

Structures in 2004

Raw material prices and how they may affect the greenhouse industry and growers.



Top: Photo courtesy of Nexus Corp.; Bottom: Photo courtesy of Rough Bros.

By Neda Simeonova

We continue to watch what course the economy might take, and if the uncertainties have you waiting and putting possible structure expansion, improvement and automation plans on hold, you might want to think twice. While it is hard to predict which way the economy will turn, it is pretty obvious where raw material prices are heading. As raw material prices have been on a hike since the beginning of the year, greenhouse manufacturers discuss what structure prices could mean for growers.

STEEL AND ENERGY PRICES

The overall jump in energy prices, as well as the recent soaring steel prices, have both growers and greenhouse manufacturers speculating how that will affect the greenhouse industry as a whole. According to Mike Porter, president of Nexus Corporation, "The steel prices have increased dramatically since the beginning of the year. However, the effect is offset to some extent by the lesser increases in other greenhouse components and by the continuation of record low interest rates." Porter also added that the current energy situation should feel familiar. "Everyone in the industry needs to accept that volatility in energy prices will be a fact of life for the foreseeable future and develop contingency strategies to deal with it."

Matt Stuppy, vice president of operations, Stuppy Greenhouses, said that steel prices have gone up about 30 percent since the beginning of this year. "Everything has become a lot more expensive in the last two months, and I don't know how many people realize that yet."

On the other hand, the price jump has pressed some of Stuppy's clients to accelerate their greenhouse projects because "if prices continue to rise they want to get as much done now rather than risk prices going up another 10, 15 or 20 percent later," Stuppy said. Although Stuppy's actual greenhouse prices have not gone up 30 percent, like steel prices, they have gone up, mostly because of "extras." "Bigger projects that have a lot of other things going on like irrigation, heating and cooling systems have gone up somewhere around 15 or 20 percent, depending on the

greenhouse structures

type of project.” Stuppy said. “But, if all you are building is a quonset cold frame and all of it is steel, then those types of structures are going to have a higher price increase.”

How exactly the rising steel price is going to affect growers’ expansion projects is hard to foresee at this point. Bill Vietas, general manager of the commercial division at Rough Brothers, said that steel prices have yet to affect its structure prices because “we have a lot of stock here. At some point it is going to hit hard, and I am not sure what is going to happen. I hope it is an overall inflation. Otherwise when our prices rise, it is going to be horrible for the grower.”

CONTINUING TRENDS

Higher prices or not, in order for growers to stay on top, they need to continue to plan ahead and focus on making structures more efficient by expansion and use of automation. According to Porter, most Nexus customers have already automated the transplanting piece of their business and are now looking to internal transport solutions. “Growers are changing their mind-set from manual labor to thinking of system flow, mechanical and technological solutions,” Porter explained.

As far as structure trends go, Porter believes growers are using more natural ventilation solutions, including open roof structures and side wall venting — drop curtains and vents. “Growers want to maintain temperatures and keep costs down at the same time. They want to harden off

their crops in full outdoor conditions and have the benefit of saving labor costs,” he added.

Vietas said that Rough Brothers is continuing to see higher gutter heights — “16-foot would be more standard.” Growers are also interested a lot in more open-roof as well as some lighter structures and “automation is easier inside of it, booms and echoes and stuff like that,” he said. “People are also interested in getting at least a price quote on glass because of the labor restrictions of people getting on the roof and the disposal of the poly.”

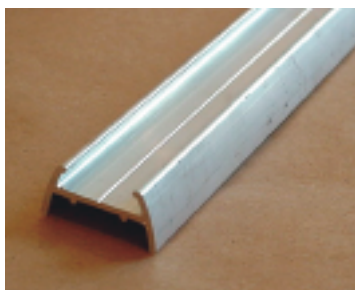


Photo courtesy of Nexus Corporation

Because of the continuing increase of energy prices and high heating costs, Stuppy agrees that natural ventilation continues to be among the top trends for structures in the last few years. He said that they are seeing some of the bigger growers go with taller sidewalls and natural ventilation when possible. “And I think a lot of them are looking at flood floors and automated watering of any sort,” Stuppy explained. “Some ▶

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greenhouse structures

growers are getting away from benches and growing certain crops on the floor because of the efficiency in irrigation and bottom heat.”

INTEREST DECLINE

Although the trends in structures and automation have maintained a steady direction during the last few years, there are some things that growers seem to have a declining interest in. According to Stuppy, growers might be more apt to go into a hot water system or something that is a little more efficient than unit heaters. “They might be looking at energy curtains, as more and more people want to retrofit existing greenhouses and later add new projects.”

Vietas added that Rough Brothers has had a huge decline during the last year in exhaust fans and cool cell packs. “We hardly do any fan jobs anymore because the costs are so much lower with natural ventilation, and people are getting good growing conditions and don’t have to run the fans all year round.”

When it comes to growers’ interest in poly or glass, their budgets appear to be the driving factor. How much money growers can afford to put into the greenhouse and what their payback time is going to be seems to be what sways growers one way or the other. “I am seeing some growers with poly put glass in and guys that have acres with glass that all of a sudden want quotes on poly, and light is not as big an issue for U.S. growers as it is for Canadian,” Stuppy pointed out. “I think they are finding they can get a faster return on investment with poly even though there is more maintenance involved in the future. They figure what it costs to change the poly and

that they are going to make it back faster than if they were to go with full glass.”

OVERVIEW

Whether rising steel prices will have a snowball effect on structure prices and whether that leads growers into a “wait and see” period while they watch which way the economy will go, or if it actually accelerates their construction projects, cannot be exactly forecasted. “No one is willing to predict when or if steel prices will moderate,” Porter said. “Plans should be pursued when there is a market opportunity, not delayed because of price increases in one component.”

Stuppy also doesn’t necessarily think the price jumps will have a negative effect on the industry. “It is probably going to depend more on what happens with the whole economy in general and if growers can charge more for their plant material,” he said. “We are seeing the economy come back, and if that happens, I don’t think the increase in structure prices is going to have a big effect on expansion. Our industry prices haven’t changed in a long time. If anything there has been deflation, so to see some price increase is just the way it is.”

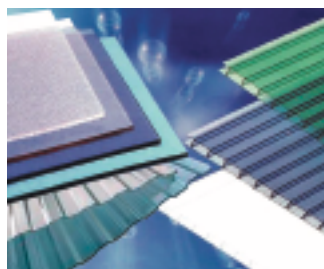
In addition, Vietas is seeing growers making more long-term plans than they have in the past. “Growers need to continue to think of a master plan and design their layout years in advance so they don’t make rushed decisions.” GPN

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