

Case Study on Langadzi Rose Farm⁽¹⁾

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Abstract

Langadzi rose farm, which located in Lilengwe city in Malawi, is specialized in the production of rose cut flower for export; it also supplies Malawi with a portion of products of quality lower than the criteria. Ninety percentage of its products is exported to Netherlands, and the rest to Germany, Australia and South Africa. The farm was established in 1988, but nearly went bankrupt later owing to some technical errors and inefficient management. In 1990, with combination of foreign investment, technical assistance and organizational rearrangement, Langadzi farm successfully produced valuable cut flowers.

This project studies the maintenance approach that the Farm adopts for cut flower production, as well as focusing on some important aspects of management, i. e., general administration, human resource and financial management, production and sales management.

This case study is a descriptive investigation; all datas and information are collected by visiting the Farm and the general manager. The results of this case study indicate a successful business of natural horticultural products export must have: focusing and professional management, high quality of overall products, technical support from other good companies, ability of the investors to take over the unsuccessful business and be willing to take the risk.

Key Words : Case study, Rose farm, Malawi, Farm management.

INTRODUCTION

Lingadzi Rose Farm is located along the Mchinji road, adjacent to the Estate

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Extension Trust and the Tobacco Research Institute of Malawi in Lilongwe city, five kilometers from the old town.

Lingadzi Farm was officially established in 1988 with its goal of producing diversified types of flowers under a Dutch consultant for Landell-Mills, but nearly failed in 1989 as a result of some costly technical errors and an ineffective system of managing local workers. In April 1990, EDESA (a Swiss-investment bank) took over the Farm and hired a new manager for another stack. In July 1990, the project was revived with a focus on rose. Taking advice from an experienced rose producer from Kenya, Lingadzi Farm planted its first rose in September 1990, and began exporting by December in the same year. The Farm has now become a sister farm of a similar farm in Kenya under the same project, sharing technical know-how.

Lingadzi Rose Farm specializes in the production of high-value cut rose and other flowers under development such as carnations and fillers (veronica) for export. Almost 100% of products of the company is for export, though some low-graded flowers are sold in the local market in Lilongwe and Blantyre. Approximately 90% of exportation goes to Holland and 10 percent to Germany, Australia and South Africa.

OBJECTIVE

The objective of this case study is to analyze various techniques and practices applied in the field of cut flower production in the Lingadzi Farm. The focus in this study is on the following five components of farm management:

- A. General administration,
- B. Personnel management,
- C. Financial management,
- D. Production management, and
- E. Marketing management.

METHODOLOGY

This case study was written in the form of a descriptive research. The information used within this paper was collected during field trips to the Lingadzi Farm and one follow-up interview with the general manager of the Farm.

