

January 25, 2006

Price Gouging on Trees?

It was with interest, concern, and some frustration that I read the article regarding fuel prices in the January/February issue of INLA News. I was certainly interested in how others in our industry respond to sudden increases in this commodity's pricing. It was a well written and timely article by Kerry Kiefer and Donna Sheets.

The concern and frustration entered when the discussion turned to the subject of "price gouging" with respect to fuel prices. I was surprised that the words were even used. It is odd to me, in a free market system, that people even entertain the notion that "gouging" exists in the pricing of any commodity, be it trees or gasoline.

That may seem to be a strange claim, given the public opinion nowadays, but I ask that readers of this publication think of it from another view, a more horticultural view if you will. Let me explain.

Let's paint a picture that, while unlikely, is possible for Indiana nursery professionals. Let's say that an earthquake hit the area of the New Madrid fault. This earthquake's shock waves moved east and west, damaging roads and bridges and making shipment from south of the Ohio river to the north virtually impossible. At the same time, a new exotic pest and disease is identified in Michigan, Ohio, and Illinois, causing an immediate quarantine of all nursery stock from these states. Both the earthquake damage and the quarantines will take from 12 to 24 months to be resolved. Under this hypothetical scenario, what happens to the price Indiana nursery producers will get for their plant material?

Well, I think we all know exactly what would happen. Catalog prices would very quickly change in response to the demand for Indiana nursery stock. Since Indiana stock would not be quarantined and since Tennessee and other southern states couldn't easily ship, demand would be brisk, to say the least. It would be surprising if prices didn't double or triple in short order. It would have to. A free market in nursery stock, with the price system transmitting valuable information to potential buyers, makes this occurrence inevitable.

On the other side of the coin, what would then happen to the profits of Indiana nursery producers? Well, their property taxes, insurance, and other fixed costs wouldn't change. Labor costs may go up some as the efforts to bring the material to market were increased, but it would not go up that much. In short, their profits would soar! Some, those uninformed on the risks taken everyday by Hoosier nursery growers, would even call them "windfall" profits.

Under this scenario, would Indiana nursery men and women be guilty of price gouging and windfall profits? Of course not! What then would we think of those who, in letters to the editor accuse us of conspiratorial price gouging and clamor for government to "hold us accountable" for our actions? What would we think of those who would call for government to tax our profits even more ruthlessly than they do now? I certainly know what I would think of them and it isn't particularly flattering.

Two Courses of Action

If, as an association, we come together to share thoughts on dealing with unusually high fuel prices, look for opportunities to leverage our buying power, learn methods for conservation, and other such ideas, that is a

good and valuable action. Things such as this are one of the main purposes of having an Indiana Nursery and Landscape Association.

If we follow the recommendation to involve the government in laying “blame” for fuel prices (and the unstated intent to also punish), that is a bad thing. Florida, California, and Minnesota set a poor example in seeking special deals for themselves, at the expense of all other citizens of their states and us as their potential customers. We should not follow it. We often hear derisive comments (and rightfully so) about special interests lobbying for favors, shifting their burdens to others. We should not do that.

The last thing we should ever want is more involvement by government in our business and our lives. As an association, our interactions with government should be to demand that they stay off our backs and out of our wallets. We should band together and insist that the special deals they have granted other persons, businesses, and unions, at our expense, be stopped immediately. It’s awfully hard to make those demands if we seek those same things for ourselves.

If we hope that our children and grandchildren have the same or better opportunity as an Indiana nursery grower, landscaper, or garden center owner that we have, it cannot be any other way. History, common sense, and our own experiences show that government intervention destroys opportunity. Free markets and personal entrepreneurial initiative create opportunity. The course we should choose as an association should be to reject government interference and embrace private effort in a free market.

Sincerely,
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