

FIRST CLASS NEWS FLASH



October 2006

The October News Flash will look closer at plant purchase costs and the way we should see them in order to work in a changing marketplace, award winners and top performers, and a Pack Trial preview.



“The most expensive cutting is the one that got late or never delivered” as one of our largest customers likes to say.

This is one important piece of the puzzle we need to look at when talking about plant purchase costs for our raw material, as I like to call unrooted cuttings (URC) and rooted cuttings (RC). Growing up in a greenhouse operation and spending most of my life working for our industry, I saw many growers calculating their costs. It was a hot topic during my time at school, and it still is one today. It gets even more important as costs rise while our sales price stay put or even decrease, resulting in lower margins. We all need to look at our costs closer and, more important, understand them.

Many calculations today start by matching prices from different suppliers, and most of the time the lower one wins. My dad and my professor would start to argue now and tell me that it is time to change the way we look at the purchase of our plant raw material. It is not the price we see in front of us written nicely on paper, it is the bottom line that counts. We have to look at every penny today, and looking only at the input costs will quite often lead to big surprises end of the year when results don't match our expectations. But why should we make it more difficult when the easy way is taking for example \$ 0.21 from one supplier and 0.19 from another = \$ 0.02 cheaper. Multiplying the \$ 0.02 by let's say 200,000 URC = \$ 4,000 saved. It even gets better when buying non patented/royalty varieties. Then savings are even bigger. Sounds so easy, but trust me, it isn't. The cuttings have a long journey ahead of them until they are sold and turned into cash. Many things can and will happen, and the bottom line may look very different.

Two major categories you should look at before making a decision are the track record and reputation of the supplier in question, and the varieties you are about to purchase.

- **The track record** (or reliability) and reputation of a supplier brings me back to the saying of our large client (as stated at the beginning). Cuttings that arrive late, have quality issues, or never arrive will increase the costs of each crop. Mostly extra labor cost, empty benches, and later finish of the crop will increase the costs significantly. Lower quality may reduce the price you can sell the finished product for, resulting in an overall increase in cost. Don't forget the supplier's "availability" in terms of service after the product was sold.



Example: Selecta's first season as a supplier based in North America was the 2003/04 season with only one employee. Since this first year as a U.S. company, Selecta has increased its staff to ten, increased its yearly sales by 40 - 50% and the same time improved on-time delivery and lowered the claim rate. Today Selecta's track record looks good with over 98% on-time delivery (includes order changes) and a claim rate below 2% (claimed value compared to total value sold including all types of claims).

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- **The varieties** you choose will have a large impact on your cost structure. Most important for your variety selection is to know that the finished product will look like what you envisioned. Choose the right varieties based on their performance - but it's not only the outdoor performance that counts. The grower performance is at least as important as the consumer performance. You want varieties that work for growers as well as consumers. Choosing not-patented over patented varieties is quite often a bad choice, as their grower performance and probably also their consumer performance is less than excellent, resulting in higher costs for the grower.



Envision your product!

Example: An Osteospermum customer of ours got a very good looking offer from a competitive Osteospermum supplier. The offer was a couple cents below ours (cutting price plus royalty), and the grower decided to buy half of the crop from this new supplier. I asked him to compare the two lines from



delivery of the cuttings until the finished plants are sold. He started both lines the same way, using a cold crop treatment (starting in fall with URC). Both suppliers (also his new one) delivered on-time good quality cuttings. It looked all fine until the warm-up time in spring. He noticed that the competitive varieties started to grow way more aggressively, and so he had to apply a second CCC drench (equaling more labor costs plus more chemical costs). Some of the great looking colors (some of the colors are really nice) didn't branch that well, and he ended up plating two plants together to fill one pot nicely. Asking a neighbor using the same varieties for the second year, he was told to either pinch those varieties twice or plant two URC right from the beginning (needless to say what that would

mean for the cost calculation). Finally the varieties didn't seem finish on time (some started to flower where others didn't show buds yet). So he took the later varieties into a warmer house to force them to bloom (more labor and higher energy cost). Finally the plants on the carts looked great from both series. He managed to get them all looking nice as he is a superb Osteospermum grower. But looking at the bottom line he said he spent significantly more money on the competitive line compared to our line.

