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Evaluation for the Idea of Export from Canada to Nepal

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Product Information

Basic Description of the Product

The expected product for export from Canada to Nepal are long-handled bulb planters sold by Rittenhouse Company. They are a kind of gardening tool used to dig bulb-sized holes for large annual flowers and bulbs by pulling out soil from the ground and also used to refill the holes in order to cover the bulbs (Rittenhouse Ltd., 2014). The diameter and depth of the soil core of long-handled bulb planters are 3 inches (7.6 cm) and 6 inches (15.2 cm), respectively (Rittenhouse Ltd., 2014). The most significant feature for the product is that they allow people not to bend over during the process besides capturing soil easily, which makes gardening more comfortable and efficient..

Many kinds of bulbous flowering plants can be planted using long-handled bulb planters, such as the genera *Tulipa*, *Narcissus* and *Lilium* (Rees, 2012). In addition, bulb planters not only help to plant large annual flowers and bulbs, but also other plants which need a similar hole size and depth when sown, like potatoes (Pavek & Thornton, 2009). To some degree, it adds extra value to long-handled bulb planters. Moreover, it is easy to clean the product, with just soap and water, causing no damage to the environment (Rittenhouse Ltd., 2014).

The retail price of the long-handled bulb planter is 38.19 Canadian dollars, approximately equaling to 3380 Nepalese Rupees (Rittenhouse Ltd., 2014). According to Bruce, the consumer products manager of the Rittenhouse Company, there is no

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volume discounts or reducing price for the product, so the retail price is also the wholesale price (B. Zimmerman, personal communication, November 20, 2014).

Comparison with Some Other Bulb Planters

There are many kinds of bulb planters on the market. They are also designed to help people to do gardening more easily and have some similar or different features when compared to the long-handled bulb planters from the Rittenhouse Company.

Following is the table showing the comparison of long-handled bulb planters from the Rittenhouse Company with some other bulb planters. The information in table 1 was gathered from Amazon.ca, Alibaba.com and rittenhouse.ca.

Table 1

Comparison with Other Bulb Planters			
Product	Features	Shortages	Price (CAD)
Long-handled bulb planters from Rittenhouse	-Capture soil easily by stepping -Refill holes easily -Do not need to bend over	-Limited hole depth -Expensive	38.19
Short-handled bulb planters	-Capture soil easily by hand -Cheap	-Limited hole depth -Refilling holes unavailable -Need to bend over	6.99
General long-handled bulb planters	-Capture soil easily by stepping -Do not need to bend over	-Limited hole depth -Refilling holes unavailable -A little expensive	29.45
5-in-1 planters	-Capture soil easily by stepping -Refill holes easily -Do not need to bend over -Adapters to adjust hole depth -Store plugs until refilling	-Expensive	49.99

From table 1, short-handled bulb planters are much cheaper than the others. However, they are not suitable enough to be exported to Nepal due to limited functions and less practicability. The 5-in-1 planters are most functional, leading a definitely expensive price of the product. As a result, they are too expensive to be exported. Comparing the general long-handled bulb planters with the long-handled bulb planters from the Rittenhouse Company, the latter are more practical while more expensive.

Comparison with Long-handled Bulb Planters from China

Many companies in China also produce long-handled bulb planters. Most of these long-handled bulb planters are traditional ones without the function of refilling holes (as the third one in table 1), so they are less useful than the product from the Rittenhouse Company. However, they have an obvious advantage which is price, one of the important factors of competitive power. The retail price of them is around 5.62 Canadian dollars, and also the volume discounts are available, which is much cheaper than the product from the Rittenhouse Company and even the same kind of long-handled bulb planters (Alibaba Group, 2014).

Potential Benefits to Canada

Potential demand of the product. Flower industry in Nepal is developing rapidly with the annual rate of growth of 10-15% (Gauchan et al., 2009). The total turnover of the floriculture business in Nepal reached 230 million Nepalese Rupees in 2007 (A.B. Pun & U.K. Pun, n.d.). This means that the acreage used for growing

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flowers will be extended in the future, so the need for planting tools will likely increase, creating a large potential market for relevant Canadian companies.

Introduction of the company and potential benefits to Canada. The supplier of the long-handled bulb planters is the Rittenhouse Company, established in 1914, which is a Canadian family owned company, located in Ontario, offering over 15,000 products for the landscaping industry and professional growers (Rittenhouse, 2014).

For this expected trade, with the potential demand of Nepal, the company will have opportunities to expand their market overseas, increasing the chances to trade globally, which leads large profits from the commodity, contributing to Canada's economy. At the same time, the employment rate will increase due to the expansion of the company. In addition, if this trade can be successful, it will be an example for other small or medium-sized Canadian enterprises that are planning to expand their international market.

