

INDUSTRY LEADER FORECAST



JIM BARRETT, PROFESSOR
University of Florida, Gainesville Fla.

When Bridget sent the E-mail requesting an Industry Forecast for 2003, my first response was: "Mostly cloudy, patchy sun and a high probability of rain over the weekend."

I am writing this after spending the Christmas holidays with my family in Alabama and being subjected to 24 hours a day of Fox news. So, right now, I feel like we will spend the year at war with or occupying

both North Korea and Iraq and any other country that dares to stick its head up. Unless the North Korean and Iraqi issues go away and Bin Laden is captured by March 15, the business climate for spring will remain nervous.

For large wholesale growers in a market where buyers want both lower prices and more service, the most successful operations will be those that find other ways to operate and be competitive. The market does not need as many production companies as currently exist, so we are in a situation where companies can separate themselves from the competition.

Plant breeders, marketing groups, propagators and distributors are also under pressure as market forces are pushed up the distribution channel. This will lead to an even greater effort by these organizations to compete for the business and to separate themselves from the competition. Thus, we will see even more emphasis on branded programs such as Miracle Gro Plants, Proven Winners and Flower Fields. The other type of program to look for is where a breeder/supplier introduces a new variety as an exclusive to one retailer. While these programs may be irritating, they do offer growers a chance to produce products that are less price-sensitive.



**JACK WILLIAMS,
PRODUCT MANAGER,**
Paul Ecke Ranch, Encinitas, Calif.

The year to come will be another one of ups and downs, with lots of uncertainty; these are not easy times for growers. The current situation is ironic in that purchasing of garden products is at an all-time high, while we, the suppliers of this market, are feeling less secure than ever!

It's an unfortunate cycle that causes retailers to play a waiting game with orders and, in some cases, even choose not to "pre-book." As a result, growers are hesitant to commit to suppliers of seeds, plugs and cuttings, and propagators are forced to decide what level of speculation they can risk. Do they plant to orders and hope growers accept shipments later than desired if more is required? Hard goods suppliers are also at a loss. Every level of the chain is affected, and if one piece is out of sync, the effect ripples up and down the line!

Happy 2003! Or will it be?

Some of your peers have "volunteered" their predictions about the year to come.

Compiled by Bridget White

It seems that it would be easy to decide which way to go, but it never is. Do you risk that our weather will impact spring sales again? Last year, drought was the keyword, but this year "el Niño" is back...what will be the effect?

This fall, we saw prices in some of the big boxes plunge faster than Martha's stock, with \$1.99 poinsettias at Home Depot. How can growers ever hope to survive if our products are not sold for true cost, let alone value?

If you ask growers, there will be a lot of people playing it safe and ordering only what they are confident they can sell, growing only those products they know they can produce without issue and, in the end, selling only enough to stay afloat. There are some growers, though, who are willing to take risks and speculate on products and non-secured sales. However, they will certainly be producing crops and forms that are less time-sensitive. These definitely do not include bedding plant packs and other high-density crops that are sensitive to Botrytis or stretch if held too long.

However, not everything is doom and gloom! New markets are opening up. The focus on high-performance, spring-to-fall flowering plants is getting attention from landscapers. With good genetics showcased in outdoor displays, landscapers are able to get extended performance and save money on change-outs and maintenance. The gardening public also gets inspiration from well-executed displays, resulting in higher demand.

Although we complain about things, growers by nature are a persistent, optimistic bunch! So let's welcome in 2003. It will be another opportunity for us to do what we love, the result of which is that we bring beauty into the lives of many people. ♦



RICK SCHOELLHORN,
FLORICULTURE
EXTENSION SPECIALIST
University of Florida, Gainesville, Fla.

We are moving into the commercialization of color and have done a fantastic job of promoting product to the American consumer. However, our market is increasingly the MTV generation, and we will need to continually refocus our efforts to keep their attention. We have some excellent local, regional and national marketing programs that are making a difference in consumer awareness, but we are only touching the surface and will need to focus a lot more energy into this area.

We really need to work on developing value-added materials or we will find ourselves in the same situation as vegetable producers. If you are not perceptibly different from your competitors, you will only make pennies, but if your product stands out from the others, the potential for profit is unlimited.

Are you going to produce a high-end crop or play the number game? If you do not make yourself stand out, you will become a commodity, with corporate farms producing the majority of product and a small fringe market of individualized production. This may happen anyway, and the real battle will be maintaining profit. For this reason, expect to see continuing emphasis on patents and branding and be glad about it. It is the best way to keep the pricing of our crops moving upward, out of commodity status. Don't undersell yourself or your product.



