

structures

Build Now?

Believe it or not, some growers are experiencing growth and looking past the recession to invest in their greenhouse structures and businesses.



**The Economy:
Building The
Bottom Line**

by **DELILAH ONOFREY**

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In a year when everyone is hunkering down, some growers are seizing opportunities and using the economy to their advantage. "In this down economy, there are a lot of opportunities for growers to save money when building," says Gordon Van Egmond, U.S. sales representative for Westbrook Greenhouses in Canada. "Trades people are easier to come by and the pricing is usually more attractive. Keep in mind growers are expanding for tomorrow, not today."

Low interest rates and incentives make the opportunity hard to pass up, says Jeff Warschauer, vice president of sales for Nexus Corp. "So many of our Nexus customers tell us that if they had to choose between investing in the stock market or the family business, hands down they would invest in the family business!" Warschauer says. "At least they have control of financial decisions. Coupled with new tax incentives, potential grants and interest rates at an all-time low, now is the time to expand."

While the floriculture industry may be flat in terms of growth and sales overall, we are seeing significant redistribution in the markets. For instance, when a large retailer like Walmart takes its vendor base from more than 100 growers down to 35, those remaining 35 see huge gains in their business, regrettably at the

expense of fellow growers.

One rising operation is Battlefield Farms in Virginia. The company built two acres of shadehouses and five acres of Prins greenhouse structures within the last year. "Where we've seen growth is with Lowe's and Walmart," General Manager Anthony van Hoven says. "The retailers are weeding out their smaller suppliers and ones that are not up to standard on a consistent enough basis."

Van Hoven says expansion financing was secured before the banking crisis. When asked if things would be different this year, he says banks are asking for more information but financing would still be secure. "The bank we deal with is not affected by the housing industry," he says. "They are being more cautious, requiring more information, but they know our business and where we are headed and why. If you don't have a solid history, you will have a more difficult time trying to land a loan."

Todd Johnson, president of Dallas Johnson Greenhouses in Iowa, also has a strong relationship with his bank. "Farm Credit is financially stable, a very strong company," he says. "Financing is not an issue and we have strong credit. One thing about the Midwest is it's stable. We don't notice the recession as much here."

Johnson built five acres of poly houses for perennials last year and

will build five more acres this summer. "We picked up market share, expanded a couple of accounts and landed new ones," he says. "Our market has grown 10-15 percent."

Steel prices did come down for the next build, he adds. "The potential for growth now is strong. It's the instability that scares people," Johnson says. "In general, in times of recession, our industry does well. People spend less on the high-ticket items and more on their yards and landscapes. My word to others is don't run scared. If you run a good business, you will make up market share. And don't grow too fast. Grow within your means."

High On Hydrangeas

While Johnson's and Van Hoven's growth is driven by large retailers, at Bailey Nursery in Minnesota, a successful crop is fueling expansion. The operation just completed a two-acre expansion this winter. "We have expanded due to increasing demand for our Endless Summer hydrangea bud and bloom forced program for Mother's Day and the continued strong demand for annuals," says Terri McEnaney, president of Bailey Nursery.

Bailey paid for this capital investment with cash, so financing was not an issue. "Our greenhouse sales are strong. The other areas of our business in bare root and containers are affected more by the economic environment," she says. "We

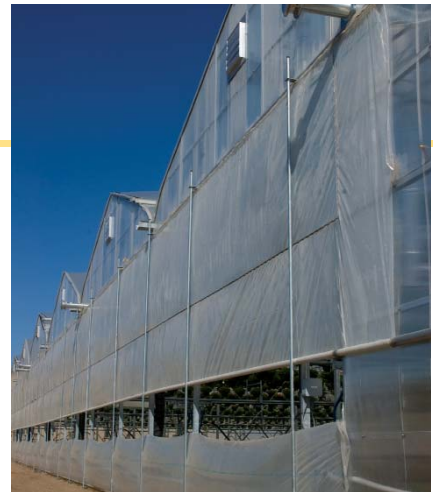
expect the economy to gradually turn around, but it will be a slow recovery. We are working harder than ever to be able to react quickly to our customer's needs, providing the product they want."

