

RICH REILLY ON ISSUES FACING THE GREENHOUSE INDUSTRY



Q&A WITH
GMPRO EDITOR
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Rich Reilly, vice president of the National Greenhouse Manufacturers Association, discusses some of the issues growers and greenhouse manufacturers are dealing with.

Q. Are American greenhouse manufacturers expecting 2004 to be a good sales year for new greenhouses?

A. 2004 will be a strong year for greenhouse sales, primarily driven by the increasing product needs of the large retailers. The “big three” — Home Depot, Lowe’s and Wal-Mart — will be adding new stores that will be supplied by growers nationwide. I expect this trend to continue for another three to four years. At Rough Brothers we also see a significant upswing in the interest by the independent retail market.

Q. For the last couple of years the market demand for retail greenhouse structures for the big-box stores and the independent retailers was much greater than the market for production greenhouses. Do you think the market for these retail structures will remain strong?

A. This year I see the market for production houses as being the strongest market for new greenhouse construction. This is a result of two factors:

1. There seems to be a pent-up demand in the marketplace from growers who have held off the past two or three years because of concerns about the economy.

2. Growers are being forced to produce high-quality plants while maintaining tight controls over costs. To maintain or reduce costs, since labor is not getting less expensive, a viable option seems to be the creation of efficiencies in greenhouse production methods. This can involve new energy-efficient greenhouse structures outfitted with state-of-the-industry labor-saving systems.

Q. The price of steel continues to increase, due in large part to rising demand from China and its rapidly expanding economy. Is the increased price of steel and the potential for shortages going to have much impact on greenhouse structure and component manufacturers?



Position: President, Rough Brothers Inc.; vice president, National Greenhouse Manufacturers Association.

Personal background: Before becoming president of Rough Brothers in 2001, Reilly managed the company’s manufacturing/production operations and its Institutional Division. He previously was employed by Morgan Stanley, investment banking and corporate finance; U.S. Department of Commerce, special assistant to U.S. Secretary of Commerce Robert Mossbacher; and Philip Morris.

Company background: Rough Brothers Inc. has designed, engineered, manufactured and installed greenhouses and related systems since 1932. The company has four primary divisions (commercial, institutional, conservatory and retail garden center). It designs structures, material-handling systems, heating, cooling, ventilation, irrigation systems and environmental controls. The company provides a comprehensive range of services.

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A. Steel is the largest cost component in a structure, so it will definitely have a major impact on greenhouse prices, both in terms of structures as well as components that use steel. The rising cost of steel is probably our biggest area of concern heading into the 2004 building season.

Q. What are the major construction/regulatory issues that growers are concerned with when they discuss putting up a new greenhouse?

A. It varies by region. But one thing is clear, municipalities are becoming much more strict on issuing building permits and new construction permits. Not only is the process more stringent, it also takes longer. This means that growers and greenhouse manufacturers must plan well in advance of any new construction start date. That trend is not going to go away and will probably only become more of a factor in the future.

Q. For growers who are contacting your company about upgrading or retrofitting an

existing structure, what are the most common changes they are making to their structures?

A. Heating systems would be at the top of the list as growers need to ensure efficient use of energy. Also, there is a continuing interest in the advantages of open-roof greenhouses. In fact, open-roof houses are the biggest area of growth in new structures. Finally, watering booms are almost becoming a standard component.

Q. There has been a considerable amount of consolidation at the grower and distributor level in the industry and not as much on the manufacturer side. Why do you think consolidation on the manufacturing side has not been as severe?

A. The main reason there hasn't been significant industry consolidation is because the barriers to entry in our industry are very low. Equipped with just a saw and a pipe bender, you can make a quonset house in a garage. According to National Greenhouse Manufacturers Association published information, the greenhouse structure manufacturing business is a market of about \$120 million. When you look at the list of structure manufacturers published by various trade magazines, you will see 40 to 50 companies listed. Based on size, the market should be served by three to six manufacturers, not 40.

Also, at some point in the next five years the major retailers are going to stop building as many new stores. When that happens we are going to see a significant consolidation in the greenhouse manufacturing segment.

Q. What is the status of the NGMA design manual?

A. The manual has been approved and adopted by NGMA after a long and sometimes painstaking process. I congratulate Craig Humphries and Bill Lee and all the others who played an essential role in pulling the design manual together. We very much hope that the manual is of tangible assistance to growers and manufacturers in the permit process as time goes by. If the manual does in fact assist people in this manner, I would say that it will have become one of the more significant services that NGMA has provided to the industry.

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