

# Thoughts on the Future of the Nursery Industry



Jerry Faulring

## Energy costs will be a dominant negative force in the future.....Really?

Right now energy costs are dominating a large part of our conversation for an end result that equals a lot of wasted time and words. Many of us lived through the fuel shortages (mostly contrived I think) of the 1970's. I jokingly said back then I would stop driving if gas exceeded 50 cents a gallon. If normal inflation occurred since then, about 3.5% per year, that 50 cent gas would be \$1.90. By the time you read this, gas will probably be about 2 times normal inflation in that time frame and we just keep going about our business. The hysteria over \$5.00 gas is way over blown. I fully expect to see regular gasoline reach \$10.00 per gallon in my life time; taxes will drive a fourth or more of the cost. Most businesses will absorb the increases simply by adding a per cent or two to prices; there is no choice. On March 20, 2011 regular gas in England was \$2.16 per liter or \$8.17 per gallon. This relationship between European

Let's be clear. Every once in a while someone has the gall (or stupidity) to try to present a thoughtful prediction of trends to come. I'll be the one to stick my neck out this time related to just a few issues. This is simply my analysis of what I hear, feel, and see as I travel and talk with others.

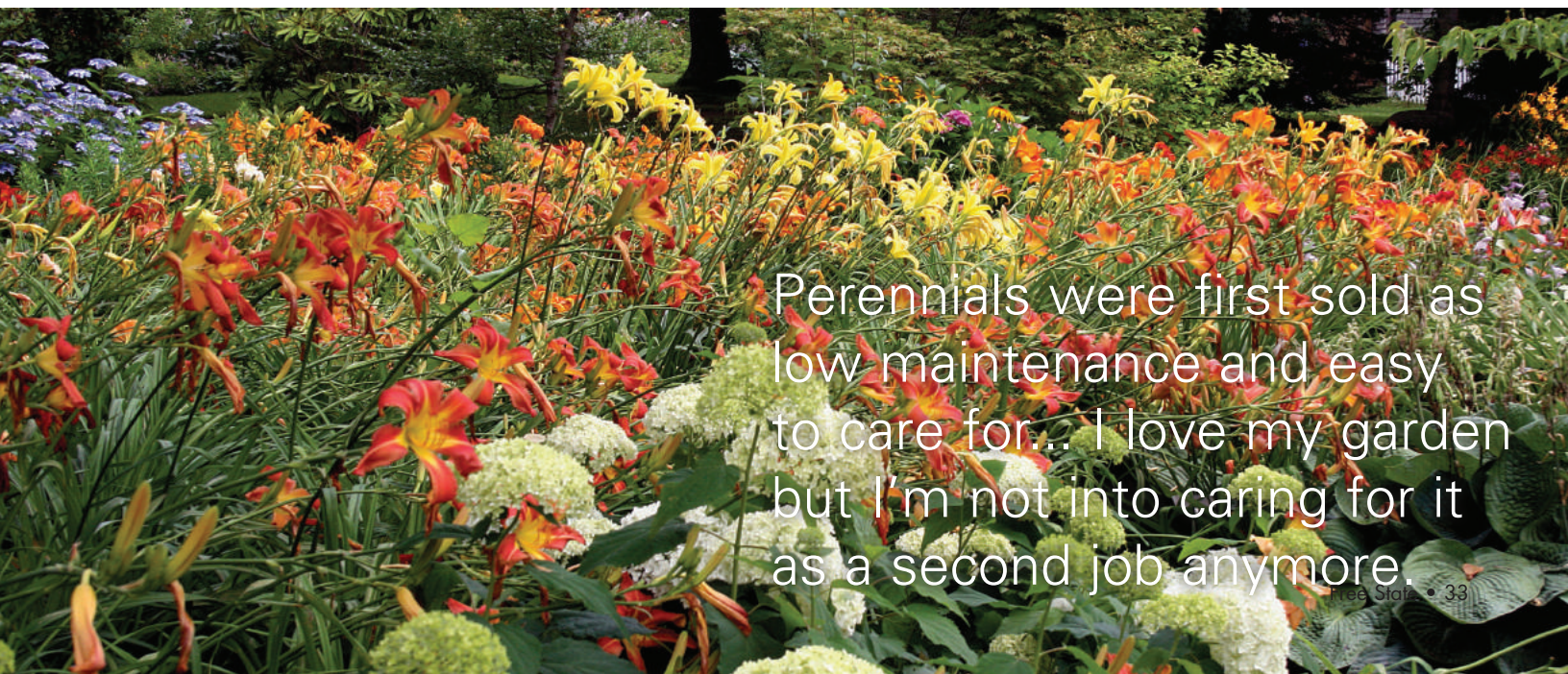
In 2021, I'll dig this out and probably have a good laugh.

and American energy cost has been in place for decades. They seem to be coping while we whine about it and act like the sky is falling when gas goes up 20 cents.

