

State of the Industry:

Economic Update

Dr. Charlie Hall, Chief Economist



Agenda



**HOW WAS
SPRING?**



**CURRENT
ECONOMIC
CONDITIONS**

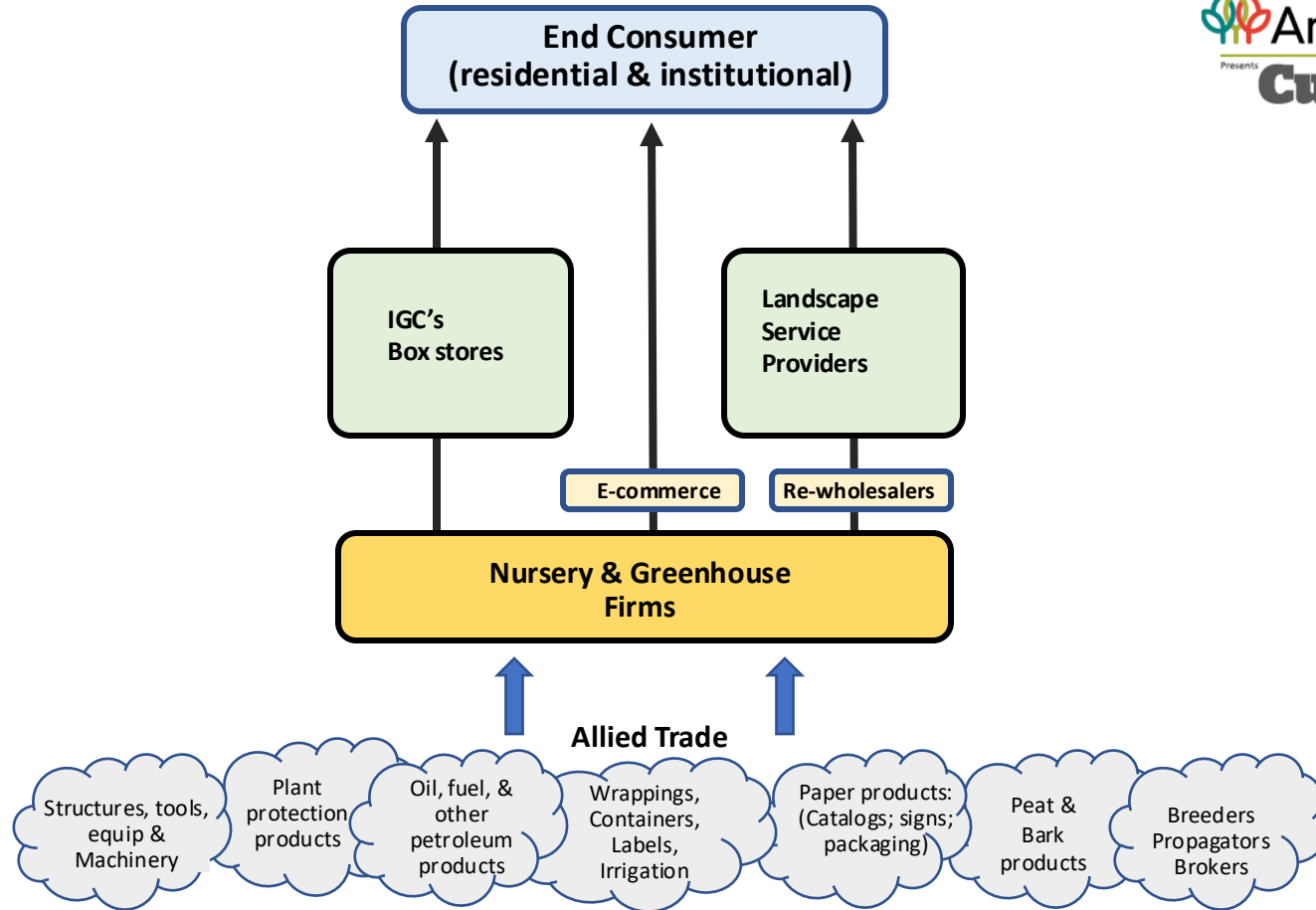


**SUPPLY
CHAIN ISSUES
& COSTS**

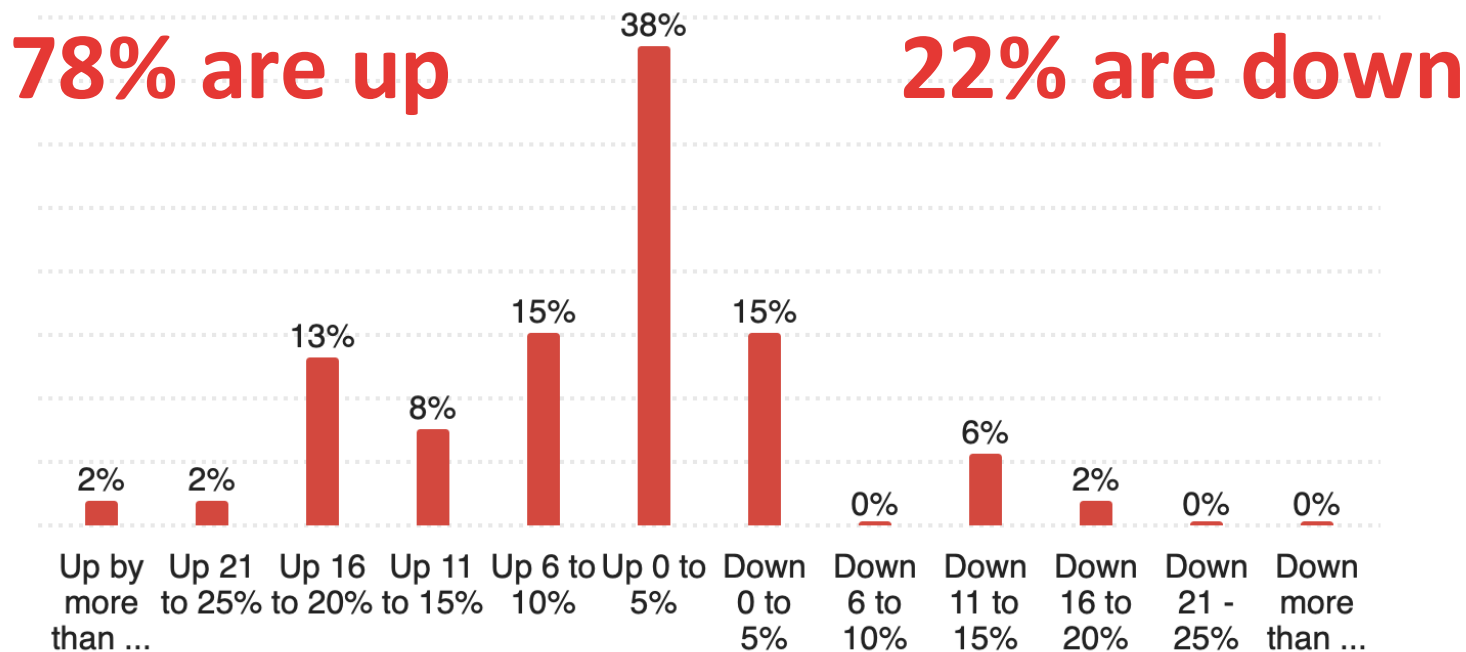


**OUTLOOK
GOING
FORWARD**

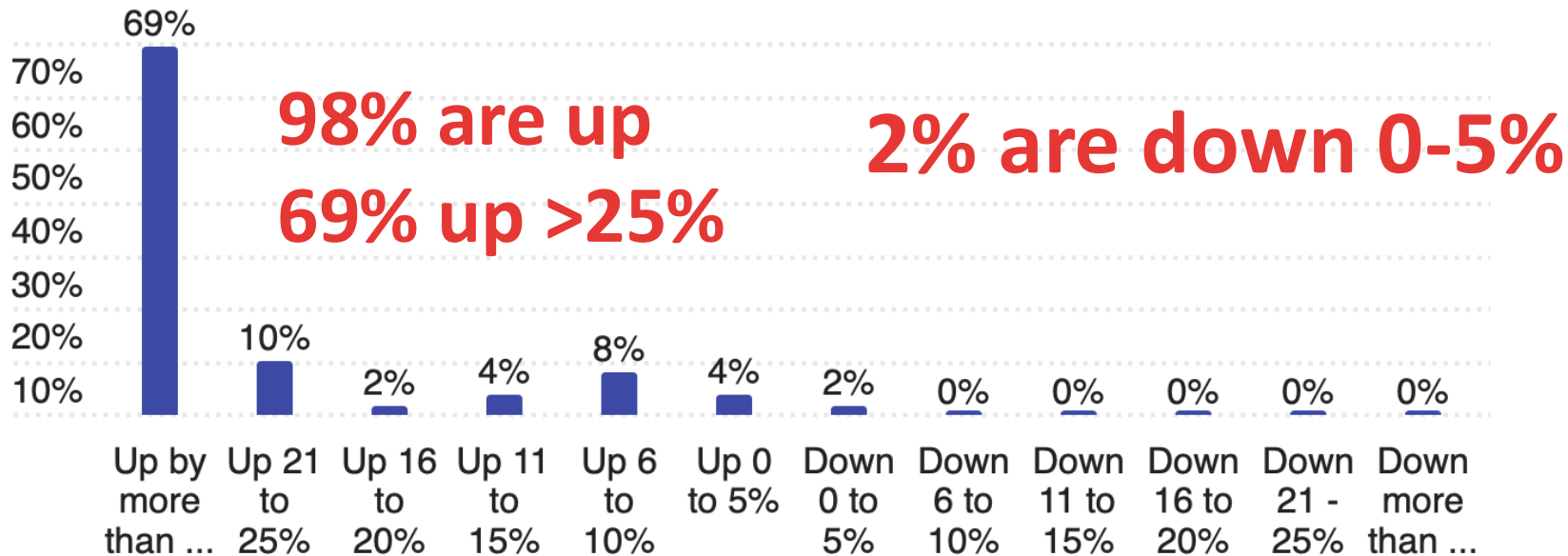




