

GROWERTALKS

GT in Brief

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Dümmen Orange Acquires Brokers McHutchison, Vaughan's

Chris Beytes

In November, Dümmen Orange announced that it has acquired McHutchison Horticultural Distributors of Wayne, New Jersey, and Vaughan's Horticulture of Naperville, Illinois, two wholesale brokers/distributors. Both operate under the umbrella of McHutchison Corporation.

Dümmen Orange execs Biense Visser (CEO) and Kate Santos (Operations Director) were in the Ball Horticultural Company offices to discuss the acquisition, so we had the chance to ask the question that always comes up: Why?

The short answer? To get closer to their customers, they replied. Dümmen Orange has traditionally sold all of their products through brokers such as Ball Seed and Express. Being able to utilize the sales force of Vaughan's Horticulture and McHutchison will allow them more direct access to growers, they explained.

"For our organization, at our core, we're innovators," Kate said. "We're about developing new products for the market that really differentiate us in a significant way. And in order to do that, we need scale in order to distribute those innovations."

If you've been paying attention, you know that Dümmen Orange has recently acquired breeding companies that offer genetics outside of their traditional lineup of annuals and perennials—such as calla lilies from Golden State Bulb and orchids from Sogo—so they're looking for new ways to bring those products to market.

Both Kate and Biense stressed that the partnerships Dümmen Orange has with their current broker partners will not change and that they will continue to build upon those relationships. McHutchison and Vaughan's will continue to operate as separate entities, with Scott Crownover and Keith Cable staying on as division presidents, respectively.

"One of the most important things we want all of our broker partners to take away from this announcement is that we still want to maintain an open platform," explained Kate. "We do value their partnerships and will continue to want to work closely with each and every one of them to continue to grow the business we have with them, because it's very important for us as an overall organization."

What's their long-term plan?

Kate and Biense acknowledged that this news has raised some eyebrows, especially with their broker partners, but one of Dümmen Orange's long-term goals was to look at how they could distribute their own products (with a focus on the niche products) so they can better serve their customers.

And speaking of long-term, rumors have been swirling for a year or two that Dümmen Orange has been making all

of these acquisitions with the end goal of selling the company. Kate and Biense insist that is not the case.

“It’s very simple: It’s a long-term strategy, and you see that we’re investing in new crops,” countered Biense. “And with these new products, before these investments materialize, seeing substantial revenues may take five to 10 years. So we are investing in the future of the industry, because to transform breeding takes time, takes years.”

As proof of their commitment, Biense pointed to a new \$10 million R&D facility they’re building in the Netherlands, and a new state-of-the-art elite stock greenhouse they’re building in Germany. “We’re not saving dollars, we are investing dollars, in order to advance the industry,” he said.

“Our ultimate objective, our strategy, is to be the frontrunner in floriculture, so these are all strides to take in order to be that frontrunner,” added Kate. “Some of them are really to create a sustainable platform for floriculture innovation in the future. It’s not a mindset of short-term wins; it is future-focused.”

Part of that strategy is to strengthen their organization with a more global approach, as Perry Wismans—who previously oversaw their North American operations—was recently promoted to Global Head of Floricultural Innovation.

Says Kate, “We have this amazing global team that is working together on these strategies and thinking, ‘How do we really build an infrastructure for a future that is sustainable for our organization?’”

From Vaughan’s perspective

We also contacted Keith Cable to get the Vaughan’s/McHutchison angle on why they decided to sell.

“From our perspective, we were afforded the opportunity to align with one of the premier breeder/producers in our industry,” Keith answered. “This will help develop our product knowledge and market support, which will translate into better service for our customers and enable us to grow our business.”

We asked him if he felt it was important for a broker to be aligned so closely with a breeding company these days. Certainly, it’s hardly a new phenomenon: competitor Ball Seed Company has had sister breeding companies (PanAmerican Seed, Ball FloraPlant, Darwin) for years. Keith wouldn’t answer that directly; he’d only say, “We’re going to continue to sell the products that are best for our customers, regardless of who produces them.”

Keith confirmed that he and Scott Crownover would remain in charge of their respective divisions, reporting to CEO Mike Tizio.

“We’re excited about the opportunity this presents to our customers, our vendors and our company,” he concluded.

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