



ATTENTION: The Tree Shortage is NOW

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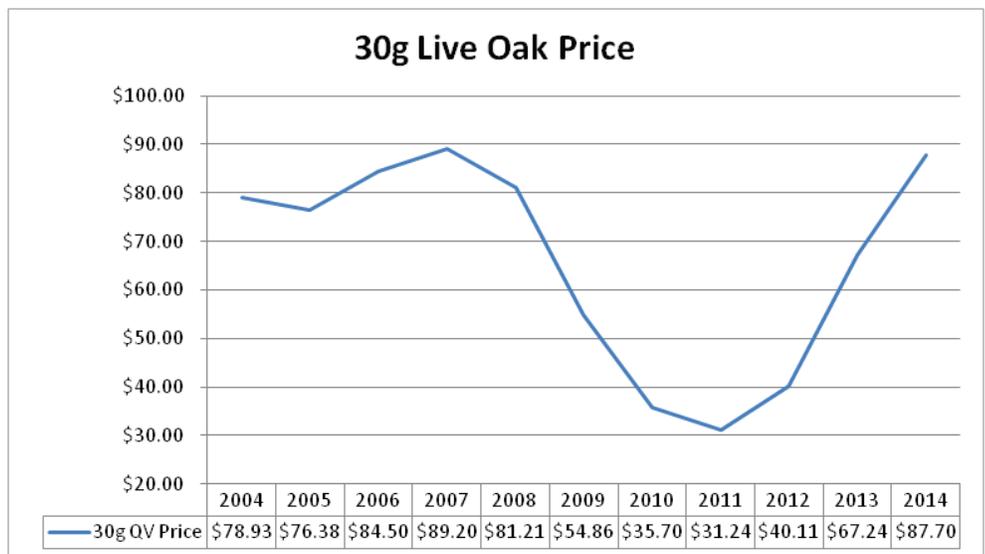
The tree market is changing fast. After six years of crisis, low demand and over supply, the market for ornamental trees appears to have turned the corner. Nursery growers report that sales and pricing have been increasing rapidly since the last quarter of 2013. As we move into spring, nursery sales are expected to continue to increase and prices along with them. Availability of core items is becoming a major concern as we are beginning to see shortages in 2, 3 and 4 inch material.

The shift in the market has been dramatic. Items that were oversupplied and deeply discounted less than one year ago are now very scarce and selling at high premiums. This has many scrambling to adjust, causing serious disruptions to both buyers and sellers. Growers, landscape contractors and distributors find themselves having to raise prices while fulfilling existing contracts and managing inventory availability.

The evolution of the 30 gallon Live Oak price is an excellent example of what is happening on a larger scale across the entire tree inventory. Price of the 30g Live oak peaked in 2007 at \$89 and then proceeded to fall all the way to \$31 in 2011. The price climbed steadily since 2011 and has reached \$87 in the first quarter of 2014. This price is expected to continue to rise and could realistically exceed \$100 by the end of the second quarter.

Sudden as the shift in supply may seem, it had been forecast and foreseen. As early as 2011 John Barbour of Bold Spring published his open letter to the industry "[Why Tree Prices Will Rise](#)". Landscape Architecture Magazine published their article "[Sold Out](#)" in June 2013 and Nursery Management Magazine published the article "[Missing](#)" in January 2014. In these articles, the authors draw attention to the upcoming shortage which will be the legacy of the past 6 years of oversupply and deflation in the nursery industry.

Now that the shortage is upon us, what can we expect? While no one can know exactly the status of inventories and future demand, we are advising our cus-



tomers and partners to expect a 5 year cycle of shortages. The long production time for producing trees means that very little can be done in the short term to increase availability. The price increases and shortages that we have seen in the past three months are likely just the beginning of a five year pattern.

Our expectation is that prices will continue to rise and will likely exceed the peak levels reached in 2007. These price increases will be driven by supply and demand as buyers outbid one another for access to an increasingly scarce inventory.

Higher prices are ultimately good for the industry and they are desperately needed to restore producers to profitability. The challenge lies in managing these price increases and the expectations of our customers and end users. More communication on the shortage is needed across the board in order to help all parties increase prices in their proformas, proposals and contracts.

Cherry Lake Tree Farm is sending this memo along with links to the aforementioned articles and the Cherry Lake Market Outlook issued in April 2013. In addition, we are willing to participate in discussions, presentations or meetings with clients and industry stakeholders to help communicate on the shortage and explore strategies for sourcing plant material under this new market paradigm.

ADDITIONAL ARTICLES

[MISSING](#)

Nursery Management Magazine, January 2014

[SOLD OUT](#)

Landscape Architecture Magazine, June 2013

[LANDSCAPE TREE MARKET OUTLOOK](#)

Cherry Lake Tree Farm, April 2013

[TREE SHORTAGE ON THE HORIZON](#)

Lawn & Landscape, December 2013

[WHY TREE PRICES WILL INCREASE](#)

John Barbour, Bold Springs Nursery, 2011

