

Feeding The Global Market

by **SARA TAMBASCIO**

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As an international figure in the plant nutrition and protection categories, the Professional Horticulture division of Scotts has a unique perspective on horticulture globally.

As senior vice president of Scotts Professional Global with a home base in The Netherlands, Fred Bosch keeps an eye on the North American market, as well as those in Europe and Africa. Bosch has seen the global view from that role for slightly less than a year and shares his views of the global market.

Feeding A Different Consumer Market

At the consumer level, the big difference between the United States and Europe in selling plants and flowers is that Europe is more complex from a business perspective, Bosch says. With all the different countries and cultural backgrounds of European consumers, marketing efforts need to target different audiences in different ways, a need that isn't as great in the United States. The types of gardeners found in the States are different than those found in Europe.

"In southern Europe, most people live in apartments, so they don't even have yards," Bosch says. "Only those who can afford a second home – they would have a big yard." Weather extremes in southern Europe don't encourage people to garden, either.

On the production side, Northern

Europe is dominated by nurseries, while greenhouses are more common in the South. The average American greenhouse is larger than the average European operation, as European markets are generally more localized, with more smaller growers with smaller distribution areas. Growers produce fewer types of plants and specialize more.



Bosch

"Growers here [in the United States] need to be a lot closer to the market," Bosch says. "A lot more knowledgeable on prices, where in Europe, you have special bodies that

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pressure from big boxes," says Fred Bosch.

fulfill that role. They are the market link for the growers. The grower specializes in production techniques and the market challenge is done by another organization. Everyone in the supply chain is more specialized."

In Europe, the influence of the big box stores is not as strong yet and the niche model works well.

"Taking on one variety isn't a risk because of the advantage of growing at that scale and there being only a few competitors in the delivery area," Bosch says.

Scotts' Fred Bosch shares an international perspective and what the U.S. and European markets can learn from each other.

Learning From Each Other

Although the markets are quite different, growers here and overseas can learn from each other.

"I think Europeans can learn a lot from what our American colleagues experience in terms of pressure from the big boxes," Bosch says. "At the end of the day, they're increases in scale we'll see in Europe someday." It's happening in some countries in Europe already, but not as widespread as in the United States.

Scotts has gleaned from the market in Europe that spending on research and development on innovation, sales and marketing is paying off for Scotts and the growers it serves. The larger scale of American operations only increases the importance of maintaining cash flow and controlling input costs.

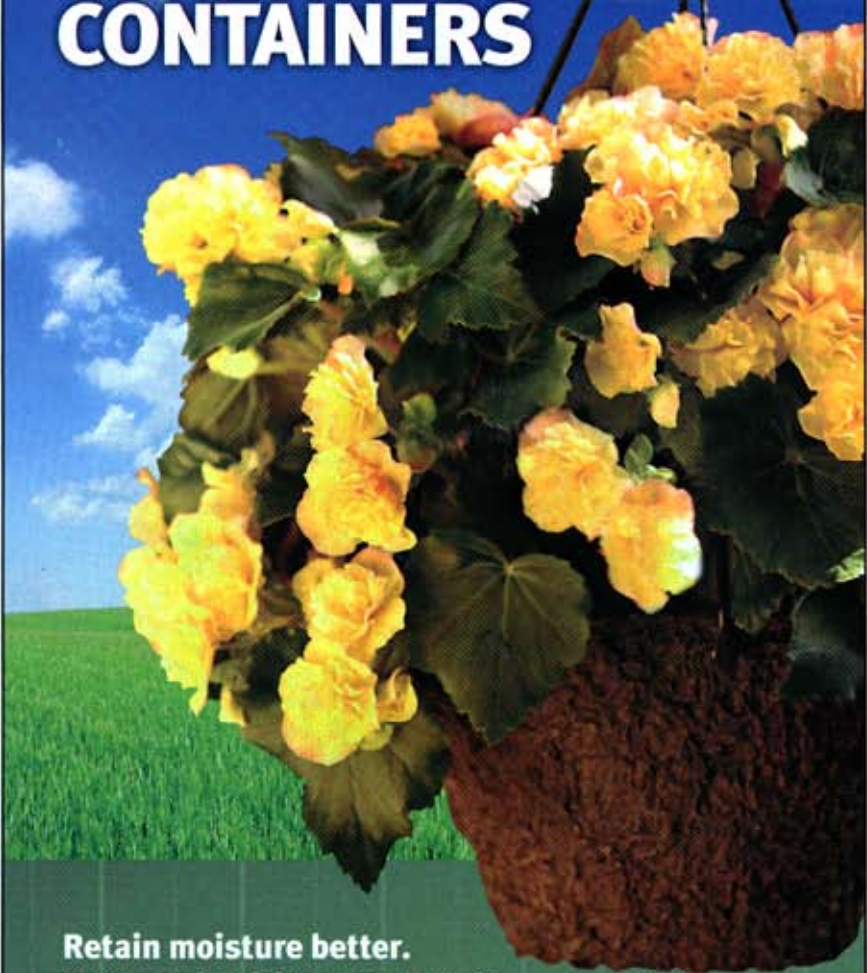
"Larger growing operations feel the impact of increased prices on inputs to a higher degree," Bosch says. "As a supplier, our challenge is to develop products that offer all nurseries and greenhouses great value and top-notch performance." Although R&D is an extra cost upfront

with little or no payoff for years, Bosch says it's vital to avoiding commoditization of the market and will strengthen operations. Scotts is now investing in R&D itself and strengthening its North American sales force to explain the benefits of Scotts' products to growers, another strategy that has proved important in the European market.

