Questions from the Economic Outlook webinar:

1. How do we convince consumers that flowers, trees and shrubs can increase their quality of life?

    I have written extensively on this subject. See these links:

    http://ellisonchair.tamu.edu/2011/07/26/we-enhance-the-quality-of-life-period/#.UKY5boV9l8Y

    http://ellisonchair.tamu.edu/emphasis-areas/marketing-economics/our-value-proposition-for-the-future/#.UKY5toV9l8Y

    From this research, a new bulletin is available at the America in Bloom website. See http://www.americainbloom.org/resources/Discover-Plants-Brochure-and-Presentation.aspx

2. How will these changes, esp. lower energy costs, affect inflation in our industry?

    I don't think we have to worry so much with inflation at the moment with Bernanke keeping the interest rates down. However, that will reverse at some point in time. The slowed economy in China has eased the price pressure on commodities, but Superstorm Sandy will obviously put a strain on resources in the short run. The prices of many of the inputs we use in the green industry should remain stable over the course of 2013.

3. What about the huge jump in jobless rate just announced today (439000)?

    The Unemployment Insurance Weekly Claims Report was released the morning of 11/15 for last week. The 439,000 new claims number was a 78,000 decrease from the previous week, with Hurricane Sandy obviously impacting the numbers. The less volatile and closely watched four-week moving average, which is usually a better indicator of the recent trend, rose to 383,750 (still below the benchmark 400K). Given the impact of Hurricane Sandy, the four-week MA will be less reliable for the next few weeks. Here is the official statement from the Department of Labor:

    > *In the week ending November 10, the advance figure for seasonally adjusted initial claims was 439,000, an increase of 78,000 from the previous week's revised figure of 361,000. The 4-week moving average was 383,750, an increase of 11,750 from the previous week's revised average of 372,000.*

4. Would the World Bank have anything to gain by slowing or stifling growth in the US economy?

   Not really. They, and the rest of the world, have everything to gain from our economy growing. Despite our troubles, we are still the guts of the economic engine worldwide. A stable dollar provides refuge, consistency, and confidence in the world financial markets.

5. Discuss the financial impacts of Obamacare for growers that currently do not provide comprehensive health care.

   See excellent commentary from Craig Regelbrugge on this http://www.anla.org/knowledgecenter/ticker/index.cfm?view=detail&colid=124&cid=322&mid=5484&CFID=34901&CFTOKEN=58126842

   Let me also point to a link to the Small Business Legislative Council health care calculator.

6. Real personal consumption is up. What is the breakout of what % of this spending is food, utilities, fuel, versus 'luxury' or discretionary spending in 2009 vs. 2012?

   The US economy is mostly about consumption, which accounts for about 70% of Gross Domestic Product. In fact, if we study the quarterly reporting of GDP from its inception in 1947, Personal Consumption Expenditures (PCE) have ranged from a low of 60.5% in Q3 1951 to a high of 71.2% in Q3 2009. As of the most recent quarter, PCE is an even 71% of GDP.

   Wells Fargo had an excellent commentary on consumer spending in general in one of their latest newsletters. See https://www.wellsfargo.com/downloads/pdf/com/research/special_reports/Lowdown_on_Consumer_Spending.pdf

7. How are the new healthcare laws going to affect my business? I hear premiums are going up, and the affect on business with greater than 50 employees are dramatic.

   See #5 above.

8. Do you feel we have an educational gap (Baby Boomer not transferring knowledge to Gen X and Gen Y) of how to/why to garden and landscape?

    No doubt about it. I have written about that too. Check out some of the resources in #1 above. Also, an excellent book I recommend on generational differences is The Age Curve by Ken Gronbach. Also, the generational studies by SAF are pretty interesting – see http://www.safnow.org/generations-of-flowers-study and also http://www.floralmarketingresearchfund.org/.

9. There is a population shift to Urban America with just over 50% living in metro areas with a projected increase to almost 67% by 2050. That said, as an industry, we must begin to market to the "Urban Dweller" with less space to ""dig"" and less space to display. Do you feel we have an opportunity for targeting to that segment?

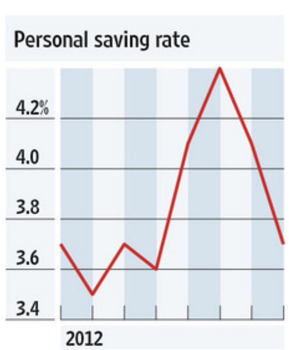
    Of course. The recent growth in green walls, green roofs, and rooftop gardens is a testament to that.

