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# Inc.<sup>®</sup>

**ANATOMY OF A START-UP**

## **GLACIER NURSERY**

**A Growing Business  
In Montana**

# GROWN IN MONTANA

**Brad Brown wanted his tree nursery to be a tight little operation in which he and his wife did most of the work. Seven long years later he's still bootstrapping**



BY JAY FINEGAN

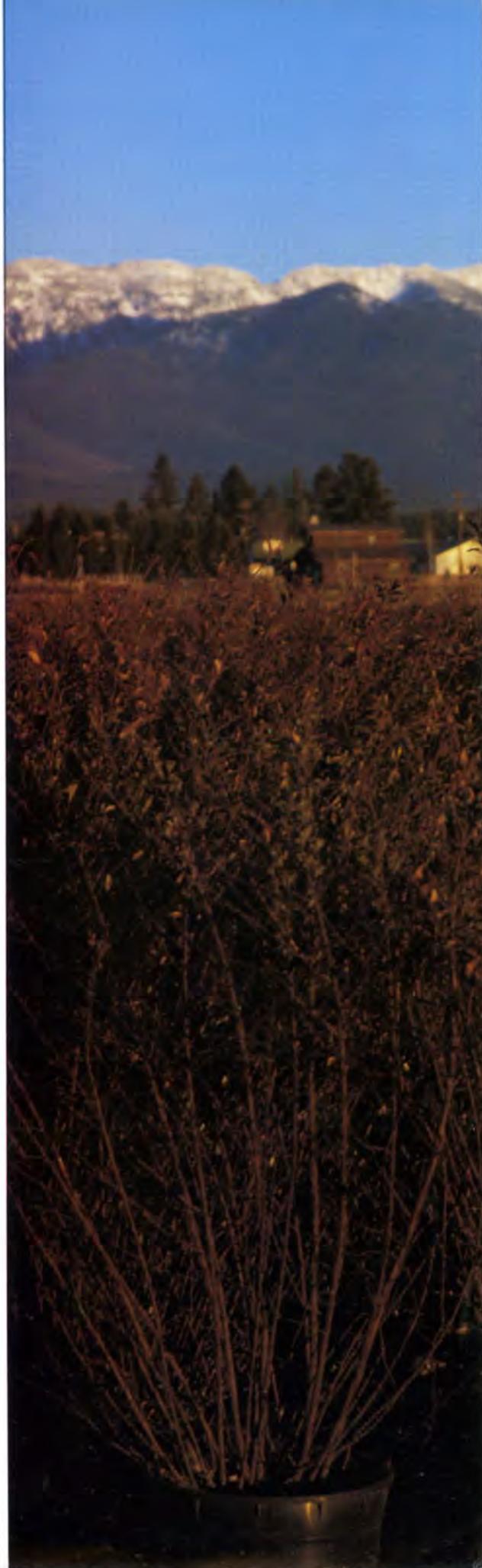
**B**rad Brown scouted Montana for the perfect business location. He knew he'd found it when he came upon the Flathead Valley. With the northern Rockies towering above the valley, every view there could grace a Sierra Club calendar, but Brown was struck less by the grandeur of the scenery than by the quality of the soil. It was dark, loamy, glacier-tilled stuff, three feet deep—ideal, he understood at once, for growing trees. And Brown knows trees like Bo knows football.

Some kids want to grow up to be actors or astronauts. Brown knew his calling from the time he had a summer job picking seeds from trees. In the Chicago suburbs where he grew up, he spent his summers as a teenager working in a nursery. At the University of Illinois he earned a degree in ornamental horticulture. Then, yearning for the West's wide open spaces, he made his way first to Oregon and then to Montana.

"Every job I've had was training for this one," he says. "Each one has taught me something else—technical skills, people skills, business skills, cost accounting. It was all leading up to the day when I'd have my own company." In 1983, at age 29, Brown felt his biological business

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*Brad Brown figured that better quality and service would help him carve his niche. But can he keep his prices competitive without eroding his margins?*





## EXECUTIVE SUMMARY

### THE COMPANY:

Glacier Nursery  
Kalispell, Mont.

