

Maumee Valley Growers “Pool” Resources

By Joe Perlaky, Maumee Valley Growers Program Manager

Either Increase Sales or Lower Costs...

Members of the Maumee Valley Growers (MVG) Advisory Group have been grappling with this challenge ever since the organization formed nearly 2 years ago. No doubt an easily understood concept for economic success, the challenge often remains in its effective execution.

The industry is primarily made up of multi-generational family businesses that for decades have developed a symbiotic relationship within their communities. In fact, the industry can claim that over 52% of existing greenhouse operations continues to do business at their same location for over forty years. Today, however, their livelihood is at risk. Escalating utility costs, increased government mandates, shortages of seasonal help, expensive workers compensation insurance and even changing customer buying habits have gradually squeezed the floral culture industry to the tipping point. More and more we see children and grandchildren of our most stalwartly growers jumping ship and starting new and unrelated careers. For those who remain...staying status quo often times represents a step backwards. Energy saving technology is available but can be expensive and require a long-term commitment. Quite a challenge we have here.

Growers, by their nature are independent hard working individuals dedicated and passionate about their trade. These core values have historically fueled their business success and development. Pride of ownership, product development and community giving has been the cornerstone of many of these families. Unfortunately, a dominating culture of business isolationism may have unwontedly created an industry viewed as rather fractured. Retailers, wholesalers, big box users, the seasonal corner vendor have struggled to unite collectively. Compounding this matter is an increased prevalence of imported products.

So, what could the MVG organization do to assist our growers? Fortunately, as it turns out...quite a bit. IF the group could somehow figure out a way to assemble their individual resources as one “critical mass,” the potential of lowering costs and increase savings could be substantial. In doing so, it just might slow the maturing business cycle long enough to rediscover new industry niches.

Next to payroll, the single greatest grower expense is energy costs.

Collaboration Saves Money

Under the direction and support of the MVG’s organization, Palmer Energy Company was selected to meet with the growers individually to educate, identify, collect and assess everyone’s usages. Armed with this data, it was determined a pooled purchase program could indeed be structured. However, this remained no easy task.

Establishing confidentiality measures and developing member trust were minimal hurdles needed to overcome for growers to seriously consider participating in such a proposal. Remarkably, for one reason or another, this initiative was never instituted in the past. It was discussed but it never came to fruition.

Over the past few months, Palmer's representative Kirk Mizerek and owner Mark Frye met with growers both collectively and individually introducing them to this program. Incredibly, Kirk informs us at least 19 growers have initially signed up. Collectively, this may save the growers as much as \$60k.

Grant Funds Eliminate Fees

At the same time, several parallel discussions were ongoing. Traditionally, the growers with the greatest energy loads had the ability to negotiate terms and conditions independently. Many were already "locked in" to existing contracts. The question became...what could the MVG's organization do to level the grower playing field and peak the interest of the larger volume users to join the pool?

One fascinating idea was to reduce or eliminate Palmer's first year of consulting fees. Solution? Apply grant funding to offset that fee structure! Interestingly, doing so created a domino effect.

First, it encouraged enough of the larger users to join the group thus increasing overall volume usage significantly. This resulted in even greater savings for those original 19 growers enrolled. In fact, it is estimated to increase the original grower savings collectively 2-3 fold! Over the course of this initial year, it is anticipated as many as 30 growers may eventually sign on and participate in the program.

Using grant money to seed new programs is very common especially those creating a leveraged return. Program sustainability is only possible through value creation. The MVG's organization is confident Palmer's performance will create enough value that the program can financially support and sustain itself without subsidy.

To be eligible to receive these savings, this offering will accommodate any MVG who joins Palmer's group during this first year. This allows for business's locked in to other program schedules to join later when their current contract expires.

Implementing this professionally managed program required the effort of many individuals who for months worked in organizing, designing and administrating it. The goal was to significantly decrease utility costs for those growers participating in the Maumee Valley Grower purchase program. Time will tell. Both Palmer Energy and the Maumee Valley Growers look forward in tracking its success throughout the coming year.

Interested growers wishing to participate in this effort are encouraged to contact Kirk Mizerek directly at (419) 349-5990.