AmericanHort

April 3, 2020

The Honorable Sonny Perdue
Secretary of Agriculture
U.S. Department of Agriculture
12th St. and Jefferson Drive, SW
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Dear Secretary Perdue:

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We write to describe the extraordinary challenges confronting America's horticultural crop growers and our market chain, and to seek a dialogue with you and your Department as federal relief efforts in response to COVID-19 take shape.

AmericanHort is the primary national trade organization representing the growers of horticultural plant crops, and the associated supply and market chain. AmericanHort represents and supports nearly 14,000 member and affiliated businesses that include plant breeders, greenhouse and nursery crop growers, garden retailers, distributors, interior and exterior landscape professionals, students, educators, researchers, manufacturers, and all of those who are part of the industry market chain. Greenhouse and nursery plant growers, collectively referred to as "nursery and floriculture," represent the largest share of our active member firms.

These crops include trees, shrubs, flowers, and plants used in residential, commercial, municipal, and other landscapes and buildings, and for environmental, restoration, and reforestation purposes, as well as cut flowers and greens. They also include the vegetative planting stock for commercial and home tree fruit, nut, berry and small fruit, and vegetable production. These crops may be produced in the open, in field or container systems, or under cover in controlled environment settings. Nursery and floriculture crops represent roughly one third of the total value of specialty crops produced, and roughly 10 percent of the total value of crop agriculture.

For reasons we will explain in brief, our industry is perhaps as vulnerable as any sector of agriculture to severe economic devastation resulting from the COVID-19 global pandemic.

Spring Selling Season is Make-Or-Break for Horticultural Producers

Our industry's market chain is overwhelmingly dependent on the spring selling season. The general rule of thumb is that 60- to 80-percent of annual sales happen in a ten-week period generally falling from March 15 to Memorial Day (with the season running somewhat earlier in warmer climates). April and May are essential months, and Mothers' Day is often seen as the season peak. History has shown that this is the only period for this level of sales and sales losses due to events such as bad weekend weather will almost never be recouped as the season progresses.

The plant inventory for most producers – especially those producing flowering crops – is highly perishable and only marketable during this window of time. Many plants only have 2-3 weeks of marketable life before they must be scrapped. While bad Spring weather is a normal regional phenomenon, the current COVID-19 crisis is affecting every state and locality with governmental orders limiting many types of commercial activity during the peak of our industry's selling season.

COVID-19 Is Severely Disrupting Our Market Chain

As the novel coronavirus response effort has unfolded, severe marketplace disruptions and crop losses in our industry are already occurring. The severity of disruptions and losses vary based on market channel and geography. At the federal level, under DHS-CISA guidance, nursery and floriculture growers are generally considered part of the Food and Agriculture sector, and farm workers are considered essential workers. A March 28 revision to the CISA guidance explicitly listed landscapers under the "Public Works and Infrastructure Support" sector. All this said, state and local orders vary and in many cases, they are limiting commercial landscape activities, especially involving design/build and plant installation.

Retail market channels are a serious problem in a growing number of places. Again, the impacts vary but in some instances are severe. For plants sold through retail sales, mass retail formats move more than half of total production to the final consumer. Those with garden centers have for the most part been open for business, such as hardware stores and home centers; however, those stores have in many cases closed garden center gates and restricted normal shopping activity. Growers in the southern portion of the country where the season has already started report sales shortfalls of over 50-60% compared to planned sales at this time. Grocery chains and warehouse stores have in many cases cancelled orders, resulting in severe losses for growers serving those market channels. Independent retail garden centers (and by extension the growers servicing them) have been the hardest-hit. Many states and localities have severely restricted their business or even forced closures.

From a grower perspective, all sectors are struggling to some degree. However, the most extreme impacts have been felt by producers of the most highly perishable "color crops" that have narrow market windows. Data around many of these crops are reported in the USDA Floriculture Crop Summary, which for 2018 reported total wholesale sales of $4.63 billion by growers producing at least $10,000 worth of these crops. The worst-affected growers are literally being forced to dump hundreds of thousands or even millions of dollars worth of finished, market-ready crops per week in recent weeks.