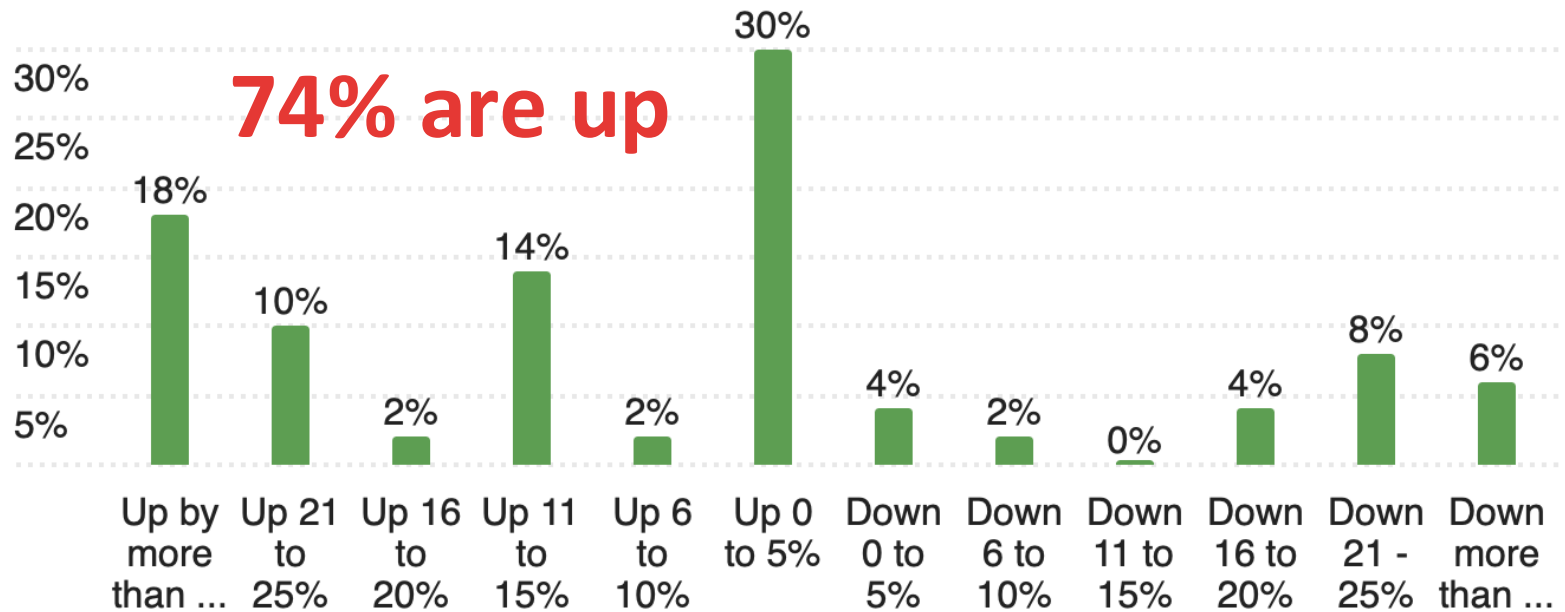
Grower top-line sales YTD vs 2024



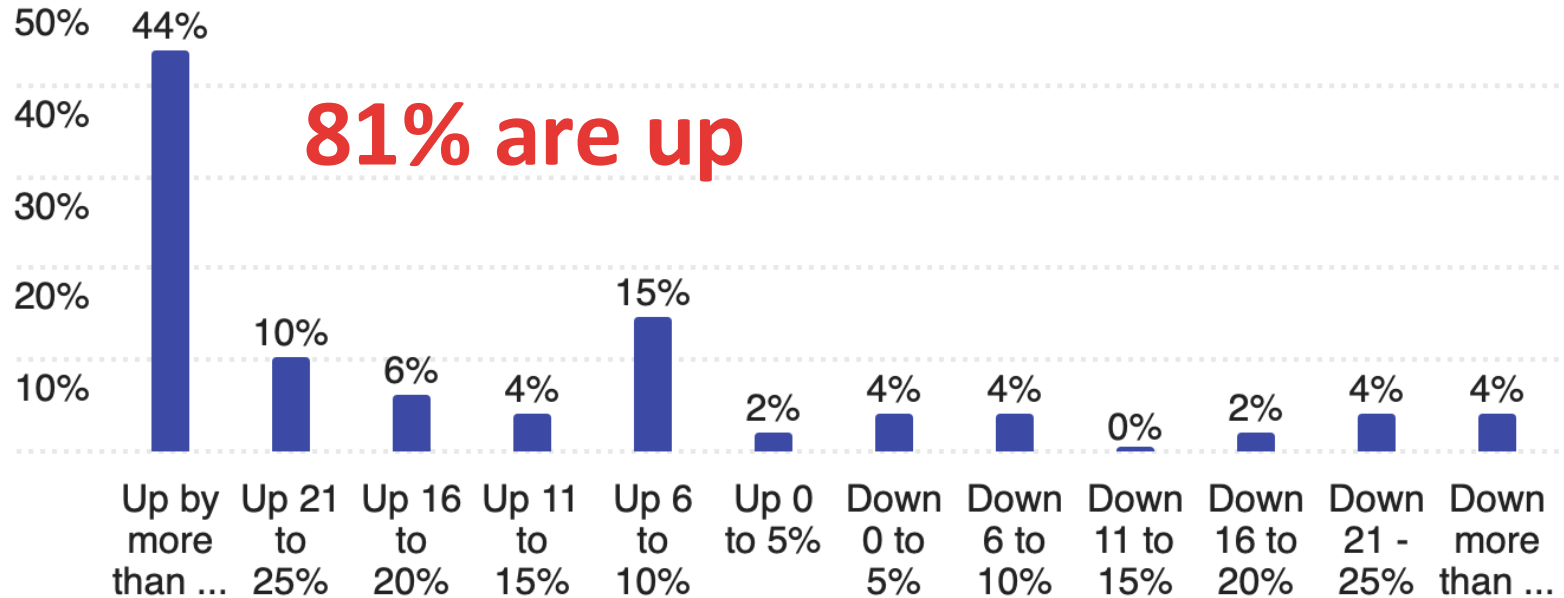
Grower top-line sales vs 2019



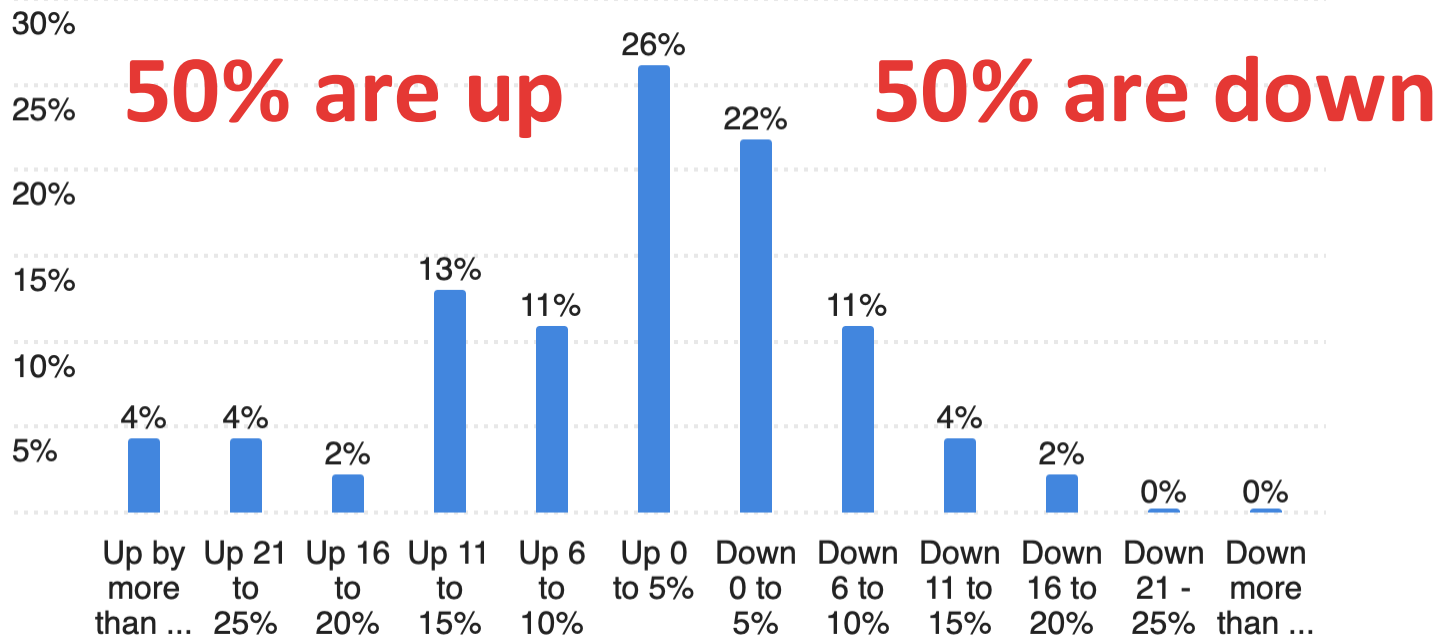
Grower net profits YTD vs 2024



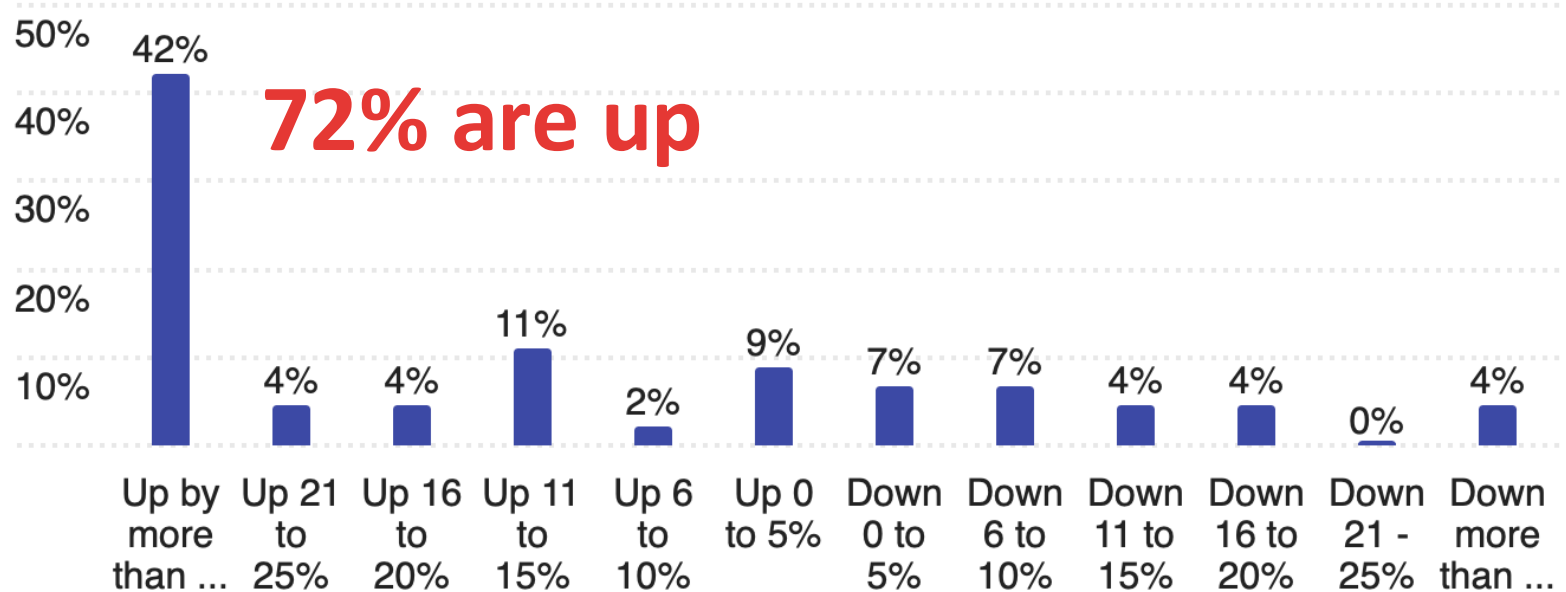
Grower net profits vs 2019



Grower units sold vs 2024



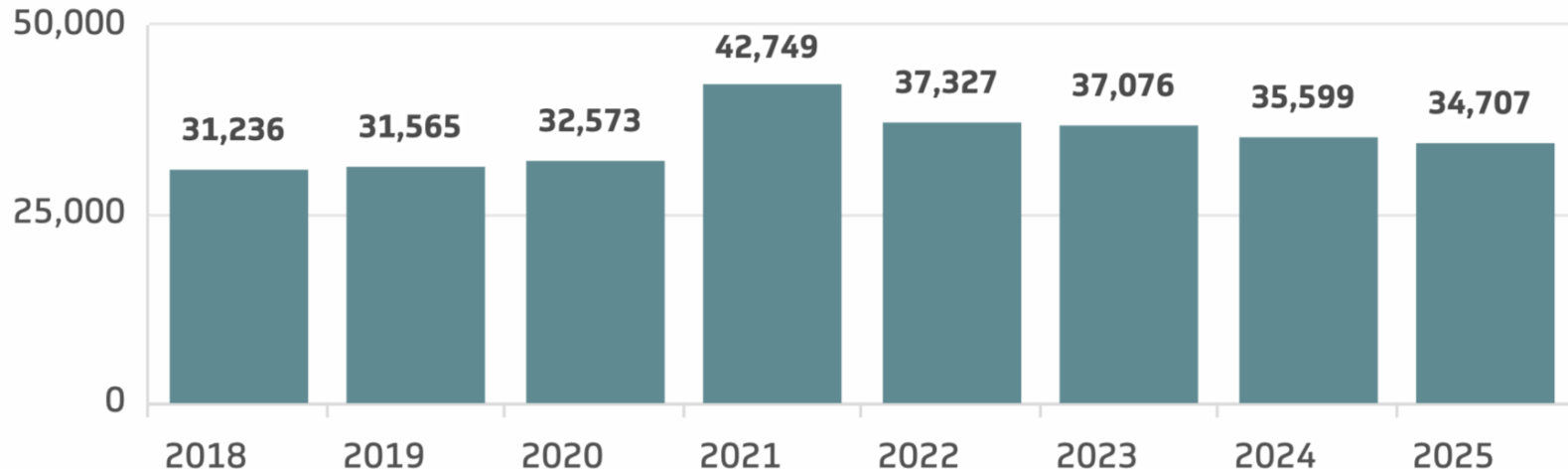
