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CHEMONICS

PROEXAG

NON-TRADITIONAL AGRICULTURAL EXPORT SUPPORT PROJECT

OFFSHORE PRODUCTION OF FOLIAGE CUTTINGS
AN OVERVIEW

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OFFSHORE PRODUCTION OF FOLIAGE CUTTINGS
AN OVERVIEW

Market trends, market conditions, and suggestions for meeting the current and future market demands were all included as topics for this presentation. Having spent time over the years in both Honduras and Guatemala, I have come to know the Central American area as one rich in agricultural tradition and heritage. I myself have been in agriculture a short 16 years, all of it in foliage production or related areas. As a farmer, and we are all first and foremost, farmers, I have learned one important fact about our profession: we are very individualistic, very entrepreneural, and often hard-headed when it comes to taking advice. We tend to want to learn each experience for ourselves, never really trusting the experiences of our neighbor who may have just done a task we are getting ready to do ourselves for the first time. Despite his advice, we often plunge straight ahead, making the exact same mistakes he made. If we come out with different results that are favorable, ~~and~~ we tend to sit back and say to ourselves "See, I knew I could do it better!" That experience is then used to justify subsequent refusals to learn from mistakes. I call it "reinventing the wheel" whenever I catch myself refusing to learn from others' mistakes.

I decided that the best way to make this presentation ~~is~~ was to let others make it for me. Having at one time been a cuttings importer/customs clearing agent at the Miami International Airport, I have had the good fortune to have rubbed shoulders with most of the larger and smaller importers in the business. This presentation will consist of a series of one on one interviews that I did with several of those importers, as well as with one of our region's top agricultural, technical consultants. I will not name names because the names are not important. What is important is that these are your customers talking, not me, but your customers. They are telling it like it is, no holds barred. At the end of the interviews, I shall break them down into a short list of the key points. I shall make one or two <u>observations</u>, not recommendations, and leave it up to each individual grower or farmer to determine how to interpret and respond to the findings presented.

One final point. Both positive and negative trends are included in the presentation. Many of the comments made are the same ones we have heard for years, and that many of us tune out as soon as we hear them. I caution you about doing that today. There is a reason why we keep hearing the same things over and over again. It is our customers talking and us not listening. We are fortunate that our customers keep talking to us. But time is running out. There are new trends in the industry that are catching up to us and beginning to hurt us. Two trends that are hurting us more and more are the silk and preserved plant

movement, and the rejection by our end user/consumer of a product they cannot keep alive. That trend is a plea from the average plant buyer for education on how to keep their plants alive. You as the cuttings producers may feel that you are far removed from that battle, but believe me you are not. But, let's proceed into our series of interviews and see where they take us.

One prominent broker who travels throughout Central America regularly noted that many of the producers that appeared over the last 5 years are start-up growers who came from traditional agricultural crops like coffee. They turned out to not be good start-up growers because they often do not research the special needs of foliage production. The good producers tend to be serious growers who have produced for 8 to 10 years and have gained the experience needed to produce a good product.

Another major problem faced by the offshore producers is the proliferation of cuttings brokers both in the U.S. and Europe. Many have little or no understanding of quality standards, and accept anything and everything offered to them. They dump INTO the mediocre and poor quality material and lower the market price on all products in the market. This hurts quality producers the most because they lose their profit margins. The growers end up at the mercy of these brokers, and often are paid little or nothing for their products.

Another factor that drives prices down is the ability of the larger farms to control both their costs and their distribution. Many have their own offices and marketing staffs in place in both the European and American markets. Brokers have a difficult time competing with this on anything but price.

The European market is somewhat different than the U.S. market, and many U.S. brokers have a difficult time breaking into and competing with the established European distribution network.

One potential development that will affect the offshore producers positively is the rumored relaxation of Quarantine 37. Rumors indicate that we will begin to see potted plants in soil coming into the U.S. sometime during the next 18 months. That will open up a new market for offshore prefinished plants. The wise offshore producer should begin planning for that by learning how to grow potted foliage to U.S. specifications. Visits to U.S. production facilities to observe production techniques and open up lines of communication should be started now.

An emerging trend in Central American is that the economics of scale are becoming more of a factor. The big guys are surviving and expanding, the little guys are losing ground.

