Feasibility Study & Business Plan
For the development of a Dried Fruits, Nuts and Spices Trader
Based in Auckland New Zealand

Dated: 7th December 2014
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Executive Summary

This document is in two parts; the first an investigation into the feasibility of a New Zealand Broking Import - Export business, exporting Dried fruit, Nuts, Apples .and Tea to Vietnam with the products sourced from New Zealand and products such as Spicy black Peppers, Green, Black Tea, Dried fruit (Desiccated Coconut) and Cassia from Vietnam to New Zealand. The business will be fully owned, run and financed by XXXXXXXXXX a Vietnamese National who is seeking entry to New Zealand via an Entrepreneur Work Visa. It investigates her work experience in Vietnam in relation to the proposed business and the asset she would be to it.

It investigates the state of relations between New Zealand and Vietnam particularly in respect to bilateral trade. It looks at the Global trade in Dried fruit, Nuts, Spicy Black Peppers and Tea. It then turns its attention to the potential within the Vietnamese market for the above-named products the business intends to export in its first few years. These products are: Cashew Nuts, Macadamia Nuts a Golden Kiwi Fruit, Apples and high quality NZ Tea. It investigates these markets in detail and discovers there is a growing market for these products. It further discovers that any sales would be assisted by the high reputation that already exists within Vietnam for New Zealand food products. It recognizes that the business would be facing stiff global competition but recognizes the combination of high quality products, relatively short shipping distance, a favorable market view of New Zealand food products and the unique position of XXXXXXXXXX makes the success of the proposed business a relatively safe assumption.

It then investigates the potential market in New Zealand for Green and Black Tea, Spicy (Cassia), and Desiccated coconut powder from Vietnam.

The second part of this document is a detailed and comprehensive business plan for the proposed business. It describes a business with a strategy from its very beginning that looks towards the long-term and sustainability. It takes a step by step approach, building a solid position in the market before moving on to the next stage of its development. The plan is fully costed and contains projections for its first three years of operations.
Part 1 – Feasibility Study

Introduction

This study investigates the feasibility of establishing a broking company specializing in an import-export business in Dried fruit, Nuts, Apples, Spicy Black Peppers, and Tea. The business will be based in Manukau in Southern Auckland, New Zealand. Its source of customers will be from within Vietnam and New Zealand (NZ). It intends to source its products locally within New Zealand and Vietnam. In its first stage it will source; raw Cashew Nuts followed by Macadamia Nuts, Apples and Golden Kiwis from NZ and Green and Black Tea, Spicy Black Peppers, and Dried Fruit (Desiccated coconut powder) from Vietnam. The business will target different groups of clients in Vietnam; processors (companies who take the raw nut product and prepare it for sale), wholesalers who provide independent retailers and those retailers with a number of outlets and can therefore absorb large volumes. In NZ it will concentrate initially on wholesalers.

This study is specific to Mrs. VU LIEN HUONG and the particular skills, knowledge, experience and established contacts she can bring to the enterprise in the role as proprietor and Chief Executive.

It will:

1. Supply relevant information on Mrs. Vu LIEN HUONG;
2. Investigate the Existing trade relationship between New Zealand and Vietnam and the opportunities it presents to the New Zealand based Exporter;
3. Assess the existing market between these two countries in dried fruit and nuts;
4. Highlight the opportunities for developing this market;
5. Identify the scale of competition for a new entrant to the market;
6. Describe the proposed business;
7. Explain how the business will take advantage of the identified opportunities;
8. Identify its proposed customers;
9. Explain where and how it will source its goods within New Zealand;
10. Detail its proposed distribution through a network of previously established contacts.

Having established the feasibility of the proposed business it will then provide a comprehensive business plan.

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

As indicated this Feasibility Study starts with Mrs. VU LIEN HUONG who is a Vietnamese national and is applying for an Entrepreneur Work Visa for herself in New Zealand. If she is successful she will be accompanied to New Zealand by her wife and two children. While establishing her business she has available NZ$150,000 to cover living costs for herself and her family over a three year period and a further NZ$120,000 for the establishment and initial operation of her proposed business: - A Dried Fruit and Nut Export business based in Auckland.

Does XXXXXXXXXXXX match the requirements to head up the proposed business

Xxxxxxxx work experience is directly relevant to that of the proposed business. she has held positions over the last twenty years within Vietnam where she has been responsible for sourcing these same and similar products for importation to Vietnam. At the same time she has developed a customer source within Vietnam for them. These customers have been both Wholesales and Independent Retailers. Her responsibilities during this time included:
- Customs clearance;
- Distribution;
- Staff development and training;
- Managing profitability;
- Preparing progress reports;
- Marketing; and
- Business growth.

Her role has been that of a Chief Executive managing a team of employees for a business with a turnover exceeding US$1,000,000 per annum. As an experienced businessperson she recognises the importance of keeping a business ‘lean’ and competitive and envisages, certainly in its early stages, (year two) the business will only require one other person (a New Zealand resident) besides herself to operate. That person’s role will be as an administrator; liaising with suppliers and customers and ensuring the distribution of the products runs smoothly.

Mrs. Vu LIEN HUONG responsibilities in the business will include, but not be limited to:

- Providing specialist knowledge about domestic and international markets;
- Gathering information on products and costing their supply;
- Negotiating customs, shipping and air freight services;
- Developing promotional and marketing campaigns;
- Keeping up to date with exchange and financial market rates;
- Developing risk management policies to cover fluctuations in New Zealand and foreign currencies;
- Communicating with government agencies;
- Manage yearly budget and resources
- Ensure suppliers deliver products and / or services requested
- Ensure all company documentation is up to date;
- Employ staff;
- Oversee financial profitability of the business.

**Trade Relations - New Zealand and Vietnam**

Since July 1994 when New Zealand and Vietnam signed a trade agreement, trade between the two countries has grown significantly. This has been assisted by Vietnam’s accession to the World Trade organisation in January 2007 followed by the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) of January 2010. These trade agreements culminated in the more recent Trans Pacific Partnership (TPP) free trade agreement, alongside Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore and the United States, and the Regional Comprehensive Economic Partnership (RCEP), involving all other ASEAN countries, Australia, China, India, Japan and Korea. This has spurred further the growth of trade between the two countries. Leading to:

1. Total two-way goods trade (year to March 2014): NZ$968 million
2. NZ goods exports to Viet Nam: NZ$500 million (year to March 2014)
3. Viet Nam exports to NZ: NZ$468 million (year to March 2014)
4. Main NZ goods exports: Dairy products (over 50 per cent of total exports); timber and wood products; fish/seafood, hides/skins and fruit.
5. Main Viet Nam goods exports: Electronics, machinery and equipment, clothes and footwear, furniture, plastics, fruit and vegetables and seafood.

All of the above suggests that the proposed new business will be establishing its operations within two countries that have well established and warm trading relations. This is a relationship that extends beyond purely trade into well developed diplomatic and social contacts at the highest levels of state. Source: http://www.nzembassy.com/viet-nam/relationship-between-new-zealand-and-viet-nam/new-zealand-and-viet-nam

Global Trade in Fruit and Nuts

Since the 1980’s global trade in fruit and nuts has grown significantly. This growth has been greatly influenced by the growth in inter-regional trade and changes in commodity composition. Global agricultural exports increased from 11.7 percent in the period 1977-81 to 15.1 percent in 1987-91 and reached an all-time high of 16.5 percent in 1997-2001. (Source: Calculated based on FAOSTAT database by the FAO of the United Nations.)

The following two charts highlight the:

- Growth rate:
- Increased export value; and
- Global market share of Nuts and derived products on a global basis.

Composition and growth of world fruit and vegetable exports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits and derived products</td>
<td>4.2</td>
<td>48.5</td>
<td>39.1</td>
</tr>
<tr>
<td>Vegetables and derived products</td>
<td>5.2</td>
<td>26.0</td>
<td>32.7</td>
</tr>
<tr>
<td><strong>Nuts and derived products2</strong></td>
<td><strong>4.5</strong></td>
<td><strong>10.5</strong></td>
<td><strong>9.0</strong></td>
</tr>
<tr>
<td>Fruit and vegetable juices</td>
<td>7.1</td>
<td>3.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Pulses and derived products</td>
<td>3.6</td>
<td>4.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Roots, tubers, and derived products</td>
<td>2.6</td>
<td>5.0</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Others -</strong></td>
<td><strong>1.4</strong></td>
<td><strong>1.7</strong></td>
<td><strong>0.6</strong></td>
</tr>
<tr>
<td>Total fruit and vegetable exports</td>
<td>--</td>
<td>100.0</td>
<td>100</td>
</tr>
</tbody>
</table>

-- Not available.

1 The product groups in the table are according to the classification of the Food and Agriculture Organization (FAO). FAO’s definition of fruits and vegetables includes more than 160 items, representing a broad range of products.
2 This category also includes four oil-bearing crops and their products—coconuts and desiccated coconuts, olives (fresh and preserved), and prepared peanuts.

(Source: Calculated based on FAOSTAT database by the FAO of the United Nations.)

Growth rate and market share for world fruit and vegetable exports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
</tr>
<tr>
<td>Bananas</td>
<td>6.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>4.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Grapes</td>
<td>3.5</td>
<td>5.2</td>
</tr>
</tbody>
</table>
Apples
Potatoes, frozen
Oranges
Chili’s and peppers, green
Orange juice, single-strength
Potatoes
Tangerines, mandarins, Clementine’s, and Satsuma
Orange juice, concentrated
Beans, dry
Tomato paste
Pears
Lettuce
Peaches and nectarines
Cashew nuts, shelled
Cucumbers and gherkins
Almonds, shelled
Strawberries
Lemons and limes
Mushrooms, fresh
Onions, dry
Cantaloupes and other melons
Sweet corn, prepared or preserved
Mangoes
Others*
Total

<table>
<thead>
<tr>
<th>Item</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apples</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Potatoes, frozen</td>
<td>2.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Oranges</td>
<td>2.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Chili’s and peppers, green</td>
<td>2.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Orange juice, single-strength</td>
<td>2.3</td>
<td>13.9</td>
</tr>
<tr>
<td>Potatoes</td>
<td>2.2</td>
<td>0.7</td>
</tr>
<tr>
<td>Tangerines, mandarins, Clementine’s, and Satsuma</td>
<td>2.0</td>
<td>5.4</td>
</tr>
<tr>
<td>Orange juice, concentrated</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Beans, dry</td>
<td>1.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Tomato paste</td>
<td>1.6</td>
<td>4.9</td>
</tr>
<tr>
<td>Pears</td>
<td>1.4</td>
<td>5.8</td>
</tr>
<tr>
<td>Lettuce</td>
<td>1.3</td>
<td>4.9</td>
</tr>
<tr>
<td>Peaches and nectarines</td>
<td>1.2</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Cashew nuts, shelled</strong></td>
<td><strong>1.2</strong></td>
<td><strong>3.9</strong></td>
</tr>
<tr>
<td>Cucumbers and gherkins</td>
<td>1.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Almonds, shelled</td>
<td>1.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Strawberries</td>
<td>1.1</td>
<td>5.7</td>
</tr>
<tr>
<td>Lemons and limes</td>
<td>1.0</td>
<td>4.2</td>
</tr>
<tr>
<td>Mushrooms, fresh</td>
<td>1.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Onions, dry</td>
<td>1.0</td>
<td>4.4</td>
</tr>
<tr>
<td>Cantaloupes and other melons</td>
<td>1.0</td>
<td>7.8</td>
</tr>
<tr>
<td>Sweet corn, prepared or preserved</td>
<td>0.6</td>
<td>9.3</td>
</tr>
<tr>
<td>Mangoes</td>
<td>0.6</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td><strong>49.5</strong></td>
<td>--</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td>--</td>
</tr>
</tbody>
</table>

* Others include nearly 140 minor fruits and vegetables.

Source: Calculated based on FAOSTAT database by the Food and Agriculture Organization of the United Nations.

**Trade in Products directly associated with the intended Business**

**Cashew Nuts**

Cashew Nuts: Vietnam’s shortage of supply in Cashew Nuts for processing and export is nothing new. In 2011 cashew exports were down on the previous year and it expected to export 150,000 tonnes of cashew nuts in the year as a whole. This was 48,000 tonnes less than 2010.

Source: Vietnam Cashew Association (Vinacas) 2011

According to ‘Vietnam News’ at the time, the actual crop was the same as the previous year, this highlighted a lack on the supply side, of the raw cashew nuts. Vietnam’s domestic production was unable to meet the demand from processors. Demand has continued to outstrip domestic supply which has contributed to Cashew prices in Vietnam reaching an all-time high this year, (2014).

Despite the recent problems in the global economy, global demand for processed cashew nuts has not fallen, in fact in some markets such as the Middle East and some other new markets Cashew consumption has increased during the first half of this year. It is however important to note that as well as a shortage of the raw material (Cashew Nuts) Vietnam’s cashew processors and exporters have recently faced problems of labour and capital shortages together with higher input costs this year.

Cashew Nuts - IMPORTS. KERNEL BASIS. METRIC TONS

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>733</td>
<td>1.059</td>
<td>787</td>
<td>3.860</td>
<td>9.004</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>318.787</td>
<td>369.826</td>
<td>360.969</td>
<td>400.188</td>
<td>442.080</td>
</tr>
</tbody>
</table>


The first stage of the proposed business activities will be the export of raw cashew nuts to Vietnam. The above suggests that through the business New Zealand producers of Cashew Nuts will find a ready market for their products.

