

Tips for a successful business

Developed in large part from Queensland Government. Department of Agriculture, Fisheries and Forestry.

Some modifications have been made to the original document which can be found at:

<http://www.daff.qld.gov.au/plants/fruit-and-vegetables/vegetables/tips-for-a-successful-business>

Increasing your chances of success

To be successful, a horticultural enterprise needs:

- a profitable market for its product
- an appropriate production environment (i.e. soils, climate and irrigation that match the crop requirements)
- investor and/or employee expertise to grow and market the crop
- suitable finance to establish, run and maintain the enterprise
- understanding and management of production and marketing risks.
- a good knowledge of staff employment regulations
- modern equipment, knowledge of the market chain and several market alternatives.

Many failures in horticulture occur because investors have unrealistic expectations. A thorough investigation into the viability of an enterprise will help expose these expectations.

If you are having financial difficulties in other enterprises and considering diversifying into horticulture, your chance of success is likely to be further reduced due to your limited finances, as a crop failure or near-failure could be catastrophic.

When contemplating a potential horticultural crop:

- base your crop selection on a thorough investigation of the market and the production potential of the proposed site
- allocate a percentage of the total investment to fully investigating the proposal (up to 5 per cent is suggested)
- spend this money on travel, sound professional advice, collecting and interpreting information and visiting existing central markets and wholesalers
- thoroughly investigate any 'schemes' that provide the plants, markets and expertise, these schemes have a history of failure, especially where above average returns are promised
- ensure you have sufficient financial backing to service disasters caused by adverse weather, pests, diseases and low market prices
- spend time and money gaining an understanding of the environmental factors that both limit and promote crop performance
- avoid locations and/or crops where you cannot manage the limitations.

Markets

Domestic market (modified from the original)

Factor to consider for vegetable and fruit producers:

- what crops are over produced
- supply and demand influences prices paid to farmers
- retail prices paid by consumers often bear no resemblance to prices paid to farmers
- oversupply leads to very low farm gate prices
- undersupply (usually due to a disaster in another production area) can result in very high prices.

Crops are produced to supply different domestic markets, including:

- the main, high-consumption, staple product markets, such as potatoes and tomatoes
- smaller, specific-market niches
- speciality horticultural products.

Specific market niches

Examples of specific market niches might include:

- lettuce in summer
- capsicums in spring
- beans in winter
- broccoli in summer
- cauliflower in summer
- grapes in October
- strawberries in May
- peaches in October
- avocados in December.

All these crop and market combinations require 'out of normal season' production.

Growers who aim to produce for specific market niches succeed through careful planning, and by understanding all the risks associated with production and marketing. This understanding is often based on years of experience. This enables them to allow for the different conditions that exist from farm to farm and from year to year.

Specific market niches exist because efficient and effective production at certain times is limited by the environment (mainly temperature and rainfall patterns). Therefore, only some districts, and often only some farms in those districts, are able to produce quality crops at that specific time of the year.

For example, some areas might produce good quality lettuce and broccoli in summer. Production from other districts is of lower quality due to higher temperatures and, therefore,

returns a much lower price. Yields in these areas can also be lower and costs higher due, for example, to pests and diseases.

Specialty horticultural products

A small and sometimes lucrative market exists for producers who can grow specialty horticultural products and supply to a rigid market specification. Some of these markets are now oversupplied for part of the year, including:

- 'exotic' fruit and vegetables
- herbs (fresh and medicinal)
- organically grown produce
- bush foods.

These products are often sold outside the wholesale market. As a result, the size of the market is not well known and the prices paid are not well documented. This market is assumed to be quite small. Consequently, it is very vulnerable to dramatic price fluctuations, influenced by both quantity and quality of product supplied.

A high level of expertise is required to grow and maintain supply of a product to these specialty markets.

Export market

The market for vegetables in South-East Asia (Malaysia, Singapore, Hong Kong and Japan) is very large despite considerable production in countries such as Taiwan, China and Malaysia. A wide variation in climates and a range of production districts can mean crops can be provided for most of the year.

The export market in the main is an extension of the domestic supply chain and is serviced when other low cost suppliers have production glitches. Niche specialist export markets supplying 'high end' produce do exist (e.g. custard apples to Japan) however accessing these markets is difficult. Where an export market exists, it can only be successfully supplied at a profit in the long term if:

- the produce is grown and packed to a market specification. The export market has specific requirements in relation to product size, shape, colour and packaging. The best prices are paid for product that conforms to these specifications. Some markets will not accept product which is significantly outside this specification
- the product is of a consistent quality. In some instances the quality required is higher than that demanded by our domestic market
- the product is grown in sufficient quantity to sustain the market. Most of the markets are quite large, and exporters require reasonable quantities to obtain competitive freight rates and buyer interest in the product. This problem is most easily overcome by growers producing crops and marketing as a coordinated group
- the product is grown and supplied consistently to stay in the market. The product needs to be available over an extended period of time; for example, broccoli needs to be supplied consistently for 5-8 months of each year. Export markets are not

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dumping grounds for surplus production and supply commitments must be honoured regardless of high domestic prices.

- a market exists for product that does not meet the export market specification, or returns are high enough for this product to be left in the field.
- Export product 'dumped' on the domestic market due to export difficulties (e.g. oversupply or doesn't meet export specification), 'crashes' domestic prices and impacts all other producers of that commodity.

Successful exporters are the ones who commit to supplying the export market regularly and reliably with suitable product. Even then, success is still not guaranteed, as many risks have to be faced and hurdles overcome.

Risks

Risks associated with growing vegetables are different for each market and include:

- weather, unpredictable conditions, e.g. frost, hail, cyclone, drought
- transport, e.g. availability of sea and air freight, temperature management in containers
- marketing, e.g. payment for product supplied, competition from other countries.