

management

The state of the economy was precarious as growers headed into spring this year. So we wanted to find out...

What Happened?

By Tim Hodson



*T*he two most unpredictable things growers face every year are the weather and the economy. The volatile chemistry of those two ingredients can make for an interesting spring season. And that is exactly what we found out when we surveyed more than 300 growers right after Father's Day to find out what happened to them this spring. Read on to find out more about what they told us.

How Was It?

Going into the spring season, the state of the economy was tenuous at best. This created a lot of trepidation among growers in March and April. But by June, it actually wasn't all that bad. Many of the growers told us they were pleasantly surprised at how their spring season turned out.

In fact, 62 percent of the growers we surveyed said their spring sales were the same as or better than spring 2008. Of that 62 percent, 33 percent said they saw a moderate increase in their spring sales, while another 12 percent said their sales were up "significantly" this year.

"We found spring to be strong," says Doug Cole of D.S. Cole Growers in Loudon, N.H.

"The weather in New England was in our favor with most weekends being good."

Growers also told us their profits were up this spring. Thirty-six percent saw a moderate increase in their profits this spring while another 8 percent said their profit margins had increased significantly. Approximately 20 percent of the growers' profit margins were the same as last year, and another 20 percent experienced a moderate decrease in profits.

Finding that gain in profits wasn't easy. "Spring was essentially flat or a little up in terms of gross dollars, but our expenses were way down," reports Lloyd Traven of Peace Tree Farms in Kintnersville, Pa. "We feel pretty good right now but not giddy at all."

Another grower we surveyed said he had to reduce his labor force this spring and "that meant more hours for me, but my profit margin was saved."

Many said the economy had changed consumer shopping habits, too. Some of the survey respondents said they noticed that economy was creating "thrifter" shoppers who were still willing to buy green goods, but they may not have been as eager to spend as much as they had in years past, thus driving down average sales per transaction. Another grower reported that he thought \$15 seems to be "a key

One grower who took the survey had to reduce his labor force for spring, which meant "more hours for me, but my profit margin was saved."

Consumers Hungry for New Products

Many growers capitalized on the positive press about the first family planting a vegetable garden at the White House and rode the popularity wave of vegetables, herbs and other edibles.

One grower went as far to say that edibles were a savior for his company this spring as “berry plant sales allowed us to keep our doors open.”

Some growers attributed the strength of the edibles trend to 20-some-things, while another grower thinks the trend was born of necessity: “[increased] food prices and lots of people going back to canning.”

But the fact remains that this product category created newfound revenue streams and profits for growers this spring. Traven tells *GPN* herbs and veggies “were our mainstay, and the fact that we are USDA Certified Organic now was a tremendous sales advantage. Organic production does set us apart and gives the retailer a major marketing advantage.”



price point” for shoppers this spring.

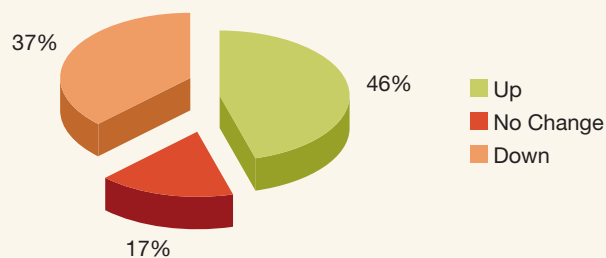
Traven and Cole both said sales of larger-ticket items were slower than usual, but both growers made adjustments and were selling their product in smaller pots.

What Had the Biggest Impact?

When we asked growers what had the biggest impact on their sales this spring, we knew the weather (46 percent) and the economy (44 percent) would be the top two responses. The remaining 10 percent cited input and energy costs as the biggest factors impacting their spring sales.

For the Fresno, Calif.–based Takao Nursery, the weather wasn’t an issue, but a state with “a \$24 billion deficit, a three-year drought and collapsing home prices” are “putting the consumer in a spending freeze mode,” says Danny Takao, who runs Takao Nursery and recently took over as president of OFA — an Association of Horticulture Professionals. ♦

Spring 2009 Sales Versus 2008



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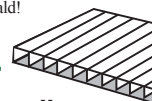
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Takao says because of the economy, many California growers ended up with surplus plant material this year and thinks "it might take another year to get back on track."

Cole says the weather in New England cooperated for his garden center customers this spring; it "allowed them to fill up early and stay full." But for most growers, the

weather is usually their No. 1 concern. One grower in New York told us the weather just killed business this year, and they were stuck with quite a bit of leftover plant material.

"Spring was canceled this year, and we didn't get the memo," he says. Another grower summed it up best: "The weather is always the boss in this industry!" ♦

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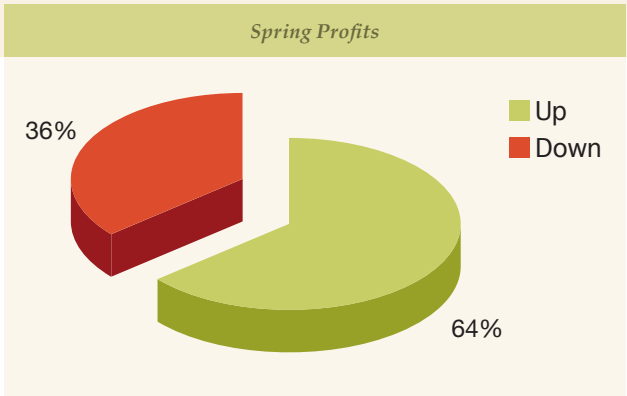
After a better-than-expected spring for many growers, Peace Tree Farms' Lloyd Traven says, "consumers have shown very strongly that they want our product and are willing to pay a fair price for it, but the whole process must be seamless, easy and successful."