Macadamia Nuts

Macadamia Nuts are seeing an increase in demand across Asia as they are beginning to be associated with health beauty and wellbeing. A recent article in ‘Fruitnet’ highlighted how unless there was a push in production, the Australian macadamia industry could miss out on the opportunity to reap the benefits from the growing market in Asia. Demand is strongly outstripping supply creating huge room for growth. This is one of the products chosen by the proposed business to concentrate upon. This will allow New Zealand Macadamia producers another export avenue ensuring they can capitalise upon this growing demand for their product across Asia.


Macadamia Nuts - IMPORTS. METRIC TONS

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>1.649</td>
<td>1.520</td>
<td>3.267</td>
<td>2.514</td>
</tr>
<tr>
<td>WORLD TOTAL</td>
<td>26.048</td>
<td>27.113</td>
<td>31.260</td>
<td>34.612</td>
</tr>
</tbody>
</table>


NZ Kiwifruit

Kiwifruit exports from New Zealand experienced remarkable growth in Taiwan in 2012, with imports rising to record 8.5m trays. This was despite a 30 per cent drop in New Zealand production. In 2008, Taiwan imported 18,062 tonnes of New Zealand kiwifruit. This volume rose to 19,554 tonnes in 2010, then up to 23,575 tonnes in 2011, and 28,432 tonnes by late October in 2012. “Taiwanese import volumes grew to 8.5m trays this year – just stunning growth,” said Zespri’s Lain Jager. “


While overall fresh fruit consumption continues to stagnate in Japan, kiwifruit is one product that is more than bucking the trend. Kiwifruit has recorded its strongest June ever in Japan on all three performance measures; according to latest figures from Ministry of Internal Affairs and Communications Statistics Bureau. The average Japanese household consumed 239g of kiwifruit in June, spending ¥202 on the product, well up on the 12-year averages of 208g and ¥165 respectively. These consumption rates, the highest ever, came in spite of a record high purchasing price of ¥847
per kg. “It’s amazing,” said Junichi Moriya, president of major importer and wholesaler Tokyo Seika Trading, commenting on the latest figures. “The kiwifruit performance is exceptional. It’s obvious that consumers want to eat more kiwifruit, because they paid more despite the higher prices. And it shows that demand for kiwifruit is still growing in the Japanese marketplace.”


**Kiwifruit (0810.50.00) New Zealand Export Markets 2010-12 (year ending June, tonnes and $NZ FOB)**

<table>
<thead>
<tr>
<th>Market</th>
<th>Volume</th>
<th>Value</th>
<th>Volume</th>
<th>Value</th>
<th>Volume</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>369</td>
<td>1,021,742</td>
<td>394</td>
<td>971,041</td>
<td>630</td>
<td>1,686,371</td>
</tr>
<tr>
<td>Total Exports</td>
<td>400,000</td>
<td>$995,778,105</td>
<td>408,546</td>
<td>$962,781,359</td>
<td>430,775</td>
<td>$1,045,814,960</td>
</tr>
</tbody>
</table>


The above demonstrates a profitable growing demand for Kiwi fruit from New Zealand. In January 2010, a multi-lateral free trade agreement between New Zealand, Australia and the Association of South East Asian Nations (ASEAN), including Vietnam, came into force. In July 2010, the New Zealand-Vietnam Action Plan (2010-2013) was signed, giving effect to a comprehensive partnership across a wide range of sectors including trade, science and technology, education, defence, policing and customs co-operation.


The proposed new business can bring its unique insights and market experience to this market; assisting New Zealand in developing and building its market share in Vietnam and across Asia and beyond.

**NZ Apples**

The export of apples from NZ has a long history going back over 100 years. Today it exports to over 70 countries world-wide. While Europe is its main market the Asian and Middle Eastern markets are steadily increasing. As a global industry it is extremely competitive. NZ makes up less than 1% of global apple production and approximately 5% of the global market. The NZ Apple and pear exporting market was deregulated in 2001 at the request of the producers. Today anyone can export these products from NZ.

NZ’s main growing regions are Hawke’s Bay and Nelson taking approximately 60 and 30 percent respectively of NZ planted areas. These areas total almost 10,000 hectares of which over 90% is planted with apples the remaining 10% with pears.

NZ has around 400 apple producers growing for the domestic and export markets. A small amount goes for processing into apple preparations and juice. In recent years the industry has witnessed consolidation.

NZ exports between 265,000 and 320,000 tonnes annually with export earnings from NZ$375 millions to NZ$425 million. This has become a rather settled band and the prospect of expanding the market in Vietnam should excite NZ growers.

NZ’s Apple varieties are moving away from the mainstay commodity varieties of Braeburn and Royal Gala towards new and more marketable varieties such as the Pacific series, Fuji, Jazz™, Envy™ and Pink Lady®.
NZ Tea and Vietnamese Tea

At present New Zealand tea production is very small and at present is centred on the Waikato based Zealong Tea, an NZ tea producing company. It has established a tea house and estate at Gordonton, near Hamilton, NZ. While the cost of production in New Zealand is relatively high when compared with other tea producing countries; there is a growing demand from consumers to know what they are consuming. The company is not focused on volume but on the added-value market. It is these attributes that will make it such a popular product in Vietnam.

At first glance the concept of selling tea to Vietnam is rather like the old adage of ‘selling coals to Newcastle’. However, as other foreign tea producers have discovered opportunities often exist within the contradiction. To understand; it’s required to look at the Vietnamese domestic tea industry and its history.

Vietnam is seen as one of the birth places of tea. The Vietnamese people have planted tea for over three thousand years and nowadays, drinking tea has become a traditional habit of the majority of Vietnamese families. On average, a person consumes 0,2kg/month and 2,4kg tea per annum. With 85 million of population nationwide, domestic consumption demand is very great. The quality of Vietnam tea products is high especially some of the traditional specialties such as ‘Shan Tuyet’ and ‘Suoi Giang’. The French colonialists brought tea trees in the end of 19th century. In 1885, France took the first survey of tea in Vietnam and the first tea plantation was set up in the early 1890’s in Tinh Cuong, Phu Tho.

Viet Nam’s tea Industry is export-oriented, with almost 84% of production supplying foreign markets (2002). Total exports of dried tea in 2002, as reported by the Food and Agriculture Organization (FAO), were nearly 75,000 tons, with an estimated value of $82 million. Vietnam is still a small player in the tea sector, comprising less than 3% of global production and 5% of exports (FAO). Nonetheless, Vietnam’s presence in the world market is rising, as the volume of tea exports has increased by more than 600% during the last decade.

Mrs. Vu Lien Huong believes that with the competitive prices she will be able to offer; NZ Tea companies will be a ready market for both Black and green Vietnamese Tea. She recognises the present growing awareness of Vietnam’s tea within the global market makes it an ideal time to enter the market. As indicated above Vietnam’s tea Industry although well established is still a small player globally and its penetration into the NZ market is not significant.

While most exported tea is crude or semi-processed, tea sold on the domestic market is finished and of a higher quality. As a result it commands a higher priced premium than the tea Vietnam exports. Several tea growing areas in Viet Nam, notably ‘Moc Chau’, ‘Thai Nguyen’, and ‘Kim Anh’ are famous locally for the quality of their tea. Vietnamese consumers are typically very conscious of the quality, with price spreads between the top and bottom quality grades of tea of up to tenfold. Despite the high premiums for locally produced tea, local manufacturers have been slow to exploit recent trends in urban areas. For example, foreign tea producers have dominated sales in popular urban tea bars. These are often frequented by Vietnam’s highly influential and growing middle classes. Domestically traded volumes relative to exports remain low, suggesting that domestic producers are missing out on lucrative, high value opportunities in Vietnam’s domestic tea market. This is a definite opportunity for New Zealand’s tea producers to capitalise upon a relatively close and growing market and build a significant market share.

Breaking into this market in a significant way is not that straightforward as the majority of these urban tea bars are independently owned. Mrs. Vu Lien Huong however, has the countrywide contacts with those who supply the tea to these bars (wholesalers). This will ensure the tea’s entry and promotion into this market will be at a level to quickly create a profitable demand for NZ Tea. Once again the high reputation of NZ food products within Vietnam will smooth this process. The
high quality of NZ's tea produced to such high domestic standards and meeting all international quality standards of production is a critical feature. Vietnam’s growing middle class, the potential market, are particularly conscious of this area of the foods they consume after a number of food scares in recent years. Mrs. Vu Lien Huong will work closely with NZ’s tea producers to develop a high grade tea and brand name that resonates with Vietnam’s growing middle class. While Vietnam, will be the initial target of the proposed business it intends by the second year of operations to expand sales into Laos and Cambodia, two neighbours of Vietnam. This expansion will either be through selling direct to these markets or more likely through established Vietnamese wholesalers who are already established within these markets and Mrs. Vu Lien Huong’s already has a good rapport with. While Mrs. Vu Lien Huong recognises the NZ tea industry can best be described as being in its infancy she believes the opening up of the Vietnamese market will be a positive spur encouraging more investment from those already producing tea in NZ and those considering it as a potential crop.

Vietnamese Spicy Black Peppers

...’At a time when commodity producers are enduring a slump in prices for everything from crude oil to iron ore to soybeans, Vietnam’s pepper farmers are prospering. Black pepper trades at about $9 a kilogram, from $2 a decade ago, while white pepper costs as much as $13, a threefold gain, according to the International Pepper Community, a producer group in Jakarta. Consumption has exceeded supply for about eight years, boosted by demand for seasoning as Asia eats more meat, said Greg Estep, the global head of spices and vegetable ingredients at Singapore-based Olam International’...


Vietnam has become the major player in this market harvesting 122,000 tons in 2013, while Indonesia produced 63,000 tons and India 58,000 tons, according to IPC data. Global output was 375,800 tons in 2013. For Vietnam this is an amazing achievement when it did not produce enough of the product to satisfy its own domestic market in the early 1990’s. Mrs. Vu Lien Huong has wide experience in trading Vietnamese spicy black peppers and is well established in the Vietnamese market. She appreciates Vietnamese spicy black peppers are already imported into New Zealand. However, she is confident that with her ability to obtain a very competitive price from her suppliers in Vietnam she will be in a good position to build a share of the NZ market and hopefully expand it.

Dried Fruit (Desiccated Coconut)

The market in Dried Fruit (Desiccated Coconut) is a global market with producers fighting for market share. The chart below shows the top ten producing countries in 2009. Vietnam is highlighted.

<table>
<thead>
<tr>
<th>Country</th>
<th>Production (tons)</th>
<th>% of World Production</th>
<th>Acreage Production (ha)</th>
<th>Yield/ha (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>21,565,700</td>
<td>34.9</td>
<td>3,231,710</td>
<td>6.67</td>
</tr>
<tr>
<td>Philippines</td>
<td>15,667,600</td>
<td>25.4</td>
<td>3,401,500</td>
<td>4.61</td>
</tr>
<tr>
<td>India</td>
<td>10,148,000</td>
<td>16.4</td>
<td>1,903,000</td>
<td>5.33</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2,099,000</td>
<td>3.4</td>
<td>394,840</td>
<td>5.32</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,973,370</td>
<td>3.2</td>
<td>284,058</td>
<td>6.95</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,380,980</td>
<td>2.2</td>
<td>237,882</td>
<td>5.80</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1,128,500</td>
<td>1.8</td>
<td>121,500</td>
<td>9.29</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,004,710</td>
<td>1.6</td>
<td>155,713</td>
<td>6.45</td>
</tr>
</tbody>
</table>
Due to the very nature of its production the industry often works on estimates of production as it is virtually impossible to do an accurate count of coconuts. Also, there can be a gap between harvesting and production with farmers waiting for best conditions in the market before harvesting their crop. World production has been relatively stable over the period 2008 – 2009, having increased by only 0.4% from 61.4 million tons in 2008 (FAO Statistics, 2008). Production continued to be concentrated in Indonesia, Philippines and India. The Asian and Pacific countries, 17 of them produce 90% of the world’s coconuts.

Forty-seven (47) of the seventy-seven ACP (African, Caribbean & Pacific) member countries produced 4.59 million tons of coconuts in 2009 on 1.7 million hectares. This represented 7.4% of world production. In 2008, 4.75 million tons were produced on 1.6 million hectares (7.7% of world production). The only ACP country in the top ten producers was Papua New Guinea. Average production in this group 2.6 tons /ha was way below the world average of 5.2 tons / ha. Output from the Caribbean region declined over the period from 504,877 tons in 2008 to 410,395 tons in 2009. This was as a result of storm damage as well as the wave of lethal yellowing and Red Palm mite infestation.

**Major trade flows from Indonesia, Viet Nam and Sri Lanka**

<table>
<thead>
<tr>
<th>Country</th>
<th>Trading partner/value (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Singapore – $21,717,969</td>
</tr>
<tr>
<td></td>
<td>Malaysia – $10,878,991</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>China – $19,389,479</td>
</tr>
<tr>
<td></td>
<td>Dominican Republic – $557,440</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Pakistan – $3,400,450</td>
</tr>
<tr>
<td></td>
<td>Iran – $1,370,954</td>
</tr>
<tr>
<td></td>
<td>Netherlands – $1,283,676</td>
</tr>
</tbody>
</table>
China was the largest importer of fresh nuts on the world market accounting for 29.6% of world imports. Fresh nuts are supplied to processors in international markets to be sold as drinks, milk, desiccated coconut and candy. These high value products compete with each other and their prices vary depending on demand and supply.

