

We're Gonna Need a Bigger Greenhouse!

If you relate the insatiable demand for foliage by consumers to the shark in "Jaws," then the piddly boat Brody, Quint and Hooper were on could be analogous to our industry. Consumers in North America are ravenous for more and more interesting plants while we're all pushing as hard as we can to satiate that hunger ... and still coming up short!

REFLECTING BACK ON 2020

When COVID-19 first reared its ugly head early last year, many of us were unsure what it would mean for our industry. At ForemostCo, we had been seeing a meaningful but manageable increase in demand for our young plants over the previous few years, and we expected similar increases in 2020.

When the first shut down occurred, like so many others, we feared this would be detrimental to our business and our industry. Little did we know that the pandemic would end up acting as a catalyst, skyrocketing demand! Now that people were no

longer spending discretionary income on travel and nights out at a restaurant or movie, they found other ways to occupy themselves. One of those ways was by purchasing — and having delivered — houseplants!

By June 2020, it was clear that the "spring rush" was not ending anytime soon. By July, we quickly realized we were selling out fast — not just of current availability, but also for the coming year. Well darn, better start building more greenhouses and planting more stock plants! I wonder if we can *will* the plants to grow faster? Anyone have luck with that yet?

THE DEMAND CONTINUES

To give a little perspective, for the first quarter of 2021, we delivered over 1.5 times the young plants we distributed the same time in 2020. In early April this year, the Garden Center Group reported that they saw over 25% growth in 2020 across IGCs. In a recent webinar put on by AmericanHort, all the panelists agreed that demand across our industry is far outstripping supply. The message is consistent and clear: We need more plants, and we need them yesterday! Unfortunately, even if you already have the growing space to expand, plants need time to mature.

So, what do we do? If you haven't already, then raise your prices. We are in an extremely "high demand, low supply" market so we should take this time as an industry to gain better margins. We know this accelerated trend won't last forever, which is all the more reason to act quickly. The market is telling us that

consumers crave plants and they're willing to pay for them. In addition to the market demand, resource costs are going up. Lumber and construction costs have nearly doubled in the past year. Shipping costs have gone up significantly. As a result, input costs, including young plants, have also increased.

BEYOND THE PANDEMIC

While this hyper demand for foliage plants isn't sustainable in the long term, the growth our industry is experiencing is not just COVID-19 driven, but more like COVID-19 accelerated. The pandemic has accelerated a lot of underlying trends in technology such as web-based consumption, as well as services like home delivery. Similar to our industry, the underlying drivers have been there since before the pandemic and will remain afterward. Yes, we are seeing an embracing of the nesting instinct, but keep in mind the drive to reconnect with nature did not suddenly appear with COVID-19; rather, it was brought more into focus. That is what is so exciting about this growth we are seeing; it has legs well beyond the pandemic!

In April 2021, ITR Economics reported that retail sales across industries are growing at an accelerated rate. They also reported that e-commerce retail sales were up over 30% from last year and are continuing to grow. Business-to-business sales are similarly accelerating, according to their report. If you review articles from our colleagues across the pond, Europe is also seeing continued industry growth, even with the periodic shut downs in the various EU countries.

The signs seem to be saying that we should continue to see this accelerated growth in the short term and a more sustainable growth for our industry in the coming years. That being the case, we've committed to continue to grow our operations across all facilities and countries. I joked with our team that we were spending like drunken sailors on building new greenhouses, putting together a TC lab, finding more proprietary genetics and building stock. We've been extremely aggressive to meet this crazy demand in the market. Our plan is to be a little less aggressive in 2022, but still invest significantly in the expansion of our operations because, frankly, we don't believe the demand is going away anytime soon. It may begin to plateau, but we don't see a cliff any time in the near future.

Consumers are recognizing the advantage of having plants in their homes. Hotels and restaurants will need fresh plants as they open and attract customers once again. New home construction can't come close to meeting current demands. The future may be hectic, and we may be struggling to meet our customers' demands, but isn't that the better problem to have? [gpn](#)



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