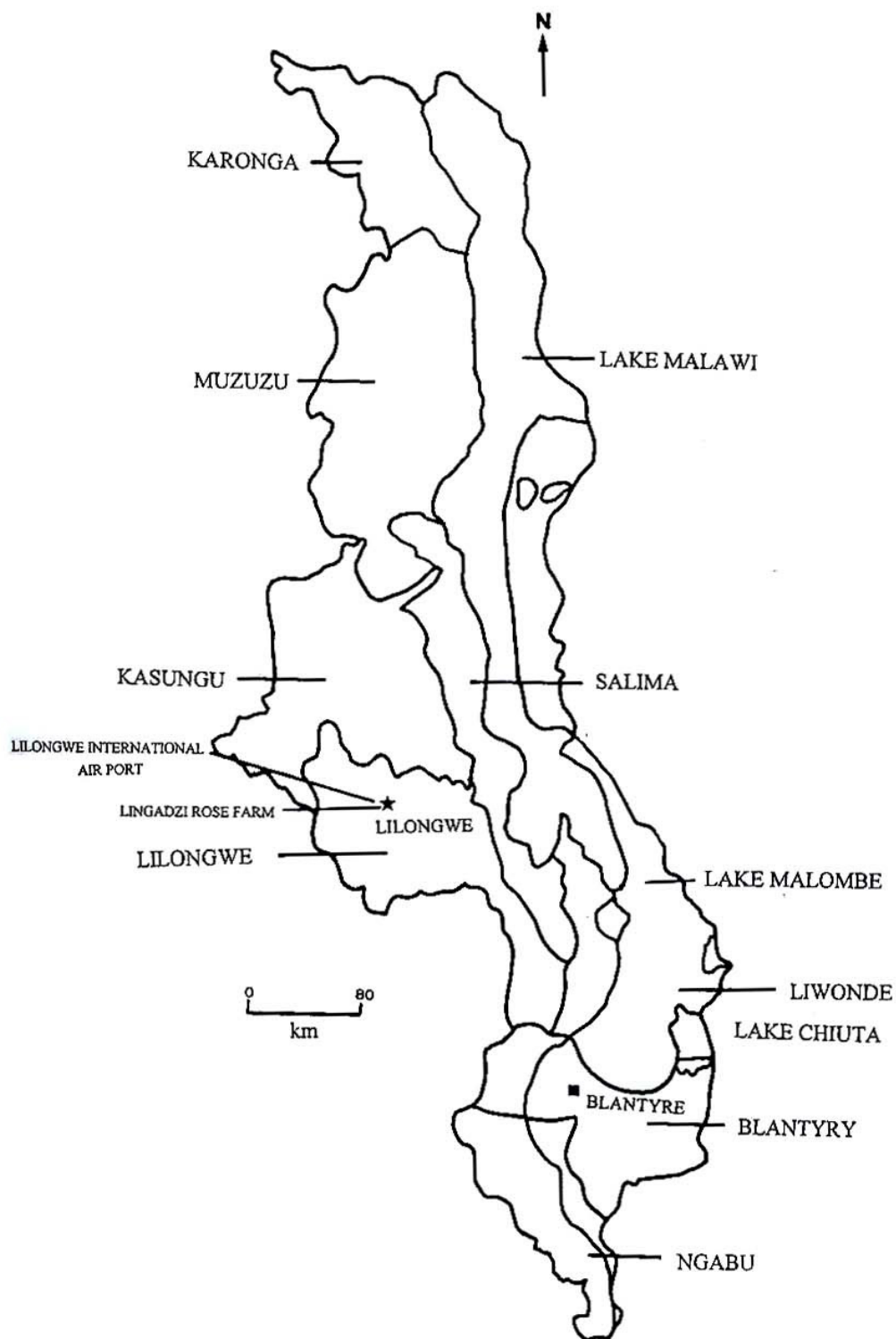


Fig. 1. The location of Lingadzi Rose Farm.

DISCUSSION

A. GENERAL ADMINISTRATION

The investment of the Farm was initiated by external investors. Malawi was chosen as an ideal production site for growing cut flowers due to suitable climate pattern, relatively low production costs, as well as the stability on the consideration of political and economic environment.

A board of directors was formed to pilot the development of the farm, with a general manager set to implement the policy set by the board.

The Organo-gram of the Farm

The Farm is headed by a general manager, who is assisted by a horticulturist. There are two systems of administration, with each of the system its own subordinate departments. In the first system, subordinates report directly to the general manager for essential internal control activities. It comprises of six subordinate departments, including Grading, Packing, Personnel, Security, Maintenance, and Financial Departments.

In the second system, subordinates report directly to the horticulturist, who then reporting to the general manager, as concerning with the production of flowers. The second system comprises two departments, ie., Production and Irrigation Departments.

Staffing

The Farm requires laborers with special skill and knowledge to minimizes risk or loss. It has 620 full-time employees and 109 part-time workers, mainly within the age from 19 to 30. The company prefers young labour to ensure that they would fully understand the corporate goals, and realize the importance of reporting daily duties punctually. Besides, workers who are physically fit to work and able to withstand the work pressure are always regarded as assets, while those workers proved to be inappropriate are dismissed.

The management of the Farm is of pyramid type with the general manager on top, as show in Figure 2.

