

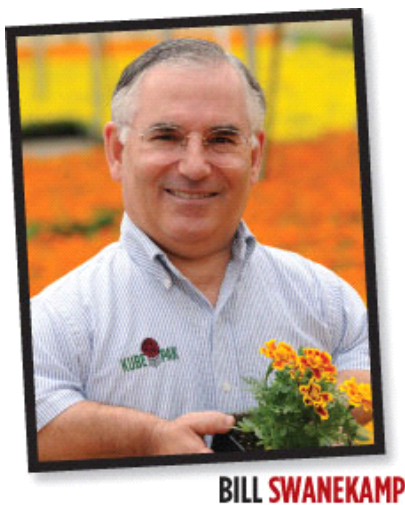
# GROWERTALKS

## Growers Talk Business

7/1/2021

### The Price is Right!

*Bill Swanekamp*



“Come on down!” is the famous line used on the longest running game show on TV. Almost everyone has watched this show at one point in their lives. It’s captivating to see people guess what the retail value is of the featured product. The question is: What would the contestants guess is the retail selling price of our horticultural products? I’m pretty certain they would all over-bid because, in many cases, we sell our products so cheap.

This leads me to the key point of this article: Is the price right for our beautiful flowers? Probably not. Our industry has historically underpriced its merchandise. There are a number of reasons for this, one of which is overproduction. Additionally, starting in 2008, there was a downward trend in pricing across our industry. This led to many major greenhouse operations throughout the country going out of business. Also, a far greater number of smaller operations couldn’t compete with the highly mechanized mega-

ranges and so closed their doors. The dominance of the Internet and social media have also affected our industry because people have been spending a great deal of their free time surfing on the Internet and not enjoying the wonderful outdoors.

As we know, all of that changed in 2020. The COVID-19 pandemic hit and families chose to stay home and work around their homes. This has been a tremendous boom for our industry, as we’ve seen record sales for the past two springs.

But where are we now? Is this trend going to continue? I can’t answer that question, but I can tell you one trend that’s developing and picking up steam—inflation! I frankly hate to hear that word, but without question we’re going to enter a period of aggressive inflation.

There are a number of reasons for this. One is the economic stimulus programs over the past year. I’m not complaining, but whenever the government makes so much money available it triggers spending and when people start buying at a pace greater than it can be supplied, prices go up.

Just look at the lumber industry. Since people are staying close to home, they’re also investing in their homes and properties. Building is at a frantic pace. What’s the other consequence of this surge in building? Explosive increases in lumber prices. Two years ago, a sheet of plywood was about \$15.00; now it can be as high as \$60.00.

Can we learn anything from the lumber industry? Yes, we can. We need to raise our prices while the demand for our

products is high.

The reason we need to raise our prices isn't just that demand is high, but because our input costs are going up dramatically for the second half of 2021 and all of 2022. We received our plastic pots for the summer and fall production, and the price of these items went up substantially.

Here are a few examples of price increases:

- 4-in. pots: 21.75%
- 6-in. pots: 18.25%
- 7.5-in. pots: 13.65%
- 10-in. pots: 14.15%

This is just a small sample of increases. Peat moss is going up between 8% and 10%. Seed prices are projected to go up as well. This especially applies to the lower-cost seed items because the seed companies cannot produce the seed reliably at the rock-bottom prices that were charged in the past. Some of these items will double in price or more.

The last big increase will be in wages. This spring, we had to raise our starting pay just to get warm bodies in the greenhouse. It won't be long before we'll be looking at \$20.00 per hour employees. Forget \$15.00 per hour—that train has already left the station.

The challenge for us is to determine not whether we should raise our prices, but how much we should raise our prices. I haven't come to a final conclusion yet, but I think we need to raise our wholesale prices by no less than 7%. This may not even be enough because we haven't yet received all of our quotes on raw materials for 2022.

My goal, and I hope yours, will be the same: make sure "The Price is Right." **GT**

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