

GROWERTALKS

GT in Brief

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PanAmerican Seed Announces Price Increases

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PanAmerican Seed is announcing sweeping changes to the pricing structure for most of its crops starting May 2021.

According to Anne Leventry, it's been a number of years since this division of Ball Horticultural Company really took a deep dive into their inventory and pricing structure. As breeding and production costs continue to go up every year, Anne said they knew that they were facing some major decisions. So PanAmerican hired a consultant to help them really scrutinize their product offering to develop a fair and competitive pricing increase structure. The whole process took about a year.

"Our crop portfolio is quite large, so it was a pretty extensive process," Anne explained. "We literally looked at every single crop and we made strategic decisions."

For some of the lower-priced items (including alyssum, OP [open-pollinated] vinca and verbena, and French marigolds), there are increases of 20% to 25%. But for the higher-priced seed crops, such as Wave Petunias, those are going to see a much smaller increase, perhaps 1 or 2%. Those in the middle will see a 5% to 6% increase.

"There has been a lot of thought put into this," Anne continued, "And we want to help the industry understand why we're doing this. It's not just to improve our bottom line, but it's to help them so that we can continue to bring innovative products and supply high-quality seed. We're doing it so we can be a better supplier to the industry."

In years past, any price increases were implemented based on market pressures—more reactionary than anything, Anne said. Being more strategic about increasing prices helps to ensure that it benefits every member of the supply chain without squeezing one particular party.

"Historically, the price increases have been a percent here, a percent there, or no increases many years in a row to just keep pricing flat," she said. "Of course, while that's been happening, all of our other costs have been increasing, so the impact on the bottom line has become more and more significant over time."

Over a 10-year period, Anne said there are three main reasons why costs have gone up:

- The cost of breeding has increased at a rapid pace. This is mainly due to the fact that the types of crops have changed. Ten years ago, most seed breeders were focused on developing another pansy color or a slightly earlier petunia. Now, the market is no longer interested in line extensions—they want breakthrough, innovative products (think IDM-resistant Beacon Impatiens and interspecific hybrids) and that requires more technology and longer-term,

more costly investment.

- For lower-priced seed items, it makes it more difficult to justify spending any money on breeding when the return isn't there. "We came to a point where there is a whole list of crops where we either exit or we have to invest to improve the supply situation," said Anne. "We believe that the industry wants us to stay in those crops." These include those that are field-grown and typically inexpensive to produce, but they're seeing costs go up, too, as the demand from their customers for increased quality and reliability of those crops continues. In order to maintain inventory for these lower-end crops, PanAmerican has had to upgrade or add on to their production facilities in California and Chile.
- Compliance and regulations have become more stringent and more difficult to navigate. Managing the importing and exporting of seed comes with a pretty high cost, said Anne. The rise of concerns surrounding GMOs and the United Nations' focus on plant and seed health has put the seed industry on regulators' radar.

What do customers think?

PanAmerican has been explaining the changes to some of their larger seed customers and plug producers. So far, the reaction has been positive.

"It's been a little surprising, in a way, because people are not shocked," said Anne. "The common response has been, 'If you guys improve your supply, we are happy to pay more.' And that is such a key issue for a lot of growers—if they order something and we don't supply the seed on time or the quality isn't what they need, there's significant costs there. Not just the cost of the seed, but in labor, equipment, inputs—everything. So I think they understand that we're investing and they expect us to improve."

This puts a lot of pressure on PanAmerican and they have to make sure to manage expectations—Anne admits that every problem won't be solved right away. Seed is still a biological product and they know they won't be able to get everything exactly right 100% every time. But the goal is to always be better; with the price increases, they will continue to invest and hire the best people to do the work.

"Our hope is that this increase will cascade down the chain," Anne said. "That not any one level of the industry is going to absorb it and it will ultimately end up in the price of the finished good. We're producing beautiful products for the end consumer and there's clearly demand for it. The pandemic has shown us that worldwide. So this is the time for everybody to look at increasing their prices, I think." **GT**