### CONCEPT:

Grow premium-quality trees and shrubs for garden centers and landscape contractors in the northern Rockies, using Grown in Montana hardiness as a marketing edge in cold-weather states

### PROJECTIONS:

First break-even year in 1991 on sales of \$285,000; pretax profit of \$20,000 on 1993 sales of \$450,000

### HURDLES:

Sales that are closely tied to housing starts and commercial construction; severe weather that could decimate or entirely destroy the crop; stabilizing expenses while increasing sales; anticipating market demand for products that need two to five years to mature

## THE FOUNDER

### Brad Brown

**Age:** 36

**Family:** Married; two children

**Source of idea:** Lifelong dream to run his own nursery

**Personal funds invested:** \$15,000

**Equity held:** 100%

**Salary:** \$10,000

**Workweek:** 60 hours

**Education:** B.S., ornamental horticulture, University of Illinois

**Other companies started:** None

**Last job held:** Foreman of a Christmas-tree farm in Kalispell, Mont.

**His role:** Handles all sales, schedules crew assignments, does all planning



*Brown leases almost all his equipment—like this hydraulic tree spade—by the hour.*

clock ticking like a time bomb and decided to take the plunge. "I wanted to start while Desi [his wife] and I were young enough," he says. "I didn't want to fail at age 50 and then try to get back into the job market."

So, while still employed at a nursery in the tiny Montana town of Plains, Brown scraped together his \$15,000 life savings, got a \$50,000 loan from a friend in Chicago, and purchased 20 acres of fertile farmland in the Flathead Valley, near the town of Kalispell. He called his new business Glacier Nursery, and at first, because money was tight, he tended it only in his spare time. On weekends he drove the 100 miles from Plains, got down on his hands and knees, and planted the first 500 small trees he'd purchased from a former employer.

Farming is about as basic as business gets, and Brown had expectations to match. He envisioned a tight little operation in which he and Desi did the grunt work and hired some help in the spring and fall. He didn't want to get big, just to make a living. "It was your basic income-replacement idea," he recalls. "I knew how hard I was working for others and making \$30,000. I'd certainly work that hard on my own little farm."

Now, seven years later, Glacier Nursery is still losing money. Desi's outside income supports the household. The Browns and their two children still live in a mobile home on the nursery property. Their vehicles are two battered 1977 models. "I thought we'd be a lot further ahead by now," Brad admits. "There are quicker ways to make money, but few as rewarding. I think we're finally seeing light at the end of the tunnel, though, and it's not an oncoming train."

A TREE FARM IS A TOUGH BUSINESS TO start. The tree crop takes two to five years to mature—the older the better, since larger trees command higher prices from the garden centers and landscape contractors that purchase them. With nothing to sell for sev-

eral years, a nursery owner needs the wherewithal to wait it out. Brown, however, had spent what money he had on land and plants. And he couldn't very well ask for a bank loan when he had no means of repayment.

Brown's location, despite its superb soil, didn't make matters any easier. The most successful wholesale growers in the West operate from the milder climes of Oregon and California. Even the big growers in Iowa don't experience the kind of weather that northwest Montana gets. Winter temperatures sometimes hit 35 degrees below zero, which can quickly kill some varieties of the hardy specimen trees that Brown was aiming to grow: maples, crab apples, mountain ashes, lindens, birches, and others.

But he did have a plan. In 1984 he left Plains and took a position as foreman of a Christmas-tree farm in the Flathead Valley. (It wouldn't be until 1988 that he would quit that job and turn to Glacier Nursery full-time.) He reckoned he could save enough cash from his tree-farm salary to buy and plant more "liners"—small trees—and then maintain them in his spare time. In short, he intended to make up with sweat equity what he lacked in capital.

And he saw his Kalispell location more as an advantage than a liability, a place to carve his niche. Montana is a huge state, but home to just 805,000 people, spread far and wide, with the only clusters in such small cities as Bozeman, Billings, Butte, and Missoula, and in the Flathead Valley. Brown estimated that about 40 garden centers account for 90% of the retail plant sales in the state. But with the retailers scattered over such a vast area, large wholesalers based outside the region have trouble giving them the just-in-time delivery they require.

A regional supplier like Glacier Nursery,

Brown reasoned, could handle the kind of timely, economical deliveries of smaller quantities of plants that more distant growers simply could not match. To exploit that advantage, he intended to market his products throughout the entire growing season—March to November. The big outfits tended to sharply curtail their shipments to the sparsely populated western states after the spring surge.