Sustaining Business

One issue the United States and Europe are dealing with head on is sustainability. Just like there are more

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Automating To Save Business

The United States and Europe each have their own unique labor challenges. While the immigration challenges in the United States plague businesses, labor costs in Europe can reach \$40 to \$50 per hour.

"That's why you see the enormous speed of investment, especially in the Netherlands," Bosch says. "It's just incredible. There are even producers who produce their own energy. They sell energy back to the grid. It's fantastic, what you see happening."

The automation that's taken over production is credited with saving greenhouses in northern Europe.

"Five to 10 years ago, they thought greenhouses would disappear from Holland because southern Europe would have inherent competitive advantage. What you see today is a new paradigm that says, 'No, it's not the environment that's going to determine the strategic position of a country. It's the capital, the technology.'"

As a result, the consumer in Europe pays a lot more for a shrub than a consumer in the United States. But they still buy. One explanation may be that European home gardens are smaller than those in the United States so each home buys fewer plants.

stringent environmental regulations in some parts of the United States, some parts of Europe have higher regulatory pressures, including densely populated Holland.

Bosch says the most important strategic element for Scotts right now is sustainability. The company has embarked on a journey of improving processes and reducing impact through new technologies. The holistic nature of the sustainable model, including energy efficiency, water runoff, labor and recycling in addition to organic production, addresses the full spectrum of issues Scotts is working to improve.

"We believe sustainability will be a strategic advantage in the future," Bosch says. The beginning of the

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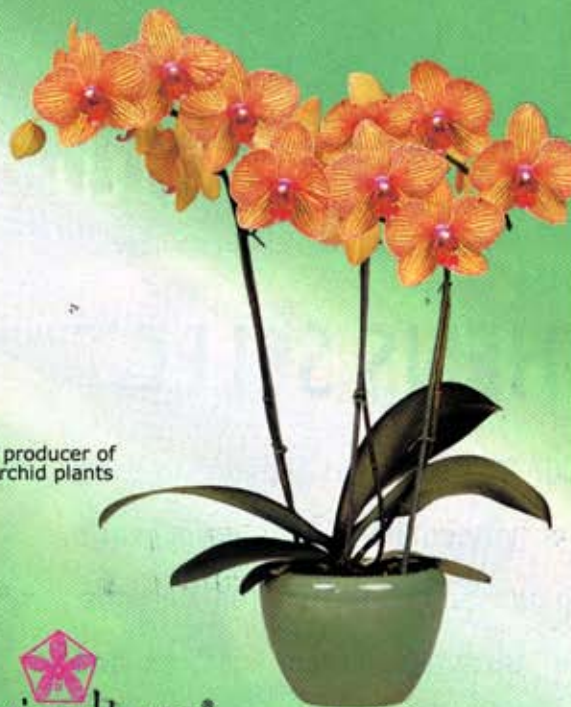
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INTERNATIONAL MARKET VIEW

process includes Scotts' slow-release fertilizer, Osmocote. "You pay more for environmental stewardship, but, of course, it's got to perform. It's got to be economically sensible for a producer to buy. If we can combine those two objectives, I think that would be a strategic win – for the producer and the consumer, as well."

Part of Scotts' investment in research and development includes looking for more sustainable fertilizer and plant protection products, and also products that can help growers reduce labor. A new product, CitriBlen, has helped Florida citrus growers reduce labor input and is more efficient in terms of water management. CitriBlen offers 80 percent less leaching of nitrates into the soil.

Limited Resources

The eco-friendly movement is about conserving resources, which is a concern for fertilizers, Bosch says.

"Consumers tend to forget that, yes, fertilizer is mostly nitrogen, phosphate and potassium. You can't make nitrogen, and it's abundantly available in the air. But potassium and phosphate are limited elements in nature. Everybody is talking about limited resources. The same applies to key elements of fertilizers."

In Holland, growers have been quick to take up new types of products that meet new requirements, even those that aren't affected by new regulation.

"Apparently, there are a lot of new adopters who want to see what the effect of these new products is on their production practices and economics," Bosch says. He also cites the North American Horticultural Supply Association annual meeting, which focuses on sustainability this year, as a sign that growers should become more familiar with sustainable growing practices.

"Growers need to change their paradigm, their approach to production," he says. "It takes one, two or maybe three years to learn the new practice. What they've done with agricultural-type products, it's a completely new era."

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