**Exports of Coconut, Copra oil & Desiccated coconuts (top 5 countries in each category)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Coconuts (tons)</th>
<th>Value ($,000)</th>
<th>Coconut oil (tons)</th>
<th>Value ($,000)</th>
<th>Desiccated Coconut (tons)</th>
<th>Value ($,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>93,501</td>
<td>17,097</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>85,452</td>
<td>40,958</td>
<td>649,362</td>
<td>769,134</td>
<td>55,431</td>
<td>48,253</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>31,814</td>
<td>12,458</td>
<td></td>
<td></td>
<td>36,263</td>
<td>64,713</td>
</tr>
<tr>
<td>Thailand</td>
<td>31,401</td>
<td>12,081</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>24,022</td>
<td>8,301</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td>840,449</td>
<td>905,893</td>
<td>99,233</td>
<td>148,145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>196,584</td>
<td>268,310</td>
<td>13,288</td>
<td>22,969</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>129,553</td>
<td>173,708</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>USA</td>
<td>14,173</td>
<td>19,030</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
<td></td>
<td>23,770</td>
<td>31,356</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WORLD</td>
<td>360,349</td>
<td>2,009,037</td>
<td>287,969</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: FAO Statistics 2008

Approximately 279,000 tons of desiccated coconuts were traded on the world market in 2008. It was dominated by Philippines, Sri Lanka and Indonesia with the Philippines exporting 34% of world exports. The major importers remain USA and Europe accounting for 11% and 13% total world imports respectively. The product is high value and captures a higher price than copra and coconut oil.

**ACP countries**

In the ACP countries, trade in the three main coconut products increased over the period 2007-2008, with imports increasing by 24% and exports increasing by 18%. In 2008 the group imported 12,245 tons fresh nuts, 9,035 tonnes of coconut oil and 3,734 tonnes of desiccated coconuts (See
Figure 2). The main importing countries were Tanzania (fresh nuts), Madagascar (oil) and Niger (desiccated coconut).

Quantities exported were much higher: 47,906 tons of fresh nuts, 96,833 tons of coconut oil and 5,487 tons desiccated coconuts (See figure 3). The main exporting countries were Dominican Republic (fresh nuts), Papua New Guinea (coconut oil) and Madagascar (desiccated coconut). See Table.

Exports of Coconuts, Coconut oil & Desiccated coconuts – ACP Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Coconuts (tons)</th>
<th>Value ($,000)</th>
<th>Coconut oil (tons)</th>
<th>Value ($,000)</th>
<th>Desiccated Coconut (tons)</th>
<th>Value ($,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Papua New Guinea</td>
<td>0</td>
<td>0</td>
<td>58,483</td>
<td>67,082</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>0</td>
<td>0</td>
<td>10,282</td>
<td>10,919</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>0</td>
<td>0</td>
<td>7,325</td>
<td>10,803</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>19,849</td>
<td>3,725</td>
<td>9,978</td>
<td>8,428</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fiji</td>
<td>0</td>
<td>0</td>
<td>5,006</td>
<td>5,846</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>24,022</td>
<td>8,301</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tanzania</td>
<td>568</td>
<td>1,336</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Uganda</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,297</td>
<td>3,742</td>
</tr>
<tr>
<td>Madagascar</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,500</td>
<td>821</td>
</tr>
<tr>
<td><strong>Total Exports ACP countries</strong></td>
<td><strong>47,906</strong></td>
<td><strong>96,833</strong></td>
<td><strong>5,487</strong></td>
<td><strong>Source: FAO Statistics 2008</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In NZ Coconut is considered a healthy food. There is shift in the market toward high-valued food uses for coconuts such as tender coconut water. Health and safety concerns have seen buyers and consumers place greater emphasis in knowing about the ingredients and the production process.

**NZ Market for Desiccated Coconut**

The structure of the New Zealand market for fresh produce can be segmented into three-tiers based on commercial size.

**LARGE COMMERCIAL IMPORTERS**

Examples of large commercial importers of fresh produce include Turners & Growers Ltd, MG Marketing, Freshmax and Fresh Direct. These companies place great emphasis on consistency of supply and quality given that they handle large orders for various customers including the supermarket chains and independent retailers. Large commercial buyers have the established infrastructure and systems in place to supply customers on a national basis.

**MEDIUM COMMERCIAL IMPORTERS**

There are several small-to-medium sized companies such as Tropical Fresh Ltd that specialise in importing and distributing Pacific Islands produce. Limited by their size, these companies deal only in limited quantities and carry out any necessary sorting and repacking economically. Medium commercial importers may also align with supermarket chains to supply some specialty lines or have their own retail outlets. Some also sell through the ‘flea market’ channels on the weekends.

**SMALL IMPORTERS**

This tier consists of small family and church networks often referred to as the ‘informal channel’. Generally products are imported directly from their home countries (such as the Pacific Islands) through to family connections and supplied to their own local buyers. Fresh coconuts are imported by all three tiers. Commercial buyers place great emphasis on the volume an exporter can supply the market and the frequency of its shipments. Typically for coconuts, commercial buyers are interested in a full container load supply a week. Small importers generally import a mixed container of coconuts and taro for sale at the flea markets.
**NZ Demand for Desiccated Coconut**

There is a good demand for desiccated coconut in New Zealand. It is an essential ingredient for the baking and confectionary industry therefore it is widely used by food manufacturers, the food service and household consumers. The broad consumer base means that desiccated coconuts are packaged in various sizes including a 25lb. bag. Desiccated coconut are sold in four grades: (1) Fine (2) Medium (3) Thread and (4) Chip10.

The New Zealand market for desiccated coconut has fluctuated between 1.4 thousand and 1.9 thousand tonnes over the last five years. The Philippines and Indonesia are the major suppliers of desiccated coconuts to New Zealand, possessing 50% and 42% of the market respectively in 2011. According to data from Statistics NZ, Fiji and Samoa recorded one small shipment in the last five years. It is a price driven market. New Zealand importers have tended to import the product in bulk and repackage to their customers specifications. New Zealand buyers continue to express interest in desiccated coconuts, if the price is right. There continues to be an opportunity for Pacific Island exporters if their supply and quality is consistent. Importantly they need to be competitively priced against the products from Asia.


**Cassia**

Cassia is primarily a highly effective carminative, stimulant, and tonic. In fact, it is valued as one of the best domestic, as well as industrial product available in the market today. The seeds of cassia obtusifolia and cassia tora are utilized for producing cassia gum powder. This refined and purified flour is basically a natural gelling agent. It is actually mixed with some hydrocolloids such as xanthan gum and carrageenan to form an ideal gel, which has several distinct properties.

**Cassia Gum Powder**

Nowadays, there is an increasing demand for cassia gum powder across the globe. This is because it has lots of industrial applications. Today, cassia gum powder is used in various fields. This includes the food industry, where it is commonly utilized for different purposes such as an emulsifier, foam stabilizer, moisture retention agent, texturizer, thickener, etc. Moreover, the various cassia gum products that are available as commercial products in the market includes cheese, dairy mixes, frozen dairy desserts, meat products, and poultry products. Hence, cassia gum powder is now regarded as one of the best human food additive. Besides this, it has several other applications in numerous industrial segments which include cosmetics, mining, paper production, pharmaceuticals, textiles, water treatment plants, etc.

**Cassia Tora Powder**

Cassia gum powder is also well known as cassia tora powder. It is actually prepared from the cassia tora seeds and cassia tora splits; as well as some other natural ingredients. This multi purpose powder is used in the agriculture sector as a natural pesticide in organic farms. Moreover, the roasted seeds of cassia tora can also be utilized instead of coffee seeds. Besides this, it is also mixed with guar gum for using it in the mining industry; and also for many other applications. In fact, cassia tora powder has gained immense popularity as a pet food and cattle feed additive. It is therefore widely used as a gelling, stabilizing, and thickening agent, while manufacturing canned foods for pets, such as cats and dogs.
Global Market

Earlier the global market for cassia gum powder was limited because most of the countries did not permit its usage, or imposed limits on its use. However, recently several countries have realized that cassia gum powder is highly beneficial. Hence they have now approved the usage of this excellent powder within their country for various purposes. This includes using cassia gum powder for foods related to humans as well as animals. Today, India is regarded as a major exporter of cassia gum powder. Whereas the numerous countries that now import cassia gum powder includes UK, USA, Australia, Belgium, Canada, France, Germany, Singapore, Hongkong, Philippines, South Africa, Kenya, South Korea, Italy, Japan, Iraq, China, Switzerland, Netherland, Malaysia, Iceland, Thailand, Brazil, New Zealand, Dubai, Swedenherland, Russia, Turkey, Spain, Peru, Poland, Zimbabwe, Argentina, Republic of Czech, Vietnam, Jordan, Norway, Greece, Egypt, Indonesia, Bahrain, Tanzania, Chile, Guatemala, etc.

Conclusion

The global market for cassia gum powder and its derivatives is growing rapidly.


The Challenges facing a new entrant into the New Zealand – Vietnam ‘Dried Fruit, Nuts and Spices’ Trade

Perhaps the first and most important thing to note is while the new business itself will be a new entrant into the market; Mrs. Vu LIEN HUONG herself is not a new entrant. She is a well established personality within the Vietnamese end of the proposed relationship with a wide breadth of contacts and experience within the market. In short she already has the trust and positive exposure to what will be her customer base. Also it will be surprising if at least her name will not be known to the New Zealand producers from whom she intends to source the raw supplies. It will really be the case of a professional within a market picking up the threads of her previous position and applying them to that of her new post as Chief Executive Officer of the new business. This bodes well for the new company suggesting it will develop at a fast pace.

However, all that being said it should not hide the fact; that from the word go the new businesses will be operating within a tough and competitive market that will test its durability every step of its way.

“In 2008 Vietnam imported approximately 400,000 million tonnes of imported fresh fruit and vegetables from China, Thailand, the United States of America (USA), Australia, New Zealand, Peru, South Africa and Chile. Fierce competition between Australia, New Zealand, China, South Africa and Chile has developed over the past five years. Australia is considered a ‘clean and green’ supplier of quality, fresh fruit and vegetables which are desirable attributes in Vietnam”.


The above indicates the new business will be competing within a challenging global market with exporters and countries fighting hard to obtain the available business. This is however where Mrs. Vu LIEN HUONG will come into her own as described earlier using her own ‘absolute advantage’ in the market to build a solid customer base.

The Vietnamese Market

Vietnam is a fast-developing country with a population of 88 million people with a young population looking to internationalise and advance. The country has made great economic progress since
transitioning from the rigidities of a centrally planned economy after 1986. Growth rates have been among the highest in Asia and poverty has been halved. Agriculture’s share of economic output has continued to shrink to less than 22 percent in 2012, while industry has increased to nearly 41 percent.

Vietnam is heavily dependent on exports, which account for nearly 70 percent of its GDP. Vietnam’s main trading partners are China, the United States, Japan, Singapore and Taiwan. Its key exports include crude oil, rice, coffee, footwear, garments, seafood and rubber. Vietnam’s major imports include machinery and equipment, petroleum products, steel products and vehicles.
In 2012, Vietnam was New Zealand's 24th largest trading partner (NZ$762 million of bilateral trade). New Zealand exports to Vietnam ($451 million) are predominantly dairy products (56 percent) followed by wood products (15 percent). New Zealand's imports from Vietnam are more varied, with steady growth in imports of a number of food and beverage products, particularly coconuts, crustaceans and coffee.

In January 2010, a multi-lateral free trade agreement between New Zealand, Australia and the Association of South East Asian Nations (ASEAN), including Vietnam, came into force. In July 2010, the New Zealand-Vietnam Action Plan (2010-2013) was signed, giving effect to a comprehensive partnership across a wide range of sectors including trade, science and technology, education, defence, policing and customs co-operation.

**Key Facts about Vietnam's economy**

- Vietnam's industrial sector contributes around 40 percent to the country's GDP. The main industries include food processing, garments, shoes, machine building and mining.

- The Vietnamese Government still holds a tight rein over major sectors of the economy through large state-owned enterprises, which account for approximately 36 percent of GDP.

- Vietnam ranked 123rd out of 180 nations on Transparency International's Corruption Perceptions Index in 2012. Red tape within government is often identified as an issue.

- Foreign direct investment inflows fell by 4.5 percent to $10.5 billion in 2012. The major investors in the country are the United States, Japan, Taiwan, Hong Kong, Singapore and the European Union.

- Poverty has declined significantly, and Vietnam is working to create jobs to meet the challenge of a labour force that is growing by more than one million people every year.
Food processing an opportunity for New Zealand businesses

Vietnam's food and beverage sector is less developed than other countries in Southeast Asia, but it is growing quickly. A youthful population together with changes in lifestyle and rising incomes are driving demand for high quality imported food and beverage products. The Vietnamese government is also at present giving a high priority to the development of its food processing industry. This offers investment, consulting and supply opportunities for New Zealand businesses in areas such as fruits, seafood and dairy farming.1

The Customer Base of the proposed business

It is not intended to identify the actual intended customers of the proposed business by name within this study, for understandable commercial reasons. It is possible however, to identify the types of customers and the reasons why they will be keen to develop a trading partnership with it that would be profitable to both sides.

Cashew Nuts (processing)

Vietnam’s processed food industry is growing significantly increasing its demand for imports. Imports of food ingredients have been growing by ten percent year-on-year. Consumption of imported consumer-ready foods is expanding. In 2007 total import trade was valued at US$61 billion, an increase of 36% over the preceding year. Exports were valued at US$48 billion and the volume and value continue to grow at about 30% each year (USDA, 2008a).