There is one very positive trend that has developed recently that I feel may have a long range impact on our industry. I

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became involved in a project in conjunction with the U.S. space agency NASA that proved that common houseplants (like pothos and marginata) have the ability to remove indoor air pollution. A press conference in Washington, D.C. on the project was widely covered on television and in the newspapers. The message was that plants are good for people. This is one of the first steps toward rekindling consumer interest in plants. We must give consumers a reason to want plants again before they will take them back as part of their everyday lives. Research currently in progress will focus on how plants contribute to good health, both physically and psychologically. A copy of a synopsis of the NASA study is part of your handout package.

One final bit of perspective before we review what we have been told. During my interviews I asked the question: "How did the cuttings industry begin, and was there a connection between that beginning and the current condition of the industry?" I was surprised at the response. Several attributed the rise of the cuttings industry to a ~~farmer~~ friend of mine, Lex Ritter. The thought was that Lex was the first well-known U.S. grower to establish large farms and really invent many of the techniques used to build today's industry. Because Lex gave the appearance of success (true or not), he attracted the attention of others, including Europeans who followed suit and began developing offshore operations loosely patterned after Lex's accomplishments.

Another view from a different perspective looked to USAID and the CBI. With a concerted effort to develop alternate agricultural entities that could generate export dollars for developing countries in the region, dollars poured in to assist the development and technological upgrading of the then fledging cuttings industry. The effort has been an honest one with generally favorable results in developing a new industry that shows great potential. But there seems to be few plans to deal with the success of the overall project. While there has been lots of money around for building new nurseries and developing new technology, there has been little if any money for marketing. If you don't increase demand for an increasing supply, the result will be what we seem to have today, lots of supply, reduced prices leading to reduced quality as growers struggle to cut costs, and sagging overall demand. All of agriculture seems to go through this from time to time, not just cuttings. We can't forget to market our product, and expect customers to beat a path to our doors.

One bright spot in this "production, not market-oriented" program has been the efforts of PROEXAG to develop market strategies. For several other alternative agricultural crops (most notably melons), the marketing programs developed have given ~~good~~ indications of success. Unfortunately because of its small good size in comparison to the other industries, foliage

cuttings have received only limited attention. A small marketing oriented pilot progress appears to be a success. I suggest that interested parties contact Mr. John Lamb with questions about how his programs can be adapted to the cuttings industry. His phone number here in Guatemala City is 68-05-42, and he is here at this conference.

Review of Findings

To review what I was told by your customers and consultants:

a) There is a shortage of high quality, in specification, market-priced cuttings in practically all varieties. These cuttings fetch a high-end market price, but still do not reach the prices of a few short years ago.

b) There is a tremendous glut of average material, especially in the easy-to-grow varieties such as aglaonema, croton, mass, and yucca cane.

c) The old standbys, mass and yucca cane, are in a steep decline, especially mass cane. There is a crisis in confidence about the product's viability once it reaches the end user. The resulting demand drop has resulted in price drops from a recent high of 68¢/foot to a currently available 15 ~~cents~~-18 cents/ft. Yucca is a ¢ent. ¢bit more stable but also in trouble.

d) Service is becoming as important as price in today's marketplace. Growers who are actively getting out and visiting customers seem to be doing the best. The keys seem to be good lines of communication, visits in both directions by both customers and producers, and having a man on site in the different markets. The large independent growers seem to be using those techniques with success.

e) There is currently no price stability in the market. Everyone seems to want to be the guy who can cut his prices the fastest and the lowest just to get the orders. I am told that many producers are shipping whole plane loads on consignment in the vain hope that some can be sold. That kills any market place.

f) Production planning is rare, and demand stock seasonality is not accounted for. Producers are not rotating ~~stretch plants~~ often enough. Nurseries are still being built on nematode infested former croplands. The advice of technical consultants hired to improve production techniques is largely ignored or "drifted" away from after a few short months.

g) Natural requirements of specific varieties are not taken into account when choosing crops to grow. Post cutting handling has gotten better, but often lacks the chilling cycle that is

generally the difference between a marginal and a good cutting from a survivable standpoint.

h) There is still a problem in providing what the customer wants versus what is available in the fields.

i) Too many growers grow the "easy" plants. Many of the growers growing "difficult" ones (Janet Craig, Warmuchii, etc.) are not doing well due to lack of experience or a poorly selected growing location or climate.

j) Problems still exist in the transportation area, both from the farms to the airports, and at the airports.

