

HRI: Your Research Dollars At Work®

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INTRODUCTION

Given the topic of my presentation this morning and the composition of this audience, I feel a little bit like Elizabeth Taylor's eighth husband on their wedding night: "The challenge has little to do with what's *new*, and a lot to do with making what's *old*, more *interesting!*"

I asked the Horticulture Research Institute's (HRI) staff to give me some background information about the institution that, if not particularly interesting, would at least be new to most of you.

- The HRI is an important industry organization to all of us in this room.
- It is an organization to which some of you have donated substantial amounts of personal and company money.
- It is an organization that has been the recipient of noteworthy sums of money donated from 20 state and regional industry organizations, of which many of you are members.
- It is also an organization that has dispensed several millions of dollars to the industry research community, including some of you in this room.

HISTORY OF HRI

The roots of HRI go back to the 1950s, when leaders of the American Association of Nurserymen established the "American Nurserymen's Research Foundation" in 1954. Their goal was to fund research in industry business operations and marketing to supplement research being done on plants and production at land grant universities.

In 1962, the new HRI replaced the older foundation. The charter for HRI included:

- To stimulate and develop understanding of *research as a future force* in the industry.
- To *promote research* in the broadest sense through the support of HRI members.
- To develop and *disseminate useful research results* to HRI members.
- To assist HRI members in the practical *application of HRI research* results.

HRI is governed by a 21-member Board of Trustees appointed by the Board of Directors of the American Nursery & Landscape Association (ANLA). The Board of Trustees elects the six-person Executive Committee. I am finishing my 6-year term on the Executive Committee and was President in 2001. Several IPPS members have served as HRI Trustees and Officers. We owe these people our thanks for the many hours (and days) they have contributed to HRI leadership.

THE FINANCIAL FOUNDATION OF HRI IS ITS ENDOWMENT FUND

The endowment fund grows when people and organizations donate money. Donations of \$20,000 or more (over a 5-year period) can take the form of a named fund

in the endowment. The donor or group donating the money can name the fund and provide some guidance about the research that will be funded by the proceeds from the named fund.

Donations in amounts of less than \$20,000 over 5-years can be directed to existing named funds, or to several designated general purpose funds within the endowment. For instance, HRI recently introduced the VIP Fund. VIP stands for "Very Important Partner." Donors contribute to this fund in order to publicly recognize family members, business partners and employees, and friends of the industry.

FINANCIAL STATUS OF HRI

The HRI Endowment exceeds \$7 million, including donations and pledges. By law, the original donated funds are not available for distribution to fund research. Only the proceeds of the corpus — interest, dividends and realized capital gains — can be directed to fund research. The annual research funding level varies with the amount of proceeds.

In 1981, HRI awarded a total of \$14,500 in grants. In 2001, \$450,000 in grants were awarded. The decreased 2002 grant level of \$325,000 is reflective of the recent market downturn. HRI has approximately 150 named funds. The largest fund is the Ohio Research Endowment with a corpus of \$500,000. Three funds have corpuses of \$250,000, and nearly 25 funds are at \$100,000, including the Eastern Region IPPS Fund.

The Southern Region IPPS (IPPS-SRNA) Fund is currently pledged at \$50,000, the Gold Circle Level. I trust that before too long, the IPPS-SRNA will reach a higher funding level. We in the Southern Region do have our pride to defend!

THE SELECTION PROCESS FOR FUNDING RESEARCH GRANTS

How does HRI decide what applications will receive funding in any given year? The process entails multiple steps, involving HRI leaders, donors, and the research community. HRI identifies a list of industry research priorities. This list of priorities is developed from industry surveys that HRI periodically conducts. Those priorities are shared with the research community where grants applications are distributed.

Each year, the HRI staff of two people at ANLA Headquarters in Washington, D.C. receives between 175 and 200 applications for HRI grants funding. Grants applications are then circulated for rating among HRI Trustees and those donors of named funds with a \$100,000 or greater base. The applications are also circulated among four panels of horticultural research scientists for similar scoring. In this system, both the industry and the scientific community play a role in determining the quality and importance of the applications.

In November each year, the HRI Executive Committee reviews the applications for a final decision. That review process includes the application, a list of research priorities, and combined scoring of HRI leaders, donors, and scientific review panels. The HRI Executive Committee deliberations are assisted by several outside experts, including a horticultural scientist from the academic community and members of the U.S.D.A. Agricultural Research Service (USDA-ARS) national program staff.

Grants applications are ranked. The top-ranked applications are then linked to funding by the proceeds of named funds, whose guidelines parallel the focus of the research proposal. If no acceptable research proposal falls within the guidelines of the specification of a donor or the current research priorities of HRI, no project is underwritten from proceeds of that fund in that particular year.

