

Floricultural Value Chain Case Studies in Fiji, Solomon Islands and Papua New Guinea

Sherrie Wei

Graduate Institute of Services and
Technology Management, and, Department
of International Business Administration,
Chienkuo Technology University, Changhua,
Taiwan

Daryl Joyce

School of Agriculture and Food Sciences,
University of Queensland, and, AgriScience
Queensland Department of Agriculture,
Fisheries and Forestry, Brisbane, Australia

ABSTRACT

Growing flowers for commercial purpose in many South Pacific countries is a relatively new enterprise. Floricultural growers are typically village-based micro businesses. Moreover, many commercial florists operate from home. These enterprises are mostly operated by women. Their structure is indicative of the entrepreneurship of indigenous and expatriate women. The number of growers and florist industry participants is steadily growing in association with expansion in other industries, including tourism and infrastructure development. This paper focuses on non-corporate floricultural value chains in Fiji, Solomon Islands (SI) and Papua New Guinea (PNG). Qualitative research was conducted from 2010 to 2013 in each of these countries. It included focus group discussions with growers, florists and consumers, and in-depth interviews with stakeholders. The floricultural value chains across the three countries share similar business culture and constraints. Nonetheless, differences in certain dimensions merit characterisation and contrasting. Strategic considerations for different types of value chains are outlined depending on their comparative advantages. The findings suggest that each value chain should employ one or a mix of three strategies for comparative market advantage. These strategies involve offering: i. unique or differentiated products, ii. competitive prices through operational efficiency, and iii. good services through relationship building with niche market segments. All sound businesses should consider a plan offering several strategies. However and importantly, a main strategy should be realised before planning the introduction of other beneficial commercial strategies.

Keywords: South Pacific, floricultural value chains, strategy

INTRODUCTION – FLORICULTURE FOR DEVELOPMENT

Growing flowers for commercial purpose in many South Pacific countries is a relatively new enterprise. Floricultural growers are typically village-based micro businesses. Moreover, many commercial florists operate from home. The number of growers and florist industry participants in South Pacific countries is steadily growing in association with expansion in other industries, including tourism and infrastructure development. Prices of flowers are generally high compared with those of developed countries. The potential for floriculture in small enterprise development has been identified in these places. Astute entrepreneurial individuals, often women, especially teachers, in some South Pacific countries have observed the unmet needs and wants in the market place. They engage people, often women, in their personal networks and drive their value chains in one way or another. Collectively these value chains are the basis for floricultural industry building in selected South Pacific countries.

From several livelihood aspects, involvement in floriculture is sensible for South Pacific indigenous entrepreneurs. Most of the individual florists, growers or wild harvesters started out as part-time engagement at their spare time and/or spare land. Hence there is little opportunity cost, i.e., sacrifice or lost benefit involved to venture the business. Floriculture spurs derived demand and growth in allied industries. Most significantly, women actors, growers and florists gain individual advantage in terms of capabilities and economic-independence, which are often accompanied by lifted household status in male-dominated societies (Schischka, 2006; Sen, 1999). However, there has been scant discussion on small enterprise development through floriculture by women.

The floriculture value chains across the three countries share similar business backgrounds and constraints. First of all, although some floricultural value chains are more stable than others, many are at the dynamic formative stage. As the floricultural industries are all relatively new, there are overlapping value chain functions by players. For example, florists are often themselves growers, growers are often retailers as they take products to sell by roadsides. Secondly, these enterprises are mostly operated by women. Their structure is indicative of the entrepreneurship of indigenous and expatriate women. This is a significant phenomenon as South Pacific societies are typically male dominated (Dickson-Waiko, 2006; Saffu, 2003). Women have fewer livelihood choices and most get absorbed into the informal sector. Arguably, through their unique ways of networking, the involvement by women in floriculture contributed to the fast growth and spread of floricultural value chains in these countries. Thirdly, South Pacific countries are, with varying degrees, subjected to a culture emphasising collectivism. This is reflected in a positive manner when women network to smell the trends and to gain information and knowledge in floriculture. At times, a culture accentuating collectivism can also be a disincentive as one can dwell on a life style that relies on extended family support. Common value chain constraints in the floricultural industry in South Pacific countries include inconsistency of supply, inadequate knowledge and skills in production and postharvest handling, lack of quality standardisation, lack of business management skills and sometimes break away relationships in the value chains. Another common issue is that many growers and florists are beyond their middle age. Only few younger people are trained in production or floristry skills. Nonetheless, within these similar backgrounds, different types of floricultural value chains have emerged which merit characterisation and contrasting.