Summary

When choosing a supplier for your plant raw material (URC / RC), check their track record (on-time delivery, quality of their product and services, and reliability) and their varieties (grower and consumer performance). The purchase price of the cutting is important, but the final decision should not depend on it. To achieve higher profits it is usually better to spend a little more for a quality product from a quality supplier. Selecta is known to have some of the best product lines available performing for growers as well as consumers. Examples are MiniFamous™ Calibrachoa, FlowerPower™ Osteospermum, Moonlight™ Geraniums, Serengeti® Nemesia, Mohave™ Bracteantha, Piccadilly™ Diascia, and many more.

Selecta genetics - A way to better profits!

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Trial Results and Awards

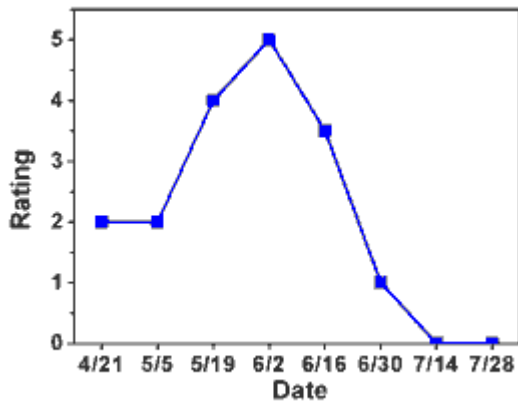
The University of Florida Trial Results just got published and Selecta varieties made the top performer list.

Best New Varieties - Spring

Lobelia 'Magadi Blue'

Supplier: Selecta First Class

Spring Rating (April 1 - June 2)	Summer Rating (June 2 - July 28)	Overall Rating (April 1 - July 28)
3.25	1.13	2.19

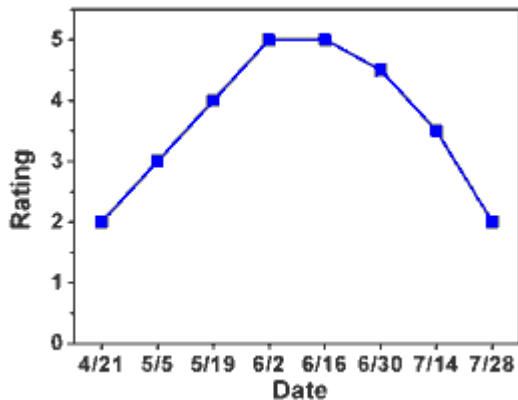


NOTES: longest-lasting lobelia in trials

Bracteantha 'Mohave Grande Sunset'

Supplier: Selecta First Class

Spring Rating (April 1 - June 2)	Summer Rating (June 2 - July 28)	Overall Rating (April 1 - July 28)
3.50	3.75	3.63



NOTES: -

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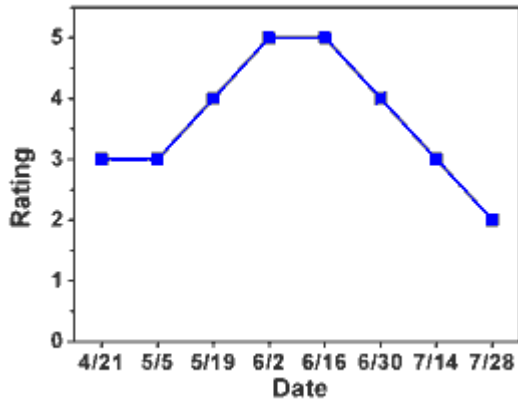


Outstanding New Varieties (Spring)

Begonia 'Bonfire'

Supplier: Selecta First Class

Spring Rating (April 1 - June 2)	Summer Rating (June 2 - July 28)	Overall Rating (April 1 - July 28)
3.75	3.50	3.63