k) Other regions that produce cuttings are developing and moving into markets traditionally "owned" by Central American producers.

l) Demand trends for specialty crops such as anthurium bromeliads and orchids are only slowly realized and utilized.

m) Too many U.S. brokers accept marginal quality material that they dump on the market, further depressing prices. A good example: a recently quoted price for 10-12" silver queen was 2 cents.

n) The European market is driven by high quality, high volume, and very competitive pricing. Cuttings from all over the world are pouring in.

o) The economy of scale is beginning to emerge as the key to survival as demand and price drop.

p) Easing Quarantine 37 will not affect overall demand, but will shift demand into new types of products currently not being produced.

q) The U.S. foliage (pot plant) industry is in a flat or slightly negative demand curve, and is suffering identical problems of oversupply and depressed pricing.

r) The U.S. market is very diverse and elastic as compared to the European market, which is clearly defined and rigid. There are potential openings in new, developing markets such as Eastern Europe, Japan, the Far East that can be developed now.

s) Growers tend to have too much diversity, and to jump from crop to crop in search of a winner. Few develop a limited number of crops to the point where they are known for a consistent supply of high quality that meets peak demand while maintaining high quality and stable pricing during low demand periods.

t) There still exists persisent pest problems, notably mites, coming in on a wide variety of cuttings. Bacterial soft rot and fungal spots are also common.

u) Cuttings are still harvested based on what seems to be selling the best (size-wise), and not necessarily on what the stock plants are producing.

Discussions and Suggestions for Possible Action

It is clear that our industry is moving out of fast-paced, demand-driven years into a slower-paced, mature market with a relatively constant but flat demand curve in most segments of the industry. There are however, a few exceptions. In the U.S. market, poinsettias still appear to be a growing, demand-driven industry. Cut flowers have experienced dramatic increases in supply but have also managed to stimulate increasing demand. While that increase has not kept up with supply, it has certainly helped cushion the import of overproduction. These segments have put vast amounts of resources into market research, marketing, and end-user education.

In a rather timely presentation called "Trends, Direction and Profitable Opportunities", Marvin Miller discussed the current state of the floral industry. His talk is also included as part of your handouts. He points to the changing nature of the U.S. market, and relates some key facts. For example, U.S. per capita consumption of flowers and plants is over $40 per person. That is grand, but it is far less than the equivalent European consumption that is currently four to five times that level. He also points out that in the U.S., two income families are becoming dominant, and leisure time is scarce. This means that leisure time activities (like caring for plants) must be quick and easy.

For plants to fit into that description, we as an industry must teach end-users how to keep plants alive once they get them. Offshore producers may feel this is not their concern. I challenge you to rethink that position.

I was rather amazed at the similarities of the comments by most of the individuals I spoke to. There are some definite, very strong parallel trends and situations between the situation of offshore producers and that being experienced by South Florida foliage producers, who I am very close to. They are currently in their most serious economic slow down since the beginning of the modern foliage industry. They suffer from some very basic, very difficult problems: overproduction, flat demand, and give-away prices. During the last 18 months, they have struggled to come to grips with each of these problems with no apparent success. Working through their local trade association (the Florida

Foliage Association), they attempted to pass a referendum that ~~will~~ would have instituted what is called a Market Order. That is a legal, self-imposed system of taxation that levies a percent tax upon each member in an industry based on their gross sales. Monies generated are used by the industry to fund market research and market development projects, as well as to perform standard research into industry problems such as specific pests or pathogens. While well-intentioned, the Market Order failed to pass a majority vote of the growers.

The ~~South~~ Florida group did, however, raise funds for a market research project to determine exacly what the average consumer wanted. They also began a program to encourage growers to add plant care tags with each plant sold in an effort to help the end-user care for plants once they are received. Each of these efforts are small steps toward regaining plant popularity in the U.S.

Another controversial proposal that has divided growers is the issue of grades and standards. There currently are none, and many growers contend that none are needed. They say the free market system will develop grades and standards by forcing those who do produce material not meeting mimimum quality acceptance out of business. The opposing argument is that the industry as a whole may not survive if poor quality plant material floods the market place and discourages the small consumer base that exists today.