Traven says that means the product "must be excellent, fresh and available at the moment the customer is in the store — not next week," and it must be displayed in ways that show the customer how to use it successfully. And it must be grown correctly so the customer has a good experience: "Otherwise, the retailer gets the blame and transfers it to the grower."

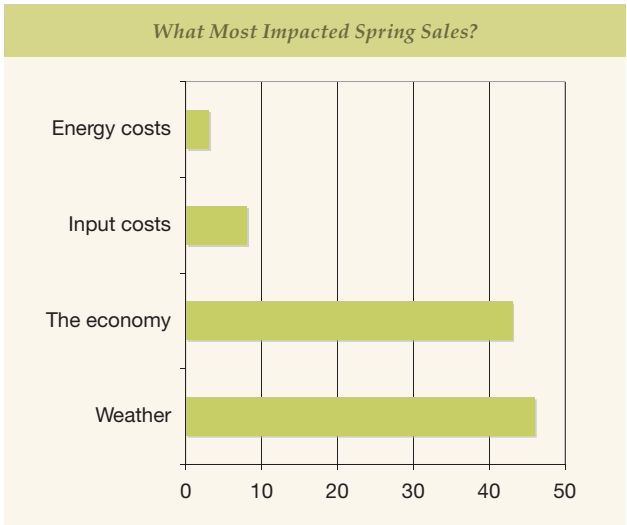
Traven says plants are often marketed to growers, retailers and consumers as "right for you," yet they simply may not work in many areas. They cannot always provide a "one size fits all" solution.

"There is a reason for Zones and programs like the 'Athens Select' or 'Plants That Work in the Heat,'" Traven says, so growers and retailers need to think and act smart so they choose the right plants for the customers in their region.

Traven says another mantra, from the Garden Center Group's Robert Hendrickson, holds true for wholesale growers, too: "A perfect plant: every time, on time, all the time." In this economy — and with the hyper-competition out there — nothing else works."



One New York grower said the weather had killed spring business, leaving quite a bit of leftover plant material.



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What Did They Learn?

The unreliable economy and the weather also created learning opportunities for growers this year. Earlier this year, Anna Ball of Ball

Horticultural Co. spoke at GPN's Big Grower Executive Summit in Charlotte, N.C., and during her presentation, she told the large growers in attendance that "a recession is a

terrible thing to waste."

She may not have been the first person to make that statement, but her words really rang true for many growers this spring.


The current state of the economy is forcing many growers to re-examine everything they are doing and make some critical decisions going forward.

Traven says to be successful and survive in the market, you need to know your strengths and what your customers want and need. "We learned that we have to go back to being Peace Tree Farm, not trying to follow others. We need to lead to be successful," Traven says. "Niche marketing, edgy products, exceptional and unusual product focus and quality — these all work for us with our specific market areas."

After looking at what happened this year, Doug Cole plans to tweak his product offerings a bit next year to ensure both product quality and sales. "We trial many new crops each year, and we have reached a point where economics dictate that we must continue to focus on our core products," he says. "Trying to please our entire potential customer base will lead to mediocrity. Next year our customers won't perceive much of a change, but we will eliminate some minor crops and focus more on what we do well and makes money."

In the tough California market, Takao says he has some tough decisions to make. "The economy is forcing us to re-evaluate our value to our customers ... We have to reinvent ourselves either with our product form or product mix."

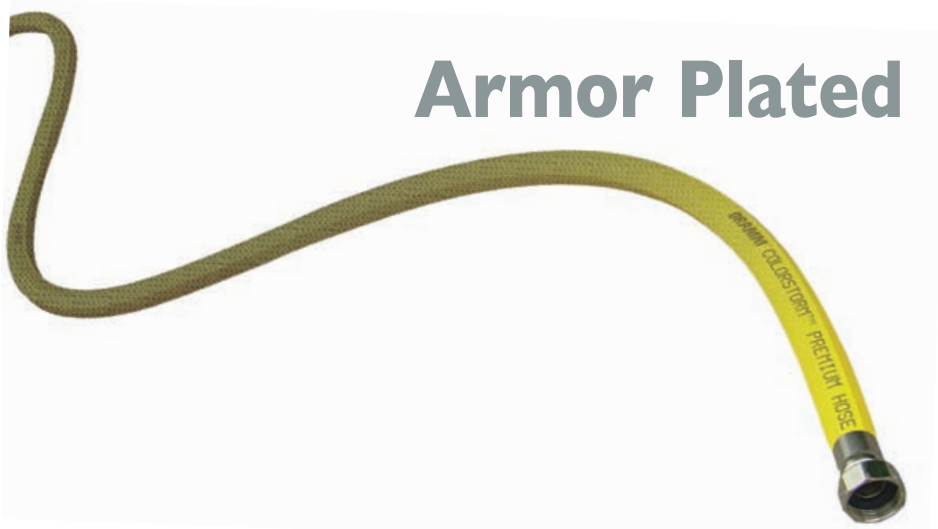
What Happened on the Retail Side?

If you would like to find out what lawn and garden retailers had to say about this spring, check out Managing Editor Paige Worthy's article in the August issue of *Lawn & Garden Retailer* or on www.lgrmag.com. 

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