

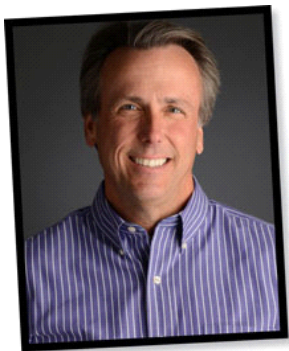
GROWERTALKS

Acres & Acres

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“Why Bet on Disaster?”

Chris Beytes



CHRIS BEYTES

By the time you read this, you'll be deep in the middle of May sales and you'll know more than I do about how Spring 2023 is going to wind up. But as of April 14, as I'm typing this, the jury has still not returned a verdict on the big question, to wit: Do high interest rates, high inflation rates and high fuel prices impact garden center sales? Sales to date look strong—but will the trend continue?

Having survived the Great Recession of 2007-2009, we're confident our industry is "recession-proof," as we like to say. Budget-friendly stay-cations are good for us. (So, for that matter, are pandemic lockdowns.) But during that recession, heating and transportation costs were two things we didn't have to worry about because oil had dropped to just \$39 a barrel. The good old days!

Circa 2023, it's harder to make a call on the effect of the economic situation on horticulture because we haven't seen an economy like this since the Carter/Reagan years of 1980/81, when inflation AND interest rates AND oil prices were all through the roof. I was there, but I was in college, trying to make my \$5 beer and pizza budget last all week, so I wasn't concerned about the macro economy. But a bit of Googling revealed that inflation hit a record high of 14.6% in 1980 and the average mortgage was 16.6%, both more than double today's rates. Oil was at \$35 a barrel, equivalent to \$115 in 2021 dollars. Hard times! I wonder what growers were thinking back then?

Easy enough to find out: Just turn to the pages of GrowerTalks, which has been reporting the thoughts of the industry since before World War II.

I opened the January 1979 issue to find this story: "Outlook '79." In it, Vic Ball wrote, "In our opinion, the grower who goes at 1979 in a businesslike way will make money [and] often will expand. There is an underlying optimism, facing the future, among many of the growers we talked with."

But Vic admitted, "Inflation will surely be the number one problem for all growers in '79. It's the reason so many growers report substandard profits for '78. It's also the reason so many growers are capital-starved—no money to expand, renovate, put in labor-savers and fuel-savers, not enough money to pay bills."

What did Vic recommend his readers do about inflation? Especially if they'd already cut costs and increased prices?

"The businessman-grower collects his bills," he wrote. "Unpleasant. We all like to grow things. But allowing customers to take three or four months or more to pay adds important costs. Slow collections are almost always part of the anatomy of a business failure."

Next, he suggested, “Keep an open mind to change. The winners in '79 will be the growers who are willing to accept change.” He cited the shift from cut flowers to bedding plants in the '60s and the then-trendy shift from growing on benches to growing on the ground for more flexibility.

A key difference from then to now: Technology

The grower of 1979 had a key advantage over his modern-day counterpart: Plenty of room to improve! The average North American greenhouse of 1979 was inefficient in energy, labor and space. Lap glass leaked, boilers wasted fuel and there were few labor- or space-saving devices. Benches were stationary. At best, they had narrow aisles and so used those tippy one-wheel carts to fetch plants two or three trays at a time.

Which is probably why the January 1980 cover story was about a week-long trip Vic took to Holland, the epicenter of modern greenhouse technology, to report on labor-saving tools. He reported on their efficient blocks of clear-span greenhouses, the widespread use of potting machines, automated “Dutch tray” benches that roll in and out of the facility, Javo’s automatic plant-spacing robots and more.

At the time, these tools were exotic and exciting. Today, they’re commonplace. Add to that double poly glazing, energy curtains, modern boilers, shipping carts and such, and it’s easy to see that there’s not much low-hanging money-saving fruit. Still, I’m sure you know better than anyone where you could invest in your business.

All of this is to illustrate that growers of 40 years ago (your dad or granddad) faced the same sorts of economic challenges as you—worse, even—and they came through it.

Wrote Vic, “There is general concern among growers about runaway inflation—or depression—in '79. But most growers figure, ‘It probably won’t happen if I bet that it won’t and I plan on a reasonable steady income. And if it turns out that way, I win. Why bet on disaster?’” **GT**