Referring to Marvin Miller's talk again, a grower he interviewed stated "When you don't have standards, the consumer may get cheated, for products often doesn't last as long as the consumer expects it to last. The product may not be healthy, may not be acclimated, may not even be worth owning." The same grower told Mr. Miller that, as long as the industry refused to set grades and standards, "I am going to produce as much as I can, for as cheaply as I can." That seems to be the attitude of South Florida foliage growers. Does it sound familiar to anyone in this group here today?

The issue of quality was raised by everyone I spoke to. The comments, "I can sell all of the good quality material I can get my hands on. There is a shortage of good quality in almost every variety." I must say, I find ~~that~~ it them to be an interesting statements. To verify it, I called a half dozen grower friends who buy offshore cuttings and asked them "How are your cuttings coming in? How is the quality?" Comments ranged from good, to okay, to fair. No one said poor, but no one said excellent either. I would be willing to bet that I could pick almost any 10 growers here today and visit their farms and see some very beautiful material. So what is happening here? Who is misinformed, the grower, the broker, or you, the producer? Do we have cuttings gremlins that get into boxes on the planes and

intrigued me.

transform the cuttings into something different than when they left the farm?

How many of you have ever cut and packed cuttings, driven them to the airport, flown in the same plane to their destination, walked them through customs and plant quarantine inspection, reloaded them onto a truck, gone to the trans-shipment warehouse, followed them to the growers, and helped unpack them? Until you have done that yourself, you will never have a chance to meet the gremlin that lives in that system. Remember the tried and true axiom "The customer is always right?" According to that philosophy, if you can't call up four out five of your customers and get an "excellent" response to my earlier question, then you are not meeting the quality needs of the market place.

Another point. If you are producing a product that is currently out of favor with the market place, the most obvious solution is to stop producing at the same levels and drop your prices. You must "bite the bullet" and phase out that production and bring in new varieties.

Networking has emerged as the preeminent buzz word of the 1980s. We are all networking here at this conference, talking, sharing ideas and experiences, and trying to learn how to get more out of what we do. Some of you will walk away from here feeling that it was a waste of time. Most of you will feel it was time well spent. I have never gone to a conference and not learned something that did not pay for my time and expenses. Networking allows me to short-circuit the learning curve and keep on top of new technology before it gets ahead of me. How much networking is going on between the Central American producers, the brokers and cuttings representatives, and the growers who use the cuttings? It appears to me to be not enough.

This talk hasn't really been a talk at all. It has mostly been an information gathering and dissemination session. I have talked to your customers in ways that perhaps you cannot because I have a different relationship with them than you do. I am talking to you in a different way than they would because my relationship to you is different than theirs. I entered the discussions as a neutral third party, and have remained such. For the most part, it is up to each of you to take this presentation home and study it (a copy is included in your handouts). You may not like what you read, you may not feel that any of it applies to you, you may not feel that it has helped you at all. This may have been a waste of your time. If so, I apologize. For those of you who see some value in what has been presented here, there are some clear-cut messages you should have gotten. It is up to each of you to act upon them.

When I was contacted to give this presentation, I was asked to a) talk about how to market; b) discuss the current state of the foliage cuttings market; c) discuss pricing. In a nutshell, the markets of Europe and the U.S. are oversupplied at today's current demand level. The two obvious solutions are to increase demand through marketing, and better, more consistently-priced quality products in existing markets, or ~~lash~~ to the new emerging Eastern European and Far Eastern markets. Well-known, well-established lines of communication will get you into these new markets.

look

I believe the U.S. market is unbelievably underexploited. It is a very plausible suggestion that producer groups in Central America take an active interest in U.S. marketing efforts aimed at end-users. Find out what the Florida Foliage Association (FFA), Florida Nurserymen and Growers Association (FNGA), Society of American Florists (SAF), American Association of Nurserymen (AAN), and the Associated Landscape ~~Constructors~~ of America (ALCA) and others are doing. Get involved with funding of projects like the NASA Plant Study, or the FFA Market Research Study. Do the same with the equivalent European groups. Start with the American Horticultural Marketing Council, a group of predominantly South Florida growers who have developed a marketing effort aimed at Europe and the Far East.

