

GROWERTALKS

GT in Brief

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Costa Acquires Virginia's Battlefield Farms

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In the first big horticulture deal of the new year, Costa Farms of Miami, Florida, has announced the purchase of Battlefield Farms of Rapidan, Virginia. Battlefield is owned by the van Hoven family and run by Bobby and Anthony van Hoven, two of the sons of Jerry van Hoven, who purchased the business in 1990. Bobby and Anthony and the rest of the leadership team will stay on and run the business for Costa.

Jose "Joche" Smith, CEO of Costa Farms said he's had a relationship with Bobby for some years, and they've talked about doing a deal at various times, but the timing wasn't right. In 2022, Battlefield was in a good position to for a partnership. However, 2022 was not a good time for Costa (in fact, Joche says it was "the worst year in the company's history"—more on that below). So no deal was done.

But about six months ago, the timing was right for both companies, they got down to brass tacks and worked out a deal. Joche said the van Hovens are "very like-minded, with a similar culture ... I think they're very good, authentic people, and we were anxious to get something done ... We are thrilled with these guys—the team, the facilities, the customers ... we're just super happy with it."

Why Virginia? Territory expansion ... but not too far from home. Ashville, North Carolina, is the farthest north they currently have a facility; Rapidan is just six hours further north, which he likes because it allows their regional operating units to help each other out.

It's too soon to talk integration of the company into the Costa fold. But one thing Battlefield adds to the line is bulbs—lilies, amaryllis and so on, both finished and for other growers.

Why did Costa do the deal in the first place? Was Battlefield simply opportunistic? Or is it part of an overall growth strategy for Costa?

"I think it was a great opportunity," he said. "At the same time, we're absolutely continuing to grow this way. From 2010 to 2020, about half of our growth came from acquisition. Then there was more organic growth for two or three years. As that has slowed down, and with our commitment to continue to grow, we feel like a lot of it will have to happen this way, through acquisition.

"Are we open to it? For sure. We've had other people approach us, we'll talk, and with the right fit, with the right partners, yeah, absolutely."

Costa's most recent acquisitions before this one? Deleon's Bromeliads in 2020. Before that, Homestead's Green

Leaf Nursery in 2018, Delray Plants in 2017 and Hermann Engelmann Greenhouses in 2014.

Regarding what Joche said about 2022 ...

We all know that Spring 2022 was tough for many, especially big-box growers, some of whom were asked to reduce or stop shipments sometime around Mother's Day due to poor weather and excess inventory. But that isn't the reason Joche said 2022 was the worst year ever for the company. No, it was indoor foliage. And it wasn't due to spring weather, it was due to high inventory levels at the retailers they serve—inventory levels of everything (bicycles, box springs, bath soap)—because of the whole COVID supply chain fiasco.

Joche said they were asked by their retail partners to grow more indoor plants—a lot more—because in 2020 and 2021 nobody could get enough. So like any good vendor, they said sure! But due to those high inventory levels, the mandate came down from on high that every category, every department, needed to cut back hard on open purchase orders. Unfortunately, that included livegoods, and Costa was told to cut way back on future shipments. Not because plants weren't selling, but simply because stores were overstocked across the board.

"We threw away tens of millions of dollars' worth of product. It was the only year in the company's history that we lost money. It was a very, very difficult year for us."

What did they learn?

"We took some big risks in 2022 that we would not take again ... We're for sure a much better organization for it, and a leaner organization for it. We're better at planning, better at execution, better at reacting. All those things are good, but man, it was a super, super expensive lesson." **GT**