If Brown could make trees thrive in Kalispell—and he was sure he could—he figured that, too, would be a selling point. Tree stock grown out of state and shipped into Montana is vulnerable: it often dies, requiring frequent pricing adjustments. But trees that could survive in Kalispell, Brown suspected, would be prized for their hardiness.

Finally, with a tiny operation, Brown believed he could provide trees of a consistently high quality. With meticulous tending, they would have the kind of uniform branching and sturdy, finished appearance that the huge nurseries, growing and shipping millions of plants, are hard pressed to provide.

Given the advantages of quality, convenience, and service, Brown thought his financial expectations were reasonable. He estimated that the wholesale market for trees and shrubs was \$2 million to \$3 million in Montana. He figured he'd need only a small piece of the action to gross his target of \$250,000. With a net profit of 10% to 15%, he would attain an income approximating what he'd make running a farm for someone else. And \$35,000 or so goes a long way in a region where a house on five acres can be had for as little as \$60,000.

AMONG BROWN'S PROBLEMS AT THE outset was deciding what to plant. How could he know what the market would want two or



*A typical balled-and-burlapped tree peaks in value at about \$130 after four or five years. But to meet expenses, Brown has had to sell many too early, averaging \$70 a tree.*

three years down the road? Tastes and fashions do change, even in landscaping. To minimize the risks, his first planting of 500 trees represented numerous varieties—a conservative step. Then in 1984 he suffered his first major setback. He and Desi had tired of hauling five-gallon buckets of water several hundred yards from the nearby stream to irrigate the crop, so Brown installed an overhead irrigation system and watered and fertilized “like crazy”—just as he had in Oregon, where he’d run a nursery of several hundred acres. What he didn’t yet realize was that his rich, loamy soil retained water like a sponge. His trees grew too fast, and since they didn’t stop their year’s growth in time for winter, they suffered greatly from the cold.

The future looked dismal. Brown’s overzealousness had killed off half of his trees. “My projections were that three years into it we’d start showing some money,” he says. “But instead this was the deepest dang dark hole I’d ever seen, sucking up bucks as fast as we could throw them at it.” In 1985, when Brown managed to sell 10 trees locally, Glacier Nursery grossed \$195.

He hung on grimly with a megadose of sweat equity. He still couldn’t afford much help, just a few high school kids on weekends. When he needed to open up additional acreage, he hired a local farmer with a tractor and a plow.

In addition to his 40-hour weeks swinging an ax at the Christmas-tree farm, he and Desi worked evenings and weekends in the nursery. He taught himself some electrical skills, bought some used telephone wire, and installed an electrified fence to keep out the deer. And when someone pointed out that his soil was ideal for shrubs, he planted those, too—spirea, potentilla, dogwood, forsythia, cotoneaster, and others. They could be ready for market in two years, a shorter horizon than most of the trees offered.

“The hardest thing was the exhaustion, the endless hours, being here all the time,” Desi says. “And the sun. And the dust. Before we moved the trailer here, you had no place to wash up or go to the bathroom. I was so beat I’d go to work on Monday to rest.”

**BROWN COULDN’T AFFORD TO EASE UP.** As he tilled more ground and cultivated more plants, he had to start thinking about sales. As a start-up, he couldn’t provide the kind of selection the big growers offered, and he would have to persuade buyers with stable suppliers to take a chance on an unknown nursery.

Early on, Brown faced the issue of discounts. He had a pricing strategy in mind, of course. He intended to enter at 10% or so below market level, bring customers up to market price in two years, and finally exceed the going rate by 5% to 10% after he had won their loyalty and hooked them on his superior quality and service. Volume discounts ranging from 3% to 8% would keep him competitive, he thought, and a 2% discount for payment in full within 10 days would

expedite cash flow. All plants would be backed by a generous guarantee.

But in dealing with a newcomer to the field, buyers wanted even better terms. “That was self-defeating,” Brown explains. “I had to figure out how to make a living in a sparsely populated area and not cut my margins to absolutely nothing just to sell the product. That’s when I realized I’d have to expand. So I began to move into Colorado, Wyoming, Idaho, and Oregon.”

That was a huge commitment of time and energy, since Brown himself was doing all the selling, but customers responded well to that. The nursery field is an informal, close-knit one with lots of deals done on handshakes and friendships. A winning personality is a valuable asset, and Brown is “one of the people in the industry who’s really enjoyable to work with,” says Paul Lothar, sales manager for J. Frank Schmidt & Son Co., which is both a competitor and supplier of Glacier Nursery’s.