Grower units sold vs 2019



Retail IGC YTD

REGION	Revenues YTD %	Avg Sale YTD %	Trans Ct YTD %
Gulfcoast	-3.2%	0.4%	-3.6%
MidAtlantic	2.3%	1.3%	1.0%
MidWest	1.2%	2.6%	-1.4%
MtnsWest	3.7%	7.5%	-3.5%
Northeast/NS	0.1%	3.2%	-2.9%
Northwest/BC	1.2%	2.0%	-0.8%
Ohio	3.5%	3.0%	0.5%
SouthCentral	-6.5%	-5.1%	-1.4%
SouthWest	4.0%	1.2%	2.8%
Southeast	0.1%	3.1%	-2.9%
Grand total	0.3%	1.7%	-1.4%

Customer Count YTD



Median Customer Count - YTD by Year

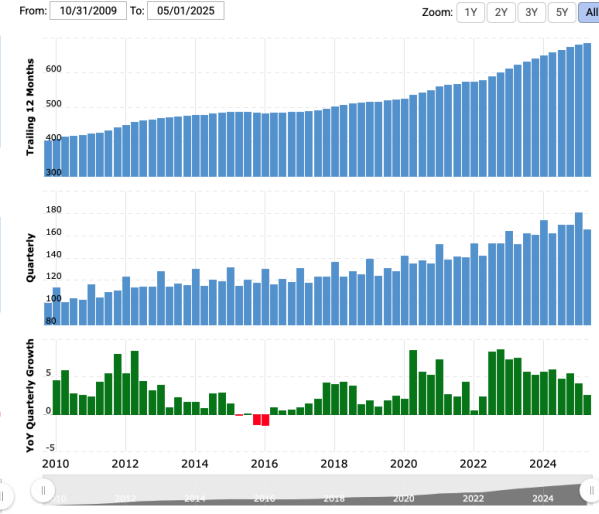
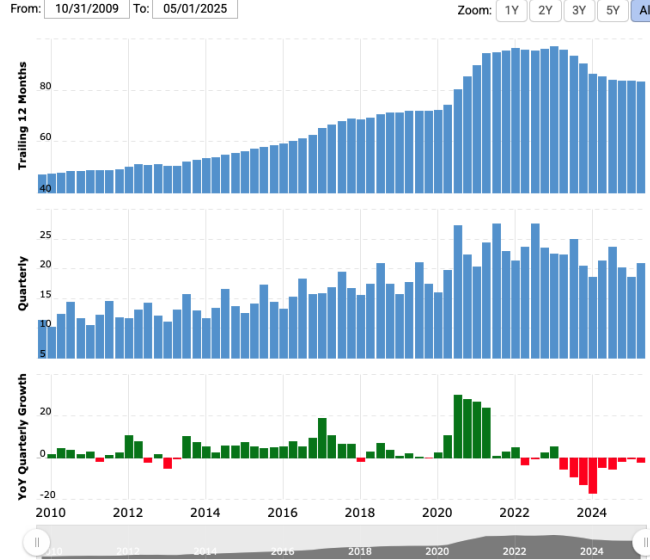
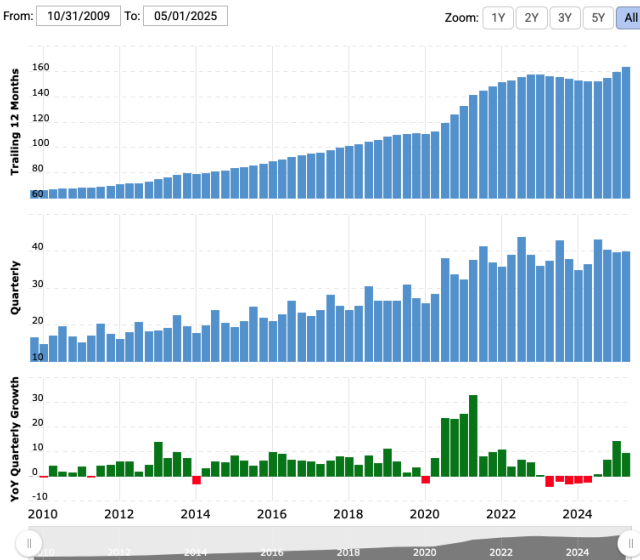
Change vs
YTD 2024

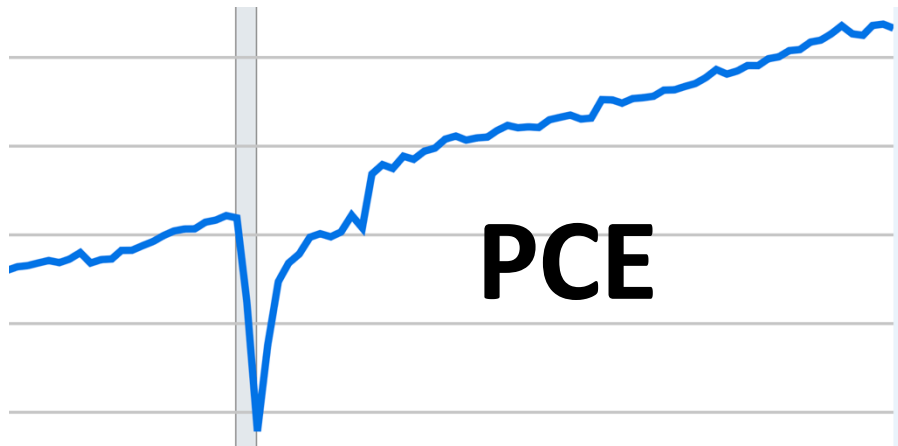
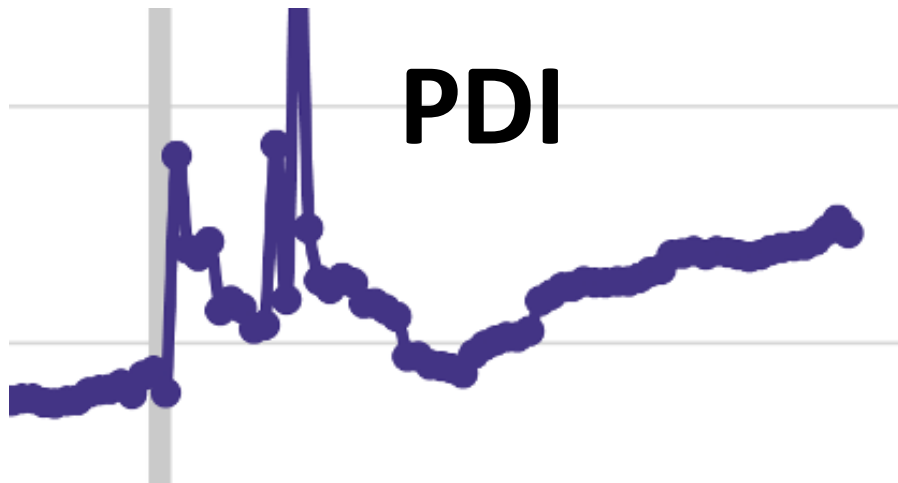
-0.5% ▼

