



LOOKING BACK

at Spring 2008

It has been quite a turbulent year, with fuel costs at an all-time high and the economy in a downturn, but growers remain optimistic and are gearing up for a busy 2009.

By Jasmina Radjevic

Unpredictable. That seems to be a common theme each year for growers. It is impossible to predict what the spring season will bring. And that is why each year, *GPN* surveys growers from across the country. We aim to gain a better understanding of spring sales, the problems that occurred and what you will work on in the future to better your businesses. This year we surveyed about 85 growers and learned that while many of you struggled to make a profit this year, the majority of growers remain optimistic for next year and have big plans for the coming season.

Economic Struggles

Many growers this year felt the negative effects of the economy; nearly 38 percent said sales were down this spring. However, not all growers felt the same impact. About 35 percent of respondents said sales were up, and 26 percent said sales stayed the same.

For Danny Takao of Takao Nursery in Fresno, Calif., sales this spring were down to where they were two years ago. Last year, his business was up 20 percent, he says. But this spring, his business is down about 15 percent. "And I think that is everybody in California," he adds. "I don't think anybody has had a stellar year."

With rising fuel costs and the real estate market continuing to decline, consumers are

forced to make tough choices on how to spend their dollars. Unfortunately, lawn and garden products are among the first to get cut from consumers' budgets. According to Takao, it's the "disposable-income industries that are getting hit."

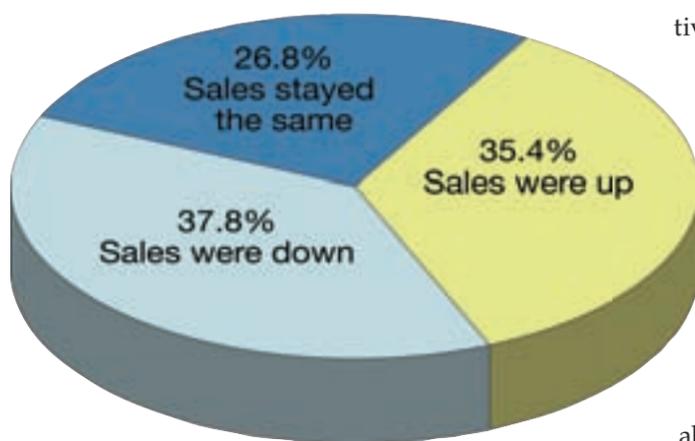
Gardening is not a necessity for consumers, so many are cutting back on spending, leading to decreasing demand for greenhouse production. Plus, retail across the board is not strong, according to Stan Pohmer of Pohmer Consulting Group. "That's a function of discretionary spending," he says. "How many dollars are left over at the end of the month?" Once consumers make payments on essentials such as mortgage and food, they may not be able to spend on luxuries like plant material and landscaping services.

Greenhouse production is just one element of the supply chain. "If the consumer isn't buying, then the retailer sales are down and the grower sales are down," says Pohmer.

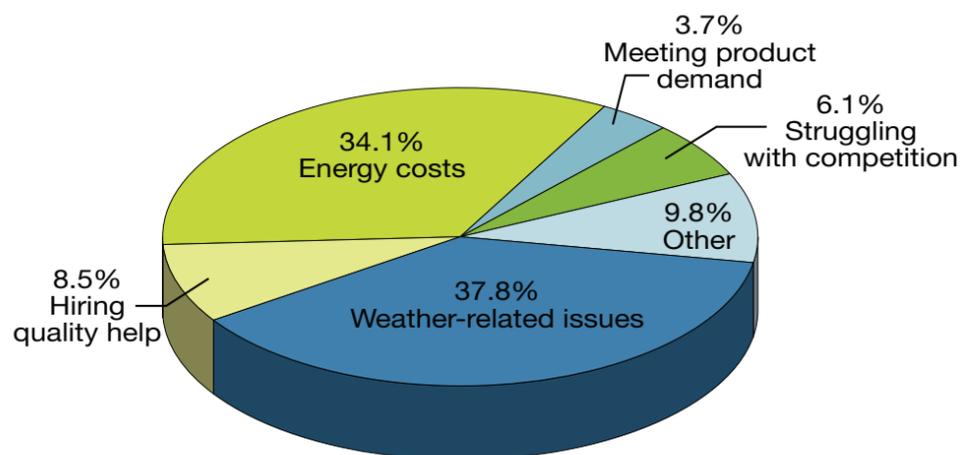
So what effect has the shaky economy had on growers this spring? That's the problem: It's impossible to measure. As Larry Silverman of Silverleaf Greenhouses in Wallkill, N.Y., shares, it's something that is really hard to pinpoint. According to Silverman, sales were strong throughout most of the spring, but as soon as they experienced a heat wave in early June, sales never picked up again. "I definitely feel that gas prices and the economy played a part in that. How much of a part? It's hard to say," says Silverman.