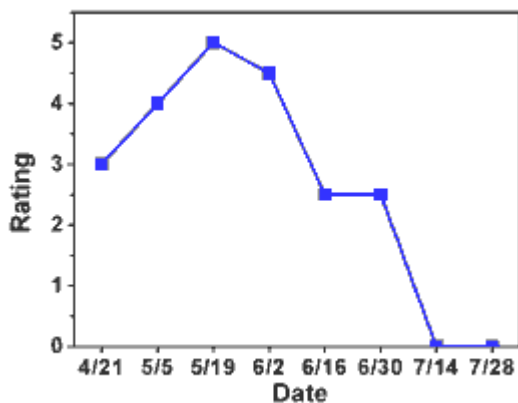


NOTES: prefers hot and dry environment; can tolerate full sun but grows best in light/partial shade

Petunia 'Famous Rose Star'

Supplier: Selecta First Class

Spring Rating (April 1 - June 2)	Summer Rating (June 2 - July 28)	Overall Rating (April 1 - July 28)
4.13	1.25	2.69



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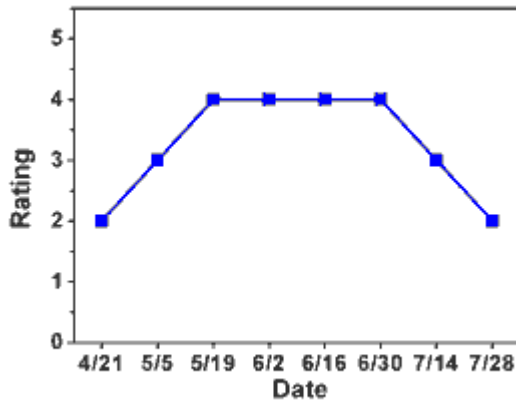
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Bracteantha 'Mohave Grande Red'

Supplier: Selecta First Class

Spring Rating (April 1 - June 2)	Summer Rating (June 2 - July 28)	Overall Rating (April 1 - July 28)
3.25	3.25	3.25



NOTES: -

Selecta First Class

Last week we finished our last trial field evaluation in Encinitas. After Pack Trials we plant the plants (all program varieties, upcoming novelties, breeder material, and competitive varieties) on our trial field. We use big containers with three plants per container. The plants are on trip irrigation and get Peter's Professional 20:10:20 as fertilizer. We spray against insects only so we can evaluate disease sensitivities. The 2006 summer was unusual hot and humid for our area (as in most parts of the country). Because of space reasons, we didn't have any Geraniums and NGI in this year's summer trial. After the trial finished (end of September) we selected the five best performing novelties. Images below are from end of July.

The 2006 Summer Trial Top Performers are (in alphabetical order):

Angelonia 'Angelina™' (whole series performed outstandingly all summer long)

Begonia 'Bonfire™'

Calibrachoa 'MiniFamous™ Super Purple'

Osteospermum 'Zion™ Terra Cotta'

Verbena 'Fuego™ Denim Blue'



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Selecta First Class - Redefining Pack Trials

Selecta First Class is proud to announce their new Pack Trial presentation called: **The Profit Center™**

“**The Profit Center™**” will focus on growers and their distributors and help sales reps to serve their customers even better. Selecta will present the 2007/08 spring annual program plus the 2008 novelties, different plant programs, and cultural trials, proving that Selecta Genetics are the way to better profits. The different theme areas will include:

- A section introducing the introductions for 2008.
- A display of selected varieties in larger pots, gallons, and baskets.
- Mixed planters in different sizes and shapes.
- A workshop area where Selecta will present real cultural trials set up as workshops and featuring Selecta’s different plant programs like the HD® Concept, Sun-lovers, and much more.

In addition to a snack area, Selecta will offer an internet café (featuring a hot spot). Visitors can do business with their customers and suppliers right at the spot. They even can check Emails, send images, update their clients, and much more while enjoying Selecta’s hospitality.

The Profit Center will open its doors April 14-22, 2007, from 8:00 a.m. to 5 p.m. in Encinitas, CA. Please contact us for further information and reservations by visiting our website <http://firstclassplants.com>, sending an Email to info@firstclassplants.com, or calling toll free 800-955 5644. To better serve our visitors, reservations will be required!

The Profit Center™ is the 2007 Pack Trial location you don’t want to miss!



For information, varieties, services, and NEWS, visit our website ‘firstclassplants.com’ and request our new catalogs.

Sincerely yours,
Stefan Reiner

First Class: Where innovation, reliability, quality, and customer service meet.