



REQUEST FOR BOARD ACTION

ITEM NO. 3.

DATE OF MEETING: January 7, 2013

REQUESTED BY: Commissioner David Williams

SHORT TITLE: Recognition of Johnson Nursery Corporation of Willard, NC: Winner of *Business North Carolina's* 2012 Small Business of the Year Competition.

BACKGROUND: Winston-Salem based BB&T Corp. has sponsored *Business North Carolina's* Small Business of the Year competition since 2000. The magazine's editors selected eight finalists from sixty entries, judges picked the winner and three runners-up, and Johnson Nursery was the winner. Johnson Nursery is a wholesale plant nursery which was founded in 1980, employs 85-90 individuals, and its 2012 revenue projection is \$5.5 million. Johnson Nursery is owned and operated by David R. and Jill Johnson. The article from the magazine is attached.

SPECIFIC ACTION REQUESTED: To consider adopting a resolution recognizing Johnson Nursery Corporation of Willard, NC for winning *Business North Carolina's* 2012 Small Business of the Year Competition.

**SPECIAL RECOGNITION FOR WINNING BUSINESS
NORTH CAROLINA'S 2012 SMALL BUSINESS OF
THE YEAR COMPETITION**

IS AWARDED TO

**JOHNSON NURSERY OF
WILLARD, NORTH CAROLINA**

**IN APPRECIATION FOR CONTINUED EXCELLENCE, HARD WORK AND
DEDICATION IN PENDER COUNTY**

January 7, 2013



George R. Brown, Chairman
Pender County Board of Commissioners



Mickey Duvall
County Manager

BACK IN BLOOM

*In a bleak economy, our Small Business of the Year
relieved its growing pains by making color count.*

By Edward Martin



David and Jill Johnson



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ike Becker lifts his foot from the pedal, and the electric cart shudders to a stop. He pushes his sunglasses back on his cap. Like a gift from heaven, dripping clouds drift in on warm, southerly wind — good growing weather. He's surrounded by acres of plants in checkerboard squares: the brilliant blues, whites and yellows of pansies, rich crimsons and oranges of Belgian chrysanthemums, the deep greens of ligustrum and holly. It's flat as a griddle in the Pender County farmland. Serene, tranquil, a spiritual quiet. And devilishly deceptive.

A few minutes later, Becker steers the cart to a shed. Here, a sense of urgency prevails. Black, plastic pots of pink muhlenbergia ornamental grass trundle across the rollers of a conveyor, then get scooped up three or four at a time by a half-dozen workers who trot them to a table. A rhythmic popping follows another worker rapidly jabbing at the pots. "That's the air gun," Becker explains. "These are going out today, and he's stapling labels

on them with the customer's name, their color, botanical name and retail price." The tags read *Homestead Gardens, Davidsonville, Md.*, serving retail and landscaping customers around Baltimore and Washington, D.C. It's Wednesday afternoon. Homestead just called in an order for muhlenbergia in 1- and 3-gallon pots, plus hydrangea, butterfly bushes, liriopie and other plants, about 500 in all. They must be in Maryland by Friday. Customers will be waiting Saturday morning.

Inside a small, gray office building, telephones ring on the desks of Derek Gardner, Donna Burgan and Susan Bryan. Like Becker trained in horticulture and botany, they're in sales, taking orders from customers as far away as Connecticut and New York. They want plants by Friday, too. In another room, shipping manager Scott Linke checks a list of local owner-operators, cobbling together trucks and drivers for fast runs north through the mess that's Eastern Seaboard traffic.