It's no surprise, then, that about 88 percent of

How were your spring sales this year compared to last?



What was your biggest challenge this spring?



respondents said energy costs had affected their operation this spring. That is a 15 percent increase from last year's responses. And that number most likely will continue to rise.

"Right now, we're getting pricing on oil for almost 100 percent more than we paid last year," Silverman says. And electricity costs for his operation went up 20 percent. Energy costs and input costs are skyrocketing, which then affects other areas of production. It's a trickle effect. "Pots have gone up substantially. Poly to cover the greenhouses has gone up," says Silverman. He says input costs, over the past three or four years, have been his biggest challenge.

Effects of Erratic Weather

Although the spring selling season can be erratic and unpredictable, some things never change. Last year, nearly 33 percent of respondents cited weather-related issues as their biggest challenge last spring. This year, that number went up slightly — 38 percent.

However, the weather can have a negative impact for growers in two different ways. For some, the drought conditions and cool weather made production more difficult. But for many, the weather conditions affected sales at the retail level.

Doug Cole of D.S. Cole Growers in Loudon, N.H., faced a similar experience to Silverman's this spring. "May was very good weather and very good demand," Cole says. However, the heat in early June caused a drop in sales. "The garden centers we sell to just stopped buying," says Cole, "and it really never truly picked up well after that."

As for greenhouse production, drought conditions continue to have a negative impact for some growers in the Southeast. Growers are having to adjust their cultural practices to deal with these conditions. Water is a huge issue, and it will continue to be as long as drought conditions exist. Moving forward, growers will have to

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learn how to conserve water and irrigate efficiently.

Pricing Structure

With the current state of the economy, it's no surprise that the number of growers who increased prices rose 5 percent this year.

About 68 percent of respondents admitted to raising prices this spring. However, it seems the price increases do not reflect inflation and the rise in input costs.

"Our prices rose very little, on only a few items," says Cole. "So we don't think we raised them



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enough." To overcome this disparity, he says they're going to begin working on their efficiencies because they don't know how much more they can raise prices in the coming season.

Silverman raised prices as well — on average, about 7 to 8 percent

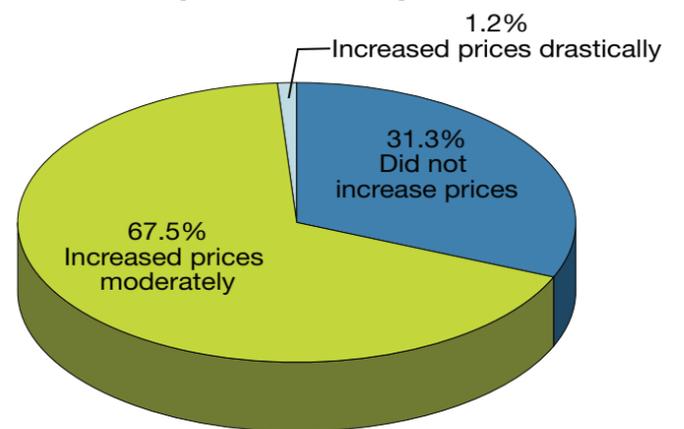
on most items.

According to Pohmer, "The consumer spending issues we're dealing with right now are probably going to last into next season." If you know you're going to sell fewer items, you need to make a profit off the ones you do sell. One strategy

many growers are beginning to employ is streamlining their assortment.

While planning for next year, Cole says he is going to simplify his product offering.

How were your prices this year compared to last year?



"We were diversifying a little too far," he says. "We want to cut our diversification of our finished crop line and try not to be all things to all people." This, he believes, will help streamline their efficiencies. Overall, his goal is to provide fewer items, with improved quality, next spring.

Although most respondents increased their prices this spring, many growers have been discounting products toward the end of the season, which is pretty typical of any season.

Last year, 35 percent of respondents admitted to discounting items late in the season. This spring, that number rose only 2 percent. "I see some of the growers are getting loaded up," says Takao, "and so they're dropping prices pretty drastically."

Looking Ahead

Although it has been a rough year for many, it seems most growers have big plans for next season. Growers, for the most part, have a positive outlook.

"When I walked the show at Short Course, it was almost like everyone accepted the fact that sales are going to be tough," Pohmer says. Rather than panicking about the economy, growers are trying to figure out ways to survive in this kind of environment.

Many of you are also looking into ways to become more sustainable in the near future. As a matter of fact, D.S. Cole Growers is the first growing operation in the United States to sign up with MPS. "It makes a lot of sense because it's a quantitative system," says Cole. "It's all cut-and-dry measurements that we're recording and trying to do better on each year." **GPN**

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