Vietnam’s imports of Cashew nuts are growing. In 2012 supply did not meet demand. In May 2012, according to ‘Vietnam News’, the cashew processing industry imported 80,000 tonnes of raw nuts, these imports have in the main come from ASEAN, Brazil and India. The Vietnam Cashew Association (Vincas) estimated that domestic processing companies would need to import 300,000 tonnes of raw cashew nuts to meet demand that year. By October 2013 Vincas was reporting that the increased demand for the exporting of cashew nuts was being hampered by a lack of supply of the raw cashew nuts.

‘The Dong Nai Cashew Association warned its member companies to prepare a larger stock of raw cashew for export processing until March 2014 because local supply can only meet 50 per cent of demand, or 130,000-150,000 tonnes’ Source: [http://vietnamnews.vn/economy/245756/cashew-exports-to-rise-despite-shortage.html](http://vietnamnews.vn/economy/245756/cashew-exports-to-rise-despite-shortage.html)

There is a definite opportunity for the proposed new business to enter this market and using Mrs. Vu LIEN HUONG’s previously described advantages build a significant market share. It is also important to note there has been concern in Vietnam over the quality of cashew nuts imported from places such as Africa. The recognised professionalism and resulting quality of New Zealand cashew nuts industry will be a major asset to the proposed new business.

Cashew Nuts (Wholesalers)

There is a fantastic opportunity emerging in Vietnam to cater to an increasingly health conscious population who are demanding their snacks not only taste great but bring nutrients, vitamins, protein etc. to the table as well. By supplying Vietnamese wholesalers direct the proposed new business will be entering another exciting and growing market; where it will be able to capitalise upon the already high reputation of New Zealand produced food products. As opposed to supplying a product for processing and further export the business will be supplying the Vietnamese domestic

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market. This will be an opportunity for it to develop its ‘Brand’ recognition; adding value to the overall business and assisting its sustainability over the long term.

**Cashew Nuts (independent Retailers / Supermarkets)**

The modern, organised retail sector is centred in the capital Hanoi and Ho Chi Minh City in the south. The food retail sector in Vietnam is booming and was recently ranked third in global retail attractiveness by USA-based management consulting firm AT Kearney. Vietnam is emerging as a retail market because of the rapidly growing purchasing power of its high income consumers. Supermarkets in Vietnam carry a wide range of goods including food, clothing, shoes, furniture and durable products.

Most supermarkets devote about 40-60% of their physical space to food and the rest is divided among all the other commodities. Large hypermarket and wholesale stores provide more space for food. More large supermarket and wholesale stores and shops within multi-store shopping malls (e.g. Maximark, Big C, Coopmart, Diamond Plaza, Parkson) have been built in Vietnam. In the Vietnamese supermarket business it is estimated that approximately 50% of total supermarket sales are from food, of which imported food accounts for a small percentage ranging from 15% - 25% of total food sales.


The proposed new business takes a forward looking approach. It recognises that as the food retail industry, within Vietnam is following global trends with large supermarket chains developing and spreading across the country and major global brands enter the market. It believes that by establishing a position within the market it will be in a good position to place itself as a supplier to them. As part of this establishment process it will seek to partner with existing traditional retail chains able to buy at the required scale.

**Macadamia Nuts (Why they are an attractive product for the Health conscious Vietnamese Consumer)**

As previously mentioned Vietnam’s young and growing population are becoming increasingly health conscious and the health benefits of the Macadamia nut are becoming well known.

- Macadamia nuts have sweet taste and are rich source of energy. 100 g of nuts provide about 718 calorie/100 g, which is one of the highest values among nuts.
- They are packed with numerous health-benefiting nutrients, minerals, antioxidants and vitamins that are essential for optimum health and wellness.
- 100 g of macadamia provides 8.6 g or 23% of daily-recommended levels of dietary fiber. Additionally, they are a very good source of phytosterols such as β-sitosterol. However, the nuts contain no cholesterol.
- Since macadamia is free from gluten, it is one of the popular ingredients in the preparation of gluten-free food formulas. Such formula preparations are a healthy alternative in patients with wheat gluten allergy and celiac disease.
- The nuts are rich source of mono-unsaturated fatty (MUF) like oleic acid (18:1) and palmitoleic acids (16:1). Studies suggest that MUF fats in the diet help lower total as well as LDL (bad) cholesterol and increase HDL (good) cholesterol levels in the blood. The Mediterranean diet, which is rich in fiber, MUF fats and antioxidants work favorably in maintaining healthy blood lipid profile and thus offer protection from coronary artery disease and strokes.
• Macadamias are an excellent source of minerals such as calcium, iron, magnesium, manganese and zinc. 100 g nuts provide 3.6 µg of selenium. Selenium is a cardio-protective micro-mineral and an important anti-oxidant cofactor for glutathione peroxidase enzyme.

• Furthermore, the nuts are also rich in many important B-complex vitamins that are vital for metabolic functions. 100 g of nuts provide 15% of niacin, 21% of pyridoxine (vitamin B-6), 100% of thiamin, and 12% of riboflavin.

• They contain small amounts of vitamin-A, and vitamin E. Both these fat-soluble vitamins possess potent anti-oxidant activities, which serve to protect cell membranes and DNA damage from harmful oxygen-free radicals.


Macadamia Nuts (Processing)

Macadamia nuts are creating great interest in Vietnam as a product that has great potential for domestic production. At the moment demand for Macadamia nuts outstrips supply by 4 times. However at the moment and for the foreseeable future it is unlikely it can develop its crop fast enough to meet its domestic demand and that of processors who wish to export the product. This situation was highlighted at a recent seminar on promoting macadamia cultivation in the Northwest and the Highlands of Vietnam. Nguyen Cong Tan, a former deputy prime minister, who was the first man to bring macadamia into the country, said this tree “must be developed in Vietnam” to help farmers get rich. However, Le Tung Anh, manager of IDT’s macadamia project, said the low output at the time cannot meet domestic consumption demand, not to mention export. Enterprises in need of this farm produce have to import macadamia for processing before sending it abroad again.

Source: http://www.talkvietnam.com/2014/07/macadamia-suggested-as-a-key-crop-in-vietnam/

This is another opportunity the proposed new business can capitalise upon.

Macadamia Nuts (Wholesalers)

There is a fantastic opportunity emerging in Vietnam to cater to an increasingly health conscious population. One that is demanding their snacks not only taste great but bring nutrients, vitamins, protein etc. to the table as well. By supplying Vietnamese wholesalers direct the proposed new business will be entering another exciting and growing market; where it will be able to capitalise upon the already high reputation of New Zealand produced food products. This will be another opportunity for it to develop its ‘Brand’ recognition; adding value to the overall business and assisting it’s sustainability over the long term.

Macadamia Nuts (Independent Retailers/ supermarkets)

In respect to retail sales, ‘Brand’ development and recognition; for another healthy product following the same route as described above will enhance its position within the domestic Vietnamese retail market. Again the high standing of New Zealand food products in Vietnam will have a positive effect on sales something the customers of the businesses will be quick to recognise.

Kiwi Fruit

That there is an exciting potential market for New Zealand Kiwi fruit was underlined on the 14 June 2014 with the launch of Zespri Sun Gold in Vietnam.

‘Zespri® SunGold is considered the strategic product of New Zealand kiwifruit under the brand name Zespri from this year in Vietnam. It has been developed based on the techniques of natural
hybridization between different varieties of kiwifruit. The rich sources of nutrients like Vitamin C, fibre, folate and potassium make Zespri® SunGold a “Super fruit”.

The launching events occurred on the first two weeks of June – as the start of the Zespri kiwifruit season. It attracted participants from all levels of sales channels ranging from importers, fruit wholesalers, supermarkets, shop owners and press. The conference provided the participants with information about Zespri Company, Zespri® SunGold, nutritional facts, and techniques to preserve and prepare the new variety for retail.


New Zealand produced Tea

The customer base for this product is the growing Vietnamese middle classes through the growing number of urban bars springing up in urban areas across the country particularly in the major cities and towns of Vietnam. In the long term it is intended to launch this product into Laos and Cambodia.

Vietnamese Produced Green & Black Tea

Mrs. Vu Lien Huong has researched this market in detail and. at present she sees two options:

1. Selling to NZ Tea Blenders and wholesalers;
2. Packaging the tea in NZ and developing a brand for the NZ retail market.

Spicy Black Peppers

NZ wholesalers will be the initial customer base for the proposed business Vietnam sourced spicy black peppers.

Desiccated Coconut Powder

Being a mass consumption item, desiccated coconut has a good market and Mrs. Vu Lien Huong has made strenuous efforts researching the NZ market.

Why is Desiccated Coconut Preferred Choice?

- Desiccated coconut has the natural goodness of fresh coconut and is hygienically processed to give the real state of real taste of fresh taste
- It adds new flavour to curries, chutneys, gravies, stews, side-dishes, savouries, cakes, sweets, pastries, ice-cream, Biscuits, Bakeries and Confectionery delicacies
- It is a total boon to busy house wives and fast moving food production centres
- Desiccated coconut is economical, easy to store and handle
- No artificial colouring, preservatives or flavour is added. No oil contents removed. True to the original coconut.

Industrial Applications

Dried coconut, also known as coconut dust, is in dehydrated form and has many uses. Its shelf life is more and it is effortless to transport. Ease of use of fresh coconuts is adequate in coastal areas only and therefore dried coconut is popular in all other region. Desiccated Coconut is generally used by the following industry sectors:

- Confectionery Industry
- Bakery Products
- Frozen Food Industry
- Food Processing Industry
- Food Service Industry
Nutritional Aspect
Nutritionally desiccated coconut is not dissimilar from fresh coconut kernel. It preserves all the traits of the drenched kernel including the nutrients. High-quality desiccated coconut is crunchy, snowy in colour with a sugary, pleasing and unsullied taste of the wet kernel.

- Desiccated coconut provides nutrients and a source of energy for your immune defence
- It also contains the raw materials your body uses to mount its antimicrobial defence
- It contains 69% coconut fat - an excellent source of healthy saturated fat
- Naturally high in lauric acid—the compound also found in breast milk—which may help enhance the immune system
- Dehydrated using very low heat to keep nutrients and enzymes intact; desiccated coconut is dried at much higher temperatures (175°F) which kills off many nutrients

It is the intention the proposed business will sell direct to the food processing industry and wholesalers.

Cassia
The proposed business will supply direct to wholesalers while investigating direct supply to processors.

Sourcing the Products
It is the intention to source all products for export to Vietnam, from within New Zealand thus over time making a valuable contribution to New Zealand’s overall balance of trade with the rest of the world. Imported products will be from Vietnam where Mrs. Vu Lien Huong has the standing and contacts that will allow her to provide the NZ customers of the proposed business the most competitive prices. At the same time the business will become a valued customer of New Zealand Producers. Once the proposed new business is established a high priority will be given by Mrs. Vu Lien Huong to introducing herself and her business to New Zealand producers of the previously discussed products.

Conclusion
To conclude this study has demonstrated a growing demand exists in Vietnam for the products the proposed business intends to export to it. It recognises New Zealand has a high reputation for good quality products in the Vietnamese food industry and with the Vietnamese consumers themselves.

It notes however, the business is likely to face fierce and determined competition from companies representing a global mix of countries. Each of these businesses will be eager to promote and export their own countries products to Vietnam. It is to be expected that many of the potential competition will already be well positioned within the market.

It has also demonstrated there is a significant demand for the Vietnamese products it wishes to import into NZ.

It is Xxxxxxxxxxx’s experience in these particular commodities that New Zealand to date has made little progress in establishing a market for its products. Xxxxxxxxxxx herself appears to be ideally suited to change this situation. Being a Vietnamese National; having grown-up and spent her very successful working life in Vietnam within the commodity trading industry it can be reasonably expected that she will have an almost instinctive understanding of the market. Also and again
important she will have a clear understanding of Vietnamese consumers, what they demand, their culture and Vietnamese society as a whole.

While one would expect the potential competition will have their Vietnamese representatives, the fact that rather than being just a representative but the owner of the business she should have a stronger trading position when carving out a position in the market for the business. This argument is strengthened by the fact that not only does she know the market but she has the ready contacts to provide the openings and sales opportunities for the business. Finally it is important to note; she is a known and trusted personality in the Vietnamese Commodity Market already.

Having established a market exists; in any situation, attention must switch to the person who intends to establish the business to enter it. Xxxxxxxx appears to have all the required experience, knowledge and personal contacts to make a success in this particular market.

Part 2 – Business Plan

This business plan is based on the results of the results of the attached Feasibility study.

Executive Summary

This business plan is for a proposed ‘Dried Fruit, Fresh Fruit, Nut, Spicy Black Peppers and Tea Broker- Import- Exporter’ based in Manukau, Southern Auckland, New Zealand. Products – Cashew Nuts, Macadamia Nuts Apples and Golden Kiwi Fruit- will be sourced in New Zealand (NZ) and exported to Vietnam the remainder sourced from Vietnam and imported to NZ. The intention in respect to exporting from NZ is to aim at penetrating three distinct markets within the Vietnamese Food Industry. The three markets are importers who process nuts for export to a third country, the domestic Vietnamese Wholesale Market and Independent retail chains and Supermarkets. In respect to importing into NZ: the aim is to service wholesalers and sell directly to the larger Supermarket groups.