At Johnson Nursery Corp. in Willard — *BUSINESS NORTH CAROLINA's* Small Business of the Year — David and Jill Johnson and their employees will grow and sell to more than 400 wholesale customers roughly a million pots of flowers and ornamentals valued at about \$5.5 million this year. Nature takes sunshine and rain to grow its plants. Here, every day, it takes a leap of faith. This, as he describes it, is

As it has since 2000, Winston-Salem-based BB&T Corp. sponsored this year's *BUSINESS NORTH CAROLINA* Small Business of the Year competition. After the magazine's editors selected eight finalists from the 60 entries, judges picked the winner and three runners-up. This year's judges were Stan Mandel, director of the Angell Center for Entrepreneurship at Wake Forest University; Shane Cooper, CEO of last year's winner, DeFeet International Inc. in Hildebran; and *BNC* Publisher Ben Kinney.

controlled chaos, held in check by a tightknit team, some of whose members have worked here 30 years. At any one time, the nursery is juggling 1,000 varieties of woody plants such as crape myrtle, along with blooming annuals and perennials, from petunias to vinca. They're known in the trade as "color." Some, such as tiny new pansies or spindly gardenia cuttings, are beginning life in rich potting soil. Others are head-tall, rooted in heavy tubs that take two workers to wrestle. Each has its own nutrient needs, growth rate and maturity date, its own thirst, temperature and temperament.

Some plants must be timed to Johnson's customers in the North, where spring arrives a month or two later than in the Carolinas. Others have to be suited to the cool, rocky soils of western North Carolina or the warm, sandy yards of beach towns in Virginia and South Carolina. There are no leisurely advance orders. Most come midweek, when, for instance, a Boston garden center can gauge the coming weekend's weather and customer demand. "When I came in this morning, we had the equivalent of one large truck and a small one going north" to Richmond and beyond, says Burgan, sales manager. "Now, at this point — 12:30 on a Wednesday — we have three." Thursday orders from the Carolinas and Virginia also are delivered on Friday.

Trends ebb and flow. "This industry," Johnson says, "is getting as tough as the retail fashion business," forcing nursery operators to try to predict buyer preferences months or a year or more beforehand. Guess wrong, and unsold plants end in the nursery's dead pile or on sale at slashed prices at its Saturday benefits for local charities and civic clubs, which get half the proceeds. Or Johnson Nursery finds itself with too few in its botanical pipeline, and its garden-center customers are left with empty plant racks. That means lost sales. Guess right, and an 18-cent mum planting will grow into a \$7.95 beauty in the few months it takes to reach garden-center size.

Weather is both foe and friend, though irrigation can ease drought and rows of greenhouses have refrigerator-size heaters in each end for when it turns cold. Responding to man-made disasters such as the recession

JOHNSON NURSERY CORP.

Headquarters: Willard

President: David R. Johnson

Employees: 85-90

Founded: 1980

Projected 2012 revenue: \$5.5 million

Business: Wholesale plant nursery

that began in late 2007 is not so simple. "We projected at least a 30% shakeout in the nursery industry nationwide," says Marc Tefteau, research director of the 1,200-member American Nursery and Landscape Association. Housing starts plunged, meaning fewer new yards needed greenery, and hundreds of nurseries were caught with their plants down. Or up. "During the housing boom, because of the robust economy, nurseries were expanding and building inventory, especially of woody landscaping plants that might take a year, 18 months or two years to grow. When the economy went bad, they had a glut of material. We call it the pig going through the python. The glut had to move through."

More than 300 miles down Interstate 95 from Tefteau's Washington, D.C., office, Johnson Nursery could have joined the nearly one in three nurseries and greenhouses he says failed in the recession. After similar declines, North Carolina has been left with about 1,450, according to the state Department of Agriculture. As 2010 wound down, David Johnson, who once seemed likely to follow his father into medicine, examined his balance sheet. It was ailing.

"We were caught with too much of some things and not enough of others," he says. "There were things landscapers use in mass quantities, like certain hollies. But nobody was building houses or commercial projects anymore. People wanted color, they wanted plants for their patios but not landscaping." Johnson Nursery closed out the calendar year with a loss of more than \$116,000, its third losing year in a row, red ink pooling to nearly \$650,000. It owed Winston-Salem-based BB&T Corp., its bank of 30 years, almost \$1.6 million, and the bank was concerned. "Many compa-

nies folded under the tremendous pressure of the current economic situation," says Matthew Bryant, one of the nursery's bankers.

