to provide a reference point for future analyses. As such state data has been included in this report in Figures 5 and 6. As can be seen in Figure 5, the data highlights increases

over the past two for all states except South Australia and Tasmania, the states for which the data is most unreliable.

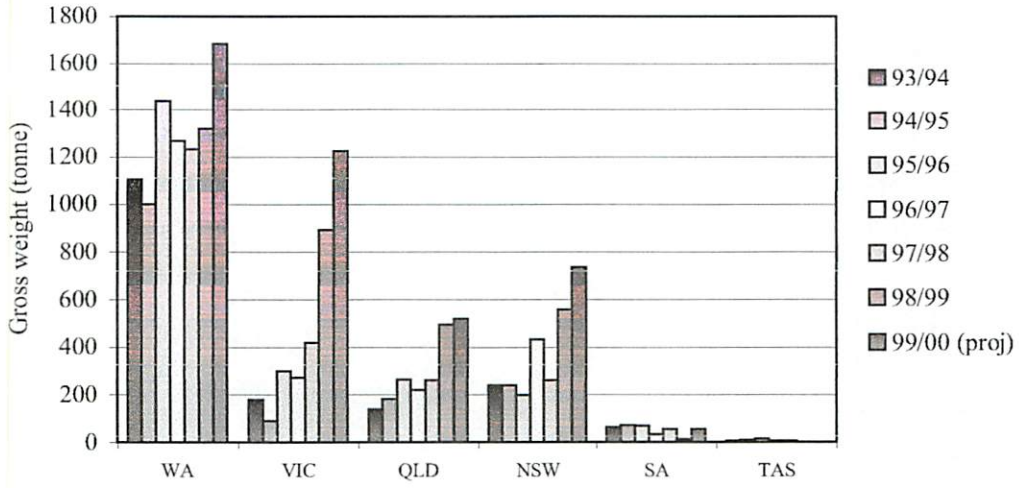


Figure 5: Australian Fresh Flower Exports by State from 93/94 to 99/00. Source data: ABS

In Figure 6 however, it can be seen that the makeup of the flower export industry is changing. Although Western Australia is still the largest exporter, it no longer dominates the market, mainly due to gains made by Victoria and to a lesser degree New South Wales.

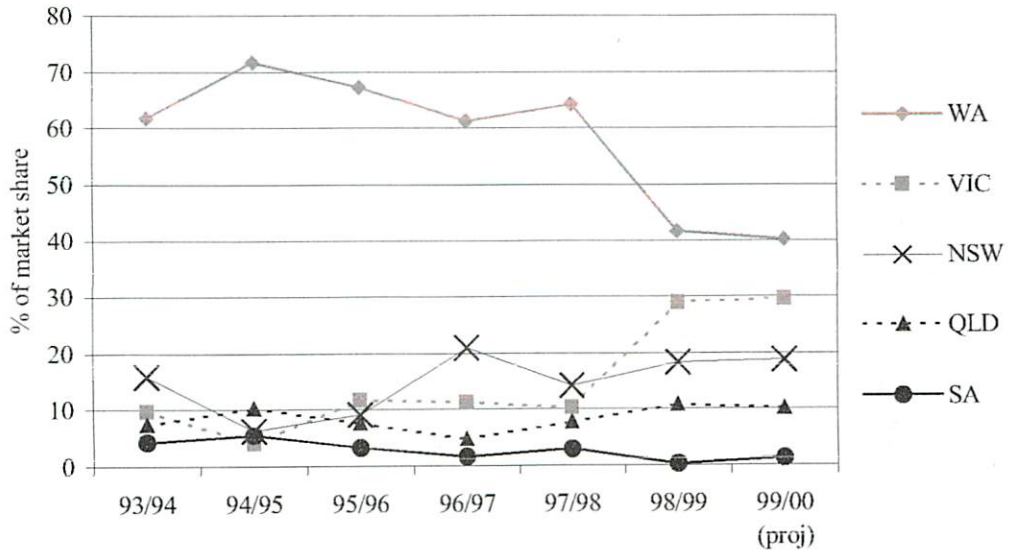


Figure 6: Percentage of the total Australian fresh flower export market for the states over the period 93/94 to 99/00. Source data: ABS

Conclusion

This is an exciting time for this new industry. Just how exiting it is may not been realised until we have an accurate picture of the industry. As has been shown, the industry is growing, particularly in fresh flower exports. While it must be acknowledged that the dried flower component of the industry is declining, we can take heart in the fact that the industry as a whole is not and that all major markets are growing. The demand for Australian flowers centres predominantly on native species, and it is this which has proven to be Australia's great floral resource. It is from this base report that we will progress from here, and hopefully soon will possess a better picture of the industry.

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