CONTRACTORS

The current state of product pricing is chaos. Because there are no grades or standards, and because so many producers are growing products with no thoughts to demand-driven supply or market-driven quality, pricing is almost a joke. It is a buyer's market, created by producers through oversupply and irregular quality. Be selective on who you sell to. Only grow varieties that can be called excellent quality by your customers, and develop a balanced production plan that accounts for the cyclic markets in both the U.S. and Europe. Establish fixed prices that meet market dictates for quality. Choose your markets carefully, and adjust your production accordingly. Does your broker or distributor cater to the high, middle, or low-end customer? How do you find that out? Ask him, ask your accounts receivable person who deposits your checks (how does he pay, fast or slow), ask other growers, ask your technical representative or a consultant who knows him. Keep in mind that you are the suplier at the beginning of the industry process. Without offshore production, our industry would be vastly different today. You deserve a fair return for your efforts, providing that you take the time to listen and produce what your customers want.

I have been in agriculture in one form or another for 20 years, and one very interesting characteristic of agriculture has become quite clear to me. Farmers, whether they farm wheat, vegetables, cattle, fruit, flowers or foliage cuttings are all farmers. And they are, everyone of them, rugged individualists, non-conformists, entrepreneurs. And you can't tell anyone of

them anything. They are stubborn, independent, headstrong, and proud. As a whole, they have a difficult time forming associations and cooperative groups, especially when taxes and money are involved. Networking is not one of their favorite words.

In the past, farmers were able to be farmers and survive "the old way." I suggest that those times are past. Simply look at what is happening to American agriculture and you will see. Because of their reluctance to ban together and generate the amount of money needed to be heard in today's media-controlled world, the family farm is dying. The little guy is all but dead, taken over by mega-agriculture, bought and paid for by huge outside interests looking for diversity and bottom lines. Gone are the joys of traditional farming and individual entrepreneurship. Gone are the days when farmers could afford the luxury of being strict individualists. The beginnings of those same trends are now being seen and experienced by each of you here this week.

It is up to you to deal with it. Alone, you cannot afford the level of travel and communication required to keep on top of your marketplaces. Alone, you cannot set the grades and standards, and therefore the stable prices that you need to assure financial stability. Alone, you cannot develop the improved techniques that still must be developed to put the shipping gremlin back in his box where he can't bother your products. Alone, you cannot afford to search the world for the plants of tomorrow and learn of their natural needs for profitable production. You must look to yourselves, and overcome your natural resentment of "I contributed more than my neighbor, why should I be helping him steal my business" syndrome. Only through a coordinated effort will you achieve grades and standards, stable prices, increased demands, and inroads into new and developing markets.

In closing, I want to emphasize that the positive message that came out of my research was that any producer who can consistently produce excellent quality material on a regular basis that meets market demands for quality and volume, can establish a profitable, stable price point that will be realized. The marketplace is only overproduced in average quality, semi-consistent, give-away priced products. Each and every one of those I spoke to expressed the sentiment that there are unlimited markets for high-quality products. Each of you are capable of producing that product, provided that you listen to your customer when he tells you exactly what he wants, and to your technical consultant when he tells you how to produce it. Are you growing what you like, or what your customers want? That is the hardest single question for most farmers to answer.

FAXED

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These already typed pages would insert between pages 3 and 4 of the handwritten pages sent earlier.

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Comments, Thoughts and Observations from 6 Individuals Who Produce, Handle or Produce Off shore Foliage Cuttings.

As a U.S. grower who also supervises an off shore production facility, the primary market problems this grower encounters with off shore production are quality control and a general lack of production planning. It is not uncommon for new off shore production facilities to be built on formerly actively farmed land. This land is generally totally nematode infested, and may also have large amounts of soil borne pathogens already existing on site.

Soil disinfecting or treatment is either inadequate or lacking prior to the planting of the stock in many cases. Also, little if any consideration is given to the natural requirements of the plants. Mass cane, for example, grows much better (faster) in the warmer lower altitude, but never hardens off without the cool nights characteristic of its native growth area. This results in "soft" material going into the market place. It has a hard time surviving the cutting, sizing, sorting and transportation process, and often arrives at the growers nursery depleted of energy reserves. Once potted, finished and shipped, it often cannot survive the stress of acclimatization.

Another major production problem is that most off shore nurseries consist of one growing location producing many different varieties. Usually each of these varieties is native to another location, country or climate. In the nursery, however, all the varieties are treated equally with regard to watering, fertilizing, spraying, etc. None of them are grown under optimal conditions, which results in a somewhat "average" quality product. The market place is rapidly beginning to sort out the "excellent" quality from the "average" quality.