Johnson didn't. Two years later, it's back in the black, assets are climbing, debt is down, net worth is up, and its once strained line of credit has been paid. How it did all that is a look into an industry that appears as calm as a babyfaced viola but in reality is as thorny as a pyracantha.

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is roots are transplanted. In the '70s, David Johnson, grandson of a Wilmington doctor and son of Chapel Hill heart surgeon and medical-school professor George Johnson Jr., would come with his father and brothers to unwind on his grandfather's remote, 600-acre hobby farm. "There was a pond and an old cabin on it," he recalls. "He'd bring us down, and we'd do what fathers and three sons would do — have fun."

On the way there, Johnson would gaze out the car window, admiring the orderly rows of plants at Apex Nursery Inc. in that Wake County town. "I always thought, 'That's so cool.'" In Chapel Hill, he did yardwork for one of his father's colleagues, including rooting cuttings from shrubs. When it came time for college, he enrolled at Duke University, expecting to follow his father's footsteps. It proved a misstep. "Organic chemistry and I didn't get along very well," he says. In 1979, he graduated with a degree in marine biology. By then, any passion he had for medicine had died, partly buried by his father's routine. "On Christmas morning, we'd get up, and our celebration would have to wait while my father went to the hospital to check on his patients. He was a great father, but those were the sacrifices he made. I didn't have his dedication."

Johnson braced to tell his father he wasn't going to be a doctor, that instead he wanted to open a wholesale nursery on the Pender County farm. Bracing wasn't necessary. "He said, 'Great, let's find out.'" A week after graduation, Johnson had a minimum-wage, stoop-labor job pulling weeds and spraying

chemicals at Fair View Nursery Inc. in Wilson for the experience. He progressed to sales, making the rounds to garden centers with plant samples in the back of a pickup truck.

In horticulture, Johnson discovered the passion he lacked for medicine. In fall 1980, he enrolled at N.C. State University for one semester to study nursery management. "School was never so much fun. We visited nurseries, and it was obvious. This was what I wanted to do." Johnson, 56, opens an overhead cabinet door in his office, rummaging for a thin, blue folder. From the days before computers were commonplace, its typewritten pages show penciled-in corrections. It was his class project, an assignment to do a production plan for a greenhouse crop. Instead, he had written pages of details for a full nursery operation. Three decades later, some are astray, but his basic premise is more valid than ever. "Florida might be able to beat me on growing, but they can't beat me on where we are, with fuel costs and freight what they are. I was right about proximity to market."

Though he had a plan, he didn't have money or a track record to show bankers. He did, however, have his father's support. "He didn't give me any money out of pocket, just a line of credit." That first year, Johnson had about a half-acre of plants, scrounging cuttings from homeowners with interesting specimens to propagate. He lived in a trailer that was both home and office, selling plants to customers such as Owen Garden Center & Nursery in Fayetteville. The business lost \$66,000, but he was as happy as a pig in a petunia patch.

"We wouldn't have made it if it hadn't been for Dad. But it never felt bad. I don't remember it as being difficult at all." In 1983, Johnson Nursery's losses dropped to \$46,000 on sales of \$83,000. The nursery grew incrementally, and Johnson, who had grown up in a bustling college town, acclimated to life just down the road from unincorporated Willard, a dozen or so buildings anchored by an early 1900s country store. In 1987, he married Jill Teachey, from the Duplin County hamlet that bears her family name. On their honeymoon, a troubling thought crept into

his mind. The nursery depended on an 8-acre pond for irrigation. "What would we do if the dam broke?" When they got back to Willard, he commissioned a well as backup. "I came in one morning in August, and the pond was empty. The standpipe that runs under the lowest point of the dam had rusted out a hole, and every bit of the pond was drained." The timing proved providential. The well was finished that day and, within another, was operating. "The day the contractor finished, it rained, and the whole pond filled up."

