



## EUROPEAN NURSERYSTOCK ASSOCIATION

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### **Talk with Mr Art Anderson, General Manager and Chief Operations Officer at J. Frank Schmidt & Son Co., Portland, Oregon, USA.**

ENA General Assembly; 30 January 2020; IPM-Essen, Germany.

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So, after the break, I was talking about what I could do to present would be interesting information. So I'm going to change a little bit of what I have thought about presenting to address what I believe is going to be items that might be a more interest.

First of all, our J. Frank Schmidt nursery is a 75-year-old company and we do bare root shade trees. And we originally when I joined the company 10 will actually work for the family 14 years but joined the company as CEO seven years ago, the business plan was to ship bare root trees throughout the world that I soon learned was not a good business model. And so what we did is we started the program for sending our genetics to temperate zone climates throughout the world. And so now we have partners in Europe, Australia, Japan, and China. And we are working on some other ones. But we are one of the larger, very preachy nurseries in the United States, along with Carlton plants and Bailey nursery. And of course, many of you probably know that Bailey nursery a year and a half ago bought Carlton, so now they're the largest and Schmidt as the second.

The nursery industry in the United States is changing dramatically. At the beginning of the recession back in 2006 2007, we were oversize, and it was directly coordinated with the housing industry in the United States. When the bottom went out of that, we went through a long period of about four to five years of shrinkage. In the United States, there are three primary nursery producing states California, which produces a lot of tropical semi tropicals in that flowers and bulbs, and they consume a lot of what they produce in the state. Florida is the second and it produces a lot of tropicals that ship worldwide. Oregon is unique in that it produces the bulk of the woodies, the shrubs, the ornamentals and the trees. We export 80% of what we produce throughout the United States and North America. And so it puts us in a unique position. In the state of Oregon, during the recession, we lost 40% of the nurseries. And basically, none of those have come back. And it is now more true in the United States as a whole, that our industry is shrinking on the level of the number of nurseries either through family operations where there is no succession plan, or just economics because a lot of them went out because of excess borrowing during the years of unwarranted growth in the early 2000s, late 90s 1990s and the other due to consolidation. And the Bailey Carlton is just one example. There are quite a few others that I could cite as well. So while our industry is shrinking in terms of number of nurseries, the sales volume in the last year or two has surpassed what it was prior or at the beginning of the recession. Oregon, for instance, was about \$900 million industry which the nursery industry in Oregon is number one agricultural industry. Yeah, this year we just passed, yeah, 1 billion. So it has grown but it's because of some increase in production, but mainly uses some prices and the consolidation.

So our industry is facing a lot of challenges. As I've heard from many of my European nursery friends that I visited with so far, labor is by far is number one. We're doing a lot of things to try and design



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unique programs that we can attract young people as well as general common labor's hand, but we're having a really hard time because with the growth that we've had over the last five to six years, we have a lot of growth in construction and service industry, which is taking a lot of the typical of the Puerto Rican or Hispanic or the Guatemalan The other type of labor that we've traditionally used in the United States labor force for nursery. So those are challenges, wages and benefits have definitely increased dramatically. And generally speaking, it's not been supported by price increases. This is a common thread, I'm sure.

So we've had to look at a lot of what we have called and taken after the Japanese model of Lean management. I'm sure you have something like that here as well. And so we spent a lot of efficiency gain, but the profit margins have also shrunk a lot. This is a unbelievable challenge for us moving forward. One of the unique things that Schmidt did when Frank Jr. founded the nursery, in 1946, is he started looking for better and improved trees. And of course, all of our I'm sure are familiar with Red Sunset, which is his first one. Since then we've introduced 110 new varieties, but one of the keys and Bailey's does the same, and Carlton did the same. But one of the keys is always making sure that the variety that you introduce was better than what was currently on the market. This has given us the advantage of being able to go to other countries in the world. However, we always are learning. And we're learning that once in a while tree that had very good characteristics, particularly disease resistance in America doesn't always work as well in other countries. And the example that we did is one of our Oaks, which in the United States has excellent disease resistance to powdery mildew. We brought it over here and have it tested. With Dr. Lösing up there in Pinneberg, found out that you have some powdery mildew strains over here that it attacks the tree quite heavily. So those are just some examples of things that we're always having to learn about.

As far as trees specifically in the United States, there is a large movement, Green Movement, of course, and and that's very, very good. I understand that there's a lot of cities here that are starting with that a million-tree planting. programs and that we have that United States. But one thing that in just the last five years or so has really taken on and that is diversity, genetic diversity in the city. There are cities now major cities in the United States that will no longer allow planting of a street with the single cultivar, but they have to have mixed cultivars. And of course, native has always been a challenge, but it's not taken off the way we had fear. Yes, there are native people that want natives only, but my comment always is no tree in evolution was ever selected based upon its ability to grow in a four-foot concrete box. So with that, there's a lot of other selection criteria that have come. So there's always an evolving challenge and changes are happening. Those are the things that I think I would bring to the table as far as our industry is concerned and I'd be happy to answer any questions that you might have.

One other thing in talking with nurseries last yesterday. We started our coming out of the recession in about 2012. And the last of the five years after that were very good. But in 2018, we started leveling off 2019 is flat and so We're seeing some definite signs we have such and I don't like politics. But we have such a unique political and trade system now, that I don't know where it's going. But I just know that it's

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flat right now, where it might go depends so much on what happens. The International global economy has become so much more important. And of course, with the US decision last December to prohibit importation of 39 Genera 70% of the trees that Schmidt grows fall into those 39 Genera so it's really going to hit us. Fortunately, I saw it coming. So we sent over last year quite a few new varieties that we have are not yet introducing empty united states that we will introduce over the next five years. We have that genetic material already here in here. So we're fortunate for that we just hope things get worked out before too much longer. But if our experience in Australia is any harbinger of a prediction, the Australian Government quite a few years ago put in very, very strict importation requirements even to the point where TC was not allowed in. Two years ago, through the working with the government down there, they now have allowed importation of TC. So if trees are able to be propagated through to TC culture, now we have some on trade and they just last year, lightened up on the regulation for stickwood so that you can bring stickwood in the past to go through a two year quarantine process. And some of the government people don't even know how to graft but, at least, you get the material and so there's openings there. So I'm hopeful that the EU will take a look at that model and at least try to develop protocols that will allow us as nurseries to start, you know, exchanging plant material again.

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