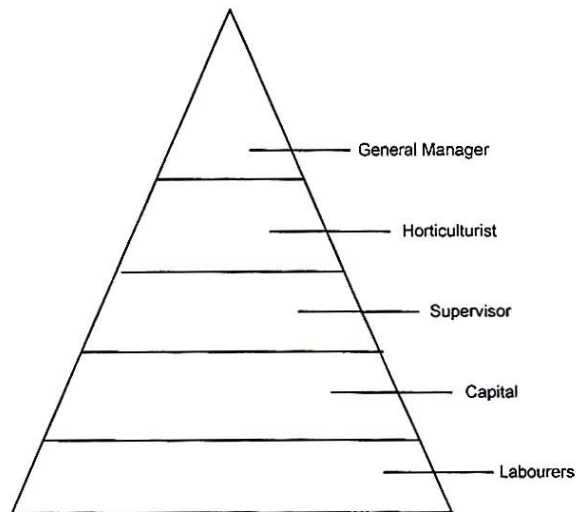


Fig 2. The organo-gram of administration.

B. PERSONNEL MANAGEMENT

Personnel management is part of management concerned with people at work and their relationship within enterprise. Some policies for personnel management in the Farm, such as working condition, payments, motivation and training of the employees, are discussed below.

Working conditions

Employee disciplines is strictly required so as to maximize production, hence to maximize profit. Every employee is supposed to be diligent and punctual. No absenteeism is allowed. Junior laborers work six days a week with 10 to 12 hours per day, while senior staff 7 days per week. Any employee absent for 3 days is subject to dismissed.

Payments

The Farm offers the employees with attractive wages and salaries, which are substantial as compared to other farm business currently operating in Malawi.

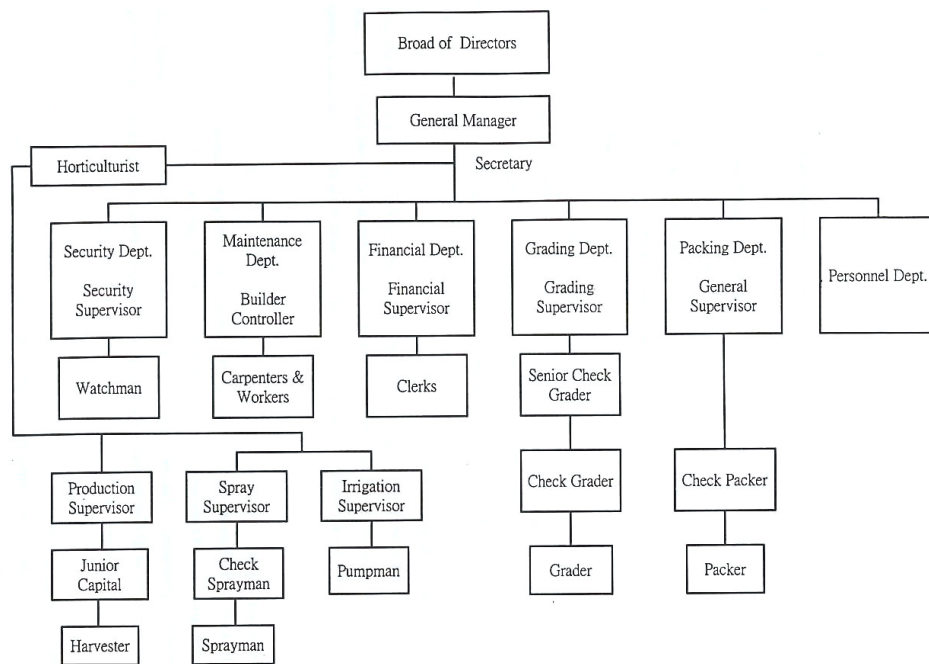


Fig. 3. The hierachy of management

Motivation

Promoting to a higher position within the organization is purely based on performance. For instance, laborers are encouraged by being promoted to "capitals". Workers are also encouraged by a bonus system, according to the evaluation of their contribution to production.