Another major factor in quality concerns is the lack of technical experience in off shore foliage production. Many of the nurseries are started and run by general agricultural crop producers. One often sees the wrong fertilizers and pesticides being used, wrong rates of application, resulting in no effect or phytotoxic effects, the end result of course being poor or at least inconsistent quality. It would be most helpful if some of the off shore producers would gain experience in finished plant production by actually traveling to the U.S. or Europe and spending six (6) months working in the production facilities of their customers.

Scheduled production and stock rotation is poorly followed in many nurseries. Often, stock plants are still being cut long after their useful lives have passed. Production times lengthen, production units decline, and quality slides. Often, stock replanting is done from the poor quality last "cuts" of the old stock. Without infusion of new stock "blood" from sources outside the local area, one sees a gradual decline in color, variegation, leaf size, etc. Because it is such a gradual process, the grower may not even notice it. The resulting losses in sales are blamed on everything else but the actual cutting itself.

Plants that are currently in short supply are, among others, Janet Craig and Warneckii. There is an overabundance of cuttings of those two varieties available, but quality cuttings are sold out. Due to both the ~~psychic~~ cyclic nature of the finished plant market (curent demand for finished material is at its traditional seasonal low point), and the flat demand curve that has been apparent for the last 18 months, growers in Florida are not replanting right now. Their nurseries are full of product left over from the fall season, or planted during the late summer for the upcoming spring season. The off shore producers are still sending in large amounts of cuttings into a low demand market, further depressing already low prices. That makes it even harder to recover and get back to good pricing once the market begins to recover.

To compete in today's emerging more mature market, the off shore producers should begin to specialize in the higher quality, higher priced, harder to grow crops. Identify speciality niches and move to fill them. Color is a hot topic in both the U.S. and Europe. New products such as colored Warneckii look to be possibilities. Move away from the mainstream. Everyone can (and is) growing the easy stuff. Anyone can stick an aglaonema or a cane in the ground and get it to grow. What about anthuriums and orchids or bromeliads? Anthuriums grow in Thailand and various Far Eastern areas, as well as Costa Rica. Current legal bans or import/export of "exotic" or endangered species can be overcome with a concerted effort.

One recommendation might be to enlist the aid of, or develop your own program of exploration of the other ares of the world that have elevations and growing conditions similar to areas currently in off shore production. Look to those remote areas to provide new varieties that will fill the various speciality niches that appear to be open for development.

Other marketing problems that confront today's off shore producers are numerous. In Europe, some vegetable growers who are being squeezed by produce coming in from places like Israel and Cuba, are turning to part time foliage liner production to supplement their declining incomes. They compete directly with the incoming cuttings. Large amounts of competing cutings are pouring into Europe from places like the Ivory Coast of Africa, South Africa, Sri Lanka, Jamaica, and Puerto RicO. Finished plants are pouring in from Cuba, the Canary Islands, the Dominican Republic, South Africa, Sri Lanka, China and Puerto Rico. All of these compete directly with Central American production.

Often, some interesting variations on incoming material are providing unique but effective marketing tools. For example, India ships ostrich eggs in ornate clay containers to China for gourmet consumption. The Chinese use the clay boxes with very ornate designs to plant Rhapis into and ship to Europe. The Europeans get the Rhapis plants they want with the added bonus of a fancy clay pot for free. Are there similar marketing niches that exist for the Central American producers?

One of the potential salvations for current production woes is the potential for opening up of Eastern Europe as a new consumer market place . You should be looking very closely at this development. Another short-term niche may occur in the upoming U.S. market late this spring. Because so little new production is taking place now, you can forecast n impending demand shortfall for finished material in about 5-6 months. That means that nurseries will be empty, and fresh cash will be coming in. Preparations now to produce the sizes, numbers, and varieties that will be needed to fill this upcoming void will result in a profitable spring for some.

Some last minute thoughts on current production problems and trends:

a) The majority of the smaller growers still do not understand the need for chilling of cuttings after cutting. There always seem to be problems at the airports resulting in long delays in the hot sun.

b) While Mass cane is no longer a viable plant in the market place at earlier demand and production levels, there is still a market for some Mass cane. It is presently difficult to find good quality cane that lives through the production cycle and makes it to the end consumer. Some of the best Mass cane on the market today is being harvested out of the cane windrows around the coffee plantations. Because it tends to be in the areas that get cooler at nights, and because it is near the coffee, that cane currently seems to be some of the best available. And receives only minimal care

c) In Europe, Marginata cane is currently fetching a higher price than Mass cane.