But first Brown had to get his foot in the door, and for that he employed a simple three-step, three-year strategy. In the first year, he wanted just to get acquainted with a potential customer. His goal in year two was to obtain a token order. By the third year, Brown says, he wanted to have a solid business relationship in place.

A case in point is Fort Collins Nursery Inc.,



For years Brad and Desi worked day jobs, tending the nursery evenings and weekends.

Brown’s sales began to grow, to \$6,000 in 1986 and \$30,000 in 1987. In 1987 he secured a \$25,000 line of credit from the Valley Bank of Kalispell, borrowing against the next year’s crop—as most farmers do—and against the mobile home, the van, and the truck. In 1988 Brown left the Christmas-tree farm to devote himself full-time to his fledgling enterprise.

## FINANCIALS

	1989	Glacier Nursery 1990*	1991*	1992*	1993*
<b>Income statement</b>					
Revenues	\$170,924	\$250,000	\$285,000	\$370,000	\$450,000
Expenses	190,835	260,000	285,000	360,000	430,000
Profit (loss)	(19,911)	(10,000)	0	10,000	20,000
<b>Balance sheet</b>					
Assets	\$137,605	\$135,000	\$140,000	\$145,000	\$150,000
Inventory	231,500	491,500	625,000	725,000	750,000
Liabilities	113,310	130,000	135,000	140,000	130,000
Net worth	255,795	496,500	630,000	730,000	770,000

\*projected

a \$1.75-million garden center in Colorado. Brown met its co-owner Gary Epstein at a trade show. He found him to be a nice guy but a hard sell. “He already had suppliers and no incentive to buy from me,” Brown says. “But we sent him some free samples—three species of bare-root shrubs, 10 of each—about \$100 worth of plants.”

Brown stuck them in burlap sacks and shipped them UPS. He called later to see how Epstein liked them. They looked good, Epstein said—they were quality plants. The following June, on a sales swing through Colorado, Brown stopped by Fort Collins Nursery to make sure the shrubs had filled out in the spring. “I was doing this with a half dozen people a year,” Brown says. “Samples, phone calls, a follow-up visit.” The next year Epstein ordered about 150 bare-root shrubs from Glacier Nursery. The year after that he wanted some 1,000 plants, \$2,000 worth.

**THEN CAME A POTENTIAL DISASTER** that Brown managed to turn to his advantage. It is said that about twice a century, killer cold from the Arctic—known as a “50-year winter”—blasts the northern Rockies. In 1988 the windchill hit 60 below, and plants perished all over northern Montana. But Brown had adapted his techniques to ensure his crop’s survival. Although he lost 10% of his inventory, what survived was like gold, and the Grown in Montana tags that the state’s department of commerce supplied to be attached to his plants became like the Good Housekeeping Seal of Approval. The following spring, sales took off.

“It was amazing how many people started buying Brad’s Grown in Montana stuff after that brutal winter,” says Craig Sweet, manager of Caras Nursery & Landscaping, a \$1-million outfit in Missoula. “We had no trouble selling everything we got from him.”

Initially, Caras's orders from Brown were \$3,000 or so. Now they are up to \$30,000 and growing. "We buy about 25% of our trees from Brad," Sweet says. "His prices are competitive, and his stock is the best in the business. But most important for us, we can get his material when we want it. That allows me to manage my inventory more closely."

Brown provides an extensive range of products, offering trees balled and burlapped, bare root, or in containers, and shrubs either bare root or in containers. His catalog lists 40 kinds of specimen trees; close to 40 budded, shade, and flowering trees; and more than 80 types of shrubs. A careful tracking of sales trends enables him to supply more expensive varieties that are gaining popularity.

WITH A 60-COMPANY BUSINESS BASE, Glacier Nursery had sales of \$170,924 in 1989. Last year, when Brown sold 2,800 trees and 25,000 shrubs, sales reached \$250,000. For 1991 he's anticipating \$285,000. Half of the spring-delivered stock is already booked.

As Glacier has grown, Brown's line of credit has expanded along with it, from \$25,000 to \$75,000. That's no great gamble for the bank—between Glacier's fixed assets and in-the-ground inventory, Brown figures the business is now worth \$496,500 and growing all the time.

But his expenses have exploded along with his inventory. With 6 field hands and a bookkeeper, full-time labor costs \$100,000 a year, including benefits. In the spring, when

I'd much rather keep them in the ground for three to five years—I've got some reserved for that now—but to meet expenses we have to sell too many when they're young."