The Farm also tries to reduce labor turn-over rate by offering better working environment for its employees, such as the provision of transportation to the hospital, free meals during lunch hours as well as medical plan at a subsidized rate.

Training

The purpose of training is to maintain the quality and quantity of flower production. There is on-job training on the Farm as field days are often organize for the permanent laborers. As for the part-time labourers, only their weak points are reinforced.

C. FINANCIAL MANAGEMENT

Financial Organization

The Financial Department is lead by a financial controller reporting to the general manager. Under the financial controller, one secretary and some account clerks are set. Each fiscal year starts on July first. The financial controller is supposed to give a full monthly financial report, and a report about cash flow and balance in the bank every Monday. The general manager, keeps aware of the budget status of the Farm with the assistance of account clerks, carrying out daily book keeping, cash control and staff payroll. Financial accounting reports also include balance sheets as well as profit and loss accounts.

Costs

Costs are incurred in administration, production, storage, packaging, transportation, and other activities. In production, costs and profit are calculated for each variety in terms of per square metre and per rose stem to select profitable varieties. Production costs include wages, irrigation costs, fertilizer and chemical costs. Storage costs contain operation cost of the precooler and other coldrooms. For packaging costs expenses on purchasing cartons, ropes and tags are calculated. Transportation costs include the expenses for running two vehicles and chartering the airplane. Salaries are paid for administrative staff including bonuses. Bonus for

graders is based on the task. Miscellaneous costs include food costs given to the workers.

Revenue

The revenue of low-graded flowers is profitted within Malawi. In contrast, 100% of the quality flower produced is sold abroad, i. e., Holland, Germany and South Africa. Within the country, the roses are sold in Lilongwe and Blantyre cities. Ninety percentage of the flowers for export is sold to Halland, while the remaining 10% to Germany and South Africa. Marketing is processed through auctioning with floating price at an equivalent of MK45.00 per stem for the exported flowers. For the low-graded flowers sold domestically, the prices range from K3.00 to K4.00 per stem, indicating a limited market for costs in Malawi.

Flower prices fluctuates seasonally for sold either abroad or domestically. For instance, prices are high during holiday, such as Valentine's Day, Easter and Christmas, but getting low in winter owing to the high production in Europe. Sixty percentage of the sales in export is converted into Malawi Kwacha for salaries and wages, transportation costs, etc., while 40% is deposited into foreign exchange account for importing resources like fertilizers, chemicals and plastics, or for safeguarding the Farm against devaluation.

Total sales reach as far as MK50 million, i.e., about 12 million US dollars in 1994, with profit rate about 20%. The Farm incurred losses during the first three years, before a break-even point was reached in the fourth year.

D. PRODUCTION MANAGEMENT

The successful management of the Farm bases on the efficient production system. All production activities are well organized, correlated to meet the corporate goals and the management's concern for finance, personnel and marketing.

The production management at the Farm mainly focuses on getting the right materials like proper plastic papers for the greenhouses; training experience and providing reliable plant machinery and available supervision in the right amount place and time. These operations are well-arrange so that they are done at the right time. Timing is regarded as one of the most important factors for getting satisfactory yields and gaining profits in farm business. Owing to seasonal of production, timing for activities, such as planting, pruning of flush and reaping, is particularly important.

Production

The production of roses proceeds in the greenhouses built six years ago. Ten varieties of roses are planted in the greenhouses with 51 beds, i. e., three sections containing 17 beds each. This arrangement facilitates good management of the beds. One person is assigned to one section to ensure that all activities are carried out properly.

Varieties grown

Lingadzi Farm has a total of ten rose varieties grown: Mercedes, Gerdo, Tinieke, Golden Times, First Red, Florence, Europa, Frisco, Rodeo, Ruti and Tina. If any variety does not perform well in terms of production and sales, it would be then removed from the production list and replaced for another suitable cultivar.

