

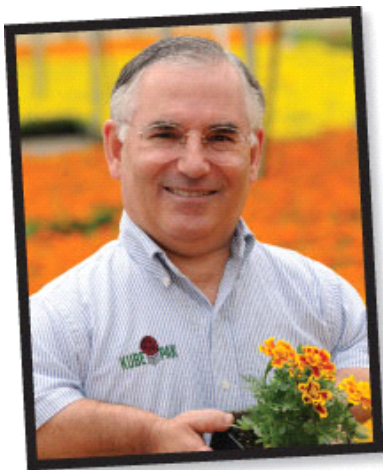
GROWERTALKS

Growers Talk Business

6/27/2014

Raising Prices: The Aftermath

Bill Swanekamp



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In my last column, I spoke at length about the voluntary pricing rut our collective industry put itself in over the past six years and the need to break this crippling cycle. I also mentioned that Kube-Pak was going to raise its prices by 5% this spring. I was hoping some of my competitors would read this article and chose to raise their spring prices for 2014. Guess what? Very few did.

Over and over again I heard the same refrain from our retail customers, “Your prices are too high. I can buy a bedding plant flat for \$8.00.” We were asking \$9.30 per flat and saw numerous long-term customers buy elsewhere. Of course, this was very disconcerting and caused me to wonder if we were going to survive the spring season. On May 10 we were almost 11% behind last year’s sales, which was 8% behind the

previous year’s sales. On a number of occasions, I wanted to just throw in the towel and jump back in the rut. Gladly, with the support of my business family, we decided to stay the course to see how things would turn out.

The outcome was very uncertain because we experienced some of the worst, if not the worst, spring weather we had seen in 50 years. Week after week, we saw cold and windy weather with freezing cold and snow on April 14 that damaged all the planters we had put outside the previous week. Even with our sprinklers running and coating plants with up to three-fourths of ice, there was still significant damage. Here was another dagger in the Achilles heel that we needed to lift us out of the rut.

As we got into end of April, the weather didn’t improve—more cold and more rain. As eternal optimists, we reassured ourselves with the thought that May can only get better. Guess what? It didn’t! The first two weeks of May were again cold, windy and rainy. It was at this point that we were almost broken from our determination to raise our prices and stay the course.

Then something incredible happened. The clouds parted, the rain stopped, the temperatures went up, the sun came out and so did the customers. For the next four weekends, we experienced picture-perfect weather. Each weekend was sunny and warm, but not hot. The humidity was low and so went our inventory. Over the

past four weeks we went from 11% down to 2% up and didn't have to lower our prices until we had shipped the majority of our crop and only had seconds left.

What did we learn from this? We don't have to run our business on the brink of extinction. A fair price increase will be tolerated if it's accompanied by good quality and service. But the other significant thing we observed is that the demand for plants this spring outstripped the supply and so prices remained firm. Anyone who had the courage to raise their prices this spring was rewarded with healthy sales and decent profits. This imbalance of short supply and high demand may be attributed in part to growers cutting back on production based on the previous year's soft sales. If that's the case, congratulations.

The only way we're going to see healthy price increases in the future is if we don't overproduce. This has been the bane of our industry. Yes, we saw great sales this spring, but don't get all excited and throw caution to the wind and increase production next year so that we cannot maintain upward pricing for the future. As an industry, we need to act with foresight and restraint to stay out of the rut and move smoothly into the next decade. **GT**

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