We wish to note a special concern with respect to farms in our sector that have 500 or more employees. Our industry is highly labor intensive, and so a farming operation with more than 500 employees is not as big as it might otherwise sound. We are deeply concerned that such operations will "fall through the cracks" of federal relief. They are too big to be eligible for most of the CARES relief programs, most notably the Paycheck Protection Program (PPP). The top 50 growers by size in our industry are all over 500 employees but almost all of these companies are family owned multi-generational businesses now at risk and need governmental support in order to survive and keep their employees. They make up a large part of our industry and are essential to our industry's supply chain. Without realistic safety net options, some of them may fail.

A final point of concern relates to labor. For context, labor is the single biggest cost of production in our industry, often exceeding one-third of cost of goods sold. While we are awaiting final clarification by Treasury, the CARES Act's PPP "loan-to-grant" relief is based on payroll size, but it appears to exclude H-2A workers' payroll. If this is indeed the case, our growers who employ a significant number of H-2A workers during the peak season – which is occurring right now – will find themselves falling through a big hole – specific to Agriculture – in the PPP safety net.

What Form of Relief Would Do the Most Good?

On a positive note, many of our industry's growers may manage through the current unfolding pandemic intact, depending on the geographies and market channels they service. Many more should benefit from programs like the PPP and Economic Injury Disaster Loan program. But those growers in severely impacted market channels and regions are encountering severe losses now, and will soon face a liquidity crisis.

It is worth noting that our industry largely "sat out" the recent trade relief initiatives. Though there were supply chain impacts for some, other sectors of agriculture were much more severely affected. This unfolding COVID-19 disaster appears to be "our disaster," with dislocations in horticulture substantially exceeding those likely facing most food sectors, where market channels are being prioritized and generally appear to be more intact.

Our most impacted highly perishable crop growers will lose a high percentage of their seasonal market and will need a bridge in order to keep their businesses sustained and operating into the following year. Direct assistance payments to the most affected producers may be the simplest approach. These payments could defray losses based on a set percentage of market value for finished plants for which markets or market access are lost, resulting in crop loss. The market values can be guided by the 2018 USDA Floriculture Report market value averages.

Many large nursery growers producing less-perishable woody plant crops need a backstop for their payroll in the absence of current revenue. The challenge is being able to afford the critical staff to keep the nursery stock alive and well for the next 60 days until the market can open up. A loan or grant program similar to SBA 7(a) that would allow funding of 2x average payroll would give the necessary cash flow to avoid massive layoffs while maintaining the health of the inventory. A loan forgiveness feature, similar to the SBA Payroll Protection Program, would extend much needed liquidity to a supply chain that will be under constant pressure this year. We urge USDA to consider a parallel program that covers farms exceeding the under-500-

employee eligibility threshold, or have a significant number of H-2A workers, for which payroll may be ineligible under PPP.

The nursery and floriculture sector is valued at over $16 billion according to USDA Census of Agriculture data. That equates to four percent of total value of all crops and livestock. If USDA were to seek to deploy the $9.5 billion in funding through the CARES act proportionately across sectors (presuming all sectors needed similar relief), there could be $380 million in potential relief in the nursery and floriculture sector. Given the severe timing-related impacts we have described, USDA could justify allocating an even larger share, such as 6%, of the funds to one or more program initiatives such as those we have described, to provide farm-sustaining relief in our sector.

To the extent that you and your staff are considering other creative approaches, we would deeply appreciate an opportunity to react with ideas and suggestions for refinement. Given the swiftness and severity of the crisis, speed and simplicity are vital.

Mr. Secretary, the American horticulture industry certainly finds itself at the front end of a crisis the likes of which we have never seen in our lifetimes. It is a crisis that could not be more ill-timed, hitting just as our peak season is underway. We cannot overstate the level of anxiety and depth of concern about our growers' future.

When you addressed our industry's Washington, DC, legislative summit attendees last September, you greeted them by saying, *"Thank you for coming to DC to help teach us about horticulture and the many contributions it makes to the American economy. I hope you know that I consider you a bona fide part of American agriculture."* We are deeply grateful for this acknowledgement, and we respectfully urge you, and your staff, to help us ensure our industry is fully embraced in the USDA-directed relief funding recently provided through the CARES Act.

We don't reach out often and ask for much, but in this instance, we simply must. We sincerely request the opportunity for our industry to have its "seat at the table" and to work through relief and assistance for our nursery and floriculture specialty crop farmers.

Sincerely,

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President and CEO

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