Change vs
3-yr Avg

-3.0% ▼

Retail Box Store Data



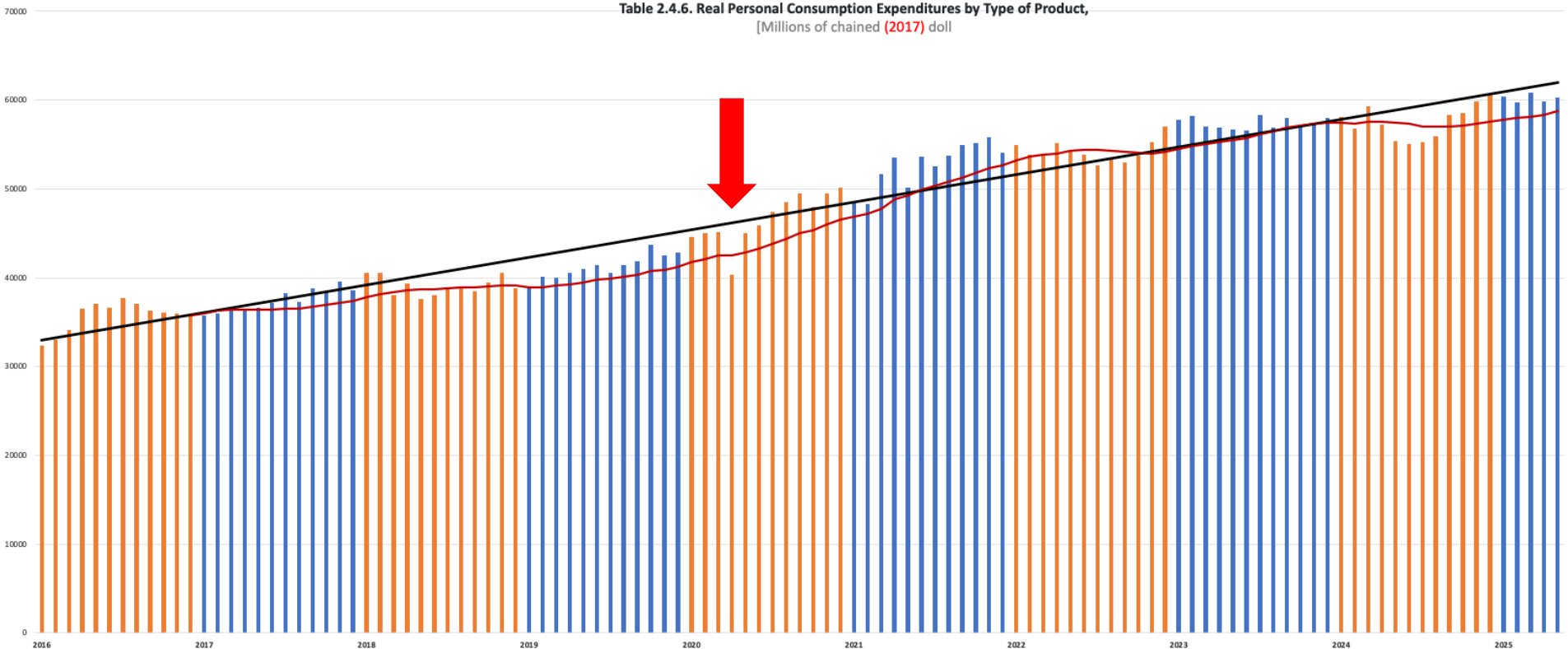


Purchases of flowers, seeds, and potted plants by end consumers

Jan 2016-Jan 2025, Bureau of Economic Analysis, National Income and Product Accounts,

Table 2.4.6. Real Personal Consumption Expenditures by Type of Product,

[Millions of chained (2017) doll]



Inflation psychology going forward?

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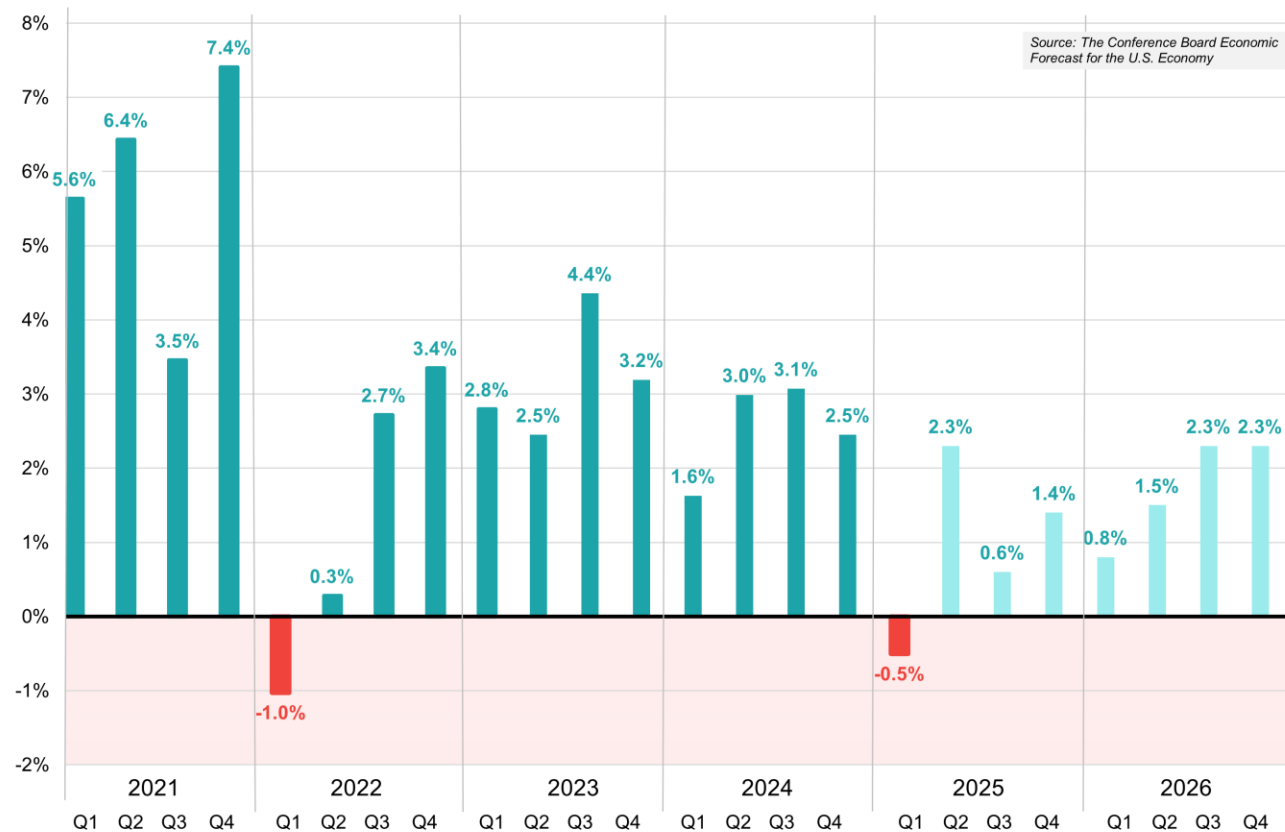