Gearing up for the future, Brown plants three trees and shrubs for every one he sells. That's expensive in labor and procurement. He starts some trees from seed, but it makes sense to buy some small trees at \$10 to \$15 each. By 1993, however, he will have 9,900 trees and 66,500 shrubs ready to sell. At that point, he will have to expand his sales territories in Washington State, Utah, and South Dakota. But he can't lock in more sales there yet because he can't supply the product.

"We initially saw a business of \$250,000, but now we know we could do twice that if we had the plant material," Brown says. "We have not yet found our limitations. The only limit now is how fast we can grow the plants."

To make room for that growth, he has expanded the farm from 20 acres to 70. He leases the additional 50 on adjacent farmland, paying \$100 an acre a year, with 10-year contracts and options to buy some of it.

"I always heard stories from people about how growth killed them," Brown says. "I laughed and said no way would that happen to me. And I will say now positively that that is the challenge. To make this profitable, I have to take the growth rate we've got now and plateau it out so that costs are stable while revenues continue to swing upward. But because we are growing the stock longer and growing more of it, and because we always seem to need something like the warehouse or the tractor, it's very hard. Unless you watch it carefully, though, you end up with ballooning overhead."

Brown can control at least some of the variables. Water flows from his own well at 300 gallons a minute. He goes very light on chemical herbicides and pesticides. And he still handles the selling himself, trying to visit each of his customers at least once a year. That remains a marketing strength and a cost saving, but it's very questionable how long he can or should keep up that pace.

Other factors bearing on his company's success exceed his grasp. The landscaping business, for one thing, is tied closely to housing starts and commercial construction. Growth in the Northwest has remained steady, but if it falters, Brown's sales are likely to tumble. Then there's the weather. Unpredictable, brutal cold or a severe hailstorm could cripple his inventory at any time, and crop insurance, while available, is prohibitive.

As it stands, Brown thinks he's still three years from the return he had in mind when he started: an income close to what he'd be making running a farm for someone else. He's just glad he didn't have more money to sink into the company. "Having so little capital to start with made me extremely frugal," he says. "Pulling myself up by my bootstraps has made me a much better businessman."



*Brown was drawn to the Flathead Valley by its majestic beauty as well as its lush soil. This view shows part of his crop (foreground) and a neighboring farm.*

Plants move out of Glacier Nursery all summer and fall, but most activity is focused toward six frantic weeks in early spring when two-thirds of all sales occur. Over the winter Brown's full-time crew of 6 works in the warehouse, a 3,600-square-foot structure he built in 1989. They sort plants, grade them, and bundle and tag them. In early April orders booked the previous summer are ready for shipment to destinations as far-flung as Denver. Lacking trucks of his own, Brown relies on three local companies. His mainstay, A&A Trucking, is a Kalispell-based transporter that hauls Coors and Budweiser into the Flathead Valley area from breweries in Colorado. Like any trucking company, it looks for backhaul loads, and plants are a good fit for its refrigerated trailers.

Brown leases equipment to dig up his trees by the hour. A local farmer provides a Bobcat skid-steer loader, and Brown rigs it with a hydraulic tree spade, also leased. He'd love to have a Bobcat of his own, but with Glacier still struggling, he can't justify the expense. The only piece of heavy machinery he owns outright is a Kubota L2850 tractor.

Brown's crew can shoot up to 18, the payroll rises. Other expenses—crop maintenance, plant replenishment, sales, and overhead—add to the burden. Then there's the cost of servicing a combined debt of \$130,000 in mortgages and capital investments.

All told, 1990 expenses reached \$260,000, of which only \$10,000 is Brown's draw, against total sales of \$250,000. Without Desi's administrative job at the rural electric co-op, where she earns less than \$20,000 a year, the family would be hard pressed to make ends meet. As it is, they are just getting by.

Brown is still seeking new accounts—but very carefully. The demand for his plants is far larger than he had imagined, placing him in a rather tenuous position. With sales potential exceeding production capacity, he is selling out every year—and that's bad.

"Our typical balled-and-burlapped tree is going for about \$70," he says. "That tells me that we are digging up plants that have been in the ground only two or three years. The real value is after four or five years, when the tree is worth \$120 or \$140. And the additional maintenance costs are not that great.