This paper discusses and compares some floricultural value chains under study in Fiji, Solomon Islands (SI) and Papua New Guinea (PNG). Qualitative research methodology was adopted. It included focus group discussions with growers, florists and consumers; and in-depth interviews with growers, florists and other stakeholders. Participants of the focus groups and interviewees were guided by in-country collaborators. The research was conducted from 2010 to 2013 in each of these countries. The focus of this study was non-corporate value chains involving growers who were typically village-based and florists who were home-based micro businesses. Non-corporate floricultural value chains were noteworthy in light of livelihood considerations as most of the women players involved had few livelihood choices and operate informally. It is through the formation of floricultural value chains, or the process of informalisation that livelihoods have been improved.

The term value chain is used in this study to reflect the emerging opportunity that chain drivers, often wholesalers or florists, involve growers to make sales and thus profits through co-creating values to customers. Also, after discussion of the comparative advantages of selected floricultural value chains in the three countries, main business strategies were proposed for each chain with a view to improving total chain profits through better serving their targeted market segments, be they the general public, local or interstate offices.

BACKGROUND – SELECTED FLORICULTURAL VALUE CHAINS IN FIJI, SI AND PNG

This section discusses the characteristics of selected floricultural value chains in Fiji, SI and PNG. All these chains involve non-corporate growers and florists who earn cash income for their households. All three South Pacific countries are abundant in gingers and heliconias. In addition to these common tropical flowers, Fiji has more *Dendrobium* orchids and anthuriums (more pink, especially around the wetter city of Suva). Non-common pink anthuriums are sought after. SI has more *Arachnids*, or spider orchids around Honiara. Anthuriums are sought after in SI. In PNG, due to its diverse terrain, there are not only tropical but also subtropical and temperate flowers, like rose, tuberose, arum lily and dahlia in the highland regions.

Floricultural value chains in South Pacific countries are typically grower à customer or grower à florist à customer. In case of the Fijian value chains, there can be an additional layer, viz grower à wholesaler à florist à customer, or simply grower à wholesaler à customer. In spite of good overall demand, only a few cities like Suva, Nadi and Port Moresby (POM) have florist shops. In the market places of these countries, many people are selling similar floricultural products of similar colours. There is scope to expand the existing range of cultivars to further stimulate and create demand.

Fijian Floricultural Value Chains

Among the selected South Pacific countries under study, Fiji started its floral art earlier than other countries. Fiji is also the most preferred tourist destination among the selected three countries. This can mean more tourism-industry related demand by hotels and offices for floricultural products. Partly due to inefficiencies among the floricultural value chains resulting in higher prices for floricultural products, many hotels grow flowers and foliage for their own floral needs. A shortage of supply problem can occur, especially for orchids during the cooler period between May and October.

One floricultural value chain that stands out clearly in Fiji is the one driven by South Sea Orchids (SSO), which, through technical and market knowledge and effective networking, emerged as the only wholesaler for cut flowers in Fiji serving the three largest cities of Fiji, i.e., Suva, Lautoka and Nadi. While SSO is a wholesaler cum retailer, the wholesale market is still at an early stage of development. The owners of SSO are an expat family and are drivers of the SSO value chains. There are two types of growers that supply SSO, (1) independent growers and (2) growers under aid projects started in 2007. SSO contracts with both independent and aid project out-growers by supplying plantlets to them, who then sell back cut flowers to SSO. Independent growers are more motivated, but break away issues sometimes cause interruption in the supply chain. Independent growers often default on contracts over Plant Breeders' Rights (PBR) protected lines of novel-coloured anthuriums. Project growers involve the squatter population in the Koroipita settlement near Lautoka the Housing Assistance Relief Trust (HART) project since 2009. Urban squatter population has been an origin of many socio-economic issues in Fiji, such as crime, health and domestic violence (Mohanty, 2006). While the funding for the Koroipita settlement has ceased (2007-2011), the value chain relationship between project growers and SSO remains. SSO provides *Dendrobium* planting materials at low costs to out-growers, or no cost for growers enlisted in aid projects. One nagging issue for SSO among project growers is their low level of motivation.

