

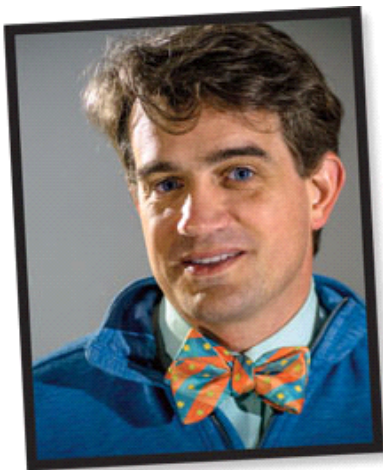
GROWERTALKS

Growers Talk Business

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Squeeze & Wiggle

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When my son graduates from high school, the minimum wage at my company will be \$24 per hour. Sure, Adam is only in second grade, the class of 2033 may seem far away, but as any parent will tell you, “It’ll be here before you know it.”

I can be reasonably sure of what my minimum wage will be because my company uses H-2A workers, and over the past 18 years that we’ve been in the program the Adverse Effect Wage Rate (AEWR) has gone up, on average of 4% per year. In 2018, the national average (each state is different) was \$12.20. In 2022, it was \$15.03. (Yes, that’s closer to 6% per year than 4%.)

No serious agricultural producer can avoid the H2-A program. You can tell yourself whatever you want, but if a grower wants a legal and reliable

workforce they really have no other option. Over the past several years, more and more growers have woken up to this fact. There’s been a rush to join the program. Now we’re all strapped to the same rocket.

As a general rule, labor costs are 33% of sales for wholesale nurseries. Wages drive costs. If our labor continues to increase at 4% per year, we’re in for a big squeeze. The only thing harder than lowering costs is increasing prices, but that’s what you have to do. That’s your job.

Business will always be a game of squeeze, and the winners are those who can push back at the rock and the hard place just enough to give themselves room to wiggle. That’s all we can hope for. We just need to wiggle. The losers just sit there and get crushed.

Push back against higher costs! But can you? How do you tell a crew supervisor making \$15 an hour that next year all new employees—regardless of experience, knowledge or productivity—will make the same wage? How do you push back against the price of diesel? How do you negotiate the cost of containers if you’re desperately hoping you can even get containers?

Raise prices! Okay, but how much higher can I push my prices before my customers revolt? We all share this dread. While “death by cost” feels rather like a thousand cuts—slowly bleeding out—death by over-pricing is more like falling off a cliff. We imagine it happens suddenly. Our customers will buy until, one day, they won’t.

I have two pieces of advice I’m telling myself. (I need it more than anyone!) The first thing is to fix your thinking. Don’t

moan. Don't complain about costs, labor or politics. This is the game and you must Troy Bolton ("Get'cha head in the game"). If your first reaction is to whine about what you can't change, you don't really have any business running a business. It's supposed to be fun. Don't flinch; relish the challenge.

Customers are demanding. Employees are selfish. Vendors are unreliable—so what else is new? Each of the maxims above can be viewed as either personal insults or invitations to innovate and improve. If you're better at meeting customer demands, you win. If you figure out how to channel an employee's selfishness to align with your own, you win. This is business.

The clock is ticking, but we still have time. Keep wiggling. Over the next six to nine months, evaluate your wiggle. If every employee makes it through the squeeze, you either had a magically perfect workforce or you didn't make decisions like you should have. If every product line survives the squeeze, you either had incredible wisdom and foresight, or you didn't do your job. If every customer sticks with you through the squeeze, well ... then you clearly didn't raise your prices enough, did you?

A sure sign that you've lost your wiggle is when your list of employees, product lines and customers don't change. Wiggling doesn't mean you will get every decision correct. Could you lose valuable employees and then hire worse replacements? Yes, and that will hurt. Could you kill products you actually need? Could you anger customers? Could you ruin your business? Yes, you could. Don't mistake a spasm for a wiggle. You don't want chaos; you want room to breathe. A little wiggle is good when you're under the squeeze, but too much wiggle is scary for everyone involved.

I need to know my numbers and trust my gut. That's my gameplan to keep wiggling out of tight spots until my son graduates and makes \$24 an hour to pull weeds. **GT**

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