



Industry Leader FORECAST

We put six of your peers to the test to see if they can predict what will be the biggest opportunities for growers in 2005.

Compiled by Bridget White

Even with a magical crystal ball most people think predicting what will happen in the future is more entertainment than science. I disagree. We may not be able to predict the future down to the smallest little detail, but if you can gather evidence, assess the situation and make an educated guess you can get in the ballpark.

That's what we try to do every year with our Industry Leader Forecast: take some of the guesswork out of guessing by asking other people to do it for us. We asked a group of six industry leaders to go out on a limb and answer the same question: What do you think is the biggest opportunity for growers/floriculture in 2005? Their answers contain some really good hints about what we can expect in the coming months, and they give you a good starting point for making your own predictions.

Our thanks goes out to those of you who stuck your necks out to share your predictions with 20,000 of your closest friends...we'll try not to make too much fun of you next year!

BECOME MORE CONSUMER FOCUSED

David Conner and Lisa Oliver, Kalamazoo Valley Plant Growers Co-op

We think there are three main opportunities for our industry in 2005, and they are as follows:

Increasing the market share of bedding plants (including all categories of annuals). We have seen stiff competition from all industries for the consumer's disposable income. Couple that with the time-starved schedule of the average American consumer, and we have identified challenges for the industry that were not as prevalent a decade ago. To make a significant impact on these consumers we will need to help our retailers focus more on impulse purchasing and top of mind awareness with the consumer, allowing them to drive additional sales opportunities, and ultimately more dollars per transaction at the register.

Differentiated corporate strategies. The market place is always changing, and our retailers are now more than ever attempting to differentiate themselves from the competition. It behooves us to stabilize this process by creating new program opportunities specific to their business model, in essence helping to prevent retail cannibalization. Obviously, we do not want to encourage the consumer to shop one retailer over another; rather, we want them to shop each retailer, creating a variety of bedding plant opportunities. ♦

industry views

Price pressures continue. As retail pricing pressures continue eating away at grower's margins, we are forced towards creativity by finding opportunities that allow us to become more efficient in our processes as well as developing value added products that utilize an extended life cycle.

WORK THE TRENDS

Paul Ecke III, Paul Ecke Ranch



Paul Ecke III,
Paul Ecke Ranch

I have to start any trends thought with the poinsettia market; I am seeing a positive swing in prices for growers and retailers for novelties and "premium" poinsettias. We see more large pots grown and less promotion-priced 6-inch material in the market. I think the trend of painted poinsettias is a trend, *not* a fad — maybe 3-5 percent of a grower's crop — but we should let good designers paint them so they look great at retail; I did see some pretty ugly ones this Christmas. This also suggests that we need more POP and other packaging to support the trend toward novelty products and impulse sales.

In annuals, retailers keep telling us they want more premium items, and they want to utilize more money per square foot of their bench space. We foresee more growers doing more merchandising, especially those who are selling to retailers using "pay-by-scan" — hence more need for POP and other sales support programs. Overall, I think as growers do more in-store service, we will see units and dollars grow, but more importantly, we will see profits increase. If a grower can make the retailer more profitable the grower will benefit; I think this is a good trend. The big box retailers are going to continue to try to "get it right," and will continue to grow their lawn and garden business, although there will always be a place for independents.

On the production side, we still think suppliers of plant material need to be clean and give growers consistent quality and service at the right price. Our industry is evolving, and while plant culture is always going to be important, good to excellent quality and delivery is now expected. The future belongs to those who can manage their entire business, not just the greenhouse.

New breeding must always be grower friendly, but we are seeing a trend to more novelty or unique plants. Be it a poinsettia or a petunia,

today's consumer does not always want what grandma had in her home. We have more than 70 million "kids" coming into our category as shoppers...we had better get ready!

TAKE RESPONSIBILITY

Stan Pohmer, Pohmer Consulting Group

Hang on to your hats, it's about to get wild!

Based on a review of the Christmas selling season results, we find that the consumer is becoming more polarized, with a certain select few willing to spend on those higher end, esoteric and high value items and the "masses" even more focused on price value than ever before. And unless they find their "deals," they're either deferring their purchases or finding something else that meets their needs.

So what does this mean for the lawn and garden industry? There's definitely a market for differentiated products, and growers need to find the appropriate retailers that they can align with to capture this expanding market segment. And the price value consumer will continue to populate the mass merchandisers, but they'll be more jaundiced and discriminating about what they buy than in 2005...they'll want the best product at the best price or will spend their money in other categories.

The Home Depot's "pay-by-scan" announcement is scaring the bejesus out of most growers, and rightfully so. But the concept of having growers assume more responsibility for the end consumer — of giving them more control over product selection, inventory flow, merchandising/presentation and product care — could be a real plus for the industry on two levels. First, I really believe that the grower, having a vested interest in sell-through at the register, can do a better job of managing the overall process than most retailers, especially the store-level staff, can. And secondly, it will change the way growers think, what they do and why they do it because their decisions will now directly impact the consumer...and their cash flow and bottom line.