10. Seasonally adjusted UC claims just ticked above 400k to 439,000 this morning. They are attributing it to Sandy.

    Yes, see #3 above.

11. Do you have stats on personal savings habits? In other words, are Americans overspending just like the government?

    We definitely are a spending nation now. The personal saving rate -- personal saving as a percentage of disposable personal income -- was 3.3 percent in September, compared with 3.7 percent in August. Bear in mind that the BEA does not include home appreciation or retirement instruments (401k's) in their definition, so we are saving more than we get credit for.



Source: Commerce Department

12. What are your best guesses for growth in the nursery industry and the greenhouse industry assuming (a) we avert the fiscal cliff or (b) if we fall off?

In recent months, improving employment, a surge in refinancing and firming home prices have all worked together to release some of the pent-up demand created by the "Great Recession." Higher confidence, predicated on better labor market conditions and the hope that housing has finally turned the corner, allowed consumers flush with extra cash from refinancing to spend rather than save those funds.

The consumer, however, is not invincible, particularly if our political leaders decide to take us over the fiscal cliff on January 1, 2013. Statistical models suggest that the drag created by the fiscal cliff would shave somewhere between 3.5% and 4% from real GDP growth between fiscal year 2012 and fiscal year 2013; some of that has already occurred. The worst of the pain would be felt in the first half of the year because that is when the largest fiscal drag would appear. However, those statistics understate the actual costs associated with the blow to growth if we go over the fiscal cliff. The ramifications for confidence and the functioning of global financial markets would be huge if Washington were to actually engage in such an irresponsible act.

This is to say nothing of the devastation and disruption to spending caused by Superstorm Sandy. There would be no way to fully repair and rebuild the worst affected areas if the emergency funds needed from the federal government were not released on a timely basis. Stranger things have happened. Remember summer 2011's showdown over the debt ceiling, which brought the U.S. to the brink of defaulting on its debts.

To date, however, the fundamentals of our economy have been improving – more like a plow horse than a racehorse – but improving, nonetheless. Household balance sheets have improved fairly dramatically over the last year and appear to have finally reached a tipping point where spending can be more self- sustaining; consider these developments: Employment has picked up after a summer lull. Wages are stagnant, but appear to have bottomed after being cut during the height of the recession.

Deleveraging has accelerated, so debt loads have dropped. We are now back to 2003 levels of debt, which we saw prior to the run-up during the housing market bubble; that isn't perfect, but may be enough to ease credit for many consumers. Net worth has recovered much of the ground lost to the recession. Home prices, in particular, have bottomed and are moving up again. This, coupled with expectations that home prices will continue to rise, is important because the wealth effects tied to housing are much larger than those tied to equity holdings. It's easier to repair and upgrade a house that is appreciating than one that is depreciating in value; it is a game changer when it comes to spending.

Refinancing has increased, reducing mortgage payments and leaving more for consumers to spend each month. Consumer sentiment has picked up and returned to levels not seen since before the recession. Assessments of current economic conditions, the largest determinant of current spending, have improved. This has made it easier for consumers to convert refinancing savings into spending for big-ticket purchases. Hence, the precipitous drop we saw in the saving rate over the summer.

The move to do something about reducing the long-term deficit is very important because that is what will restore corporate confidence. That is what is necessary to get manufacturers to hire and invest more aggressively. Risks could move to the upside on spending as we enter the second half of 2013 and 2014.

Rising home values are a game changer because they make it easier for consumers to decide to spend and invest in their homes and, ultimately, sell what they bought at a profit. Housing got us into the mess we are in and, in fits and starts, will be the accelerant that eventually gets us out.

The most likely fiscal cliff scenario is that we manage to avert a fiscal cliff with a milder tightening of fiscal policy in 2013. There seems to be fairly widespread agreement on allowing expiration of extended unemployment benefits and the payroll tax cut. We are also likely to feel the increased taxes associated with the Affordable Care Act and a $10 billion cut in Medicare reimbursements. This, coupled with some discretionary cuts to the budget, is likely to amount to more than $200 billion in fiscal tightening in 2013. That would curb, but not derail, consumer spending at the start of the year.

Given all of these factors, I remain optimistic about the future growth of the green industry in 2013. We won't set any land speed records, but we won't be flat again at least – assuming the proverbial wheels don't fall off in the interim.