Occasionally large donors do not see their most highly ranked projects funded, and proceeds from their funds are directed to other related research. Frankly, this is a difficult balancing act. The probability of making a match between donor preference and highly-ranked applications depends on how many applications the donor designates for funding. *Only about 10% of grant applications receive funding.* If a donor indicates preference for, say, five applications, then there is less chance of a match.

WHAT ARE THE RESULTS OF HRI FUNDING SUPPORT IN RECENT YEARS?

Research projects receiving HRI grants are classified among several research priorities.

The research topics that have received the largest percentages of grants over the last 3 years include:

- Labor and Mechanization.
- Pest and Disease Management.
- Propagation.
- Environmental/Resource Management.

HRI also has three endowment funds that underwrite student scholarships. There are several research priority areas consistently under-funded, because of too few highly ranked research applications. Those research topics include:

- Marketing.
- Business management.

Ironically, it was the absence of applied research in these two areas that led the industry to form the American Nurserymen's Research Foundation nearly 50 years ago! The good news is that HRI leadership is defining more specific research needs in these areas, and identifying qualified institutions and research faculty.

IPPS-SOUTHERN REGION OF NORTH AMERICA (SRNA) INVOLVEMENT WITH HRI

- Since 1991, the IPPS-SRNA fund has provided \$22,000 for funding or partially funding fourteen propagation-related research projects.
- A majority of the projects have involved research performed by scientists in the region of the IPPS-SRNA.

IPPS-EASTERN REGION, NORTH AMERICA INVOLVEMENT WITH HRI

- Since 1988, the IPPS Eastern Region, North America fund has provided over \$65,000 for funding or partially funding 22 propagation-related research projects.
- A majority of the projects have involved research performed by scientists in the Eastern Region.
- From 1988 to 1994, the average funding level per project was \$1700.
- Since 1994, the average funding level increased to \$4000 per project.

THE COMBINED NURSERY/FLORICULTURE SECTOR OF AGRICULTURE IS SIGNIFICANT

The combined annual farm gate revenues of nursery/floriculture commodities accounts for *11% of each farm gate dollar of agricultural income*. Hence, the nursery/floriculture sector is the third largest cash crop in U.S. agriculture. Only corn and soybeans generates more revenue at the farm gate! Despite its economic importance, our industry receives less than 1% of all federal research funding out of the USDA-ARS.

THE NURSERY/FLORICULTURE RESEARCH INITIATIVE

To address the imbalance, 6 years ago, the ANLA and the Society of American Florists (SAF) partnered to develop the Nursery/Floriculture Research Initiative (or at SAF — the Floriculture/Nursery Research Initiative!). The goal of the initiative is to generate \$20 million per year in federally-funded research conducted or led by the USDA-ARS.

ANLA and SAF are now working to gradually build this initiative through specific funding by Congress in the Federal budget. We are building it gradually to ensure that the ARS involvement in the initiative is sustained, and that the research targeted in the initiative receives the money. This year \$5.5 million was funded. There is a chance that amount will be increased another \$750,000 in 2003.

The initiative is having a significant affect on achieving HRI's research priorities. One-half of the Initiative's funding is designated for nursery research. Also, through cooperative agreements, one-half of the funding from the initiative goes to research institutions beyond ARS, such as land grant universities.

Continued growth in this federal initiative is politically tied to our developing a greater HRI funding base. When ANLA visits members of Congress to promote increased funding for the initiative, one of the strongest selling points is that the industry is not just looking for a handout. Instead, we're looking for a *partner* to assist the nursery/floriculture industries which are already funding research through HRI and the American Floral Endowment.

Hence, keeping the HRI endowment growing is crucial to our success in securing federal funding through the initiative. In this effort, we have been able to annually leverage a new *dollar* of additional federal funding for each initial *dime* of the HRI endowment.

CONCLUSION

I ask you to continue to keep the HRI Endowment growing through your contributions.

There is no limit to the number of named funds that can be a part of the HRI Endowment. Contributions of any size are tax deductible as a charitable contribution.

The industry has had some good years lately. When that happens, rather than give that money to Uncle Sam, we're inclined to pour it back into the business and end up over-expanding. Then we over extend the market with too much plant material and subsequently have bad years. Just imagine what would happen if we donated some of those profits instead to HRI. We would get a tax deduction, so Uncle Sam still doesn't get it all. Plus, we strengthen the chances of increasing that ten-fold return in federal funding that we get as the endowment grows. Now that is something *really interesting* to think about!