In my business, all energy costs including motor fuel, heating oil, electricity and propane represent about 2.5% of sales in a normal year. If all energy costs doubled in one year it would not have a crippling detrimental outcome. If payroll climbed just 20% on same sales I would have a problem. As a manager I can not lose sight of energy costs but there are 97 other percentage points that I have to focus on with great interest.

Individually we can impact energy consumption but on the larger national scale we need determined policy to secure our energy future. Individually we have to attack the problem on two fronts; efficiency and product price escalation. Wind, solar, improved mpg and a host of conservation measures should be a part of our business plan.

*continued on next page*



Perennials were first sold as low maintenance and easy to care for... I love my garden but I'm not into caring for it as a second job anymore.



*continued from page 35*

As energy hogs, it is only fair that the United States will have to, at some point, pay the true cost of energy. If one factors in the cost of our military presence in the oil production regions of the world, we are already paying for energy at some level of parity with the rest of the world. With increasingly smart foreign affairs policy we may not have to pay both at the pump and for wars. I'm not counting on smart government. Energy will never become less expensive.

### **Perennials and branded plant lines will/should decline.**

Perennials were first sold as low maintenance and easy to care for. I'm a baby boomer and my people will control one third of the economy for the next several decades. I love my garden but I'm not into caring for it as a second job anymore. Perennials are a lot of work and that will discourage their sale to people acquiring a final home and landscape or renovating the existing landscape. I know, someone reading this wants to shoot me and thinks I'm stupid. I have heard this comment from others.

I get the whole idea behind branded plants and acknowledge the concept drives sales. It has gotten out

of control regarding what is going into the pot. There are branded plants that have been around for a hundred years. There are also branded plants that were 'invented' six months ago. The tried and true system of evaluating new plants for 10 or more years in 5 growing zones has declined for the purpose of financial gain and celebrity. There have been some real losers brought to market in just my short nursery career which truly diminishes the credibility of the brander. The trend here in my business is "don't push new introductions on me until it is really proven". I continue to be amazed at the level of sales we see for old-time bread and butter plants. I have given up driving customers by 'wonderful new plants' because they simply don't respond to my glowing reviews. Often, branding simply attempts to put a new spin on an old plant or promote plants of limited merit. How many more new day lilies do we really need?

### **Technology and advances in robotic equipment will drive future success. Those that do not adopt these changes will fall behind.**

There is still field harvesting done by hand digging in this country.

We have only a vague understanding of how water influences plant production.

I visited a container grower in Holland in the late nineties who was producing 1,000,000 plants per year





There are container growers using significantly more water than is needed. They waste water and pay unnecessary higher energy bills.

Most nursery producers use equipment invented for traditional agriculture and the construction trades.

For the most part U.S. agricultural soils are in serious decline due to many forms of abuse over the last 100 years.

### Go to Europe.

I visited a container grower in Holland in the late nineties who was producing 1,000,000 plants per year with a full time staff of 3 and a few more during the busy seasons. Robotic machines did most of the work. Those machines are available to us but we remain determined to spend our money on a declining labor force and high cost, inefficient production systems. This will change. The future is in robotics/mechanization. My neighbor across the street can harvest 100 pallets of sod per hour with one machine operator and a fork lift. Early in my career I worked at a sod farm and harvest costs for labor hours were at least 300% more. It is true, container growers are well ahead of field producers. The nursery industry, generally, must seek increased systems efficiency.

In less than ten years I hope to be able to let my computer irrigate the nursery and it will save me 30-50%

in water and energy. Without the capable foresight of University of Maryland Extension efforts going on today, we would not even know that huge reductions in water and energy costs could be available. Quality research takes time but I expect to see significant opportunities in the near future. Those who do not adopt the new technology will fall behind.

Some inventors are working with robots to tie root balls. It will take time and lots of tinkering to work this out but I'm sure it can be done. If this became a reality we would experience significant labor reductions in exchange for a one time asset acquisition. Early adopters will be more economically viable and less dependant on labor and less prone to failure during a downturn. Worldwide, scientists are becoming increasingly alarmed by the declining quality/productivity of agricultural soils. This did not just happen last week; the scientists are just now recognizing the problem. This could easily be the subject of a long article. Suffice it to say we need to pay close attention to opportunities currently available and those that will become available for the restoration of our soils and a return to balanced, rational growing systems that caused the world to prosper without fertilizer and thought-to-be progressive growing systems until modern agriculture proved we could really screw it up.

