



# Growing at the right pace

Marred by the recession, nursery growers are evolving along with the industry

BY JON BELL

**O**VER THE PAST few years, Minnesota-headquartered **Bailey Nurseries** worked on breeding a new addition to its Endless Summer® brand of hydrangeas. Called Summer Crush®, the plant erupts in raspberry red or neon purple flowers, hues that are much bolder than the standard blue, pink or white of hydrangeas past.

It took years to test and perfect it, but Bailey at last set its introduction for spring 2019. However, with a memory still fresh from the Great Recession, the nursery company opted to be a little more conservative in how many Summer Crush hydrangeas it would grow and sell. It was a strategy that both worked and left the folks at Bailey a bit frustrated.

“We brought the plants into color just in time for Mother’s Day, and we sold every single one we had,” said Marc McCormack, director of sales and marketing for Bailey Nurseries. “We could have easily sold two or three times more than that. We beat ourselves up over it, but we still sold out and we still made money. We are happy that the demand remains strong and we look forward to what we can sell in the future.”

The Summer Crush example is one that illustrates the current conditions in the market right now and how those conditions — including strong demand, measured supply and solid pricing, to name a few — are influencing growers and their strategies.

Market conditions have created strong demand for innovative new products, and Bailey has responded in kind. Yet labor shortages, wild weather swings and some overarching uncertainty are also guid-

ing growers in other ways as they push to strike the right sell-and-grow balance and not grow too far, too fast.

“There will always be challenges,” said Art Anderson, general manager at **J. Frank Schmidt & Son Co.** (Boring, Oregon). “Right now, the market is rather stable. I don’t think it’s going to change dramatically either on the demand or the supply side, but we always need to be aware of what’s going on. There are trends for different product mixes and types, but people will always need and want plants, trees and shrubs, and for that we can be thankful.”

## A rebound from recession

There’s simply no two ways about it: The nursery industry has rebounded from the Great Recession and the market is strong.

According to the latest figures available for Oregon from the Oregon Department of Agriculture, nursery sales hit nearly \$948 million in 2017 — the best year the industry had had since it hit just over \$1 billion in 2007 before plunging to just over \$600 million at the depths of the Great Recession. Oregon could see that \$1 billion mark again this year. Other states are seeing similar booms, as well. For example, total output sales in Florida, the second-largest horticultural producer in the country, topped \$21 billion in 2015, well up from its Great Recession nadir.

Fueling that renewed activity has been a rebound of the overall economy, as well as a strengthening of the housing market and continued interest from consumers in new and also traditional plants.

“I feel like we are enjoying reasonably good times in



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terms of sales,” said Kurt Wittman, a relationship manager and vice president with **Northwest Farm Credit Services**, which helps growers and farmers find financing for their operations. “People are getting back into their numbers.”

Wittman said in addition to strong sales, another good indicator of a solid market is the rate of sell-through that growers are seeing. At the lowest levels

of the recession, many growers were only selling through 35 to 40 percent of what they’d grown. Now that’s back up to 80 percent or higher.

“During the recession, so much of it literally went up in smoke,” he said. “It was sickening. But we’re seeing a solid comeback. It’s partly because prices have recovered, but sell-through is a key indicator of why they’re doing better, too.”

### Avoiding oversupply

One of the reasons prices have recovered and remained strong is because growers have, so far at least, not grown too much and oversupplied the market. That’s what happened to a lot of nurseries leading up to the Great Recession: They grew too much product, and when the bottom fell out, they were left with a ton of inventory they couldn’t sell — and often had to destroy.



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**Previous page:** Staff at Smith Gardens in Aurora, Oregon, prepare racks for shipment. **Opposite page:** Dormant trees sit in a cooler before distribution at JLPN in Salem, Oregon. PHOTOS BY BILL GOLOSKI

“Memories are strong,” Whittman said. “Growers are cautious about expanding.”

They’re also, in many cases, not able to expand even if they want to. That’s largely because of the ever-present labor shortage that plagues the nursery industry.

McCormack said the lack of labor is definitely constraining on the industry. However, it also comes with a silver lining.

“The biggest challenge we’re seeing with the growth channel is that growers can’t expand as much as they’d like because of labor concerns,” he said. “It’s hard labor and it’s not easy to find people right now. That’s limited some of our sales but it’s also keeping supply in check, which also keeps prices high.”

Larger economic conditions have also helped keep the market strong. Interest rates have remained relatively low — Whittman said 30-year-fixed rates have been hovering around 4 percent for most of this year — as has inflation.

Ken McVicker, sales and marketing manager for **Van Essen Nursery** (Lebanon, Oregon) said he also sees anecdotal signs that the economy is still doing well.

“When I fly into a market, I get a judge by how many cranes are up,” he said, noting that on a recent trip into Portland he counted 21 construction cranes on the skyline. “It’s a good indicator. If you’ve got cranes up, there’s money flowing. If the people who spend that kind of money are doing that, there’s confidence, and when you see that kind of confidence, you know we in the nursery industry have got time left in the market.”

#### **Brands and the plant portfolio**

As the market continues to evolve, so too are nurseries changing with it to ride out the strength as long as possible. McCormack said Bailey Nurseries’ various brands have done well in the market, setting themselves apart from the competition. >>



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Branding is nothing new to the nursery industry, but he said years of promoting brands and cultivating consumer loyalty have paid off. On the flipside, McCormack also said Bailey has tried to remain judicious in just how many different plants it offers. Every year the company sizes up its offerings and makes sure to trim those that are not selling well while adding only a limited amount of new

plants so as not to get spread too thin.

“Diversity of offerings is something that we as a company need to keep in balance,” he said. “We go through that because it streamlines and helps keep overall costs down.”

Weather will always be an issue that will impact growers — and one that they have no control over. McCormack said this year has so far been relatively

positive from a weather standpoint. The Northwest has been solid, as has the southeast. Spring in the upper Midwest has been wet and late, he said, though not as late as it was in 2018.

“When the weather’s good, it’s been strong,” he said.

On the labor front, Anderson said there’s likely no promised land in sight. Labor will continue to be an issue for ➤

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nurseries — and rising wages will only compound that — which will require some adaptations across the industry.

“We need to be inventive and creative to attract new employees, but we are also very focused on retaining our current employees,” he said. “We have an attractive overall benefit package, we’ve increased wages and we do pay overtime.”

There’s likely to be a continued trend of older nursery owners phasing out as younger generations opt on different careers. That could result in some shifts in ownership — think more consolidation within the industry — so nursery owners need to be thinking about what their future plans are.

And speaking of younger generations, though millennials have long been said to be putting off moving to the suburbs, getting married, having kids and planting new plants in their yards, that shift is coming. As a result, the nursery industry is likely to see more business from younger consumers and would be wise to tap into the younger mindset. That means keeping a pulse on trends and finding a way to connect with a new wave of consumers on whatever level possible to keep the positive momentum pushing forward.

“We are bullish on the industry,” Whittman said. “It brings a lot of beauty to our culture. I think there’s a bright future for the nursery industry.” ©

*Jon Bell is a freelance journalist who writes about everything from craft beer and real estate to the great outdoors. His website is www.jbellink.com. He can be reached at jontbell@comcast.net.*