A block at a time, the nursery grew, adding space for popular varieties of woody and color plants. Johnson's family grew too — son Chason was born in 1991 and daughter Annie in 1997. The nursery overcame setbacks. Hurricane Fran slammed the coast with 115 mph winds in 1996. Though not a direct hit, "we got really torn up. Every plant in the nursery was blown over, a couple of buildings were torn up, and we were out of power for a week." While nursery operators fear dramatic events like hail — "you wake up in the morning to a beautiful day, you go home at night, and you're out of business" — other weather phenomena are more subtle and just as dangerous. Widespread drought on the East Coast, for example, can discourage homeowners and landscapers and dry up sales that no crop insurance can recover. Never, though, was the existence of Johnson Nursery seriously threatened. Until the recession.

In the cotton fields around Johnson Nursery, harvest is once a year. At the nursery, from spring through fall, it's every day. Chief horticulturist Carl Potter, who began working here part time 21 years ago when he was a 10th-grader, scans the nursery's expanses. Workers, many returning annually on seasonal immigration visas, pedal from chore to chore on fat-tired cruiser bicycles. Some weed, others pluck tips off flowering plants to keep them from growing spindly. Some load mature plants on wagons towed to the staging area by small John Deere tractors. "Got a few extra people today," he nods.



"We don't want to spend the whole night out here."

Getting to this point began months ago in the heat of summer or, with slow-growing woody plants, a year or more ago. In a tense, 45 hours over several weeks, the Johnsons, Potter, Becker, propagation manager Diana Ivosic, the sales staff and others spar and anguish over what to grow, how much and when. "We have this great big production meeting," Potter says. "We look at every plant, decide which to propagate, when to plant it, when we want it ready for sale. Most of these things, we know within six weeks, some within six months, some a year or a year and a half. Then we just back it up from there, week by week."

The result is a measure of precision in an imprecise business, down to minutely detailed labor units such as how many of each plant a laborer can pot in a day and, hence, hiring levels. The company's secretary-treasurer,

People, the biggest expense, are an asset. They have great responsibilities, and I trust them implicitly," David Johnson says.



"The reason our employees understand the pressures of our business and industry is that we tell them," Johnson says.

Jill Johnson is also human-resources manager. Making sense of the numbers falls to Terry Morgan, accountant and controller, who was born on a Johnston County tobacco and sweet-potato farm. A former programmer at the National Center for Health Statistics in Research Triangle Park, she fell in love with numbers and spreadsheets.

"They have these meetings and from that, I create a whole list of what we need to order, send out for quotes — we have about 15 vendors this year — look at prices and the reputations of vendors," Morgan says. "It's amazing the volumes we do here, the amount spent on containers, fertilizers and supplies." This year, Johnson adds, the budget has 15 lines of income and 210 lines of expenses. He has cut those costs at every possible corner. After insurance and other regulations became onerous, he switched from his own truck fleet to contract owner-operators, concentrating on his expertise — plants. Negotiating the nursery, he stops at a covered loading dock. Nearby sits an industrial-size bailer and neat cubes of black plastic waste, such as broken pots. "It used to cost us to get rid of it. Now we can get paid a little for it. If you're in the nursery business, you don't want to be seen as a polluter."

As the summer scheduling summit unfolds each year, though, probably the most

critical question is how many of each species to plant. Easy answers were an early casualty of hard times. "One impact of the recession has been growers used to be able to presell in the winter and fall for spring," says Tef-feau, the nursery association researcher. "Now many have become like manufacturers, wanting just-in-time orders." The Johnson Nursery staff knows the stakes. "We try to go on sales from last year," Potter says. "If we sold 10,000 lantanas last year, we might increase that by 5% or just a little. It's a guess." Targets move constantly. "One year, pansies might be yellow, the next blue. Last year everybody wanted yellow, this year white. You know some are going to wind up in the dead pile," Johnson's botanical boneyard. The nursery tries to hold the mortality rate to 7.5% of production. Johnson laughs. "We never have."

