

GROWERTALKS

Growers Talk Production

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The Summertime Sales Doldrums

Austin Bryant

The houseplant market is in the middle of one of the most important parts of a normal growth cycle. It's been over 24 months since we've seen a real correction in our market. In January, I'd anticipated a plateau in the market after spring sales ended. With massive overproduction on certain items (monstera, calathea, sansevieria, pothos, etc.), along with wavering consumer confidence being exacerbated though record high inflation and fuel prices, what used to be the normal summer pull-back has turned into a liquidation crisis.

Many nurseries expected a huge repeat of 2021 summer sales and didn't flinch at putting in material to match. There also are lots of new non-traditional houseplant growers that have entered into the houseplant market during the past 18 months with no real history of what sales numbers should be considered normal. Now with industry-wide overproduction, many are finding themselves in quite a pickle.

The cost of houseplants at the retail level is continually rising, regardless of the growers' want to temporarily suppress pricing to push their excess plant volumes into the market. Many of the costs pushing the price of plants ever higher are out of the control of the grower. Our popular FedEx freight box program base cost has remained fixed; however, recently the fuel surcharge added by FedEx was a whopping 56%. All of the increased pricing variables really stack up and push the end retail price from high to unaffordable during a time when people are watching their 401(k) tank.

During the COVID-19 "plant gold rush," houseplant prices at the nursery rose quickly, partially because increasing costs of the inputs coupled with massive shortages. However, most of the rising prices were due to high demand from customers who were just willing to pay more. Prices rose not because a costing structure dictated it; they grew unchecked somewhere between fantasy and reality. So now that our industry is seeing the reality of overproduction, a real market correction is underway. What can your nursery do to help insulate itself and soften the fall?

1. Correct inventory to match realized sales. Nobody wants to throw plants in the dump, but holding onto large overgrown product does several things. First, in the hot summer it increases pest and disease pressure in the greenhouses. Fungus problems increase with summer rains and high humidity. Without proper spacing, the overgrown canopies hold in excess moisture and reduce air flow. Watch out especially for *Colletotrichum* (*Sansevieriae*) and other Anthracnose diseases. Second, holding onto large overgrown product also inflates the cost of labor per square foot on sellable plants. Wasting money on taking care of plant material that will never see the market can turn a one-time bottom-line loss into an ongoing forever bill of weeds, pests and labor.

2. Match labor to realized sales. There's a magic number of employees per square foot of growing area at your

location. Make sure your nursery is fluctuating its labor to match seasonal work load.

3. Costing out the inputs. Coming off a year of ongoing month after month sales records, many nurseries haven't had the time to pause, go back and run their costing formulas on product being sold. Things have changed since January 2021; labor is climbing and cost of goods haven't gone down. The chore of digging down and re-gathering all of those hidden unallocated costs of doing business and applying that to the pots being produced must be completed. Don't be a nursery that slowly bleeds out over a couple years because you lost a dime per pot and tried to make it up in volume.

4. Set realistic production goals for fall and winter. It's hard to feel where the floor of the market is until you're sitting on it. I'm eagerly anticipating mid-August when school starts and families get back on a normal schedule; this is historically when the summer doldrums are broken and we see a pickup in sales. I'm putting in a modest volume of material for fall and winter. Sometimes on years like this it's nice to sit back and be sold out, with hindsight saying I should have put in a little more rather than losing third-quarter margins because the excess product was thrown in the Dumpster. Also, remember just because liners are on a crazy sale doesn't mean you have to put them in. We're not growing a consumable commodity; there's no guarantee to sell. When the market is full, it's full.

Money can be made in this business in both the good times as well as the bad; the trick is knowing when the bad times are coming. There have been plenty of signs with record fuel costs and inflation through winter and spring to see a correction in our market coming. As long as production matches realized sales and labor matches production you can make money in this industry when growing quality product.

"There is not always a market for houseplants, but there is always a market for QUALITY houseplants." My dad Theo told me that years ago and once again history repeats itself. Don't set your target at being the biggest supplier in the market. Refocus on being the best quality in the market. Know your pricing and what you can afford to sell your product at. Fall is just around the corner. Get ready. **GT**

Austin Bryant is in Sales for Heart of Florida Greenhouses, Inc. in Zolfo Springs, Florida