Pest and disease control

Chemicals are sprayed on flowers to control pests or prevent them from attacking plants. Other chemicals are also used as remedie for flower diseases. Control practices of pest and disease are actually done by spraymen then the supervisor report the progress to a horticulturist, who then in turn reports to the general manager.

Irrigation

Drip irrigation is used for watering the flowers in the greenhouse. It is adopted because fertilizers and some chemicals are added to the water in the irrigation house. This is actually a deliberate management to check on misuse and pilfering of the chemicals. Meanwhile it facilitates chemical level control and keeps labour cost at a minimum. The irrigation activities are scheduled by the irrigation supervisor, who then reports to the horticulturist responsible to the general manager.

Harvesting

Harvesters are trained to pick up flowers. Harvesting starts in the morning, and harvesters are advised to pick flowers with stem five leaves below the petal while bearing petals not fully opened (compact flush). Waiters are then assigned to take flowers to precooler, where the temperature is twenty two degrees Celsius to maintain freshness of the flowers, and to be stored for less than two day. Both the harvesters and waiters work under the close supervision of their section heads.

MARKETING MANAGEMENT

The marketing management in Lingadzi Farm is complicated due to the biological nature of production and perishable of its product. Owing to the biological nature of the product, the production of roses is liable to pests, diseases as well as bad weather. Because of their perishable, fast handling should be highly required. In addition, it takes to process the roses, also the sales of cut flowers are subject to seasonal fluctuation. More flowers are needed during Easter and Christmas, while in the other seasons the demand remains low.

In order to facilitating fast handling, the Farm chose to run its business in Lilongwe for ease of transportation to the international airport, where the cut flowers are air freighted to markets overseas without delay.

Coping with the seasonal changes in demand, the cultivation of roses have to be dynamic, so that production can be adjusted according to the demands.

The functions of marketing refer to the activities that occur while those roses are in stock and ready for sale. The following marketing functions are essential: grading, quality control, packaging, storage, transportation, and channel of distribution.

Specific marketing goals and operational objectives

From the perspective of free economy, the ultimate goal of a business organization is to leverage their profits and long-term position in the industry. In order to meet this goal, the general manager of Lingadzi Rose Farm has set up a specific marketing goal, aiming the Farm to be a leader in the cut flower industry in the SADC region. The manager perceives that doubling the sales is a necessary operation objective leading toward the specific marketing goal.

Product policy

The selection of crops and varieties are being carefully evaluated through assessing their performance on production and sales. On Lingagzi farm, roses with medium petals are chosen to meet the demand of external markets.

Grading and quality control

Grading is served to maintain the quality, meet the international standard specifications of cut flower and also promote export. It involves checking the quality of flush, the shape and length of the stems. Roses stalks should be cut to the same size. Those under-qualified are rejected or recommended for local sale. The graging

also involves sorting of flowers into groups according to varieties and length. After grading, the flush is wrapped in hard paper for easy handling and kept in a larger coldroom with lower temperatures.

Grading is processed by graders, check graders and senior check graders. The grading supervisor report the progress of grading to the general manager. Bonuses are given to those graders that go beyond 1,500 flowers graded per day.

Packaging

Packaging is proceeded in the coldroom on the Farm. It makes the roses compact for easy handing. This process is done by packers, check packers, and the bailing supervisor who reports to the general manager. Flowers, up to 1,000 in number with the length ranging between 25 and 80 cm, are packed together in various size of boxes. Hard paper is used to prevent quashing during transportation. The cartons used at Lingadzi Farm are labeled with information and descriptions to facilitate export. The packed flowers are then transferred to the coldroom at Lilongwe International Airport on the exporting day.

Storage

Cut flowers are highly perishable products so that air temperature and humidity should be under control for better maintainance. There are three coldrooms, with two on the Farm and one at the airport. After packing, the flowers are kept in a coldroom before transferred to the airport. The coldroom at the airport is mainly used for contingency. The freight is dipatched on Monday, Wednesday and Thursday with a chartered plane or the Dutch Royal Airline (KLM).