As the recession unfolded and Johnson Nursery's balance sheet turned increasingly red, he knew changes had to be made. Not only were normal bonuses not being paid, but employees hadn't received raises for two years. Morale wilted. Switching to more color plants and fewer landscaping varieties was a gamble, though. Flowers have a limited shelf life, like perishables in a grocery store. Timing is less critical with the generally higher-priced woody plants that were the business's bread-

and-butter during the housing boom. A plant that doesn't sell one season might be carried over to another. Labor costs, the nursery's single-largest expense, grew. Skilled laborers able to operate equipment typically earn \$9.70 an hour, compared with the North Carolina minimum wage of \$7.25.

In his office, with a gray-striped cat patrolling a small garden outside his window, Johnson goes over the master plan. "Every plant we grow has a line on here," including its mortality rate. Nearly all of certain plants survive. The finicky ones? Probably only 80%. Another percentage comes into play, Johnson says. "It's the 80-20 rule: About 20% of your customers provide 80% of your sales." Marketing, timing and customer service, already crucial, would have to be ramped up. Years ago, the nursery had been one of the first to produce customized retail tags — 20 cents a pop — with garden centers' brands and retail prices, but it augmented that with weekly videos and availability lists for plants. Other struggling nurseries were fighting back, too, and the Johnsons pulled no punches in sharing the business's ups and downs with its roughly 40 permanent employees and as many as 50 seasonal workers. "We hold each other accountable," Johnson says. "It's not unusual to work until 11 some nights. If the employees and staff aren't dedicated, this won't work. They have great responsibilities, and I trust them implicitly." By the end of 2011, the nursery showed a profit of about \$324,000, compared with a loss of more than \$100,000 the year before. Through mid-2012, it was on track for a similar performance.

On a fall day out in the nursery, Potter watched workers tediously pulling small weeds from pots. He nodded. "It takes a lot of hands to raise plants." Later, Johnson stops beside a section of hundreds of pots, each with glossy leaves and tentacles twining up freshly cut wood stakes. It's Confederate jasmine. "You know, everything you see here I've done before. It's hard, and I know I couldn't keep up with these people now. They'd work me into the ground. But I actually enjoy this kind of work." More so, now that the bloom has returned to the balance sheet.



Across narrow Johnson Nursery Road, there's a green field where only clipped grass grows. After lunch, Latino laborers gather for a quick *fútbol* game, and Johnson, who played varsity soccer at Duke, sometimes joins them. His father, the heart surgeon whose passion for medicine governed family life, never came to see him play. He died in 2007. Though Johnson is a decade or more from typical retirement age, he is balancing his business with his family and personal life by ceding responsibility to staff members. "What the company needs is an overseer. It doesn't need me every day to be successful."

His kids went to a small Christian academy nearby. But when his daughter became absorbed in soccer and wanted to attend a larger school, the family moved about 30 miles east to the coast so she could attend 1,200-student Topsail High School. Johnson commutes 50 minutes to the nursery each day and leaves early to coach the girls team. "I've got soccer in my blood," he says with a shrug. He and his son, who is majoring in agricultural business at N.C. State, operate Wake Up Water Sports LLC, which teaches wakeboarding, water skiing and other aquasports. Johnson doesn't know if either of his children will join the nursery. "It would be horrible, if they didn't have a passion for it. I do. But they're not cookie-cutter images of their father, so I don't know."

Earthmovers, idled by rainy weather, sit at the far end of the nursery waiting to level soil, install piping and carve deep drainage ditches that crisscross the field. Expansion will come naturally, he says, not necessarily to grow more plants but to become better organized and serve customers. "Their success is our success. I'm not involved in the business 80 hours a week, and so it's not fair for me to push others to do that." Beyond the fresh dirt is a line of trees. More than three decades ago, Johnson saw them as a challenge. "I remember standing there, looking at those woods and thinking, 'Someday, I want to be there.' We finally made it." ■