

GROWERTALKS

Growers Talk Business

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I've Never Seen So Much Change in the Industry

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There's been so much change in our industry in the last few years and I think, as it hits a new season in its own life cycle, it's a good time to talk about where we're at.

We're still, in a majority sense, an industry made up of family-owned businesses who work hard at our craft and provide very similar product in a very similar way like we did 20 years ago. We've "evolved" with UPCs, ASNs, rolling racks, new containers, new genetics and a host of other innovations, but these are really evolutions vs. revolutions.

But change is happening fast around us in many ways and especially in three areas that are revolutionizing this industry.

Greenhouse space utilization: We all hear from our bankers and insurers that our facilities are "single-use" structures, and while that's still true today, there are three rapidly expanding markets that change the ability of our facilities to do more than just produce "flowering live goods."

First, there's the expansion of cannabis, which allows any grower to attempt a completely new revenue stream, completely change their customers and completely change their business model. While this isn't for everyone, it's an option for some who are going through business change-outs or have just had some changes in their customer base and need new revenue options.

Second, there's the growth in succulents. Succulents change the game of "flowering live goods" in a way that continues to evolve. This space utilization changes your turns and labor utilization (I haven't seen many automatic transplanters for succulents), but it more than likely keeps your customer base the same. This is a growing market that many greenhouse owners continue to explore and expand on.

Third, and probably the largest growth of how to alternatively use greenhouse space, is the rapid expansion of greenhouse-grown vegetables for grocery stores and big boxes like Walmart. This market has taken off in the last seven years due to the need for "locally grown" produce and the advent of needed, consistent supply and quality that only a greenhouse-grown veggie can give you. Hundreds of acres of new greenhouse expansion have occurred in the last seven years to support this growth and it will continue.

Ownership: We've had three very large ownership changes in our industry among the Top 10 players in the last 18 months that have and will change the fabric of this industry for years to come. Scotts bought a minority share of Bonnies from the Alabama Farm Cooperative, Markel bought Costa Farms from the Costa family, and Central Garden & Pet just bought Bell Nursery from Gary Magnum and his ownership group. While immediate changes aren't highly evident, the infusion of capital, if allocated and handled correctly, is a good thing for our industry.

I know some have made a run at this without success (i.e., Insight Capital bought Berry Family of Nurseries in 2012 and sold it in 2017 at a big loss). But I feel if there's a true infusion of both personal and actual capital into facilities and technology by the new ownership group, and they leave the operations and family business approach that made these three companies successful, then it could work and be good for our industry. Getting Scotts and Central Garden and Pet to spend more money in advertising live goods is good for us all. But if you take local ownership out or their interest in the business wanes, and then you additionally put in corporate controls, it can go wrong quickly and it takes just unbelievable effort/coordination to make it work.

The perceived fear in acquisitions like Scotts buying Bonnies for our industry is the buying party isn't fully engaged. If this new "Plant Division" doesn't perform and grow as well as the other divisions, that could spell a lack of investment in that division or worse.

Government: Between tax reform, the farm bill and the possibility of immigration reform, you have three big areas that could change the way we all do business moving forward. Without some solid, well-thought-out work here by both parties, especially in immigration, it could change our industry forever. But we cannot just wait for it to happen. One key point I learned at a recent event I attended is that the Mexican population growth rate is slowing, so even if nothing is done on immigration, we must all face the reality of a rapidly changing available workforce in the United States. We have to make working for a family business "cool again" like it's always been.

One of the strengths of any great live goods company is rolling with the flow and working through the nonsense. If your company sees a vision of what they want to accomplish before each season starts, they'll stay focused on that vision and fight each day to make it happen in the craziness of our industry. **GT**

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