Table 1. Information related to the precooler and coldrooms at the Lingadzi Rose Farm.

	Size	Temperature	Humidity
Precooler	10×5M	4-8℃	28-32
Farm Coldroom	25×5M	4-5℃	28-30
Airport Coldroom	25×5M	4℃	28

Temperature in the precooler and coldrooms is kept low to preserve the freshness of the flowers. Low humldity is also maintained, so that petals would remain close

before they reach the end consumer.

Transportation

Transportation is a crucial part of marketing. Transport costs for Langadzi farm are quite high because of delivery by air. Using aircraft is fair to the Farm though expensive, since the products are of high value but compact. There are also routine trucks transporting the flowers from the farm to the airport within 30 minutes. This is why Langadzi Farm settled its production center in Lilongwe, otherwise company could have to employ refrigerator vehicles. Air freight space from Malawi to Europe, the primary flower market, is very limited and expensive. Recognizing the importance of expanding the capacity, the Farm makes good use of the available air freight space, as it plans to expand operations size. It is noteworthy that Lingadze Farm coordinates the freight only with the other major fresh product export, Press Agriculture. If new start-ups joined the competition for limited space on the aircraft, the coordination would be even harder, thus expending the capacity for storage at the airport, especially if some marketers sent product from the south.

The high cost of air freight is partly exacerbated by Air Malawi, which levying a royalty of 10% on all air cargo rates in return for landing permission for foreign airlines.

Channels of distribution

For Lingadzi Farm 90% of their export is sold through a sales agent on auction market in Holland, and the remaining 10% is sold through wholesalers or retailers in Germany, South Africa, and Australia.

GENERAL COMMENTS

In terms of exporting, there are increasing barrier to open the European flower markets, such as increasing competition from other producers in Africa. Efforts on market barriers can be done by establishing and maintaining good relationship with sales agents, which requires trips to Europe on a timely basis initially and keep close contact later on. It is important that the Farm must maintain the consistency of their products in all aspects.

In response to competition from other producers, the only action is to use good business sense, such as being familiar with the market options, assessing the project's

feasibility carefully and implement with good management.

CONCLUSION

Langadzi Farm is the only corporate successfully, producing roses for domestic and international consumption in Malawi. The Farm's experience has illustrated that several key elements are needed to succeed in the fresh horticultural export business. Langadzi Farm gets prosperous through the dedicated and high-quality management; a consistent focus on high level of quality in one commodity; the technical support from an experienced firm; and ability and willingness of the shareholders to take the risk of reinvestment after the initial problems. These four factors are indeed necessary to all agribusiness projects.

There are several market barriers for investors who take interests in entering into high value cut flowers industries, because of their highly financial and technical needs. Besides, the uncertainty in the production and demand of cut flowers is another dispressing factor for investors. The success of Langadzi Farm has set up a good example for the investors interested in the business of cut flowers.

林卡奇玫瑰農場個案研究⁽¹⁾

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摘 要

林卡奇玫瑰農場專業於生產高價玫瑰切花以供外銷，也有部份不合格產品供應馬拉威國內市場如里朗威與布蘭岱。其外銷產品中百分之九十銷往荷蘭，其餘銷往德國、澳大利亞與南非。

本研究在探討該農場在切花生產上使用之經營方式與技術並側重於探討該農場經營管理上的幾個重要環結，包括：

- A.一般行政
- B.人事管理
- C.財務管理
- D.生產管理
- E.行銷管理

本個案研究為敘述性研究，所需資料來源是藉由農場參觀與訪問農場總經理而得的。

由本個案調查結果顯示，一個成功的生鮮園藝產品出口企業必須具備專注與高水準的專業管理、一致性的高品質產品、優良企業的技術支援與投資人接手失敗企業的能力及承擔風險的意願等若干重要條件。

關鍵詞：個案研究、玫瑰農場、馬拉威、農場管理。

(1)海外會研究報告第 53 號。

(2)駐馬拉威農技團專家。

(3)本文於民國 85 年 1 月收到。