The jury's still out on whether pay-by-scan will work because there are still a lot of unanswered questions out there on exclusivity, setting of retails and activity cost transfer. But in my mind, anything that gets the



Stan Pohmer,
Pohmer Consulting Group

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grower thinking about the consumer is a good thing, whether he's directly impacted by pay-by-scan or not.

2005 will be a challenging year...and not for the weak of heart.

TAKE ADVANTAGE OF RESOURCES

Andrew Britten, Costa Color Inc.

Looking back through last year's predictions, one theme that resounds is the driving force of increased energy costs. Who would have thought that we would prefer to return to the increases that were present back in 2001, thinking those were good prices? The reality is energy is becoming increasingly more expensive, driving changes in the way we do business.



*Andrew Britten,
Costa Color Inc.*

The trend of shrinking pot sizes is definitely being driven by our need to turn more dollars per square foot. As you look at the chains, 6-inch pots are replacing the conventional gallon. The grower is getting more plants per square foot, as well as more product into the stores. The consumer gets a slightly smaller plant with a lower up-front cost but the payoff is more dollars per square foot. Growers are learning to grow products with tighter spacing and still achieve quality results.

I feel that you will see continued efforts to produce stock in offshore farms to help keep the

input cost of cuttings down. In these farms we have the benefit of cheaper labor and better environmental conditions (No need for heat!). Stock is getting way too expensive to maintain here in the United States when you could be getting an extra turn or two out of the space taken up by your stock.

Breeders are developing seed alternatives to some of our current vegetative lines. It will be an interesting year ahead as we see how these alternatives work into all our nurseries. The competition between seed and vegetative breeding will definitely help the product lines we are producing. It is nice to see that we don't have stagnation in product development.

Consumers definitely desire new plant material. This coming year will continue to add new species of plants and more alternatives to the same old bedding we have had for years. We will all be learning to grow and market a wider variety of items.

Enough with predictions, here is my top wish: No hurricanes in Florida for 2005! Having dodged the storms here in Miami, I applaud all of those that have survived through and bounced back from this past hurricane season.

CAPITALIZING ON THE MASS MERCHANTS

Jim Barrett, University of Florida

Each year when we do these crystal ball projections, I wonder if Bridget will start publishing our records like they do for some of the sports commentators. I have to admit that I have not gone back to see how successful my

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projections have been, but at worst I think I'm better than 50 percent. I have noticed that when a sports prognosticator is at or below 50 percent, it does not stop them from voicing the next round of picks. So, here it goes for 2005.

I'll start with an easy one — larger growers will continue getting larger, and the big boxes will increase in importance as retail outlets. While concern has been widespread over pay-by-scan, I feel the more significant factor that will affect the industry and individual production operations is the movement toward single vendors. Growers will not compete over a table or end-cap in a garden center, they will be competing for a geographical foot print. The stakes are much larger. This year is likely to bring some big shifts in suppliers for some of the major chains. Here is another easy one — the successful producers (winners) will be those who look at pay-at-scan, single vendors, etc. as an opportunity to separate themselves from their competitors.

Since I spend a fair portion of my time doing variety evaluations, it seems a little odd that I see variety selection for a majority of our crops becoming less important each year. Price, relationships, cutting/seed quality, order fulfillment and service are becoming more important than the variety itself. As a parallel, I see the national brands becoming less significant for growers supplying the chains.

I do feel these changes are good for the industry as a whole. The larger growers who own the product in the garden centers will start seeing returns from paying more attention to product quality at retail and to the needs of the consumer. This is the next phase after pay-by-scan. While, already starting in some markets, it is 2-3 years away at most. As the inevitable shakeout occurs, the surviving production operations should be in a financially stronger situation. For smaller retail growers, the opportunity is in separating their products and garden centers from the chains.

Go have a good year!



*Jim Barrett,
University of Florida*

A MATURING INDUSTRY

Jonathan Bardzik, American Nursery & Landscape Association

This industry has experienced great success over the past two decades. As an \$80 billion industry we are now eight times the size of Hollywood! That kind of success brings along with it many challenges. Our success and increasingly global trade brings increased regulatory attention. Disease and pest issues like *Phytophthora ramorum*, Emerald Ash Borer and Ralstonia have just begun. Our industry's continued success depends upon a unified, nationally supported approach to working with increasingly involved regulators to arrive at solutions that protect both the crops we grow and our business interests. Non-pest regulatory issues like container labeling will also continue to emerge as our sales at retail represent greater and greater revenues.



*Jonathan Bardzik,
American Nursery &
Landscape Association*

Our success has also introduced players who view this as a retail, not a farming, industry. The presence of increasingly professional retailing will require a more sophisticated approach to marketing at all levels of the supply chain. This will involve both an increased financial commitment and significant innovation to have an impression on increasingly marketing-fatigued consumers.

Our industry has been marked by innovation and the foresight to support national legislative and regulatory relations efforts, like those carried out by our trade associations, providing a strong outlook for continued success. **GPN**

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