The Business will be owned 100% by Mrs. Vu Lien Huong who will provide all the required finance. She has over twenty years experience in the Vietnamese Commodity Market with experience at a senior level in the import to Vietnam of all of the above mentioned products. She is a Vietnamese National who is already a trusted player in the market in Vietnam. She will be seeking to employ one other person in the second year of the proposed business’s operation; in an administrative role who will already be resident in New Zealand. While Mrs. Vu Lien Huong has a full knowledge of the Vietnamese market; one of her first priorities will be establishing himself and her business with New Zealand producers. Although she has researched the market she appreciates in the first instance she may require assistance in this area; and the business will be prepared to employ local professionals in the field when assistance is required.

This plan identifies the challenges facing the proposed business and explains how they will be tackled. It looks at the market demand for the products chosen for export. It spells out a strategy that can be summed up in three words ‘Long-term’ and ‘sustainability’. It identifies the competitive advantages Mrs. Vu Lien Huong brings to the business and provides a detailed competitive analysis of the individual markets.

It develops a Marketing Strategy for the business and a marketing plan based on a three year time-line. It details milestones and targets for the business and provides a detailed breakdown of the financial aspects of the business in its first three years. Finally it puts everything into a three year time-line broken down into ‘four monthly’ sections.
The Business

Aims of the business

The aims of the proposed business are to operate as a broker within the dried fruit, nut, spicy black peppers, Spices and tea import export industry; specifically exporting from NZ to Vietnam and Vietnam to NZ. In its first three years it is intended to concentrate upon exporting Cashew Nuts, Macadamia Nuts, Apples and Golden Kiwi Fruit from NZ to Vietnam and Green & Black Tea, Cassia and Spicy black Peppers from Vietnam to NZ. In Vietnam its aim is to supply three distinct markets within the Vietnamese food industry.

1. Processing for export to a third country;
2. Domestic Vietnamese Wholesale Market;
3. Independent retail chains and Supermarkets;

In NZ it intends to aim these products at distinct markets:

1. Domestic NZ Wholesale Market;
2. Independent retail chains and Supermarkets;

The business will be a limited liability company based in Auckland. It is planned to locate it within the district of Manukau in Southern Auckland.

This business proposal is for a completely new business and it is a well researched proposition that has been carefully thought out by Mrs. Vu Lien Huong. She is using this business proposition to capitalise upon her many years of experience working within the Dried fruit, Nuts, Spices and Tea Brokering industry in Vietnam.

The question often asked to the originator of a business plan is how far they are prepared personally to back its creation and operation. Therefore it is worth mentioning at this point; that Mrs. Vu Lien Huong taking into account the funds required setting up the business, employing the required staff (one person) – NZ$100, 000 (plus NZ$ 20,000 working capital) and funding the support of herself and her family during this period (NZ$150,000) is prepared to invest in excess of NZ$250,000 of her own hard earned money and represents the profits from a number of companies she has run and owned since 2000. This level of commitment demonstrates her strong personal belief in the high potential for the success of the business.

As the feasibility study indicated the business will be competing from the word go in a very competitive market – supplying fruit nuts and spices to Vietnam and Tea, Dried Fruit (Desiccated Coconut) and Spices (Cassia) to NZ. This means the business will be competing within a global market. It therefore makes sense to look at Mrs. Vu LIEN HUONG’s work experience in Vietnam and the advantages she can draw from it; to operate her business successfully and on which she is ultimately placing her confidence.

Mrs. Vu Lien Huong – Curriculum Vita

Mrs. Vu LIEN HUONG is an experienced Senior Operations Manager with a proven track record of success in Vietnam Import and Export industries. She is a strong pro-active leader, empowering staff to take ownership, providing coaching, training and mentoring to build cohesive teams all working together to achieve individual targets and company objectives.

She is experienced in:
• Financial control;
• Risk management;
• Business and functional planning;
• Strategic planning;
• Organising customs clearance;
• Distribution, contract management;
• Performance management;
• Vendor and supplier management;
• Building strategic partnerships and alliances;
• Marketing and growth activities; and
• Quality assurance;

Her work experience relates directly to the proposed business. She has been responsible for sourcing products for importation to Vietnam for nearly 20 years finishing in a senior management position. At the same time she has been responsible for the promotion of these same products to customers within Vietnam. This has involved taking a central role in developing the wholesale market for these products.

Employment

• 2007- present: General Manager - Responsible for the export of Desiccated coconut powder, Cashew nut, black and green tea, to Uruguay and EC market and importing vegetable seeds;

• 2003-2007 : Manager - Responsible for the export of canned products, Black pepper, Pickled cucumber to Russia, Pakistan and Mongolia;

• 2000-2003 : Manager - Responsible for promotion of export Tea products and spices to the Middle East and Indian markets;

• 1998-2000 : Deputy Manager – Responsible for importing dairy products, wine from Thailand, Australia, and USA

• 1996-1998 : Working within the Marketing Department of VINAFIMEX corporation

Alongside the above she has owned and operated since 2000, a number of businesses in Vietnam unrelated to the above.

The Competitive Advantage Xxxxxxxxxxxx brings to the business

Her experience places the proposed business in an ideal position to develop a strong competitive advantage. By using her work experience in Vietnam and the strong personal contacts she has developed she will be able to:

• Leverage established contacts within Vietnam to quickly develop a strong customer base for New Zealand sourced products;
• Build upon and take advantage of New Zealand’s reputation as a ‘clean and green’ country which is able to supply high quality goods and services particularly within the food industries;
• Provide specialist knowledge about the domestic Vietnam market and other relevant international markets;
• Negotiate and build profitable relationships with New Zealand product suppliers;
• Gather information on products within New Zealand and accurately calculate the cost of supplying them to the Vietnam market;
• Negotiate Vietnamese customs, shipping and air freight services;
• Develop promotional and marketing campaigns, for products sourced from New Zealand, that are relevant to the Vietnam domestic market;
• Keep up to date with exchange and financial market rates;
• Develop risk management policies to cover fluctuations in New Zealand and foreign currencies;
• Communicate with government agencies such as Ministry of Foreign Affairs and Trade (MFAT);
• Manage budgets and resources;
• Ensure suppliers deliver the products and/or services requested;
• Ensure that all company documentation is kept up to date;
• Hire staff to work on required tasks and Promotions support sales within both New Zealand and Vietnam;
• Oversee the financial profitability of the proposed business;

Market Demand

The markets themselves are investigated in detail later in this business plan.

The attached feasibility study clearly demonstrates a sustained and growing demand within Vietnam for the products the business intends to supply. This demand is evident within all three market segments the business will be aiming at.

Customer base

As indicated within the feasibility study Mrs. Vu Lien Huong does not want to name the specific companies within Vietnam for reasons of commercial confidentiality but she is confident she has the contacts within companies operating in the particular market segments the business will be aimed at to ensure a positive response to her product offers.

However the particular type of customers the business will aim to service are:

1. Vietnamese domestic food processors;
2. Operators within the domestic Vietnamese Wholesale food Markets;
3. Independent retail chains and Supermarkets operating within Vietnam;

Competitive Analysis

The major competitors within the Vietnamese ‘Retail Market’ the proposed business faces are from the USA, China, Australia and other ASEAN countries and of course for a select range of products the local domestic food industry. It is important to note that Vietnam’s own agro-industrial base offers many products at competitive prices; in some cases home production is supplemented by imported raw materials.

A relatively new occurrence is the increasing presence of global multinationals establishing food processing operations within Vietnam enabling them to offer western style products at competitive prices. New Zealand’s trade agreements and its relatively low freight costs to Vietnam coupled with its reputation for high quality products put it in an enviable position in this market; so much so it is surprising that more NZ businesses have not taken advantage of the situation. This hesitation might be from a lack of knowledge about the market; an opposite position to that of the proposed business which comes to the market with a comprehensive understanding of its intricacies. At this
point it is worth drawing attention to the necessity of high quality products. Vietnam has suffered in
the past from poor quality imports with Africa and China both having raised concerns in the
Vietnamese public’s mind in the past.

The proposed business does not underestimate the value of New Zealand’s Government aggressive
promotion of its products in Vietnam; Mrs. Vu Lien Huong has witnessed the successful impact of its
approach herself while working in Vietnam. Where possible she will work closely with the relevant
NZ government agencies to capitalise upon their work.

### Summary of Retail Food Sector Competition

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Unit</th>
<th>Vietnam Imports 2011</th>
<th>Market Share %</th>
<th>Strengths of Key Supply countries</th>
<th>Advantages and disadvantages of local suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<tr>
<td><strong>Dairy Products</strong></td>
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<tr>
<td>Dairy Products</td>
<td>NT</td>
<td>218,643</td>
<td>601</td>
<td>US 30.2</td>
<td>NZ &amp; EU are competitive suppliers of milk powder. NZ benefits from Proximity. EU also prominent supplier of cheese products.</td>
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<td></td>
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<td></td>
<td></td>
<td>Local dairy processors such a Vinamilk rely on imports for raw materials.</td>
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<tr>
<td><strong>Tree Nuts</strong></td>
<td>NT</td>
<td>91,505</td>
<td>581</td>
<td>US 15.0</td>
<td>African suppliers are price competitive in cashew nuts. US ships pecans, almonds, walnuts &amp; hazelnuts.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Ivory Coast 28 Ghana 22 Nigeria 17</td>
<td>African suppliers compete with locally produced cashews. Vietnam is a leading producer and exporter of cashew nuts but domestic supply does not meet demand.</td>
</tr>
<tr>
<td><strong>Prepared Foods</strong></td>
<td></td>
<td>133,574</td>
<td>545</td>
<td>US 7.5</td>
<td>EU supplies mostly malt extract as well as a small share of infant foods and food preps. Singapore and Thailand also compete in this area of the market. US supplies food preps.</td>
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<td></td>
<td></td>
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<td></td>
<td>EU 23 Singapore 20 Thailand 10</td>
<td>Local products are more competitively priced.</td>
</tr>
<tr>
<td><strong>Fresh Fruit</strong></td>
<td>NT</td>
<td>105,174</td>
<td>134</td>
<td>US 15.3</td>
<td>China is the most price sensitive in many fresh fruits. However, consumers prefer US table grapes and apples for quality and safety reasons.</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>China 52 Thailand 20 Aus 4</td>
<td>Local produce is well positioned in the market with competitive prices.</td>
</tr>
<tr>
<td><strong>Snack Foods</strong></td>
<td>NT</td>
<td>36,751</td>
<td>127</td>
<td>US 0.4</td>
<td>Indonesia is principal supplier of cookies. Philippines for chewing gum. US potato chips.</td>
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<td></td>
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<td></td>
<td>Indonesia 35 Philippines 31</td>
<td>Local products are more competitively priced.</td>
</tr>
<tr>
<td><strong>Processed Vegetables</strong></td>
<td>NT</td>
<td>27,104</td>
<td>125</td>
<td>US 7.9</td>
<td>Cambodia is the principal supplier of cassava. China other dried vegetables. US preserved vegetables.</td>
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<td></td>
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<td></td>
<td>Cambodia 50 China 31</td>
<td>Strong local production at a competitive price.</td>
</tr>
<tr>
<td><strong>Poultry Meat and Prods. (ex Eggs)</strong></td>
<td>NT</td>
<td>61,362</td>
<td>96</td>
<td>US 77.9</td>
<td>US principal supplier of frozen leg quarters. Brazil is increasingly competitive in the frozen poultry market.</td>
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<td></td>
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<td></td>
<td>Brazil 11</td>
<td>Strong local production at a competitive price.</td>
</tr>
<tr>
<td><strong>Fresh vegetables</strong></td>
<td>NT</td>
<td>70,176</td>
<td>46</td>
<td>US 0.5</td>
<td>China main supplier of fresh vegetables. US</td>
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<td></td>
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<td></td>
<td></td>
<td>China 85</td>
<td>Local produce is well positioned in the</td>
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<tr>
<td>Product Category</td>
<td>Source</td>
<td>Top Export Prospects</td>
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<tr>
<td>Tree Nuts</td>
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<td>Beef &amp; Beef Products</td>
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<td>Dairy Products</td>
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<td>Fresh Fruit</td>
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<td>Prepared Food</td>
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<td>Wine &amp; Beer</td>
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<tr>
<td>Processed Fruit</td>
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<tr>
<td>Non-Alcoholic Bev. (ex juices)</td>
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<td>Snack foods NESOI</td>
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<td>Chocolate and Cocoa Products</td>
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<tr>
<td>Processed Vegetables</td>
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<td>Source GATS</td>
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</table>

While it’s clear the proposed business will be entering a very competitive market the presence of Mrs. Vu Lien Huong at the helm will provide a strong advantage not only in entering the chosen markets but in sustaining and building a strong position over time. Unlike other new entrants the business will not be in the position of having to establish trust and standing in the market as long as the service it delivers meets all expectations from the very beginning of its operations. What the above charts indicate is that Mrs. Vu Lien Huong’s choice of products reflects her understanding of the market and the type of products the Vietnamese food markets are looking towards exporters to provide.
**The markets**

This section looks at the targeted markets how they have developed and provides an indication of their size.

**Food Processors in Vietnam**

The background to the growth of food processors in Vietnam is unique to its particular political history.

