



# Reading the future

Octavio Martinez of Heritage Seedlings and Liners said he devises production numbers by starting with an educated guess based on trends over the last three years. PHOTO BY VIC PANICHKUL

## An accurate read on coming market conditions and a balanced strategy are critical to weathering ups and downs of tree-growing business

BY MITCH LIES

In the high-stakes, risky business of tree production, an accurate read on future market conditions can be critical to successfully weathering the ups and downs of the industry, particularly as the cost of production continues to rise and return on investment can be years down the road.

“It’s a huge investment,” noted Chris Robinson, co-owner and general manager of **Robinson Nursery Inc.** in Amity, Oregon. “Because of the increase in input costs, labor costs, and the cost of goods, we like to stick to the items that we know

are profitable. If something’s not profitable, we’re not going to grow it, because we know that there is going to be a steady increase in input costs over the years. So, we pay a lot of attention to the SKUs that we grow, and then also how much money each of those items are making and if they’re worth growing or not.”

Octavio Martinez has worked 24 years at **Heritage Seedlings and Liners** in Salem, Oregon and is in the process of purchasing the nursery from founder Mark Krautmann. He’s been around long enough to know the business and



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— Octavio Martinez  
Heritage Seedlings and Liners

production cycles involved. “We are in a very risky business,” he said.

Martinez said he devises production numbers by starting with “an educated guess.”

“We look at the trend of the last three years, what the sales were like, and from there we get an average and make an educated guess of what the market is going to be two or three years down the road,” he said. “You’ve got a lot of factors affecting the economy, and we are hoping that what we propagate now, we can sell in three years.”



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Octavio Martinez inspects some propagated plant starts in the greenhouse at Heritage Seedlings and Liners. He balances the nursery's long-term goals with short-term needs. PHOTO BY VIC PANICHKUL

### A delicate balance

Martinez, who will finalize his purchase of Heritage Seedlings and Liners on June 1, said he learned to balance a nursery's long-term goals with its short-term needs by watching the previous owners, Mark Krautmann and his wife, Jolly, who passed away last summer, balance their production philosophies.

"Mark has always been sort of the visionary, the expansionist who always wanted to grow more trees. And Jolly was always the numbers person, always asking, 'Well Mark, you want to grow 10,000 more trees, well, where are we going to sell them?'" Martinez said. "So they balanced each other really well."

"I'm kind of a hybrid, because I worked with Jolly and Mark for the last 24 years," he said. "I have the Mark in me telling me to plant more trees, but the Jolly in me is telling me, 'Wait a minute.' And I think that is the formula it is going to take to be successful going forward."

Robinson said he is constantly fluctuating production levels, but rarely does he do so by more than 10% in any one year.



**"The profit killer for our industry is overproduction, because whether you sell the tree or not, there's a significant investment in that tree."**

— Chris Robinson

CO-OWNER AND GENERAL MANAGER  
Robinson Nursery Inc.

The nursery monitors market conditions and uses data from its customers to help determine whether to increase, decrease or hold flat on production.

"Our computer system allows us to

take requests for plants whether we have them or not, so we have some really good data on what consumers want," Robinson said. "And then we take our best guess as to what that is going to look like 48 to 60 months from now.

"There is a lot of guesswork involved, but we use the best data that we have at our hands, and then we try not to decrease or increase a significant amount a year," he said.

Robinson added that one key to surviving in the tree business is long-term customer relationships. "We have developed good relationships with our customers so that we keep in constant communication on what they need, what is selling, how we can help each other to make sure that we're all planting the right stuff," he said. "Because of our relationships with our customers, and the fact that we've been in business for 40 years, that allows us to keep this production cycle going."

Robinson added that the worst thing a nursery can do is overproduce. "The profit killer for our industry is overproduction, because whether you sell the tree



At Robinson Nursery Inc. co-owner Chris Robinson said he constantly fluctuates production levels, but rarely by more than 10%. OAN FILE PHOTO

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## Reading the future

or not, there's a significant investment in that tree," he said.

Martinez agreed. "You're three years out from seeing a dime for that tree that you planted. And if you over propagate, you can't sell it. And then you have to make the decision: Do I transplant it and have a bigger plant and hopefully sell it next year? So, basically, do you put good money into bad money, invest in another year of labor and growing it and hopefully sell it next year?"

### Growing in a down cycle

From 2007–2011, with the tree market flush, prices depressed and growers reducing production, Tory Schwope, owner of DCA Outdoor (Kansas City, Missouri), Rio Verde Plantas (Cornelius, Oregon) and Schwope Brothers Tree Farm (Banks, Oregon) went counter intuitive. Schwope decided to increase production.

"I planted 10 times more trees than I had been planting," said Schwope, who also has operations in Kansas, Indiana, Illinois and Kentucky.

Schwope Brothers, which produces bareroot shade, flowering and fruit trees, had to scramble to meet budget during the ensuing production cycle. "I was young, so I did all kind of crazy things to generate free cash outside of my normal business operations," Schwope said.

"When the market took off in 2013, I had a lot of trees, whereas most all of the producers had way less than they normally would have," Schwope said.

As an afternote, DCA Outdoor filed for Chapter 11 bankruptcy on February 20 in the U.S. Bankruptcy Court for the Western District of Missouri. The filing cited multiple factors: a major customer's refusal to pay for \$3 million in shipments, a plant disease at a key nursery in Oregon

that led to inventory impairments, and softer economic conditions and weakened demand for landscaping products that further reduced revenues below 2023 levels. The company indicated it is restructuring its debt and will continue to operate.

### What to plant

Nursery owners also noted that knowing which species to plant in any cycle is critical to the long-term success of an operation. Robinson said he is planting more upright and smaller trees of late to accommodate the current housing trend of building on smaller lots.

"Rather than individuals planting a lot of shade trees like they did in the past housing boom, now people are planting typically a single ornamental tree in their front yard," Robinson said. "So, we're growing much less shade trees and still really good numbers of ornamental trees. And then, because of the smaller yards and smaller houses, upright trees are a big trend. So, anything that has a very narrow habit, like slender silhouette sweet gum or a kindred spirit oak, or anything that is very narrow is a hot trend right now."

As for today's market, Schwope said it doesn't inspire him to increase production. "Even for me, who has been very aggressive with increasing production over the years, the last couple of years, I've been decreasing production ...."

"When you look at wage inflation and even the demographics of the industry and how challenging it is to find management and sales people, it doesn't seem like a good time to be increasing production," Schwope said.

The bottom line is in order to be a viable tree producer it is critical to be planting every year. "The question," Schwope said, "is are you planting a little bit more or are you planting a little bit less than you planted last year?" ©

*Mitch Lies is a freelance writer covering agricultural issues based in Salem Oregon. He can be reached at [MitchLies@Comcast.net](mailto:MitchLies@Comcast.net).*



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