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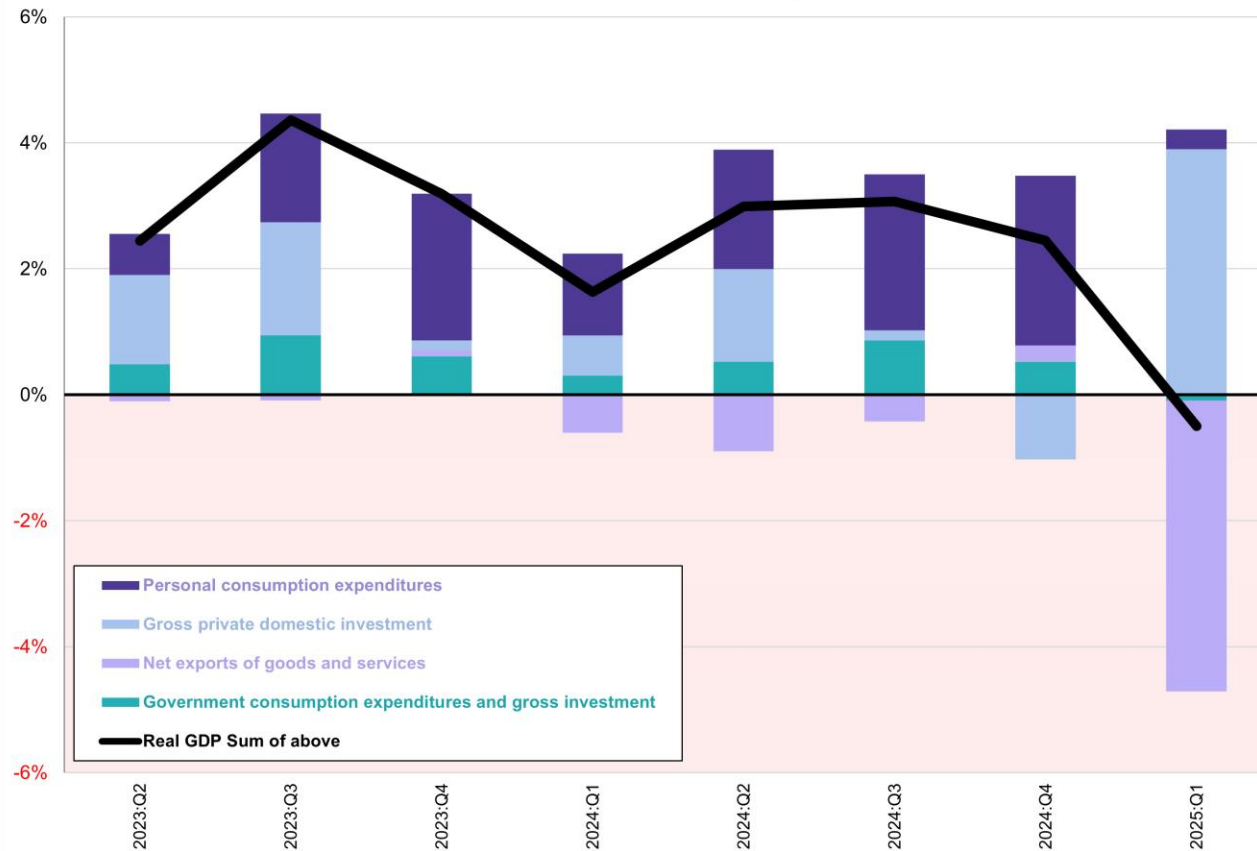


Gross Domestic Product (GDP)

Source: The Conference Board Economic
Forecast for the U.S. Economy



Contributions to Percent Change in Real GDP



$$\text{GDP} = \text{C} + \text{I} + \text{G} + \text{NX}$$

GDP	=	<u>C</u> onsumption	+	<u>I</u> nvestment	+	<u>G</u> overnment	+	<u>N</u> et <u>E</u> xports
		Household		Business Spending		Federal		Exports Less
		Consumption		Inventory		State & Local		Imports

