GROWERTALKS

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Can Wall Street Run a Greenhouse?

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We in horticulture take pride in the unique nature of our industry. It's highly seasonal and highly weather-dependent, and it's takes hard work and dedication to produce our lovely, colorful products. We also like that ours is primarily a family business and a people business. Many of you took over from mom and dad, and your sons and daughters will (hopefully) take over from you. In horticulture, one learns early on that strong relationships and firm handshakes are how we get things done.

So it's no wonder that we tend to be skeptical about big-money investors who occasionally buy their way into our world. To corporate outsiders, growing plants must seem easy and we must look like hick farmers. Plus, being one of the last remaining category of mass market supplier (maybe the last category) that hasn't been nationalized, we're an obvious target.

All of this comes to mind with the news (page 14) that Bell Nursery has been bought by Central Garden & Pet, a publicly traded holding company based in Walnut Creek, California. About 10 years ago, Bell owners Gary Mangum and Mike McCarthy sold a piece of their business to private equity firm Lindsay Goldberg; in this new deal, Gary and Mike sold their remaining shares and LG cashed out. (Gary says he'll stay on for a while as a consultant.)

I've known Gary and Mike for more than 20 years and have been fortunate to witness and report on their rapid climb to the top of the mass market greenhouse world, and I admit to having a bit of a soft spot for the company. Which is why I wonder: Can Bell continue to thrive under corporate ownership? Will Central maintain the successful "act-like-you-own-it" culture Gary and Mike spent nearly three decades building?

I raise the question because of the somewhat-checkered history of corporate nursery ownership. Central is not the first outsider to take a foray into our business and those that have come before haven't necessarily lasted very long or fared very well—and they took down some well-known family businesses with them.

Take Ralston Purina. In 1977, they bought Green Thumb of Apopka (at the time the largest foliage grower in Florida) and a company called Deco-Plants (which, as I understand it, hosted Tupperware-style parties featuring plants). Of course, this was the tail end of the foliage boom. Their adventure lasted just two years before they spun off both businesses. (The Green Thumb location went on to be owned by A. Duda & Sons, Greiling Farms, Fernlea, Kerry's Bromeliads and now Costa Farms—a storied history!)

How about wood products giant Weyerhaeuser? Also in 1977, Weyerhaeuser bought Oakdell Nursery of Plymouth,

Florida, re-wholesaler Shemin Nurseries, Wight Nurseries and Hines Wholesale. They sold them off a decade or so later. Then-president John Creighton Jr. told stockholders that the businesses were “well-managed, profitable and on a strong growth track.” But an analyst at the time said the sale was “part of a continuing drive to reduce costs.”

Private equity hasn’t fared much better. Hines, under ownership of Madison Dearborn, expanded, did an IPO in 1998, expanded some more, then went into Chapter 11 in 2008. They were bought by Black Diamond Capital, but went into Chapter 11 again in 2010. Why? In part, pricing pressures and sluggish home building, according to reports.

Similarly, Insight Equity bought The Berry Family of Nurseries, which included Tri-B and Zelenka, in 2010. By 2016, they were in Chapter 11. Why? A rainy April and May, they say.

Now, I’m not forecasting that Central and Bell will go the route of Purina and Green Thumb or Weyerhaeuser and Hines. First, I don’t sense that Central is looking to quickly expand the nursery nationwide and seek “economies of scale.” They bought a live fish business in 2016 and haven’t gone on to acquire more fish businesses (yet).

Second, I have no reason to believe Central will try to implant its own corporate DNA in place of the Bell culture—which current Bell COO Brett Guthrie says he will not only maintain, but also spread to new markets.

Third, we’re a much more mature industry today than even 20 years ago and perhaps a bit wiser in how we allow ourselves to be managed by distant owners. The managers of Bell’s various operations know what makes them great.

But corporate ownership has never had the long-term commitment and dedication of family ownership. And stockholders won’t listen to excuses about the weather. Will Central weary of the challenges of horticulture after a few tough seasons? Will quarterly expectations lead them to make decisions based on short-term profits rather than long-term customer satisfaction? I certainly hope not, but only time will tell. **GT**