

Some Thoughts from Inside and Outside the Propagation House®

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It's a time of flux for the nursery business. Market and external factors are affecting what we grow and how we grow it. Here's a look at seven major factors and how they're changing the face of nursery production.

LABOR

Labor has become the number one issue facing nursery growers today. This is being affected by the nation's current fervor over the immigration issue. This season agricultural crops have been left to rot in the fields because there was no one to harvest them.

Many worry that greater immigration enforcement measures will affect business owners. Well guess what — this is already the case.

Tougher enforcement and placing more burdens on employers is already happening, no matter what compromise Congress comes up with.

The Department of Homeland Security announced new rules regarding Social Security Administration (SSA) mismatch letters. Previously there were no legal obligations for employers who receive such notifications. This has all changed.

Since 11 Sept. 2001, SSA has diligently sent letters notifying businesses when employees' names and social security numbers don't match. This could be a clerical mistake (such as putting Charlie on the I-9 form instead of the employee's legal name Charles). Or it could also be that the employee isn't a legal U.S.A. worker and made up the social security number.

The Department of Homeland Security now says employers who ignore these mismatch letters could face legal action for having "constructive knowledge" that they have hired an illegal alien. "Constructive knowledge" means a reasonable person could conclude the person is an undocumented worker. "Actual knowledge" means the employee shows up to work wearing a T-shirt that says, "Hey look, I'm an illegal alien."

The Department of Homeland Security gives employers 14 days to act, such as finding clerical errors and informing SSA. If no such errors exist, they should tell the employee to follow SSA's directions on the letter.

The employee then has 60 days to act from the time the employer received notice. If the situation still isn't solved after this time, the employer has 3 days to take action, which could include termination of the worker.

FUEL COSTS

Fuel prices have been on the downswing, but transportation costs are sure to be expensive for the foreseeable future. This is affecting how plants are grown and where they're shipped.

We're starting to see more growers pay more attention to local markets — those within 250 miles. It's as if we're returning to the nursery industry of 50

years ago where each metropolitan area had a core group of nurseries that serviced that market.

But that's not to say that there won't be any national shippers of nursery product. It will just be more difficult.

Freight costs are also affecting new products being brought to market. Plant breeders report that large growers' often look at how well a potential new plant will ship — how many can be put on racks and then placed on trailers — as a primary consideration of whether they grow that plant.

GARDENING DEMAND

Some fear a decreasing demand of nursery products on the market. I say a closer look at the numbers may reveal the contrary.

In 2004, National Gardening Association reported retail plant sales dropped from \$9.6 million to \$9.2 million. However, this reveals only sales at the retail level. It doesn't reflect the massive increases people are spending on professional landscape design and installation.

American Nursery & Landscape Association estimates professional landscape sales increased 13% per year from 1998–2003. Demand isn't down. People are just lazy and want professionals to do the work for them.

A MATURING MARKET

However, signs indicate the nursery industry is a maturing market. Sales are leveling, and margins are shrinking. There's oversupply, and there has been overexpansion of the nation's nurseries.

These ain't the roaring 1990s anymore, where it was much easier to sell plants.

The three options for nursery growers are:

- 1) Become the low-price leader.
- 2) Partner with other growers to expand what you can offer customers.
- 3) Differentiate.

eBAY

Is eBay competition, an opportunity, a threat, or maybe all three? Thousands of plants are sold on this Internet auction site daily — some by traditional nursery growers, some by hobby gardeners selling plants dug from their gardens.

A quick search on the site for “daylily” returned more than 2,000 items for sale, from single plants to hundreds of divisions sold in blocks. “Redbud” returned 81 items from unrooted cuttings to 6-ft trees.

And eBay does not end at the U.S.A. border. Shoppers on the site can buy plants from international sellers as far away as Europe and Asia, and not all plant materials are accompanied by phytosanitary certificates.

Stay tuned.

EMERALD ASH BORER AND OTHER BUGS

With international commerce, it's inevitable that more foreign pests and disease would enter our continent. In the past decade, with Asian longhorn beetle, emerald ash borer, and *Phytophthora ramorum*, we've seen what these foreign invaders can do to the nursery industry.

A solution is developing standard protocols regarding how to deal with these new pests and diseases. Without them, we have individual regulators (state departments of agriculture, etc.) responding with knee-jerk reactions, much like we saw with *P. ramorum* in 2004.

PROMOTION ORDER

They've been silent for about a dozen years, but once again a portion of the industry is calling for a promotion order.

In the face of declining margins and a shrinking gardening population, they say a national marketing campaign would do wonders to our bottom lines. Just like "Got Milk?" promotes dairy, the green-industry promotion order would increase demand for all types of landscape plants.

The last time these promotion thumpers were this loud was 1995, when the now-defunct Garden Council tried to get Plants for America passed. But this proposal was squashed by an 85% margin when the nation's ornamental-plant growers were asked to vote for or against it.

But this isn't the mid 1990s anymore. Would growers vote differently today? Any proposal for a promotion order has to include the following:

- A reasonable, fair means of collecting funds.
- Collection of enough money to make a difference.
- A promotional message that would benefit growers of all types of landscape plants.

Fund collection was the biggest downfall of Plants for America. Garden Council's solution was to tax growers' container and burlap costs. That makes no sense because crops grown in identical containers can have vastly different values. And what do you do about bare-root growers?

If we decide to head down this path again, let's tackle the collection hurdle first. As far as dollar values are concerned, Plants for America's goal was \$25 million annually. In today's dollars, is that enough money to reach our target audience with a continual message?

And would that message equally promote trees, shrubs, vines, perennials, annuals, etc., across the entire nation?