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Why Should I Build a Greenhouse Now?

Today's uncertain economy has many growers wondering when they should invest in building a new greenhouse. If you look at many of the different factors that go into this decision, there is no time like the present.

By Tim Hodson

The turbulent economy has created a lot of confusion at many growers' operations, from the greenhouse to the back office. While many had a much better than anticipated spring season (see "What Happened?", *GPN*, August 2009, page 22), many are still hesitant to invest in capital improvements. But now may be the best time to make those investments — especially when it comes to building a new greenhouse.

Slowly, but surely, the economic outlook is starting to brighten. Second quarter sales of homes in the United States rose in 39 states. According to the National Association of Realtors, total quarterly sales were up 3.8 percent to a seasonally adjusted annual rate of 4.76 million. Home sales in the first quarter of 2009 were 4.58 million, according to NAR, and pending home sales in June were 6.7 percent higher than in June 2008. And for the first time since July 2003, home sales increased five months in a row.

How fast the overall economy will recover remains to be seen, but a burgeoning housing market usually means good news for growers. Many of these new homeowners will be looking for ways to beautify their purchases with greenhouse grown products.

GPN talked to some of the structure manufacturers to get their take on the current state of the economy and why growers should be building greenhouses now. They told us that smart growers should take advantage of low interest rates, affordable raw-materials costs, new tech-

nological advances and a recovering economy to position themselves to handle future demand for their products, keep ahead of their competition and service the market better.

Why Now Is the Time

According to Jeff Warschauer at Nexus Corp., "The two main reasons to build right now are, one, the price of raw materials (steel and aluminum) are at their lowest points in years and will only go up, and two, interest rates are very low."

"There are good values available" right now, adds Sylvia Courtney at Ludy Greenhouse Manufacturing Corp., "Now is a good time to look at energy efficiency and improve productivity [in the greenhouse], evaluating return on investment with each situation."

The rocky economy has inspired caution in growers. Many are closely evaluating their business to determine whether their market will support an increased supply of their product, says Mark Davis at Atlas Greenhouses. But he says growers should consider building a greenhouse

now because it is a buyer's market.

Today, interest rates are still very grower-friendly, though some lending institutions are a bit more demanding than they were in years past when it comes to giving credit. Low interest rates won't be around forever, so growers with a good credit rating and financial position may want to consider building now before those interest rates begin to start creeping upward again.

"For example, a \$100,000 structure today may cost \$125,000 next year if interest rates go from 5 to 8 percent and the greenhouse price increases because raw materials went up 15 percent. That's a 25 percent total increase in one year, about \$400 per month on a five-year loan," Warschauer says.

Bill Vietas at Rough Brothers and Reid Squires at Stuppy, Inc. told *GPN* that if growers take advantage of all of the aforementioned circumstances now, it also will provide them with a great opportunity to gain a competitive edge in the market when many others are not expanding. "Building now makes a great deal of sense...it positions the grower to handle demand when



To control their energy costs, many growers are looking for a greenhouse like this one under construction that will let sunshine in and excess heat out. (Photo: X.S. Smith)

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the economy turns," says Squires.

"If you can put together a business plan that makes some sense, you can get a loan. You would be able to beat the curve of businesses waiting to expand to meet the demand that eventually will be there," says Nexus Corp.'s Mike Porter. "Gain the market share before everyone else jumps in. Buy before inflation hits."

Other things that may or may not play into deciding to build a greenhouse now include the possibility that some growers may qualify for government tax incentives or may be able to take advantage of depreciation incentives on their structures.

First Things First

Once you have made the decision to build a new greenhouse and have your finances in order, what comes next? What is the first thing a grower should do before building? The short answer is, plan, plan and plan some more. Do as much pre-planning as possible to avoid any roadblocks that you may encounter.



Lower material costs, coupled with low interest rates, are creating attractive conditions for growers to build new structures now. (Photo: Harnois Industries)



Plant Marketing, Eau Claire, Wis., recently built a 5½-acre naturally ventilated range. This new range has helped Plant Marketing increase production efficiency and its ability to deliver product throughout the Midwest. (Photo: Nexus Corp.)

Warschauer recommends that growers get the drawings for expansion done right away and find out what issues there might be with the local building departments. This will also help you make the correct decisions when selecting a specific structure and any other features you might require.