Potential Export to Nepal

Introduction of Nepal

Nepal is a landlocked country, located in South Asia, with the highest elevations in the world, which is about 10,557 kilometers away from Canada (AgTrade Nepal-Canada, 2014). It has an area of 147,181 square kilometers with a population around 27 million (AgTrade Nepal-Canada, 2014). The gross domestic product of Nepal was 19.29 billion dollars and the per capita income was 350 dollars

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per year (World Bank Group [WBG], 2013).

Potential Benefits to Nepal

Not only does Canada benefit from this trade but also Nepal. From the introduction of Nepal, it is a country that has low income level. The average of arable land per person is 0.16 hectare (1666 m²), which is only 1/10 of the average area of Canada (1.6 hectare), and the area reduce to 0.074 hectare (746 m²) in the mountain region (Ministry of Commerce of the People's Republic of China [MCPRC], 2007; Food and Agriculture Organization of the United Nations [FAO], 2013). It is apparent from the data that most residents in Nepal hold small cultivated areas and are unable to afford expensive planting equipment. The long-handled bulb planters are suitable for the small plot size, accelerating the efficiency of planting for local planters with standing position.

Similar with Canadian exporter, Nepalese importers also gain opportunities to communicate with Canadian enterprises and relevant institutions in order to introduce their own products and develop other business through this trade.

Analysis of Target Consumers of Nepal

The original purpose of exporting long-handled bulb planters from Canada to Nepal was to help those Nepalese farmers and gardeners to improve their way of planting with higher efficiency by using this kind of useful tool. However, according to researches of the product and relevant data of Nepal, there is no doubt that the price, 38.19 Canadian dollars, even without the shipping cost, is so expensive for Nepalese

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residents, whose average income was only 350 dollars in 2013 (WBG, 2013). As a consequence, it is unpractical to sell this product to Nepalese farmers and gardeners with the method of direct retail.

Although the product is expensive, it does not mean that there is no opportunity for them to be exported. The Canadian exporter can focus on the wealthy residents in Nepal whose hobby is to plant flowers or bulb crops. Definitely, it will be a niche market because the percentage of urban population in Nepal was only 18% in 2013, and not all of urban residents were willing or rich enough to consume the product (WBG, 2013).

Horticulture industry occupied 17.5 % of agriculture in Nepal and the floriculture industry is a high value added industry besides an important part of horticulture industry (MCPRC, 2007). Hence, other target buyers for the product are some government organizations or large non-government organizations who are trying to promote the flower industry of Nepal like Floriculture Association Nepal. They are able to spend money on large amount of this kind of useful tool with the financial support from the government and sell them at a reasonable price or even send them to local planters as free gifts for the purpose of encouraging them to participate in flower planting. What is more, the Canadian company will be able to contact some local gardening tool companies through these organizations in order to promote Nepalese companies' interests in the long-handled bulb planters and recommend the product to them as a kind of commodity which is worth importing.

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Transportation Methods and Cost

There is a long distance from Canada to Nepal, which is over ten thousand kilometers, leading a high cost of transportation. Generally speaking, multimodal transportation is used to transport goods from Canada to Nepal because Nepal is a landlocked nation without harbors (AgTrade Nepal-Canada, 2014). Goods are shipped from Canada first to harbors in India or China, and then send to Katmandu, the capital of Nepal, usually by truck or train (W. Wang, personal communication, November 19, 2014). The cost of sea freight and road freight from Canada to Nepal depends on volume, weight and packaging ranges of goods (W. Wang, personal communication, November 19, 2014).

In general, logistics companies use twenty-foot containers (20' GP) or forty-foot containers (40' GP) to transport common sorts of products. The volume of a twenty-foot container and a forty-foot container is around 26 cubic meters and 55 cubic meters, respectively (K. Ho, personal communication, November 22, 2014). When filled, their gross weight is 18 tons and 22 tons, respectively (K. Ho, personal communication, November 22, 2014).

Here are reference examples for transportation from Canada to Nepal. First method is to ship the product from Canada to Shenzhen, China. Then ships will start from Shenzhen to India via Dubai (W. Wang, personal communication, November 19, 2014). It will take about 18 to 24 days from Canada to China and 12 days from China to India (W. Wang, personal communication, November 19, 2014). Finally, the

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product will be transported to Nepal by truck, which is cheaper than the road transport from China to Nepal (K. Ho, personal communication, November 22, 2014). The reference price for sea freight is 50 dollars per cubic meter, which is about 1,300 dollars per twenty-foot containers (W. Wang, personal communication, November 19, 2014).

