

## CONCLUSION

Only a very few of the research projects at the USDA were highlighted. Introductions by the U.S.D.A. have resulted in economically valuable cultivars, as well as pivotal parents for many Industry and University breeding programs. These cultivars and germplasm are the foundation of many of our standard horticultural crops.

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## A Grower's Perspective on Plants, Profitability and Propagation<sup>©</sup>

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### A CALL ON MY CELL PHONE

"Good morning, Centerton Nursery. Yes, ma'am. Dead? We just shipped them to you this morning; they haven't had time to die! Well, what seems to be the problem? Undersized? How small are they? Oh, you don't have a microscope that powerful. Yes that was a good funny. Look, here's what you do .... Go get yourself some 36N-12P-17K, mix it up to 142 ppm, spray it on them three times a day for 6 to 8 weeks. Yep. Size 'em right up. I'm sorry, I didn't catch that ... the other plants? ... you're pleased? Oh, they're diseased. Well, you know, we in this industry can't expect everything to be perfect. Why not? Uh, well, if everything was perfect then you wouldn't have anything to complain about; you couldn't vent your anger; that wouldn't be healthy, now, would it? Look, here's what to do .... Grab any of the half dozen fungicides you have on the shelf, mix them up into a cocktail, apply it twice a week for 2 weeks .... clean 'em right up. What's that? Would we take them back? You are a comedienne. Yeah, that's a real knee slapper! Yes, ma'am, always happy to give our award-winning service. Bye.

If we sent poor quality product and gave poor service to our customers we wouldn't stay long in business. Then why, I ask, should we accept that kind of business from our propagator suppliers? At Centerton Nursery we note certain universal truths.

Truths that must be acknowledged for a long-term relationship with a propagator/supplier. These truths are:

- 1) We can't afford to fix your problems.
- 2) We don't have time to fix your problems.
- 3) We are, for the most part, incapable of fixing your problems.

### **WE CAN'T AFFORD TO FIX YOUR PROBLEMS**

Poor liners that cause losses or delays in sales affect our output, hence our costs. Herein lies the problem. There is a marked difference in how most propagators, versus users of propagated plants, see things. It goes like this:

Propagator: "My end user wants a certain plant."

End User: "I want a plant that performs in a certain way."

In other words, from the propagator's perspective, if it arrives alive he has fulfilled the customer's desire. From the user's perspective, he or she is satisfied when the product performs. What we growers need to do is keep hammering home that we need a plant that is predetermined to perform.

This business is about finishing crops — not about negotiating credits. The cost of a bad liner is greater than the liner: it is also the soil, the container, the labor, and the space. The cost of space/time is the highest of these, and the one most nurserymen completely overlook when figuring their costs. We use a formula to determine our cost of space/time, and this cost is assigned to each square foot of our production range (see attached formula).

A few propagators understand that the user's success is based not on possession; rather on performance. Pioneer Gardens in Deerfield, Massachusetts, is empathetic to the needs of its customers. When a batch of liners I had ordered were not up to their size-standards, they not only let me know prior to shipping; they shipped me twice the liners so I could double pot them, enabling my crop to finish on time and within budget. Now that's an appreciation.

### **WE DON'T HAVE TIME TO FIX YOUR PROBLEMS**

In this world of hurry up and get all you can, the practice of sticking cuttings is not new. However the practice of taking cuttings from cuttings is new. Propagators, in a rush to take advantage of demands on new plant introductions, rape their stock blocks for cuttings, then when the stock block is exhausted they then take cuttings from the rooted cuttings. There is nothing wrong with this if, at the time of shipping, the secondary batch is up to size standards. But remember propagators, we growers don't carry around microscopes either. Mouse-ear sized liners do not hold up to machine potting, coarse soil mixes, normal watering regimes, or nutrient or chemical applications. Undersized liners are pre-programmed for failure, not pre-destined for performance.

Infestation is another issue we don't have time to deal with. We schedule liner deliveries as we need them. When liners arrive diseased, we don't have 3 weeks to set them aside and clean them up, all the while pushing finish-time back. My customers won't wait long for their plants. Neither should we.

When Greenleaf Nursery was gobbled by Yoder, I was apprehensive. Most take-overs result in diminished quality, reduced services. But this one went the other way. Today, Yoder/Greenleaf sets standard in timely communication. When they see

a problem, they're on the phone. This enables us to do something about it: double up, go looking elsewhere, or at least turn off sales people so we don't disappoint any more customers than necessary.

### **WE ARE, FOR THE MOST PART, INCAPABLE OF FIXING YOUR PROBLEMS**

Split-shipping is a commonly accepted practice in the propagation industry, and one we'd like to be able to wave a magic wand and halt. Every nursery has its own version of the ideal minimum number of plants of a variety to handle. It is the number below which the variety becomes a candidate for the microscope. It becomes too small for which to switch chemicals, too small to alter water regimes, and too small to be noticed therefore it doesn't get taken care of. It's a pain to inventory and a pain to ship from. We have evolved to the point where we simply do not accept split shipments, period. We tell our propagator/suppliers "If we have 3500 ordered and you can only come up with 2750, ship the 2750 and forget the balance. We can do a great job with a single manageable patch or we can do a poor one with lots of unmanageable itty-bitty patches."