In summation, this grower sees that gross overproduction (due to a lack of production planning) combined with a lack of marketing (by both the off shore producer and the finished product grower) have resulted in flat demand and give-away prices. That, coupled with low efficiency and a general lack of understanding of production costs, have left the off shore cuttings producer in a difficult position.

One of the more well-known technical consultants that does a lot of work in Central America feels that there is not enough dialogue between the growers and their customers. Growers that travel to the U.S. and Europe tend to come home with orders and new customers. You have to ask what your customer needs then produce it.

Technical consultants sent to help with production problems see "drift" in the programs they set up. A good program gets started, and over a few weeks or months gradually decays and becomes unlike what was started.

There seems to be little perception on the part of the growers of the natural requirements the plants need for healthy growth. There is also little perception of demand versus pricing. Production planning is poor. The decision on what to plant is often made by looking at what your neighbor grows.

Most growers tend to ~~be~~ have too much diversity. Everything requires different cultural practices, but all are bunched together and get the same treatment. No one plant is really grown well. Growers should limit production to a few varieties and do each of them well.

Also, there is no consideration between marekt needs and production output. The grower often does not listen to what is ordered. Example - the order is for 6-8" S.Q., but the cutting crew decides to cut 10-12" ~~because~~ because that is what is there.

Comments from a U.S grower/exporter/importer:

'You must be close to your customers or you are going to lose market share. It has become strictly a service business. Price, service, quality are keys. Those growers with a man in place in the area of his customers are the ones succeeding.

Currently Costa Nsy is pushing hard and ~~sind~~ doing well. Charles Greens also a factor.'

Off shore growers do not understand the ~~psychic~~ cyclic nature of the market. It has levelled out somewhat in the last few years, but the general trends still exist. February - April and July - September are the peak months. the rest is slow. Prices are low during these slow times.

~~Juan~~ We sees that the overall quality has improved. Less mechanical damage and handling difficulties than five (5) years ago. Currently Costa Rica is best, partly becasue they have a stronger growers' association, and partly becasue the European influence is strong there. The European market demands quality first, price second for the most part.

Pricing for samll cuttings of aga.. marg..schaff runs 13¢ each landed in Europe. U.S. equivalent runs 10 19¢ landed.

Some growers are beginning to recognize speciality markets and are producing things like plants in vases for Mother's Day, cups or mugs with plants for Father's Day. Growers must also be more global, and begin to think of the markets opening up in the Far East and Japan.

Comments from one of the larger U.S. brokers located in South Florida:

I feel that the two biggest problems facing Central American growers are quality and consistency. Off shore producers (not just Central American) have not established themselves as being able to produce consistently good quality material. There are some good "players", but a lot of bad ones. The overall picture dictates that one must choose growers very carefully.

One of the main problems with consistency is that most gowers don't produce cuttings based on the natural growing stage that the stock plant is in. Rather, they arbitrarily cut what is selling best, regardless of whether or not it is of the correct size parameters of calipher, internode length, petiole length, etc., that are normally expected of a cutting of that length spec. There seems to be very little product "cropping" being done so that cuttings of the same chronological age can be produced month after month. This problem usually occurs becasue growers are trying to produce too many varieties on too little land.

Another major trend that causes problems is that when growers plant new stock areas they often tend to plant them based on the availability of locally produced cuttings, not because what they are planting is what the market place is demanding. Often, the only cuttings available are there because they were of poor quality . If the plants are in oversupply to begin with, it does not seem logical to plant more simply because they are available. And if you start out with a substandard quality cutting you will most likely end up with a ~~substantial~~ stock plant. One of the best examples of this phenomenon is golden pothos, which is vastly overplanted in many regions. substandard

Currently, cuttings brokers that are very particular about their growers and have strong open lines of communication resulting in the growers supplying exactly what the customers are requesting, are all doing well. The statement has been made several times that this broker feels that he can sell ~~almo~~unlimited quantities of good quality cuttings that meet customer specs. Almost

Off shore producers who want to really succeed must realize that they have to prduce a fool proof cutting at a price that the growers can afford, and they have to produce it when the growers need it.