...‘During the 1970s and 1980s, Viet Nam’s membership in the Council on Mutual Economic Association defined its export opportunities in most sectors. As one of the few CMEA members with a tropical climate, Viet Nam was called upon to supply the east bloc countries with fruits and vegetables. Farmers were organized in cooperatives and were obliged to sell their output to state enterprises, thus facilitating procurement for food processors. Trade was negotiated between governments, so the only task of the food processors was to meet their production targets. The early 1990s were difficult years for many of the state-owned fruit and vegetable processors, with the value added in fruit and vegetable processing and the value of exports falling by over half. The sector started to recover in 1994, based on the expansion of exports. By 1997, the value added of fruits and vegetables was more than double the 1990 level’... (2)

A report by ‘Asia Invest’ project “techfood eu-asia” under the Asia Invest programme 2006-2007 states:

...‘In accordance with reports from 64 provinces and cities all over the country, current number of food producing, processing and trading businesses is large. There are now 421,615 food producing, processing and trading businesses all over the country, in which, food producing, processing businesses accounting for 12%’,... (3)

The above few lines demonstrate all too clearly the importance of having a full and clear understanding of the Vietnamese domestic market, society and culture; is for successfully establishing a business as a valued and trusted supplier of imported products. This only underlines the competitive advantages Mrs. Vu LIEN HUONG brings to the proposed business.

Today although Vietnam’s food and beverage sector is less developed than other countries in Southeast Asia, it is growing quickly. A youthful population together with changes in lifestyle and rising incomes are driving demand for high quality imported food and beverage products. The Vietnamese government is also presently giving a high priority to the development of food processing. This indicates the strong possibility of a growing customer base for the proposed business with an increased demand for the type of high quality goods that New Zealand can provide.

**Wholesalers in Vietnam**

There is a wide range of Food Wholesalers in Vietnam many with well-developed distribution networks covering the whole of the country. The growth in demand for high quality food products over recent years to cater for Vietnams increasing population and growing middle class has attracted both domestic and foreign investment.

**Independent Retailer Chains and Supermarkets**

‘A young population, rising middle-class incomes and female labour force participation are driving Vietnamese consumerism. 42 percent of Vietnam’s population, which surpassed 90 million in 2012 and is growing by 1 percent annually, is under 25 years of age. Vietnam also has a large female working population (49 percent in 2012), making the female consumer ever more important. Over the past decade, the number of middle class households (defined as number of households with...
income in excess of $20,000 constant 2005 U.S. PPP$), has nearly doubled from 1.2 million in 2003 to 2.3 million in 2012’. Source: Global Insight

Driven by these factors, grocery retail sales are estimated to have increased 130 percent from 2008, reaching VND900.7 trillion in 2012 (approximately $43 billion).

### Vietnam’s Grocery Retail Sales by Channel, Trillion VND

<table>
<thead>
<tr>
<th>Retail Channel</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modern Grocery</td>
<td>13.5</td>
<td>18.6</td>
<td>24.0</td>
<td>30.9</td>
<td>36.9</td>
</tr>
<tr>
<td>--Convenience Stores</td>
<td>1.3</td>
<td>1.7</td>
<td>1.0</td>
<td>0.8</td>
<td>1.1</td>
</tr>
<tr>
<td>--Hypermarkets</td>
<td>2.6</td>
<td>4.2</td>
<td>6.1</td>
<td>8.5</td>
<td>9.6</td>
</tr>
<tr>
<td>--Supermarkets</td>
<td>9.6</td>
<td>12.8</td>
<td>16.9</td>
<td>21.6</td>
<td>26.1</td>
</tr>
<tr>
<td>Traditional Grocery</td>
<td>378.7</td>
<td>442.6</td>
<td>539.3</td>
<td>694.5</td>
<td>863.8</td>
</tr>
<tr>
<td>--Food/Drink/Tobacco Specialists</td>
<td>2.6</td>
<td>2.9</td>
<td>3.4</td>
<td>3.9</td>
<td>4.2</td>
</tr>
<tr>
<td>--Independent Small Grocers</td>
<td>130.1</td>
<td>148.7</td>
<td>175.6</td>
<td>216.7</td>
<td>258.3</td>
</tr>
<tr>
<td>--Other Grocery Retailers</td>
<td>246.0</td>
<td>291.0</td>
<td>360.3</td>
<td>473.9</td>
<td>601.4</td>
</tr>
<tr>
<td>Total Grocery Retail Sales</td>
<td>392.2</td>
<td>461.2</td>
<td>563.2</td>
<td>725.3</td>
<td>900.7</td>
</tr>
</tbody>
</table>

Source: Euromonitor

### Distribution of imported foods within Vietnam

Distribution of imported foods follows one of the four basic models as follows:

1) Exporters --> Importers/Distributors --> Big Modern Retailers

2) Exporters --> Importers/Distributors --> Wholesalers --> Retailers

3) Exporters --> Local Agent --> Importers/Distributors/Wholesalers --> Retailers

4) Exporters --> Big Modern Retailers (Metro, Saigon Coop, Big C, Maximart, Citimart, Fivimart)

Models No.1 and No.2 are the most common practice in Vietnam.

In Vietnam, most food importers are also distributors. They often directly move their imported products to big retailers in urban areas, and let wholesalers and their agents help distribute their products to the thousands of small retailers in both urban and rural areas. Due to relatively low purchasing power, most modern retailers source their imported foods through importers and distributors. Only a few big chains like ‘Metro’, ‘Big C’, ‘Coopmart (Saigon Co-op)’, ‘Fivimart’, ‘Maximart’ and ‘Citimart’ have tried buying directly from foreign suppliers.


### Super Stores, Supermarkets, Hypermarkets or Super Centres, Club and Warehouse Outlets

<table>
<thead>
<tr>
<th>Retailer Name &amp; Outlet Type</th>
<th>Ownership</th>
<th>Estimated Sales (US$ mil)</th>
<th>No. of Outlets</th>
<th>Locations</th>
<th>Purchasing Agent Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIGON CO-OP COOPMART/Supermarkets, Food Stores &amp; Convenience</td>
<td>Local company operated under co-operative law</td>
<td>Not available, but likely exceeds 800</td>
<td>63 supermarkets, 61 food stores, 150 small size convenience</td>
<td>~ Mainly in HCMC and has just expanded to a total of 38 cities and provinces</td>
<td>~ Mainly from importers/distributors and wholesalers. - Direct imports of foods are still small</td>
</tr>
</tbody>
</table>
### Stores

- **Stores (total of 274 stores)**
  - Including: Can Tho, Long Xuyen, Hanoi, Phan Thiet, Gia Lai, Ben Tre, Daklak, Binh Duong, Danang, etc.

- **Plan:** Annually, Saigon Co-op plans on opening 8-10 more stores.
  - Note: Saigon Co-op is also establishing two hypermarkets in 2014

- **Metro Cash & Carry wholesale stores**
  - 100% Foreign Invested Company (Germany)
  - Not available, but likely exceeds 550
  - 19 wholesale stores
  - HCMC, Hanoi, Hai Phong, Can Tho, Danang, Binh Duong, etc.

- **BIG C / Hypermarkets and Supermarkets**
  - Local Joint Venture with Casino Group of France
  - Not available, but likely exceeds 550
  - 21 hypermarkets, 4 supermarkets, 3 food stores (total of 27 stores)
  - HCMC, Dong Nai, Hanoi, Haiphong, Danang, Plan: Annually, MCC plans on opening 2-4 more stores.

- **VIETNAM TEXTILE CORPORATION VINATEX-MART**
  - State-owned company
  - Not available, but likely exceeds 65
  - 36 supermarkets, 11 apparel stores (total of 47 stores)
  - HCMC, Dong Nai and other provinces

- **MAXIMARK Supermarkets and Department Stores**
  - An Phong Private-Owned Company
  - Not available, but likely exceeds 50
  - HCMC, Nha Trang, Can Tho, etc. Plan: one more in Binh Duong

### Retailer Name & Outlet Type

<table>
<thead>
<tr>
<th>Retailer Name &amp; Outlet Type</th>
<th>Ownership</th>
<th>Estimated Sales (US$ mil)</th>
<th>No. of Outlets</th>
<th>Locations</th>
<th>Purchasing Agent Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIVIMART</td>
<td>Private-Owned Company</td>
<td>Not available, but likely exceeds 45</td>
<td>- Mainly in Hanoi</td>
<td>- Mainly from importers and distributors</td>
<td></td>
</tr>
<tr>
<td>CITIMART Supermarkets and Convenient Stores</td>
<td>Private-Owned Company</td>
<td>Not available, but likely exceeds 40</td>
<td>12 supermarkets, 14 convenience stores (total of 26 stores)</td>
<td>Mainly in HCMC and Hanoi, but also in some provinces including Kien Giang, Binh Duong, Nha Trang</td>
<td>- Mainly from importers and distributors</td>
</tr>
<tr>
<td>Intimex Supermarkets and Department Stores</td>
<td>Joint-Stock Company</td>
<td>Not available, but likely exceeds 30</td>
<td>Hanoi, Haiphong, Hai Duong, Nghe An, Danang</td>
<td>- Mainly from importers and distributors</td>
<td></td>
</tr>
<tr>
<td>Saigon Trading Corporation</td>
<td>State-owned Company</td>
<td>Not available,</td>
<td>3 supermarkets, 26 convenience</td>
<td>- Mainly HCMT</td>
<td>- Mainly from importers and distributors</td>
</tr>
<tr>
<td>Retailer Name &amp; Outlet Type</td>
<td>Ownership</td>
<td>Estimated Sales (US$ mil)</td>
<td>No. of Outlets</td>
<td>Locations</td>
<td>Purchasing Agent Type</td>
</tr>
<tr>
<td>-------------------------------------------------</td>
<td>-------------------------------</td>
<td>----------------------------</td>
<td>----------------</td>
<td>----------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>CT Group S-Mart Supermarket</td>
<td>Private-owned company</td>
<td>NA</td>
<td>1</td>
<td>HCMC Plan: CT group plans on opening a total of 20 stores</td>
<td>-Mainly from importers and distributors</td>
</tr>
<tr>
<td>Vincom's Shopping Centers (Department Stores)</td>
<td>Private-owned company</td>
<td>NA</td>
<td>3 Shopping Centers (Department Stores)</td>
<td>HCMC and Hanoi</td>
<td>-Mainly from importers and distributors</td>
</tr>
<tr>
<td>Ocean Mart</td>
<td>Private-owned company</td>
<td>NA</td>
<td>4 supermarkets</td>
<td>- Mainly in Hanoi - Plan: Ocean Mart plans on having a total of 50-70 supermarkets by 2015</td>
<td>-Mainly from importers and distributors</td>
</tr>
</tbody>
</table>

| SATRA Supermarkets and convenient stores        | but likely exceeds 30        | stores                     | distributors   |                            |                                             |
| HAPRO supermarkets and convenient stores        | State-owned company          | Not available, but likely exceeds 20 | 10 supermarkets, 30 convenience stores (total of 40 stores) | Hanoi and Northern provinces | - Mainly from importers and distributors     |
| Select Supermarkets                             | Private-Owned Company        | Not available, but likely exceeds 4.5 | 7 supermarkets | -Mainly in HCMC - Ba Ria Vung Tau | - Mainly from importers and distributors     |
| PARKSON Shopping Center (Department Store)      | Local Joint-Venture with Parkson of Malaysia | NA                       | 8 Shopping Centers (Department Stores) (Note: most of the supermarkets inside the Department Store are operated by Citimart) | HCMC, Hai Phong and Hanoi - Plan: Parkson plans on opening a total of 10 stores. | - Mainly from importers and distributors.    |
| GIANT Supermarket                               | Foreign Invested Company (Singapore) | NA                       | 1              | HCMC                       | - Mainly from importers and distributors    |
| Lotte Mart                                      | Foreign Invested Company (Korea) | NA                       | 3 hypermarkets 1 supermarket | HCMC, Danang, Dong Nai - Plan: Lotte Mart plans on opening 4-6 stores in 2014 (HCMC, Hanoi, Can Tho, Vung Tau). | - Mainly from importers and distributors    |
| An Phu Supermarket                              | State-owned Company           | NA                         | 1              | -HCMC                      | -Mainly from importers and distributors     |
| Tiep Thi Gia Dinh Foods Supermarket             | Private-owned company         | NA                         | 3 supermarkets | Mainly in HCMC            | -Mainly from importers and distributors     |
Hiway Super Centers
Private-owned company
NA
2 supermarkets - Hanoi
- Mainly from importers and distributors

Duty-Free Supermarkets
Supermarkets operated along the border of Laos and Cambodia, especially the Moc Bai Duty-Free Economic Zone
NA
3
-Tay Ninh, Lao Bao, An Giang
- Direct imports from overseas.

Note: The sales turnovers are estimated via interviews with trade sources in comparison with other sources, i.e. newspapers, Euromonitor, and are furnished as information with the understanding that no discrimination is intended and no guarantee of reliability is implied.


**Sourcing the Products**

All products for export to Vietnam will be sourced from within New Zealand. At present Mrs. Vu Lien Huong is researching New Zealand suppliers. Once the proposed new business gets its go-ahead a high priority will be given by Mrs. Vu Lien Huong to introducing herself and her business to New Zealand producers. At this point it is intended to use suppliers such as Turners and Growers.

**Market Strategy**

As previously described Vietnam’s food and beverage sector is less developed than other in Southeast Asian countries although it is catching up quickly. Vietnam’s youthful population, changes in lifestyle and rising incomes are driving growth of high quality imported food and beverage products. Continued improvement of trade relations between New Zealand and Vietnam, along with the growing demand for safe foods and the fruit import market already exceeding $400 million per annum means that Vietnam is a substantial and largely untapped market for New Zealand fruit exports. The marketing strategy of the proposed business is to capitalise upon these trends and the international developments towards even closer relations both in government to government relations but also importantly in trade. It can be summed up in three words: ‘Long-term’ and ‘Sustainability’.