SI Floricultural Value Chains

Among the three South Pacific countries under study, the floricultural industry in the SI is the newest. As of now, there is no presence of wholesalers, rather, there are many mini

floricultural value chains surrounding individual florists, who are the drivers of their individual value chains. In fact, these value chains might aptly be dubbed mini supply clusters. SI floricultural value chains are least specialized among the three countries in light of functional differentiation, meaning more overlapping roles between growing, selling and floral arrangement. In the capital city of Honiara, there are two major groups of floricultural value chains. One is associated with growers from the village called Kakabona where more potted plants are grown for sale. The growers generally take their products to the Honiara Municipal Market on Saturdays, the only day operating each week for the flower section. The other floricultural value chain is associated with the private Betikama Adventist College. The college staff members are provided with on-campus housing with larger yards, and they get land to grow cut flowers commercially. Most of the staff members stay with the college until they retire and the families take on this opportunity to grow cut flowers to earn extra income. The Betikama group has made a name in cut flowers and the growers generally wait for florists and other customers to visit their gardens. The Betikama group, who rest on Saturdays for their belief, cannot take advantage of the Saturday marketing channel in the Municipal Market.

Compared with Fiji and PNG, where there are a few expats driving the development of the floricultural industry, SI industry players are all local people. This can mean that industry development is more dependent on internal organic growth than inputs from diverse players with diverse backgrounds.

PNG Floricultural Value Chains

PNG is by far the largest, in terms of land mass and population, among the three selected countries and has a wide range of native species of flowers and foliage. Compared with the floricultural value chains in Fiji and SI, those of PNG are more pluralistic. It involves trading of more cultivars of flowers and foliage by many value chains with different characteristics and business cultures. For PNG, two groups of floricultural value chains are significant. The local value chains in Lae, Goroka and POM and the Goroka à POM cross-regional chains.

For local value chains, there are two major types: “grower à road side” and “grower à florist à customer”. The “grower à road side” chains are less co-ordinated and growers have reported mixed profitability levels. The “grower à florist à customer” chains are initiated and managed by florists and these are relatively profitable. The Lae à POM cross-regional value chains were short-lived. The main reason was higher freight cost and the price that POM buyers were able to afford. Furthermore, there is enough local demand for tropical flowers and growers are unable to sell the products at a discounted price to the local consolidator to onsell to the customers in POM.

Goroka à POM cross-regional value chains take advantage of the climatic conditions in Goroka highlands that grow subtropical and temperate floricultural products for the high end markets in the capital city of PNG. Products traded include arum lily, tuberose, anthurium and cordyline. The individual units of these flowers are relatively light-weight for air freight. The marketing channels of these value chains often take the form of “Goroka à consolidator in Goroka à florist in POM à customer in POM”. Such chains are driven by more knowledgeable and committed florists in POM who understand and have access to local markets. In order to control product quality and to meet requirements by customers, POM women only buy flowers and foliage from women that they have trained. An important part of the training conducted by the chain drivers from POM is about instilling and forming a shared culture of good business practices among grower actors in the same value chain.

In PNG, there is a particular opportunity to up-scale and out-scale cross-regional value chains between lowlands and highlands, like the Goroka à POM value chains. The opportunity can be captured for import substitution in the medium run and export to Australia

and Pacific Island countries in the long run. Such realised opportunity will expand the frontier of the current floricultural industry.