GDP

Less Inventories

= Final Sales

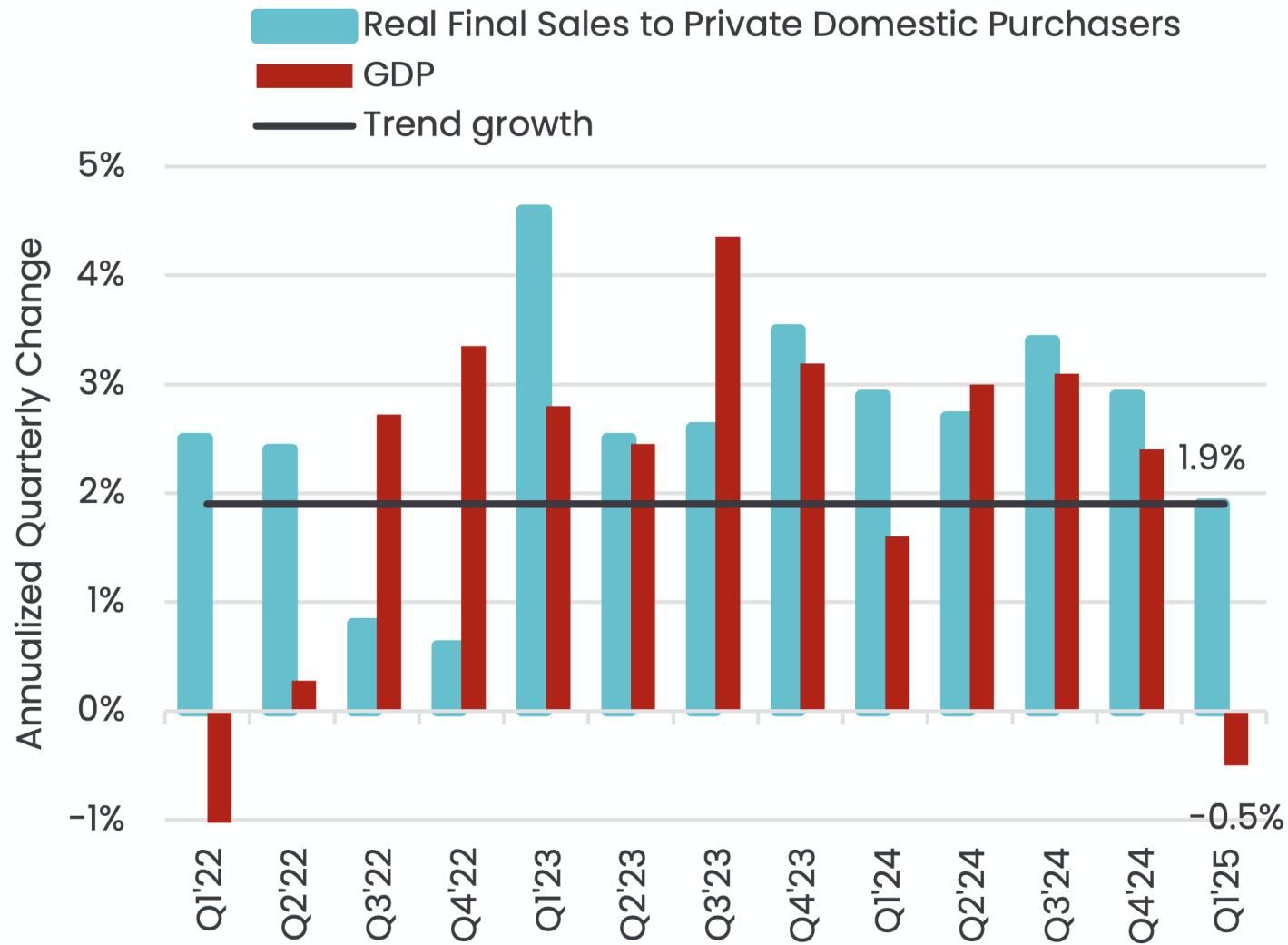
Less Net Exports

= Final Sales to Domestic Purchasers

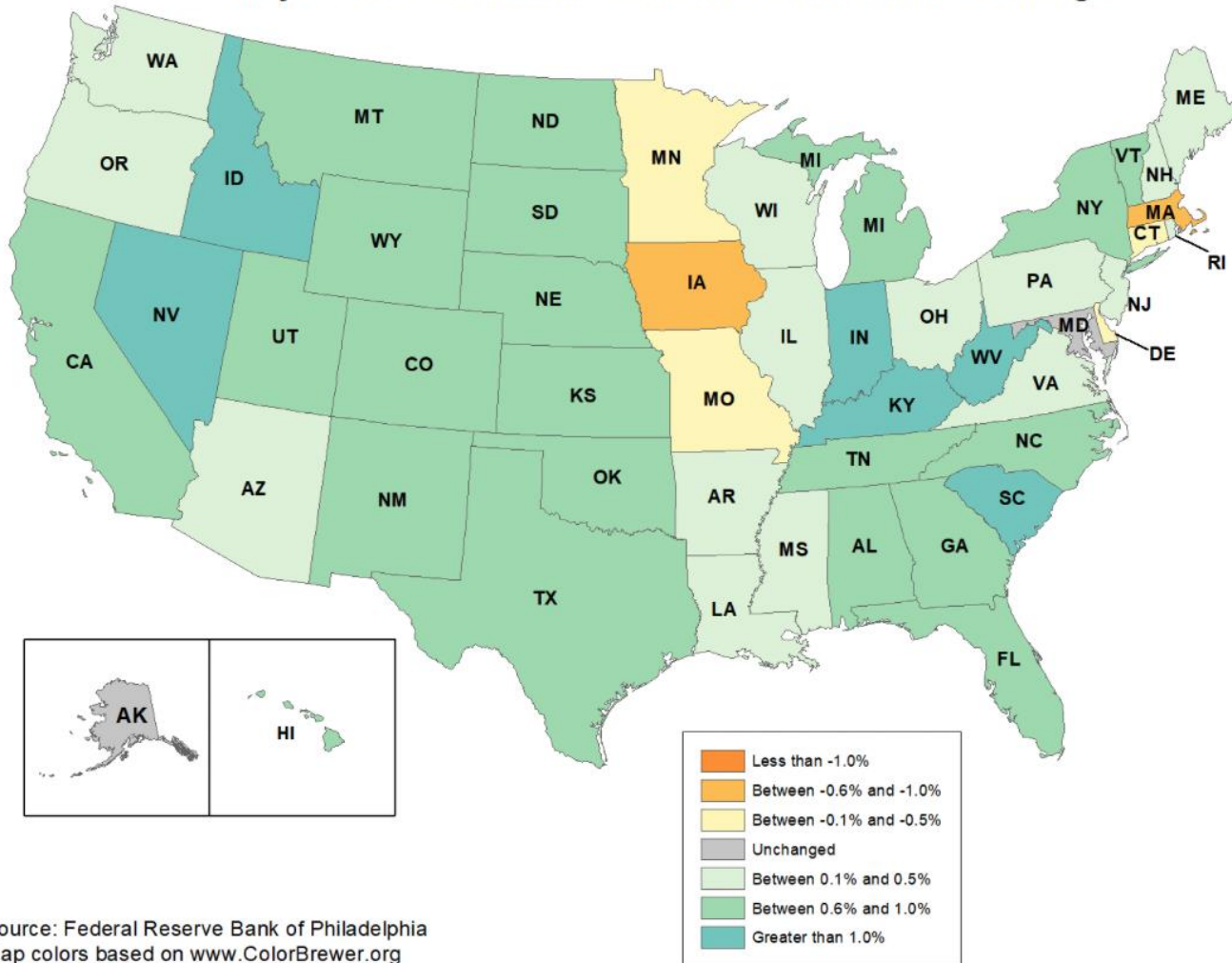
Less Government Spending

= Final Sales to Private Domestic Purchasers (PDPP)





May 2025 State Coincident Indexes: Three-Month Change



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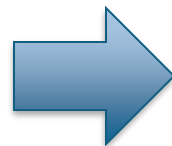


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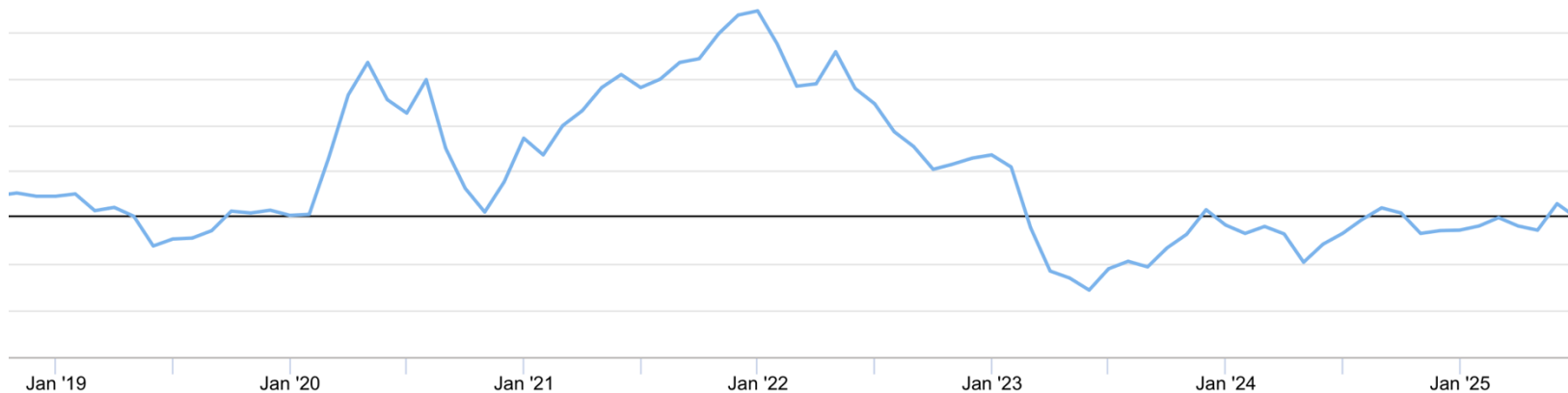