Xxxxxxxxxxx has been very clear throughout the development of this business plan that she sees the proposed business as representing the future for herself and her family in her new country New Zealand. Therefore the marketing strategy is to take a step by step approach; entering each chosen market with a product and building a solid base before moving on to the next stage. This means time will be taken within both New Zealand and Vietnam. In New Zealand to ensure the products which will be sourced are all of the highest quality and that the producer can ensure and meet supply requirements. In Vietnam that the customer relations built are for the long – term and that the products being supplied are:

- What they want;
- Of the quality they require;
- Delivered on time and in the quantities agreed;
- At a competitive price;

**Pricing, Promotional Plans**

The proposed business will use a market lead pricing strategy, coupled with a ‘cost +’ strategy.

1. Investigate the market price for the product to be sourced in New Zealand;

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2. Agree with the producer the price they will sell at to the business;
3. Calculate the costs associated with delivering the product to the buyer;
4. Decide upon an acceptable mark-up for the business that maintains a competitive edge for the product within the Vietnamese market;
5. While completing (4) ensure the businesses market price provides the customer with an ability to add a mark-up of their own with which they would be happy;

**Selling Channels**

**Wholesale business:**

Our wholesale business is our primary focus as such we will follow a strategic path:

1. Look at what end consumers are buying;
2. Identify common traits among successful products;
3. Source suppliers for appropriate products;
4. Identify potential customers;
5. Negotiate terms of sale, starting with larger volume wholesale and processing customers;
6. Approach retail chains and discuss products which most interest them;
7. Develop sources for the appropriate products;
8. Negotiate terms of supply and send shipment.

**Potential market share**

At this stage it is difficult to make any real forecast of how much of the market the proposed business will be able take for its own. However, it is worth underlining that market share is there for the taking and the business intends to make a significant impact upon it over time.

**Assumptions**

This business plan is based upon the assumptions that there will not be any major geo-political upheavals affecting this part of the world in the foreseeable future. It also assumes the global economy will continue its slow improvement after the World Financial Crisis of 2008. It recognises the markets have concerns about the direction of the Chinese economy on global markets; however, at this stage, any slowdown in Chinese trading could well be to the advantage of the business.

**Future Development**

The future development of the business is expected to follow a similar pattern with the business learning from its initial launch into the Vietnamese market and enlarging the range of products it sources from New Zealand in response to market demand. It is expected that by year three of the business development that staffing levels will have to be reassessed with an increase in the office back up staff to ensure the quality of service to both customers and suppliers is maintained as the level of trading carried out by the business increases.

**Marketing Plan**

**Objectives**

**Specific**

Develop a Dried fruit, Nuts Spices, Spicy Black peppers and Tea Trading business exporting New Zealand sourced products to Vietnam. In the longer term the business intends to develop the import of tea and spicy black peppers from Vietnam.
**Measurable**

The proposed business has set out clear targets for what it wants to achieve within specific timelines;

1. Year 1 - A 30 tonne container of cashew nuts every quarter; **NZ to Vietnam**
2. Year 2 – A 30 tonne container every 2 months; **NZ to Vietnam**
3. Year 3 – 8, 30 tonne containers a year; **NZ to Vietnam**

4. Year 1 - 14, 30 tonne containers of Green and Black tea; **Vietnam to NZ**
5. Year 2 - 32, 30 tonne containers of Green and Black tea; **Vietnam to NZ**
6. Year 3 - 28, 30 tonne containers of Green and Black tea; **Vietnam to NZ**

7. Year 1 - 2, 30 tonne containers of Spices (Cassia); **Vietnam to NZ**
8. Year 2 - 3, 30 tonne containers of Spices (Cassia); **Vietnam to NZ**
9. Year 3 - 4, 30 tonne containers of Spices (Cassia); **Vietnam to NZ**

10. Year 1 - 3, 30 tonne containers of Desiccated Coconut; **Vietnam to NZ**
11. Year 2 - 9, 30 tonne containers of Desiccated Coconut **Vietnam to NZ**
12. Year 3 - 6, 30 tonne containers of Desiccated Coconut **Vietnam to NZ**

13. Year 2 - Export of apples and Kiwi fruit by Air value NZ$30,000 x 10% **NZ to Vietnam**
14. Year 3 - Export of apples and Kiwi fruit by Air value NZ$205,000 x 10% **NZ to Vietnam**

**Achievable**

The quality of the New Zealand products to be sourced coupled with knowledge of and contacts within the Vietnamese market and the step by step approach outlined within this document makes its initial rather cautious objectives very achievable.

**Relevant**

1. Demand for Cashew Nuts in Vietnam from Food Processors outstrips domestic supply restricting its export growth.

2. World demand for processed Macadamia Nuts is four times world supply. Vietnamese Food Processors are keen to develop further sources of supply for the same reasons as the above.

3. Vietnam’s own domestic markets are changing with the country’s extraordinary growth that has seen a halving of poverty figures, and a growth in a large young and upwardly mobile middle class who have developed an outwardly looking international approach to the things they buy and the food they eat. While like most markets they are price conscious, the demand for quality products is also high. This is especially so in respect to food products where in recent years there have been food scares resulting from the importing of low quality products. New Zealand has a growing reputation in Vietnam as a ‘clean and Green’ supplier of high quality products. To date in respect to the products the proposed business intends to source and supply to the Vietnamese market New Zealand to date has had little impact having concentrated on the dairy and associated product area where it has developed a very high reputation with Vietnamese consumers.
SWOT Analysis

Strengths
Xxxxxxxxxxx brings a wealth of experience from this industry as well as an up to date range of live contacts and connections. This experience and connections will prove invaluable to the sale of products to potential customers. She has worked in commodities trading within Vietnam for nearly two decades. She also brings sufficient funding to cover all costs of establishing the business plus sufficient funds to support herself and her family comfortably over the initial three years when the business is being established. These funds are separate from that set aside for the business so such costs will not be a strain on the business. It is important to note that her level of confidence that comes from her many years as a commodity trader in Vietnam is matched by the results of the Feasibility Study that has been carried out.

Xxxxxxxxxxx would describe her knowledge of the New Zealand business environment as adequate and sufficient to operate a business in New Zealand. She has researched it thoroughly online and has also reviewed a number of guides produced by the New Zealand Government on employment law, tax law and starting a business in New Zealand. All of which she believes have provided her with a solid foundation in operating a business in New Zealand.

Weaknesses
In its initial stage, the business will be highly reliant upon Xxxxxxxxxxx, her experience and contacts. However, this is a common situation in business start-ups, and while it is not to be dismissed out of hand it should be seen as a reasonable business risk and one that is very often hard to avoid.

Xxxxxxxxxxx will not at the start have the same level of knowledge of the New Zealand Market as she has of the market in Vietnam. To minimize /at to an extent remedy this situation she is carrying out considerable research into the market. She appreciates this may not, in the first few months of operation, be sufficient so has made the decision that when she finds she is lacking the required information or contacts she will employ local professionals who have the required knowledge.

Opportunities
There is a fantastic opportunity emerging in Vietnam to cater to an increasingly health conscious population who are demanding their snacks not only taste great but bring nutrients, vitamins, protein etc to the table as well. Vietnam’s population is becoming increasingly concerned with the origin of their food following several scares from bad produce being provided from China. This is already showing meaningful growth in the “safe food” and organic sectors. Vietnam currently imports around 400 million tonnes of fruit per annum.

Food processors are being encouraged by the Vietnam Government to build up their operations and new companies are entering the market. Much of the food processed is exported and therefore the industry itself is important to the Vietnamese economy. The Vietnam domestic market does not produce enough Cashew or Macadamia Nuts to meet the demand from this sector of the food industry. These are products the business intends to export to Vietnam.

3 http://thediplomat.com/2014/01/vietnam-back-to-organic/
4 In 2008 Vietnam imported approximately 400,000 million tonnes of imported fresh fruit and vegetables from China, Thailand, the United States of America (USA), Australia, New Zealand, Peru, South Africa and Chile. Fierce competition between Australia, New Zealand, China, South Africa and Chile has developed over the past five years. Australia is considered a ‘clean and green’ supplier of quality, fresh fruit and vegetables which are desirable attributes in Vietnam.
Threats

When trading in commodities there are several key risk factors:

1. damage/spoilage in shipping
2. fluctuations in the exchange rate
3. fast market shifts

To mitigate the threat these represent we will have a margin sufficient to absorb any fluctuations in exchange rates, market shifts in commodities pricing and spoilage in shipping.

Access to services – Physical, language issues, geographical, others

Commodity Trading has historically been a person to person business with strong personal relationships between buyers and sellers built up over many years. Trust has always been an important ingredient of that relationship. Xxxxxxxxxxx fully appreciates this and would consider herself a trusted part of that community within Vietnam.

However it is recognised that however important the core person is to any business; that business must be able to stand on its own feet. Therefore it is important the business from the beginning develops a recognisable name /brand that over time can in itself become a recognised and trusted player within the global commodity market.

In this direction the establishment of a professionally built interactive Website will be a high priority for the business. New Zealand and Auckland in particular, where the business will be based, has world class internet connect-ability. This will allow the business to have a 24 /7 presence in the market place.

The two main trading languages are going to be English and Vietnamese Xxxxxxxxxxx is fluent in both and expects her employee to be the same. Auckland’s cosmopolitan population will make sourcing such a person with the other required skills relatively easy.

The time zones between New Zealand and Vietnam are not going to create any problems for day to day trading.

Geographically both countries are close enough to give the business a competitive advantage in freight and shipping costs against other potential global competitors.

Distribution

It is the preferred option at this point; to use the Maersk Group for the distribution of the businesses products.

‘The Maersk Group operates is made up of five core businesses which include Maersk Line, APM Terminals, Maersk Oil, Maersk Drilling and APM Shipping Services. The last business is comprised of Maersk Supply Service, Maersk Tankers, Damco and Svitzer. Maersk Line is the world’s largest container shipping company, known for reliable, flexible and eco-efficient services. The Maersk Liner business also includes Safmarine, Seago Line, and MCC. The company operates in over 120 countries around the world and has a fleet of over 600 ships which sail every major trade lane on the globe’

Source: Maersk Website Homepage http://www.maersk.com/en
Location of Premises

It is the intention to base the business in Manukau to the south of Auckland. It is the hub of vibrant Pacific communities and cultures from around the world. This will make the sourcing of a Vietnamese speaking employee easier. Manuka’s local business and social networks which include Vietnamese and other Asian businesses will be an added asset providing contacts and introductions likely to be valuable to the business.

Premises

The premises themselves are to be an office with floor-space to allow two workstations to sit comfortably. As the business contacts with customers, distributors and suppliers is going to be online, by phone, or by a personal visit by Xxxxxxxxxx to their place of business there is little call for a larger office space. However, it is intended the business will be situated within a modern building in a central position with adjacent car parking facilities. Xxxxxxxxxx will be out visiting potential suppliers, etc. a lot in the first year of operations and easy access to her car will be essential.

Equipment

The business will require two workstations each comprising of a desk, chair, filing cabinet, Angle Light, Computer, telephone, printer and a shared scanner / copier and a server to allow for real-time back-up of documents and records, connected via fast and reliable link to the internet.

Structure, Operational & Staffing Details

Legal Standing

The proposed business will be a limited liability Company registered in New Zealand. It will be owned 100% by Xxxxxxxxxx.

Organisational structure

As the business in its early years is only intended to be a two person operation the structure of the business will be relatively basic; however it is the intention to harness digital technology and as the business develops a lean approach concentrating of high productivity and cost effective systems.

Legal issues and policies

Even though the business will be a relatively small organisation; as a business it will still be required to meet New Zealand’s laws and regulations relating to business operations such as Health & Safety Laws and Regulations. The proposed business intends to have the required policies and procedures ready at point of the business’s establishment.
Monitoring and evaluation

The business has set targets and milestones for the business in its first three years. They are:

<table>
<thead>
<tr>
<th>Year of Business Operation</th>
<th>Milestone</th>
<th>Target</th>
<th>Estimated Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Obtain one customer for cashew nuts</td>
<td>One 30 tonne container of cashew nuts shipped every quarter</td>
<td>NZ$99,000 per container per quarter (NZ $396,000 per annum)</td>
</tr>
<tr>
<td>1</td>
<td>Import 14 containers of green and Black Tea</td>
<td>Spread across year to fit demand</td>
<td>NZ$46.138/con x 3%</td>
</tr>
<tr>
<td>1</td>
<td>Import 2 containers of Cassia</td>
<td>Delivered to meet demand</td>
<td>NZ$44.132/con x 3%</td>
</tr>
<tr>
<td>1</td>
<td>Import 3 Containers of Desiccated Coconut</td>
<td>Delivered to meet demand</td>
<td>NZ$58.292/con x 3%</td>
</tr>
<tr>
<td>2</td>
<td>Obtain another customer for Cashew Nuts</td>
<td>One container of cashew nuts shipped every 2 months</td>
<td>NZ $99,000 per container per two month period (NZ$ 594,000 per annum)</td>
</tr>
<tr>
<td>2</td>
<td>Export Golden Kiwi Fruit and Apples</td>
<td>By Air</td>
<td>NZ$30.000 x 10%</td>
</tr>
<tr>
<td>2</td>
<td>Import Green &amp; Black Tea</td>
<td>32 Containers</td>
<td>NZ$46.138 x32 x 3%</td>
</tr>
<tr>
<td>2</td>
<td>Import Spices (Cassia)</td>
<td>3 containers</td>
<td>NZ$44.132 x 3 x 3%</td>
</tr>
<tr>
<td>2</td>
<td>Import Desiccated Coconut</td>
<td>9 containers</td>
<td>NZ$58.292 x 9 x 3%</td>
</tr>
<tr>
<td>3</td>
<td>Obtain a third large customer for cashew Nuts</td>
<td>8 containers a year of cashew nuts</td>
<td>NZ$99,000 per container per quarter (NZ $792,000 per annum)</td>
</tr>
<tr>
<td>3</td>
<td>Export Golden Kiwi and Apples</td>
<td>By Air</td>
<td>NZ$205.000 x10%</td>
</tr>
<tr>
<td>3</td>
<td>Import Desiccated Coconut</td>
<td>6 containers</td>
<td>NZ$58.292 x6 x 3%</td>
</tr>
<tr>
<td>3</td>
<td>Import Green &amp; Black Tea</td>
<td>28 containers</td>
<td>NZ$46.138 x 28 x 3%</td>
</tr>
<tr>
<td>3</td>
<td>Import Spice (cassia)</td>
<td>4 Containers</td>
<td>NZ$176.528 x28 x 3%</td>
</tr>
</tbody>
</table>
Financial Information

Capital investment the business will require
$120,000

Level of capital Xxxxxxxxxx will bring into the business
100%

Level of working capital the business will require
$20,000

The main items working capital will be needed for
Working capital will be used to cover the expenses of the establishment phase of the business and those costs incurred during the first few months of trading.