McEnaney says Bailey is a firm believer in looking at future opportunities if financially able. "We purchased part of Bork Nurseries operations at the end of last year," she says. "The operation is 90 miles south of Chicago, which gives us an

earlier start in the spring and brings us closer to our customers in surrounding markets. There is no question these are challenging times but also great times of opportunity to position for the future."

Grants & Incentives

In most of the states, there is grant money available for new construction and retrofits, Van Egmond says. "We have seen a lot of customers taking ad-



vantage of this, especially when it comes to upgrading benching and installing ebb & flood systems," he says. "Growers who have a long-term outlook on their business generally look closely at any incentives that are available."

Warschauer urges growers to contact USDA, as well as state and local organizations, to see what funds are available. USDA programs he cites include:

- Section 9002 Biobased Market
- 9003 Biofinery Assistance
- 9004 Repowering Assistance (from fossil fuel to bioenergy)
- 9007 Rural Energy for America Program (REAP) – This is a program that has been well used by growers.
- 9008 Biomass Research, Development and Use

REAP grants assist energy audits and renewable energy development assistance.

REAP grants are awarded on a competitive basis and can be up to 25 percent of total eligible project costs. Grants are limited to \$500,000 for renewable energy systems and \$250,000 for energy efficiency improvements. USDA will consider grants as low as \$2,500 for renewable energy systems and \$1,500 for energy efficiency programs.

Maximizing What You Have

In today's economic climate, most growers are taking a harder look at the facilities they already have and making them more efficient.

"We have had several growers who have updated facilities by replacing fan-vented houses with natural vents," Van Egmond says. "Replacing is always a tough decision since the existing structures are already paid for. In this regard, the grant money has helped make the leap."

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out spending a lot of money and get a quick payback, says Scott Thompson, executive vice president of X.S. Smith in New Jersey. "It doesn't have to be new construction."

He advises growers to make sure coverings are properly maintained and there are no holes, openings or leaks and that film is inflating properly. Something as simple as installing an automatic fan belt tightener can pay for itself within a month or two. For naturally ventilated houses, make sure vents are opening and closing properly to not vent too much.

More Online



What are ag economist Charlie Hall's views on growers expanding? Find out on www.GreenhouseGrower.com.

Lower-Cost Options

Building a new structure in phases as production space pays for itself is another option growers use. Growers might level the land for outdoor growing and then add inexpensive structures before converting to more expensive gutter-connected ranges.

"We encourage gutter connected but the businesses may not justify if it, if the space is only needed six or seven weeks a year," Thompson explains. "We need to plan with them. They can start with a freestanding building and retrofit it to be gutter connected down the road. You can have both – a lower-cost building you use seasonally and then make it more permanent."

Richard Vollbregt, president of Cravo Equipment in Canada, says low-cost, retractable roof structures address growers' needs for seasonal space. "You can move plants outside, protect them from frost and rain and harden them off," he explains. "It's an opportunity to cover outdoor area, then retract the roof for the winter and not have to worry about snow."

While a high-tech greenhouse costs \$20 per square foot, the retractable roof facility could cost between \$2 and \$6 per square foot, depending on the de-

sign and size, Vollbregt says.

Joe Hickson, president of Private Gardens Greenhouse Systems in Massachusetts, says growers can find new money for expansion just by refinancing their current loans. "Look at interest rates. With the consolidation of loans, you could end up with smaller payments," he says.

Hickson urges anyone considering expansion to take a hard look at their

market and margins and whether expanding will deliver a return. "Be very cautious. You have to have the market, that's the critical thing," he says. "When you expand, do it in a new brand or crop and culture you're not in, not the same old-same old, like going from 2 million to 2.5 million petunias. It should be a new market and new opportunity, and most importantly, presold product." **GG**

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