Selected floricultural value chains under study in South Pacific countries are summarised in Table 1.

STRATEGIC CONSIDERATIONS FOR INDIVIDUAL VALUE CHAINS

Strategic recommendations are based on the criteria of relative efficiency, invested energy and estimated time span to achieve results. Strategic considerations for different types of value chains are outlined depending on their comparative advantages. Comparative advantage refers to resources, skills and processes that a firm or value chain possesses that are significant and not easy to duplicate by competitors (Barney and Clark, 2007; Ireland et al., 2009). The findings suggested that each value chain should consider a main strategy to reap the market advantage. These strategies involve offering: i. unique or differentiated products, ii. competitive prices through operational efficiency, and iii. good services through relationship building with niche market segments.

Fijian Floricultural Value Chain Strategies

The first floricultural value chain in Fiji under study relates to SSO involving independent out-growers in Suva, Lautoka and Nadi. The growers in this value chain are generally motivated women experienced in floriculture. Through the wholesaler (SSO), this value chain has access to PBR protected new cultivars. The proposed main business strategy for the growers and wholesaler is to work together to offer differentiated and unique floricultural products. While obtaining new cultivars is desirable for any value chain, it is most feasible for this value chain to translate this opportunity into profits. One point to note is that, for the strategy to be feasible, PBR should be effectively managed among players in the value chain. Anecdotal evidence showed that it had been challenging when the wholesaler obtained PBR for independent out-growers to propagate. A governance structure acceptable to both the wholesaler and out-growers needs to be devised in this value chain when adopting the new product strategy. This new product development strategy, if successful in the domestic market, could spin off to new market development as other South Pacific countries could be new markets for the new cultivars.

The second floricultural value chain in Fiji is the chain driven by SSO to engage growers under aid projects, e.g., Koroipita à SSO and HART (Housing Assistance Relief Trust) à SSO value chains in Lautoka and Nadi. These are chains involving settlement-wide production and supply by growers enlisted under aid projects. This type of value chains is best to offer popular products with competitive prices. From a developmental perspective, the out-growers are expected to learn the knowledge and skills over time and become independent growers one day.

SI Floricultural Value Chain Strategies

The first floricultural value chain in SI under study relates to the Kakabona grower group. Most of the growers from this village are committed growers growing a variety of products, especially potted plants. They have some reputation among government offices and business houses. The main strategy for the growers in this value chain is to build relationship with new customers and strengthen their relationship with existing customers through a range of products. The players in this value chain will reap more benefits through fostering good will and services with customers.

The second floricultural value chain in SI involves those interested in growing cut flowers among the staff and their families of Betikama Adventist College who reside on campus. The main characteristic of this group is that there is good and quick flow of information between

growers who are often wives of colleagues. The growers tend to grow similar flowers, such as *Arachnid*, *Dendrobium* and Vanda orchids. The main strategy for this value chain is to offer cut flowers with competitive prices to florists and other customers often visiting their gardens. So far, the Betikama growers group is the only relatively organized cut flower group. As the growers in this value chain spread knowledge and skills rather efficiently, they might also consider offering new cultivars of cut flowers to the marketplace.

PNG Floricultural Value Chain Strategies

The first set of value chains in PNG are the local value chains in Lae, Goroka and POM. Their main players are growers who sell what they grow directly on roadsides to customers. They generally sell similar products and have low overheads. The main strategy suggested to this type of value chains is to offer popular products with competitive prices.

The second group of value chains is cross-regional ones, which involve growers in the highlands of Goroka who grow subtropical and/or temperate flowers for the distant yet high-end market in POM. The main strategy for them is to offer good quality unique or differentiated products and build long-term relationship with POM customers who are often florists. The growers can grasp opportunities of introducing new or improved cultivars of subtropical and/or temperate flowers, such as roses, carnations and arum lilies. There is also an opportunity for growers in this group of value chains to export these flowers in smaller quantities to Fiji and the SI where temperate flowers are also in demand. In other words, an opportunity to spin off to new market development for other South Pacific countries, once the new product strategy has been successful in the domestic market.

