

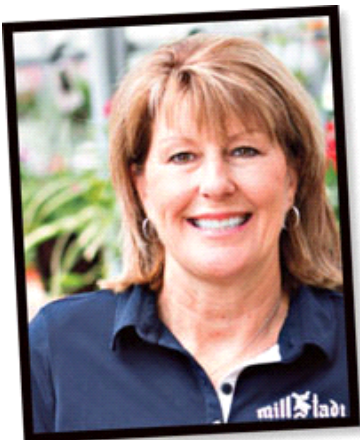
GROWERTALKS

Growers Talk Business

10/1/2021

What Does the Future Hold?

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What's the future of our industry and where are we going from here? As I sit at my desk going over supplies we've ordered for next spring, I ask myself, "How has something so simple as freight delivery become such an issue?" As a greenhouse, it's our job to supply our current market with live goods and satisfy all of our customers with plant quality and on-time delivery. But our challenge currently is how do we predict current and future costs with inbound and outbound freight?

Creating an accurate business forecast is important, but very challenging, especially during COVID. Normally, our business management team spends extensive amounts of time analyzing current trends and tries to measure the possible impact of changes in our business. We look at relationships with our customers and our own organization comparable to sales, cost, supply and distribution. Each of these factors are important in what influences our decision making for future sales. So what do we do when everything we know about sales and forecasting is a forever-changing situation?

As most businesses in our industry, we rely on forecasting, latest trends, customer wants and demographics to come up with the best future plan. A forecast is a financial plan, budget and prediction for your business. In our industry, we have to always remember that weather has a big influence on all forecasts. We all try to do the best we can when we make our business plan and hope we succeed.

But here are a few things that have really blown our forecasting out of the water. As we all read and listened to Charlie Halls' "Index of pricing paid by growers in the green industry," this got most of our minds working in overdrive. We had to go to our customers and ask for one of the largest increases we've seen in decades.

In May, we figured out what it was going to take to make it work for our business to make a profit and keep our customers happy. We were feeling pretty good about our plan and excited to move forward. But there has been one major hitch in all of this—COVID will not go away and it has squared off against all of us to the point we have no idea where our economy will end up. We know as growers our largest expenses are labor, propagation materials, plastic and freight. Labor is the largest expense, but it's a constant that we adjust by the year and come very close with.

This holds the same with our propagation material. Plastic has been its own challenges. We have companies that have quoted us an 8% to 15% increase, with the higher telling us if the market rebounds they'll reduce their prices. I understand what they're doing, but can you imagine going to one of the box stores and telling them the same thing? I'm pretty certain this would never happen.

Lastly, freight—I'm at a total loss for incoming and outbound freight. Pre-COVID we could bring in a container of plastics or coir for \$3,500 to \$4,000. Most of my quotes included freight. Then COVID hit and anything that needed to make it to the U.S. was being hit with a higher freight rate. It started as an increase above our quoted price. It was \$400 then quickly went to \$900. By this spring, we were at \$3,000 to \$5,000 above our quotes. With the never-ending changes, companies started quoting just the item and the freight. At this point, we were being quoted \$10,000 to \$11,000 with the assurance from many who influence our market that this will level off and get back to a more reasonable amount.

In my mind, I thought this craziness had to stop and prices have to come down. No, my current quote from last week was \$13,500 to bring over one container, and on top of all that, most containers are delayed by two to three months. In case you weren't calculating, this is a \$10,000 increase on one item, and as many of go overseas to get our goods, there was no way to foresee this increase as a continuous amount that would have no relief.

So where do we go from here? We as a company have done all we can to source as much as we can from the U.S. We've made changes in our media to reduce the inputs that we need from overseas and we've tightened up on waste as best as we can to reduce extra spending on our inputs.

I hope we see an end to this soon, but for now we keep with the plan that we set forth and hope we come out with a profit despite the market's compression on growers. **GT**

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