RICH REILLY, PRESIDENT
Rough Brothers, Cincinnati, Ohio

Open roof greenhouses continue to grow in popularity. There are a number of reasons for this, including the benefits of natural ventilation and reduced energy costs. Growers also report that there is less need for chemicals and that plants benefit from hardening off prior to shipment. Open roof structures now come with many glazing options and are likely to increase as in percentage of new structure construction.

As growers strive to become more efficient in their operations, they are

moving towards more sophisticated technology. Growers are using automatic watering systems to reduce their labor costs and increase plant quality. Rolling benches and ebb-and-flood trays also allow growers to reduce labor costs as well as chemical and water consumption. As a result, we see growers taking much more time to plan expansions and account for the systems they want to implement in their new ranges.

There seems to be a significant upswing in the investment in retail facilities. Possibly as a response to competition from the larger national retailers, smaller independents are taking a thorough look at their facilities and refining them to better compete. There is a heightened awareness of the shopping experience, and this too should serve independents as they build for the future.



JIM FAUST, ASSISTANT PROFESSOR
Clemson University, Clemson, S.C.

State governmental agencies, like universities, took big hits again this year, and next year does not look any better. The short-term impact is that very limited funding is available for teaching, research and extension programs; vacant faculty positions are frozen; and technical support is lost. The long-term impact is that technician positions and frozen faculty positions often disappear forever, the funding being shifted to new programs that make more money for the university, like engineering and business. Agriculture is certainly not seen as the future strength of our economy.

The floriculture university research community will continue to suffer from attrition. How low will it go? Our numbers will eventually balance with the amount of research dollars generated from the industry. In my estimation, there are about seven universities that will continue to have sufficient resources to have a legitimate floriculture research program. I would name those institutes, but I don't want any hate mail so I'll refrain for now. The additional long-term impact is that fewer floriculture scientists are being trained (Note: There won't be floriculture extension faculty in the future outside of a few states with very large industries; consultants will continue to fill the void).

The number of American students interested in production horticulture is also on the decline. Each year, we see a few motivated students, and we steer these individuals toward businesses that offer good career development

opportunities. But the demand is much bigger than the supply, and I don't see that changing. Two-year technical programs aren't the answer either.

I believe that Central America and Mexico will become primary sources for new middle-management recruits. (Some of our best graduate students are already coming from these countries). Certainly, there are numerous examples of talented migrant workers that become very effective managers, but I'm suggesting that U.S. companies will soon be soliciting applications from college graduates in these countries, where agriculture is not seen as a poor stepchild. These students have a good plant science background; they are bright, talented and motivated; and many would welcome the opportunity to work in the United States.



PAUL PILON, HEAD GROWER
Sawyer Nursery, Hudsonville, Mich.

Perennial production practices are changing due to the customer demands. The marketplace is directing the way growers produce perennials, to what degree they are blooming and when they arrive. Mass merchandisers, retailers, garden centers and consumers are all demanding more color at point of sale. Nobody will argue that "color sells"; the challenge will be changing an industry accustomed to "green sales."

Perhaps Michigan State professors were gazing into a crystal ball when they envisioned forcing perennials. Their program was highly criticized, but without their work, perennial producers would be at a stalemate. MSU laid the foundation for growers to excel by providing flowering perennials nearly on demand. I'm not advocating that growers *must* force in order to be successful, but they need to make some effort to provide more flowering plants.

Some segments of the market are demanding in-store merchandising, and many greenhouses have already dealt with in-store servicing. Contrary to early beliefs, service programs are strong, gaining popularity and here to stay. Although these programs may add expense, there are some great benefits. In-store merchandising usually leads to higher sell-through and improved customer relationships, which will create more sales opportunities.

Imagine putting your company in the position to discover new opportunities, sell more of your product and build irreplaceable relationships with

customers. If you are able to accomplish even one or two of these goals, your company should be well-positioned for growth.

STAN POHMER, PRESIDENT

Pohmer Consulting Group, Minnetonka, Minn.



The Christmas selling season is generally a precursor for what lies in store for spring, and it was less than stellar; low consumer confidence and fears about the near-term economic future have made consumers very discriminating as to how they spend their dollars.

The only way we're going to get our share of consumer dollars this spring is to demonstrate the comparative real and perceived value of our products — and this doesn't necessarily mean having the lowest price! Growers can no longer rely solely on the retailer to take on all of the ownership and responsibility for the consumer. Rather, growers need to share this responsibility with the retailers, building the value statement into their products, services and programs from the very start — from the planning stage to production and quality control to the inventory management and product flow to information delivery and merchandising aides.

Our challenge for 2003 is to figure out how to develop a new focus on the consumer and then work backwards in our thinking to change from a production-driven supply chain to a consumer-centric demand chain, building true consumer value into all of our activities. **GPN**

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