Another method still needs to ship the product from Canada to Shenzhen, but the rest part of transportation will be changed, using road transport directly from Shenzhen to Katmandu instead of sea freight from Shenzhen to India. Trucks will pass the Zhangmu Port, which is the last region of China-Nepal Highway in China and 100 kilometers away from Katmandu. (K. Ho, personal communication, November 22, 2014). The reference price for transportation by truck is 4,000 dollars per 20' GP (K. Ho, personal communication, November 22, 2014).

Some Information of Taxes of the Trade

Global trades always related to policies of taxes of involved countries. There are three regular tariffs for international trades. Export duties are a kind of regular tariffs collected by the custom of exporting country (General Administration of Customs of the People's Republic of China [GACPRC], 2014). Now, most countries do not impose the export duties (GACPRC, 2014). In terms of Canada, ordinarily GST/HST (goods and services tax/harmonized sales tax) taxable supplies, except those excisable goods, will not be charged if they are exported from Canada (Canada Revenue Agency [CRA], 2013).

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The second one are import duties, collected by the custom of importing country, divided into regular tax and additional tax (GACPRC, 2014). Nepal has 5 ranges of import duties: 5%, 10%, 20%, 40% and 110% (MCPRC, 2013). The long-handled bulb planters belong to agricultural tools, which at the 5% range (Department of Customs, Nepal [DCN], 2012).

Transit duties are the third of regular tariffs, which is imposed by custom on commodities passing through a specific country (GACPRC, 2014). Generally, most countries do not impose transit duties, including China (GACPRC, 2014). For this reason, the long-bulb planters will not be charged if pass the border of China.

Existent Problems in Reality

Actually, all the expected benefits to the companies and both countries should be based on the success of this trade, but this trade is facing a bunch of problems. Firstly, the expected export company should be willing to participate in the trade. Although the Rittenhouse Company has already begun trades outside Canada and had market in United States, it does not have intention or plans to expand into Asia because of the distances shipping and export control (B. Zimmerman, personal communication, November 20, 2014).

Moreover, the long-handled bulb planters sold by the Rittenhouse Company are not produced in Canada and no material in the product originate in Canada (B. Zimmerman, personal communication, November 20, 2014). As a consequence, the price of the product can be affected by the producer and cost of import, limiting the

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right for the Rittenhouse Company to adjust or lower the price. Hence, the product is not so competitive as those cheap long-handled bulb planters from China, which are made in China and sold by Chinese companies.

Another significant problem also associated with price is transportation. Based on the the reference price of sea freight and road transport, respectively 1,300 and 4,000 USD per twenty-foot container, the international multimodal transportation leads the high cost of transportation, causing higher price of the product (W. Wang, personal communication, November 19, 2014; K. Ho, personal communication, November 22, 2014). Even worse, the long-handled bulb planters from the Rittenhouse Company are far more expensive than those produced in China before adding the cost of transportation.

Ideas for Improving This Export

It seems that the distances shipping and expensive price make it impossible to export the long-handled bulb planters from Canada to Nepal, so other optional importing countries or actions are needed to improve the export of this product.

Instead of expanding the market in Asia, it is more practical for the Rittenhouse Company to focus on its market in North Amereca. The Rittenhouse Company is located near Niagara Falls, which is the border of Canada and United States (Rittenhouse Ltd., 2014). The location makes it easy to develop the market in United States. In the future, with the expansion and development of the company, some other countries near United States may also be its market, although the company

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is currently unable to deliver goods to those countries (Rittenhouse Ltd., 2014).

In addition, not only the Rittenhouse Company but also other Canadian companies providing similar products can choose to set a branch in Nepal, if the financial condition of companies allows to do so. Then employ the local labors and produce the product there to cut down the expensive fare of transportation and the cost of the products. To some degree, it will benefit Nepal due to more job opportunities for local people and improvement of their income. On the other hand, it will also have negative effects on Nepal because Canadian companies will set factories there and use the resources of Nepal for producing, which are likely to increase the risk of shortage of resources as well as damaging the environment there.

Future Studies and Conclusion

The main purpose of this report is to introduce and evaluate the idea of exporting bulb planters from Canada to Nepal. However, many relevant questions are still remain undiscussed. For instance, the required documentation for import or export and more details for taxes should be studied when starting a real global trade. Also, the accurate cost, profit and technologies of the product are important for more evaluations of the competitive power because Canadian companies can study the process to decrease those unnecessary cost or use new sale strategies like small profits but quick turnover to reach their goal of export.

In conclusion, currently, the long-handled bulb planters from the Rittenhouse Company are not suitable enough for export to Nepal due to the unaffordable price

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and expensive transportation. However, it should be admitted that they are a sort of useful gardening tool. There are some ways to change the situation and improve this idea of export, so the export of long-handled bulb planters are still worth considering and studying in the future.

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