This is where new plants come in. This is a commercial world. That is not a judgement, for if it was I'd get judged straight to the lower regions. We brand, trademark, servicemark, and patent anything we think has value. It's just a commercial world and that's a fact. So much so that much of what we come across is more hype than reality. New plants are coming out of the woodwork so feverishly that we can in no way test them all. So, we depend on our propagator/suppliers to fill us in on the pluses and minuses of new plants. When they fail, we pay.

For instance, for years we grew the classic Stokes aster, 'Blue Danube'. It was a reliable grower and bloomer. Then suppliers came to us and said "Throw away your 'Blue Danubes', boys: we've got this new one, and it has blooms that are twice the size!" Wow, twice the size! So we discontinued the old one, threw out the labels, brought in 2500 liners, and had 2500 new labels made up. And guess what: the blooms were twice the size of the old variety. Problem was, instead of 50 blooms per plant we got about three, at least in a good year. Guess what we did next: threw out the plants, threw out the labels, and started all over again with the old cultivar. Newer isn't always better, and we don't want to be steered down the wrong path.

North Creek Nurseries in Landenburg, Pennsylvania, is a firm with whom we share a great understanding. Based on our market niche, we make it clear to them the profile of the type of new plant we're always on the lookout for. They know our production parameters on container size, desired finish time, soil tolerances, etc. They serve as our eyes and update us twice a year on things they believe are worthwhile considering for our program. Their selections won't be perfect, but they reduce the number of test plots and increase the likelihood of our finding appropriate new plants.

### **SUMMING UP**

Right about now you're probably saying to yourself "Yeah, I'll bet they don't make a single mistake in their in-house propagation." Do we make mistakes at home? You bet. Some real humdingers. And we see it right away so we can do something about it. When we depend on others we can't see the problems, that's why we need you propagators to be better communicators.

Before you think this is a one-sided relationship, let me assure you it isn't. Those propagators that don't send us their problems and rather send us plants that perform should be and are rewarded. We reward them with more business, orders placed 6 to 12 months in advance, walk-to-the-mailbox 29-days payment, and we don't go round canceling large quantities on them at the last minute.

In today's world it is hard to get by without depending on others. We're after a level of confidence, knowing that we won't have to fix someone else's problems.

**AVERTING PRICING MISTAKES**

Following (Table 1) is a matter of opinion (ours) based on 30 years of successful business. Over time we've done considerable consulting for fellow nurseries with opportunity to see ones that rise, those that survive and struggle, and ones that fall, and to learn why. These also serve to solidify our position on "appropriate profitability".

**Table 1.** Averting pricing mistakes.

This is a quick and handy way to figure out if you're making drastic pricing mistakes. You must accept certain facts:

- (1) Most of our costs are largely non variable from a plant by plant standpoint.
- (2) Greenhouse production area is the path through which all sales must funnel.

**Space-Time Cost Factor**

Once a year, determine your space-time cost factor. Here's how it's done:

Input your total costs of literally everything for last year	_____
Minus the costs of all soils	_____
Minus the costs of all containers	_____
Minus the costs of all liners	_____
Equals the total non-variable costs	_____
Input: total greenhouse square footage	_____
Divide total non-variables by greenhouse square footage, equals non-variable costs per ft <sup>2</sup> . per year _____ (space-time)	

**Production Costs by Variety**

Determine Production Costs by Variety — Done by adding up all the following:

Soil cost per this item	_____	plus	
Pot cost per this item	_____	plus	
Liner cost per this item	_____	plus	
Space-time cost per this item	_____	plus	
Equals production cost	_____		

## Reality Gross Income

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Determine Reality Gross Income on This Item

List price	_____
Minus discounts	_____
Equals Reality Gross Income	_____

Determine True Margin

Reality gross income	_____
Minus production cost	_____
Equals true margin	_____

Determine Percentage of Profit

True margin	_____
Divided by reality gross income	_____
Equals % of profit	_____

Following is a matter of opinion (ours) based on 30 years of successful business. Over time we've done considerable consulting for fellow nurseries with opportunity to see ones that rise, those that survive and struggle, and ones that fall, and to learn why. These also serve to solidify our position on "appropriate profitability". So although these figures are not scientific, they are darned good educated guesses. Keep in mind they apply only to our niche of the industry: wholesale container grown ornamentals.

- Percent of Profit 30% to 40% **VERY HEALTHY**. A nursery with this margin is prepared to survive catastrophes and bounce back. Major economic downturns allow them to retain quality personnel and not defray from continuous upgrade of equipment, facilities. In non-disaster years they take on new projects, expand without burdens of outside financing.
- Percent of Profit 24% to 29% **GOOD**. A nursery averaging in this margin can weather minor storms and handle many small to mid size new projects simply through normal cash flow and without need of financing. They may need financing for significant events and major equipment purchases. With benefit of access to financing, this nursery will recover from a major disaster.
- Percent of Profit 19% to 23% **FAIR**. Margins are small enough that normal seasonal dips in cash flow necessitate ongoing need of financing. Small new projects may be handled without long-term loans however medium glitch may bring about a major hardship. Re-evaluate pricing and discount structures now, before an event strikes that could make it too late to alter.
- Percent of Profit 15% to 18% **DANGER ZONE**. Flirting with disaster, this company will have a difficult time attaining financing. If they can get it, financing will be a permanent cross to bear with strong interest payments placing a further burden. This nursery is headed downward. Evaluate market niche, container sizes, offerings and pricing/discounts.
- Percent of Profit 14% or less **GOOD BYE**. Risk versus return is out of whack. Failure preprogrammed into system. This nursery is finished. The end awaits the tiniest of problems with personnel or economic conditions.