Bill Rowohl at Ludy concurs: "Ensure that all of the background work is complete (design/plans/approvals) before a purchase is made." Determine what your environmental requirements are first, then "decide on a design that will provide the environment required."

Don't think you can do everything yourself. "Call in a greenhouse expert to assess the real needs. Then get a quote that matches those needs and not what your neighbor purchased," says Harnois Industries' Caroline Forest. "The greenhouse must do exactly what you need it to, without any frills, and certainly without any less performance than expected."

Don't assume that your building and zoning codes are the same as they have always been; they probably aren't. They are constantly changing to meet the current requirements of the community.

And remember to look down the road, before you have even started. By creating a master plan that includes facility layout based on your future needs, not just what you need now, you can avoid many potential hurdles.

Reid Squires recommends growers "choose a greenhouse manufacturer that can assist by being 'hands-on' in the planning."

Then the grower will know the manufacturer fully understands the particular needs of their structure to build the right house for that particular application the first time.

"The issues of zoning and permitting, along with thoughts on environmental impact, affect the [grower's] position," says Becky Yount at Ludy. "The more thought-out and green a project is, the better the end result."

Ch-Ch-Ch-Changes

Growers are always looking for ways to save money in the greenhouse, and structure manufacturers are constantly developing new products and technologies to help growers achieve their goals. Probably the top two areas that growers and structure manufacturers are

working on include:

- * Energy-saving ideas (e.g., curtains or ventilation) to be more sustainable and cost-effective

- * More automation in the greenhouse to help reduce labor costs and improve crop quality

Controlling energy costs is a huge concern for every grower. As fuel prices skyrocketed in 2008, everyone seemed to be looking for the most effective ways to manage the heating and cooling of their greenhouses. One of the best ways to control those costs is by building an energy-efficient greenhouse. "We have seen a shift toward structures that are more energy efficient," says Reid Squires. "This means more natural ventilation and [the use of more] energy-efficient equipment."

"Because of the high cost of

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heating, we get more energy saving questions and interest in energy-saving equipment," says Caroline Forest. "Alternative sources of energy get a lot of interest [from growers], too."

Going forward, Forest says,

growers will request equipment and production methods with minimal environmental impact and reduced carbon footprint: "In short, they want a greener greenhouse."

"The style of greenhouses has trended toward more and more nat-

ural ventilation," Jeff Warschauer says, and growers are always looking for more automation to eliminate labor in material handling. He adds that energy-saving curtains have also been a hot topic for many growers recently.

Along with controlling energy costs, Bill Vietas says growers are also looking for ways to combat labor costs. He expects growers will do more analysis on the labor efficiency of a structure to meet these objectives in the future.



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Avoiding Problems

If building a greenhouse is in your future, "Start early...start now!" says Nexus' Mike Porter.

Start doing your research as soon as possible so that you can begin all phases of your planning. "Researching thoroughly and planning diligently" will help you avoid many trials and tribulations in building your new structure, says Sylvia Courtney. "It is important to provide accurate information about site conditions that could affect the project."

Doing your homework ahead of time and knowing the challenges and opportunities that lie ahead of you will make your decision process that much easier.

"There are always different types of greenhouses and coverings coming available that can enhance the growing environment that a greenhouse manufacturer can help line out" to help growers make the best decision, Warschauer says.

Most structure companies today are providing turnkey construction, regardless of the project's size, adds Mark Davis. "This ensures the growers that they are getting a new greenhouse that will be built to the manufacturer's recommendations, and code-approved." It often saves the grower on construction costs too.

Don't just think you can fill out some paperwork at your city or county offices and suddenly get all the zoning approval you will need to build a new structure. The zoning and permitting requirements of local governing authorities vary considerably. The first thing to do is get the drawings done and find out what issues there might be with the local building departments.

And finally, as mentioned earlier, make sure all of your finances are in order. Talk to your lender and find out what your financial options are.

But do it now, says Porter. "Money is as cheap as it has ever been. If you can put together a business plan that makes some sense, you can get a loan." GPN

Tim Hodson is editorial director of GPN. He can be reached at thodson@sgcmail.com or (847) 391-1019.