Start-up costs for the Business

Intangible Assets

<table>
<thead>
<tr>
<th>Intangible Assets</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co: Registration</td>
<td>$1,500</td>
</tr>
<tr>
<td>Website Design</td>
<td>$1,500</td>
</tr>
<tr>
<td>Stationary Design</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,500</strong></td>
</tr>
</tbody>
</table>

Fixed Assets

<table>
<thead>
<tr>
<th>Fixed Assets</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Furniture</td>
<td>$5,000</td>
</tr>
<tr>
<td>Purchase of office</td>
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<td>Computers</td>
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<td>Telephones</td>
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<tr>
<td>Other Office Equip</td>
<td>$1,000</td>
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<tr>
<td>Stationary</td>
<td>$1,000</td>
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<tr>
<td>Vehicles</td>
<td>$20,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$98,900</strong></td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$102,400</strong></td>
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## Forecast profit and loss statements

<table>
<thead>
<tr>
<th></th>
<th>Year Ending:</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
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<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nut</td>
<td></td>
<td>396,000</td>
<td>594,000</td>
<td>792,000</td>
</tr>
<tr>
<td>Tea</td>
<td></td>
<td>665.309</td>
<td>1520.708</td>
<td>1330.619</td>
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<tr>
<td>D. Coconut</td>
<td></td>
<td>180.122</td>
<td>540.366</td>
<td>360.244</td>
</tr>
<tr>
<td>Apple + Kiwi</td>
<td></td>
<td>0</td>
<td>33.000</td>
<td>225.500</td>
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<tr>
<td>Spice</td>
<td></td>
<td>90.9119</td>
<td>136.367</td>
<td>181.823</td>
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<tr>
<td><strong>Income</strong></td>
<td></td>
<td>1332.342</td>
<td>2824.441</td>
<td>2890.186</td>
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<tr>
<td><strong>Cost of Goods Sold</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nut</td>
<td></td>
<td>360,000</td>
<td>540,000</td>
<td>720,000</td>
</tr>
<tr>
<td>Tea</td>
<td></td>
<td>645.932</td>
<td>1476.416</td>
<td>1291.864</td>
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<tr>
<td>D. Coconut</td>
<td></td>
<td>174.876</td>
<td>524.628</td>
<td>349.752</td>
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<tr>
<td>Apple + Kiwi</td>
<td></td>
<td>0</td>
<td>30.000</td>
<td>205.000</td>
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<tr>
<td>Spice</td>
<td></td>
<td>88.264</td>
<td>132.396</td>
<td>176.528</td>
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<tr>
<td><strong>Cost of Goods Sold</strong></td>
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<td>1269.072</td>
<td>2203.024</td>
<td>2742.920</td>
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<tr>
<td><strong>Gross Margin</strong></td>
<td></td>
<td>63.270</td>
<td>621.417</td>
<td>147.266</td>
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<tr>
<td><strong>Expenses</strong></td>
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<td>Accounting Fees</td>
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<tr>
<td>Bank Charges</td>
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<td>840</td>
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<tr>
<td>Car Expenses</td>
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<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
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<tr>
<td>Computer and Software</td>
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<td>300</td>
<td>300</td>
<td>300</td>
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<tr>
<td>Depreciation</td>
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<td>5,780</td>
<td>5,780</td>
<td>5,780</td>
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<tr>
<td>Electricity and Gas</td>
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<td>2,400</td>
<td>2,400</td>
<td>2,400</td>
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<tr>
<td>Insurance</td>
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<td>2,000</td>
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<tr>
<td>Postage &amp; Courier</td>
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<td>600</td>
<td>600</td>
<td>600</td>
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<tr>
<td>Off. Supplies, Stationary</td>
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<td>1,200</td>
<td>1,200</td>
<td>1,200</td>
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<tr>
<td>ACC</td>
<td></td>
<td>612</td>
<td>612</td>
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<tr>
<td>Wages</td>
<td></td>
<td>0</td>
<td>36,000</td>
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<tr>
<td>Telephone</td>
<td></td>
<td>4,800</td>
<td>4,800</td>
<td>4,800</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>6,000</td>
<td>6,000</td>
<td>6,000</td>
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<tr>
<td><strong>Total Net Expenses</strong></td>
<td></td>
<td>32,932</td>
<td>68,932</td>
<td>68,932</td>
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<tr>
<td><strong>Net Operating Profit</strong></td>
<td></td>
<td>30,338</td>
<td>552.485</td>
<td>78,334</td>
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<tr>
<td>Tax (28%)</td>
<td></td>
<td>8,494</td>
<td>154,698</td>
<td>21,933</td>
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<tr>
<td><strong>Net Profit After Tax</strong></td>
<td></td>
<td>21,844</td>
<td>397,789</td>
<td>56,401</td>
</tr>
<tr>
<td><strong>Gross Margin As Percentage</strong></td>
<td></td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
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</table>
Three year projected cash flow forecast

<table>
<thead>
<tr>
<th>NZ$00.00</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit after tax</strong></td>
<td>21,844</td>
<td>397,789</td>
<td>56,401</td>
</tr>
<tr>
<td><strong>Add: Depreciation</strong></td>
<td>5,780</td>
<td>5,780</td>
<td>5,780</td>
</tr>
<tr>
<td><strong>Working capital required</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rental deposit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Working capital - 3 months expenses</td>
<td>17,233</td>
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<tr>
<td>Other assets</td>
<td>3,500</td>
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<td></td>
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<tr>
<td>Other liabilities GST</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flow from operations (A)</strong></td>
<td>-13,419</td>
<td>4,348</td>
<td>40,389</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in bank debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in overdraft</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend payments</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Cash provided from financing (B)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Investment activities</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Sale/(purchase) of fixed assets (before depreciation)</td>
<td>-98,900</td>
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<tr>
<td>Increase/(decrease) in shareholder loans</td>
<td>120,000</td>
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</tr>
<tr>
<td>Increase/(decrease) of inter company loans</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash provided from investing (C)</strong></td>
<td>21,100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash flow (D=A+B+C)</strong></td>
<td>7,681</td>
<td>4,348</td>
<td>40,389</td>
</tr>
<tr>
<td><strong>Opening cash balance (E)</strong></td>
<td>0</td>
<td>7,681</td>
<td>12,029</td>
</tr>
<tr>
<td><strong>Plus/(minus) net cash flow (F=D)</strong></td>
<td>7,681</td>
<td>4,348</td>
<td>40,389</td>
</tr>
<tr>
<td><strong>Closing cash balance profits (G=E+F)</strong></td>
<td>7,681</td>
<td>12,029</td>
<td>52,418</td>
</tr>
</tbody>
</table>
Revenue

The revenue stream for the proposed business is as follows:

15. Year 1 - A 30 tonne container of cashew nuts every quarter; NZ to Vietnam
16. Year 2 – A 30 tonne container every 2 months; NZ to Vietnam
17. Year 3 – 8, 30 tonne containers a year; NZ to Vietnam

18. Year 1 - 14, 30 tonne containers of Green and Black tea; Vietnam to NZ
19. Year 2 - 32, 30 tonne containers of Green and Black tea; Vietnam to NZ
20. Year 3 - 28, 30 tonne containers of Green and Black tea; Vietnam to NZ

21. Year 1 - 2, 30 tonne containers of Spices (Cassia); Vietnam to NZ
22. Year 2 - 3, 30 tonne containers of Spices (Cassia); Vietnam to NZ
23. Year 3 - 4, 30 tonne containers of Spices (Cassia); Vietnam to NZ

24. Year 1 - 3, 30 tonne containers of Desiccated Coconut; Vietnam to NZ
25. Year 2 - 9, 30 tonne containers of Desiccated Coconut Vietnam to NZ
26. Year 3 - 6, 30 tonne containers of Desiccated Coconut Vietnam to NZ

27. Year 2 - Export of apples and Kiwi fruit by Air value NZ$30,000 x 10% NZ to Vietnam
28. Year 3 - Export of apples and Kiwi fruit by Air value NZ$205,000 x 10% NZ to Vietnam

The sale price of cashew nuts is based on wholesale price of NZ$3,000 per tonne plus 10% margin.
The sale price of kiwi fruits is based on wholesale of NZ$1,500 per tonne plus 10% margin.\(^5\)
The sale of Cassia fruits is based on wholesale of NZ$ \(.........................\)
The sale of Green & Black Tea fruits is based on wholesale of NZ\% \(.........................\)
The sale of Desiccated Coconut powder fruits is based on wholesale of NZ$ \(.........................\)

The business will respond quickly to market demand in respect to the fruit and nut varieties it sources and supplies.
The Forecast profit and loss statements in the previous section details the projected expenses of the business over its first three years.

A breakdown of the calculation of the cost of products sold:

- The cost of the raw product has been assumed to be 10% of the revenue. This is based upon commodities prices in comparison with retail prices;
- Packaging has been assumed to be 10% of revenue\(^6\);
- Preparation has been assumed to be a further 15% of revenue;
- Shipping has been assumed to be 5% of revenue;
- Distribution has been assumed to be 10% of revenue on 20% of sales;

Timeline

**Year 1 of operations**

**Month 1-4:**

1. Register the business in New Zealand;
2. Open Bank account for business;
3. Employ accountancy services;
4. Agree and sign relevant insurances;
5. Develop relationships and sign agreements with suppliers within New Zealand;
6. Locate suitable premises;
7. Negotiate and rent premises;
8. Build website;
9. Put in place on-line ordering, stocking and delivery schedule system;
10. Prepare the policies and related procedures to ensure the business complies with New Zealand laws and Regulations.

**Month 4-8:**

1. Take over premises, purchase and install furniture, fixtures and fittings;
2. Purchase other required assets;
3. Advertise for and employ an administrative person;
4. Make the Website live on-line;
5. Develop initial wholesalers customer base through on-line promotion and personal contact;
6. Agree and enact distribution contracts;
7. Send first shipment of products (Cashew Nuts) to Vietnam.
8. Meet targets for import and export outlined on page 43 of this business plan;

**Month 8 -12:**

1. Obtain positive feedback from first customer;
2. Source second customer for Cashew Nuts and continue promotion of the business;
3. Continue to explore and research export opportunities from goods sourced within New Zealand within the Fruit Nut and Spice sector building personal knowledge of the sector and promoting the business to potential New Zealand suppliers;
4. Source and develop relationships with Golden Kiwi and Apple producers within New Zealand;
5. Source Customers for Golden Kiwis in Vietnam in anticipation of sales in year two of operations;
6. Send second shipment of products (Cashew nuts) to Vietnam;
7. Meet targets for import and export outlined on page 43 of this business plan;

**Year 2 of operations**

**Month 1-4:**

1. At beginning of year two undertake a complete review of the business against stated targets and projected costs making any necessary adjustments building upon lessons learned from first year of operations;
2. Send out first shipment of one container of Kiwi fruit to Vietnam to be initially followed by a container every four months;
3. Having obtained a second customer for Cashew Nuts increase shipments to one container every two months;
4. Continue marketing and promotion of products;
5. Employ and start training of new employee;

Month 4-8:
1. Start discussions with a selection of buyers from major supermarket chains operating within Vietnam with the intention of selling Kiwi fruit and Macadamia nuts to them direct.
2. Increase shipments of Kiwi fruit to the equivalent of ten containers a year;

Month 8-12:
1. Start discussions with major importers of cashew nuts, possibly through direct approaches to selected cashew nut processors;
2. Complete negotiations with at least one major importer of cashew nuts and agree shipments;
3. Meet targets for import and export outlined on page 43 of this business plan;

Year 3 of Operations
1. At beginning of year three undertake a complete review of the business against stated targets and projected costs making any necessary adjustments building upon lessons learned from first year of operations;
2. Increase shipments of cashew nuts to eight containers a year to meet requirements of third cashew nut customer;
3. Continue shipping of Kiwi fruit at an equivalent of ten containers a year;
4. Meet targets for import and export outlined on page 44 of this business plan.