One of the larger cuttings producers in Guatemala is a good example of one way to successfully operate in this industry. They have a very solid line of generally smaller, harder to grow varieties than

many other growers. They have a clean operation, consistent quality, and constant stable pricing. They do not go up and down each month with prices. They do not produce either crotons or dracaenas. All or most of all their production is done in greenhouses at the higher elevations. All plants are on benches. They have coolers for freshly cut cuttings, and reefered trucks for the trip to the airport. Combine this with good cultural techniques and stable pricing and the customers can rely on this grower year round.

Pricing at most off shore facilities seems to vary widely. For example:

> 12-15" Aglaonema are currently selling in a range from 10¢ to 20¢ unrooted, 12¢ to 25¢ rooted.

The prices of many of today's cuttings are too low and should be raised. Prices should generally be held stable, with little fluctuation. For example, golden pothos (good quality) will sell quite consistently year round at 2¢ each.

One other pricing point - For years cuttings have been sold as a multiple size 12 - 15", 15 - 18" for example. That has produced a customer that expects an 18" cutting for a 15" price. One of the brokers I spoke to is going to a single size pricing system for1990, where 15" cuttings are sold as 15" cuttings, 18" as 18". This puts more pressure on the producer to have more control over his cutters, but it will produce an overall increase in revenue.

Overall, material handling of the cuttings has improved over the last five (5) years. There is less mechanical damage now than ever. There are still problems with temperature related stress caused by irregular or lack of chilling of cuttings between the time they are cut and the time they reach the plane.

The foliage market in the U.S. is a maturing market. The cuttings trade both in the U.S. and Europe is also a maturing market. Many producers are not adjusting their production to keep up with this trend. There currently seems to be three (3) basic types of producers of cuttings in this region:

a) The Super Producer - Has good facilities, good technical staff, good equipment. Coolers for post cut chilling and reefered trucks for transport, these are combined with locked in freight reservations and reliable freight forwarders. These farms generally send representatives to the U.S. and Europe several times per year, and often have both Stateside and European offices.

b) Mid Level Producers - Generally a family owned and operated operation, the owners are in daily "hands on" control of the Company. They usually have at least access to coolers and reeferes, and often deal through brokers in both the U.S. and Europe.

c) Others - This group is often underfunded and underequipped. They rarely use coolers or reefers, and normally over produce product based on the demand for their quality of cutting. They generally deal on the open market and are usually low end price wise, often dumping large amounts of cuttings on the market that cause across the board price reductions. This is the group that is hurting the industry as a whole.

Some general observations about cane crops:

a) Mass Cane - Currently very depressed demand versus supply, cane is available for as little as 18-19¢/ft FOB. The average price is around 25¢. Large blocks of cultivated cane have been seen highly infected with Erwinia, although little acknowlegement of that problem is made. There are currently few quality or price standards. Customer (both grower and end user) confidence in Mass cane is at an all time low. Expect up to a five (5) year depressed market, after which it should rebound in popularity. The bulk of Mass cane production seems to currently be coming from Costa Rica.

b) Yucca Cane - Yucca is still a collected item, with only limited amounts of block cultivation. While Yucca is currently not experiencing the cultural problems of Mass cane, it is caught in the same oversupply versus demand squeeze. Expect it to rebound slightly faster than Mass cane. Most Yucca production seems to be from Honduras and Guatemala.

One thought on pothos production - In recent years there has been an increasing incidence of mite infestation of pothos stock and cuttings Especially this year, large numbers of pothos cuttings arrived with mites. This reflects a lack of general understanding of mite control as well as poor spraying techniques in the production areas. Producers are still spraying for mites over top of the crop, when the mites in fact stay on the underside of the leaves for the most part. In order to achieve effective long-term mite control, you must spray the underside of the leaves as well as the top of the leaves every 5-6 days for three (3) successive spray periods. You must rotate the class of spray used fo each spray, and if a spray date is missed, the program must begin again from the start.

With regard to the different markets, the U.S. market is very diversified and has not come close to reaching its full potential, even though current demand is flat. The European market is a very difficult market with much less elastic pricing. Foliage demand is also flat in Europe currently, but they still consume big numbers in relation to per capita versus consumption. Marginata cane seems to be one of the current hot items in Europe, with shipments to Europe increasing to between 4 and 5 times the volume done just a few years ago.