*continued on next page*



Wind, solar, improved mpg and a host of conservative measures should be a part of our business plan

## **The Great Recession has been a huge success - educationally.**

Our economic system is still the envy of the world and almost three times larger than China's economy. It is the most brutally efficient system ever invented by man to clean up weak businesses and correct stupid policies. It takes time to flush it all past us (I am amazed how long it takes), but in the end those that make it through will have some great years. By the way, start saving for the next downturn; it's just a few years away. We are about three years from the start of the last one and it happens every 7-9 years.

I hate to see anyone's passion fail but it's an integral part of the system we enjoy. We all make bad choices from time-to-time; no one is immune. The reality is that one has to make more good choices consistently over time to make it through.

The future will be different for those who lived through this horrible time in our history. Even now as the recovery is gaining momentum, companies are not responding in the same manner as previous recessions. Striving to be a huge business is no longer the main goal. Hiring is occurring at a very cautious pace even within industries that are coming back with gusto. Managers will likely not soon forget those organizations that made good choices early in the downturn and benefited. Those who procrastinated have suffered more or failed. How money is treated will change. Reserves are critical.

Partnering with a great financial institution is now more obvious than ever. Many banks allowed too much credit, starting calling it in very soon into the downturn, and are now forcing bankruptcies and liquidations because of their own egregious errors. With hindsight, I was very fortunate for selecting the Farm Credit system as a financial partner; traditional commercial banks will never understand agriculture.

## **Insurance is more important than ever.**

A friend was driving on a two lane road. A deer jumped out of the roadside brush, glanced off the front of his car and the deer hit an oncoming bicyclist. The bike rider was seriously injured and spent 18 months in recovery before he could return to his law firm. You guessed it; he is now suing my friend for causing the accident even though my friend is credited with saving his life by calling 911. My friend had the minimum insurance coverage required by state law and no 'umbrella' liability insurance. Although the suit sounds ludicrous, a jury trial has been set and my friend's insurance company told him to get a second attorney because they will only defend him up the limit of his policy.

This situation shows how we need to be very careful to protect our assets from what appears to be silly litigation that could turn financially catastrophic. Umbrella liability insurance at this time is very affordable at about \$200-\$300 per million. Unless legislative limits become a reality to protect us from this type of action it is likely the potential for increased litigation will occur. It seems there is no end to one's need and ability to capitalize when bad things happen even if it results from what could truly be considered and accident, 'act of God' or some other similar phrase.

## **Farewell to the Maryland Agricultural Commission.**

For the last six years it has been my honor to represent the Maryland nursery industry to the MD Ag Commission. It has been one of the most rewarding activities of my career. There are nearly 30 commissioners representing every aspect of agriculture. With appointments constantly in a state of expiration, I have met dozens of the finest people working in Maryland agriculture. We meet monthly in Annapolis to recommend policy to the MD Secretary of Agriculture who then can influence outcomes by policy decisions or recommendations to the Governor for legislative initiative. Twice each year we spend a day visiting all segments of agriculture in two counties. What an education!

We are fortunate in Maryland to have had a long line of extremely effective Secretaries of Agriculture. My tenure has been under Lewis Riley, Roger Richardson and Buddy Hance. These men have always listened, are always available and work incredible schedules to get the work of Maryland agriculture done.

In my time we have had our share of issues related to all of agriculture and specifically related to the nursery industry. Of huge importance has been the revelation of just how bad nursery crop insurance is. MNLA led the effort to have a 'summit' to bring all the issues into the light of day. MDA is a great and supportive partner in this effort to make sense of an important component of managing business risk. We are currently engaged in discussions with USDA with a hopeful expectation that change will come. The Bay issue has been on the front burner either directly or indirectly at every meeting. Maryland has been a leader in restoration efforts for many years. Our nutrient management program is a model for all the states.

The nursery industry has two seats on the Commission due to its size; the second largest agricultural activity in the state. I have represented field producers and John Marshall currently represents container growers very capably. Thank you for allowing me the opportunity to serve the industry, expand my personal understanding of all aspects of agriculture, and to make many life long, like-minded friends. 🌱

*Jerry Faulring  
Waverly Farm  
Adamstown, MD*