

Lessons Learnt from the USA Nursery Industry[©]

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In May of 2012, I was fortunate enough to be able to travel through California looking at the wholesale nursery industry and how it might relate to the industry in New Zealand. My trip was funded in part by a scholarship from the International Plant Propagators' Society — New Zealand Region, and a grant from The Royal New Zealand Institute of Horticulture's Education Trust. I spent close to a month visiting a wide range of growers and retailers in California from San Diego to San Francisco.

Straight away one of the most obvious and common themes from all of the growers I visited was that the industry was generally in a depressed state with lower demand, due to the ongoing recession. This was visible everywhere I went to varying degrees, with growing sites partially bare and abandoned growing sites dotted around the countryside. One of the flow-on effects of a market in an oversupplied state is huge price point competition between companies; with some growers I visited wholesaling a no.1 potted shrub for as low as \$2.30, and one of the big box chains selling three, no. 1, potted perennials for \$9.99. These prices are so low that they would be completely unsustainable in New Zealand (even though many costs are also lower in the USA), and in fact many growers I spoke to felt they were also unsustainable in the USA. Many were focused not so much on producing profits as they were on surviving and maintaining market share for the time when the industry picks up again. There was concern amongst some producers about the level of market share that the big box stores had obtained and the influence they were able to exert on the industry, as there is from certain sectors within New Zealand, this is of course exacerbated the current oversupply situation. However, everything was not all doom and gloom, with some growers noting an upward trend in recent times, and many were optimistic the worst was behind them. The factors that the more optimistic nurseries had in common were diversity of product lines, access to branded or proprietary product, and the ability to differentiate their product from their competition through price, branding, quality, or other such factors.

Another challenge at an already difficult time was the threat from, and restriction due to introduced invasive pests, and in particular the Asian citrus psyllid (*Diaphorina citri*) and Huanglongbing virus (HLB), and the light brown apple moth (*Epiphyas postvittana*). The complications and costs for those growers located inside the quarantine areas meant that their ability to compete in the market was further affected, at a time when they are least able to absorb those costs. It highlights the importance of biosecurity to the industry, particularly to island nations such as New Zealand, and also serves to further promote the importance of diversity to growers. If your sole income is through the production and sale of citrus plants and you are within a quarantine area, your ability to generate income is severely affected, with few alternatives to fall back on. One way around the problem is to remove your production from the strictest quarantine area, which is what Four Winds Growers has done in developing a new site near Watsonville, California. Aaron Dillon was still in the process of transforming the site when I visited, but they had already installed the insect proof greenhouses with positive pressure entrances to house all of their multiplication and mother stock, in order to comply with new state and federal regulations. All of Four Winds citrus will now be produced from this one site.

One of the key areas I hoped to gain a better understanding of was the use of automation, and the point at which it becomes economically viable to install. One of the problems with many automated systems is that a diverse range of product and smaller production runs decreases the cost effectiveness of the technology. Given that this diversity can be one of the keys to maintaining a healthy company through hard economic times, the use of automation can become a catch 22 situation. Most nurseries I visited were using automation in some small ways, but all expressed an interest and desire to

increase the automation of their nurseries in the near future. The lower labour costs in California compared to those in New Zealand means that automation would be more economically viable in comparatively smaller nurseries in New Zealand than it would be in California, and potentially offer greater cost savings relative to total nursery costs. By far the most automated system I saw was that being used in Floricultura's Salinas orchid production facility. The whole development had been very carefully thought out, and had largely been designed around the pot they had decided to grow in. The 3.7 hectare greenhouse development — touted as one of the most technologically advanced in North America — is built to have an incredibly stable and controlled environment to produce a consistent product, and to take the guesswork out of the timing. The whole greenhouse is controlled from a computer station, and at any point a particular table can be selected and automatically shuffled until it can be picked up by crane and deposited onto a rolling table, that will then place it into a central area where any work can be carried out, all without anyone lifting a finger. The labour savings and other benefits are obvious, as is the expense and capital required to install such a development. Realistically I think automation of this magnitude is a long way from happening in New Zealand, if in fact it ever is. The size of our internal market means that this level of investment would take a very long time to generate positive returns. Even within the USA. I can only see this sort of automation being widely used by predominantly plug and liner growers, or the very large container nurseries in the near future.

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