Summary of the strategic considerations for individual value chains is presented in Table 2.

CONCLUSION

As floricultural products are not basic necessities; customers do not buy unless they look impeccable and attractive. Floricultural value chain actors need to foster a demand-driven mindset and become skilled at gaining demand side knowledge. This means effective value chain practices are more crucial for floriculture than fruit and vegetable value chain players. These require a suite of technical, business and service skills for a floricultural value chain to be successful. This study has discussed the main strategy that each floricultural value chain under study could consider first in the short run to maximise growth opportunities. Also, the sustained initial success in some floricultural value chains could attract younger women, even men, interested and motivated into floriculture for further industry development.

ACKNOWLEDGEMENTS

This study is made possible by the funding and support from the Australian Centre for International Agricultural Research (ACIAR).

Tables

Table 1: Outline of selected floricultural value chains in in selected South Pacific countries

	Fiji		SI		PNG	
	SSO VC independent out-growers	SSO VC project out-growers	Kakabona VC	Betikama VC	Local VCs Lae, Goroka and POM	Goroka à POM cross-regional VCs
Main products	gingers, heliconias, anthuriums (common pink and others)	<i>Dendrobium</i> orchids	Potted plants	<i>Arachnid</i> orchids, vandas	gingers, heliconias, anthuriums	orchids, rose, tuberose, arum lily, dahlia, gerbera
Value Chain driver	Wholesaler	Wholesaler	Local florists	Local florists	Local florists	Florists in POM
Information flow	SSO provides technical information to growers	SSO provides technical information to growers	Florists provide market information to growers	Growers obtain market information from florists and customers	Local florists provide market information to growers	POM florists provide market information to growers
Characteristics and Issues	Growers motivated; growers default	Growers less motivated; growers lack knowledge and skills	More interdependence between florists and growers	More interdependence between florists and growers	Less professional	Want to improve chain logistics
Business culture	Some pluralism		More homogeneity		More pluralism	

VC = value chain

Table 2: Proposed main business strategies for selected floricultural value chains in selected South Pacific countries

	Selected floricultural value chains under study	Comparative advantage	Proposed main business strategies
Fiji	1. SSO value chains involving independent out-growers	- Motivated and Experienced growers - Access to PBR protected new cultivars through the wholesaler	- Offer differentiated and unique floricultural products
	2. SSO value chains involving growers under aid projects	- Settlement-wide production and supply - Capacity to bring down costs	- Offer products with competitive prices
SI	1. Kakabona grower group chain	- Committed growers - A variety of products, esp. potted plants	- Build relationship, esp. with business houses
	2. Betikama grower group chain	- Campus wide production - Quick flow of information between growers	- Offer products with competitive prices
PNG	1. Local value chains in Lae, Goroka and POM	- Experienced in direct roadside sale	- Offer products with competitive prices
	2. Goroka/POM cross-regional chains	- Climatic advantage in growing subtropical to temperate flowers	- Offer good quality unique or differentiated products - Build relationship with POM customers

Literature Cited

Barney, J.B. and Clark, D.N. 2007. Resource-based theory: Creating and sustaining competitive advantage. New York: Oxford University Press.

- Dickson-Waiko, A. 2006. Reflections on the women and development agenda in Papua New Guinea. *Development Bulletin*, April: 96-99.
- Ireland, R.D., Hoskisson, R.E. and Hitt, M.A. 2009. *The management of strategy: Concepts and cases*. Mason, Ohio: South-Western Cengage Learning.
- Mohanty, M. 2006. Urban squatters, the informal sector and livelihood strategies of the poor in Fiji Islands. *Development Bulletin*, April: 65-68.
- Saffu, K. 2003. The role and impact of culture on South Pacific island entrepreneurs, *Intl. J. of Entrepreneurial Behaviour & Res.* 9: 55-73.
- Schischka, J. 2006. Putting the capability approach into practice for project development and evaluation. *Development Bulletin*, April:119-122.
- Sen, A.K. 1999. *Development as Freedom*. Alfred A Knopf, New York.