Supply chain pressure gauge

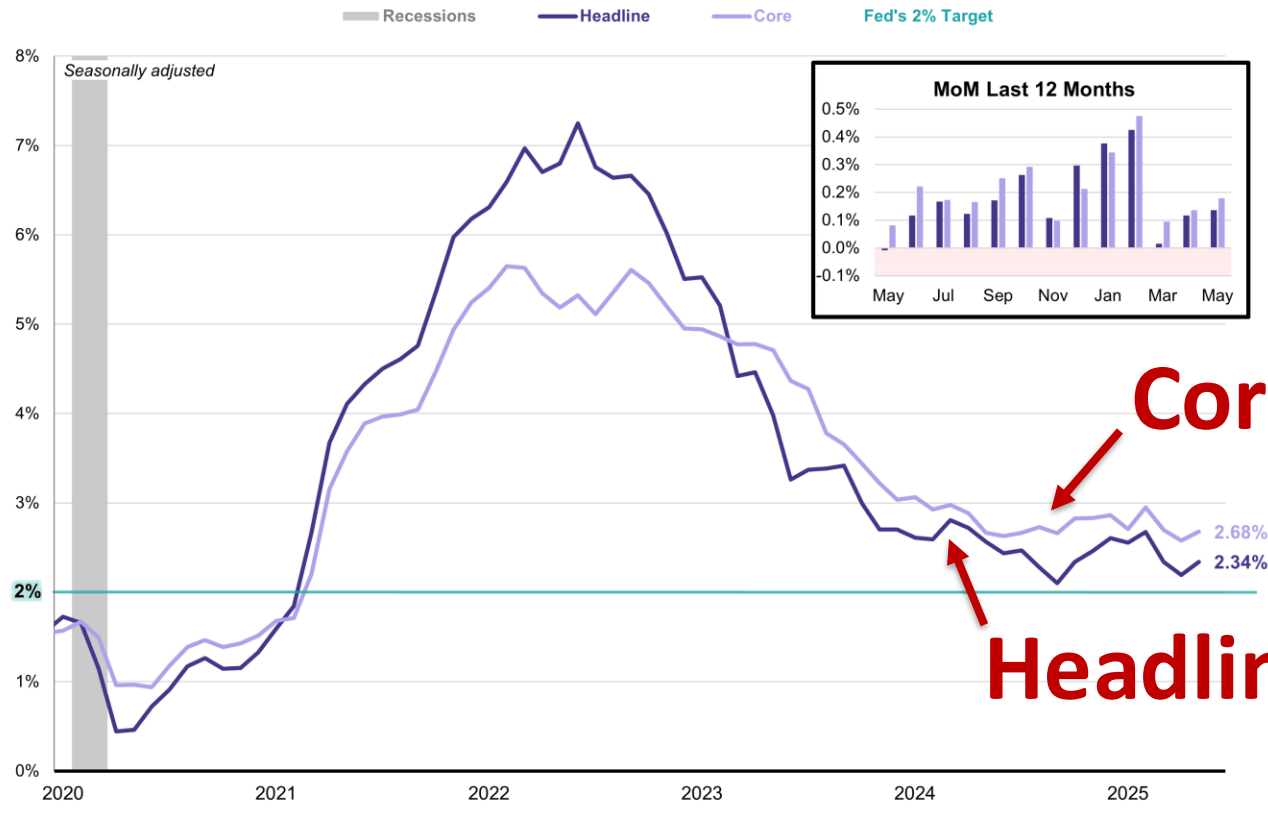
Effects of tariffs?
Geopolitical conflicts?



Inflation



PCE Price Index

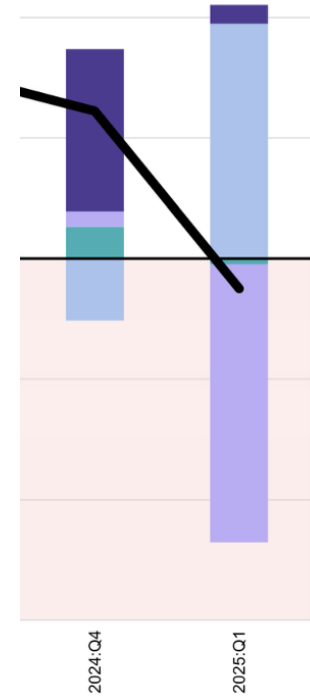


Core 2.68%

Headline 2.34%

So where is the inflation?

- Remember from earlier the imports that were a drain on GDP?
- Those inventories are what are being sold now at pre-tariff price levels.
- As those inventories are drawn down, tariffs will start showing in the inflation #'s.



Index of Prices Paid by Growers in the Green Industry (2007=100)

Cost category	Weight	2007	2019	2020	2021	2022	2023	2024	2025f	2026p	2026p
Containers & other plastics	8.90%	100.0	127.3	126.4	143.5	166.8	166.7	167.0	167.8	171.2	186.6
Media (soiless mixes)	4.37%	100.0	120.5	122.0	135.8	140.1	160.1	142.7	145.5	151.4	157.4
Propagative materials	18.97%	100.0	128.3	136.8	142.1	141.8	142.7	161.0	161.8	174.8	188.8
Plant protection products	1.629%	100.0	109.8	107.0	115.1	175.0	154.0	142.3	143.5	150.7	164.2
Fertilizers	1.626%	100.0	109.5	103.5	138.6	225.8	168.4	159.3	160.1	166.5	181.4
Labor	42.99%	100.0	144.2	149.6	158.1	169.8	179.1	185.1	194.8*	203.6	203.6
Fuel & energy	4.57%	100.0	93.3	79.3	105.6	152.7	131.7	123.0	123.5	135.8	149.4
Supplies & repairs	2.95%	100.0	127.6	129.6	138.9	154.7	160.5	162.0	166.9	171.9	180.5
Freight & trucking	14.00%	100.0	130.5	124.9	138.9	151.1	136.1	131.8	134.4	142.4	153.8
Weighted index (2007=100)		100.0	132.8	135.2	146.1	160.1	160.9	165.0	170.1	178.9	186.1
YOY increase/decrease		---	3.6%	1.8%	8.1%	9.5%	0.5%	2.5%	3.1%	5.2%	9.4%

f=EOY forecast; p=preliminary with 10% tariffs; p=preliminary with full tariffs included

3.0% 7.2%

Cost category	2025f	2026p	2026p
Containers & other plastics	167.8	171.2	186.6
Media (soilless mixes)	145.5	151.4	157.4
Propagative materials	161.8	174.8	188.8
Plant protection products	143.5	150.7	164.2
Fertilizers	160.1	166.5	181.4
Labor	194.8	203.6	203.6
Fuel & energy	123.5	135.8	149.4
Supplies & repairs	166.9	171.9	180.5
Freight & trucking	134.4	142.4	153.8
Weighted index (2007=100)	170.1	178.9	186.1
YOY increase/decrease	3.1%	5.2%	9.4%

3.0% 7.2%





**FOR
SALE**

Housing situation

- Smaller builds, starts up slightly, but permits down
- Building costs up 40% since 2019 (mortgage + interest)
- Existing homes inventory is low, but climbing (4 months)
- HH formation is slowing; deaths outnumber births by 2028
- Price increases have slowed (affordability improving)
- Mortgage rates will come down s l o w l y (new norm)



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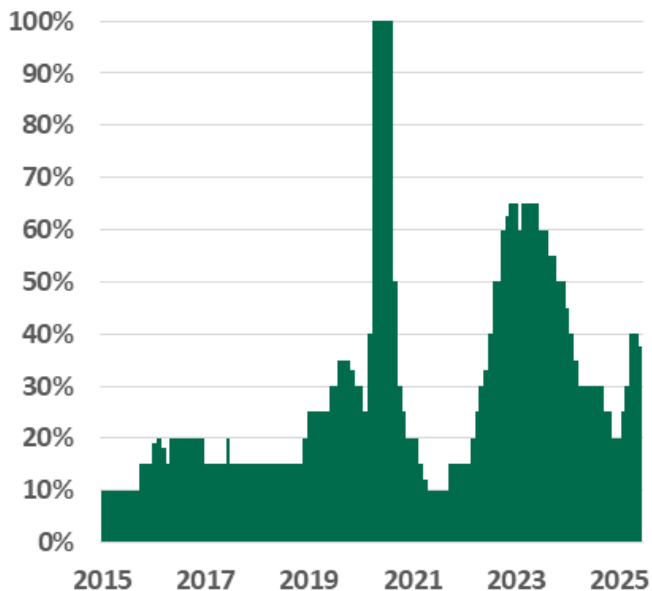
Recession imminent?

- 3 of 6 NBER indicators are slightly negative – NO
- 4-wk moving avg of unemployment claims – NO
- St. Louis Fed risk index – NO
- Chicago Fed national activity index – NO
- Yield curve – 10 yr notes vs Fed funds rate – NO
- Sahn recession rule – NO
- Conference Board Leading Economic Index -- YES



Recession probability:

Survey of Economists: Probability of
Recession One Year Ahead



Source: Bloomberg

20-40%



Take-home points

1. Mixed performance across all sectors in the industry. Regional differences prevalent. Negative YOY comps aren't the whole story.
2. You must track customer analytics for your trade areas over time.
3. Manage your working capital. SKU rationalization. Focus on your value proposition.

Agility

Transparency

Loyalty



