

WACD Plant Materials Center Report 2021

Introduction: Fiscal Year 2020-21 was another challenging one for the PMC. COVID 19 overshadowed the entire year, compared to the previous year when harvest was almost complete before COVID protocols were needed. At least by the time this fiscal year started there were COVID protocols in place and working effectively. Once the concern regarding the safety of staff and crew was addressed, the next concern was how will this affect sales. Will planting projects slow down due to the pandemic? We saw sales lag for the first 9 months of the fiscal year, but by spring sales increased and by the end of the year it was the best dollar volume year ever with sales at \$1,162,885. It surpassed the previous year, which was the best year then, by almost \$35,500. One interesting aspect of last year sales is that the number of plants sold was less than the previous year. Last year 1,517,686 plants were sold and the previous year almost 1.9 million plants were sold. The decrease in plant volume and increase in dollar volume is due to a decrease in average order size. Pricing is on a sliding scale based upon volume. There is a price decrease for ordering in larger quantities which is typical for this industry and many others. The reason for that is that there was a decrease in project related orders and an increase in smaller orders, much of it likely to smaller land owners.

Fiscal Year 2020 – 21 Financials: The WACD financial reports are included in the meeting packet. The total revenues, expenses and net revenues for the last 7 fiscal years are below:

Fiscal Year	Revenue	Expenses	Net Revenue
'20-21	1,198,341	1,198,341	23,800
'19-20	1,212,433	1,154,967	57,466
'18-19	1,194,607	1,004,091	190,500
'17-18	1,102,054	999,629	102,425
'16-17	1,160,241	968,439	191,802
'15-16	1,028,667	935,031	93,635
'14-15	1,014,805	885,807	128,950

- Most revenue line items exceeded their budget projections for the year, for total revenue of \$1,198,341.
- Expenses were up for the year. A few items that increased were Bank / Credit Card Charges because more customers used credit cards to pay, Packaging Supplies, Accounting, Brokered Stock which is more than offset by an increase in revenue, Cold Storage because many customers waited to take their plants resulting in needing additional refrigerated trailers to hold everything, and Seasonal Labor due to an increase in minimum wages and needing more labor to get everything harvested. The COVID protocols did affect efficiency to some degree.

Current Year:

Sales: The biggest change in sales has been with the Sales Manager position. Jess left last spring and Jacquie started in June. Jacquie held that position from 2007 to 2012. We are happy to have her back and she stepped right in. The biggest difference is we have a different sales / inventory program which comes with a bit of a learning curve that Jacquie has handled very well.

The concern of a continued decrease in planting projects appears to be a thing of the past. Sales are tracking at a record pace. The PMC has posted \$1,114,874 in sales as of 10/25/21. That compares to a similar time last year when sales were at \$786,920, and the year before that they were \$822,741.

Operations: Equipment and facilities are all in good working order there has not been any major equipment replacements or purchases this year. Of course, that could change in a moment. The growing season has gone well and now we look forward to seeing the plants go dormant before any significant cold snaps occur.

The PMC has been working on harvesting, processing and shipping several orders of live stakes. Almost 70,000 stakes have been harvested so far this year with more likely to follow. That will result in an increase in seasonal wages with an offsetting increase in revenue.

The next big activity will be bare root harvest. That starts around December 1st. Before that happens a 20-person seasonal crew needs to be hired. 13 people from last year's crew have indicated they will return and that number is expected to increase. In all likelihood a few new people will be needed and hopefully found. Harvest will last until March.

COVID: The PMC continues to keep up with the ag workplace COVID regulations, which is not easy. Thankfully the Washington State Farm Bureau has taken the lead on interpreting the rules and communication them to members. They have provided a COVID response plan, which we incorporated into our plan, signage for mask requirements, No Entry signs for visitors and regular updates as things change. They have provided free masks, hand sanitizer and disinfectant as well. Thanks, WFB.

Other:

- IRS: A few years ago, the IRS mistakenly withheld backup withholding tax from the PMC, which was surprising since the PMC is not liable to pay backup withholding tax. What was more surprising was they refunded it twice. An IRS Tax Payer Advocate was assigned to look into it and they reported, in writing, that they did not make a mistake and would not request anything be returned. The accountant recommended placing the excess in a dedicated fund which we did. It is in a money market account at Edward Jones that is titled IRS Deposits.

That account was originally \$36,500 but it has increased to \$53,300. That is because in September 2020 the IRS sent a check refunding everything paid to them for the 2018 990T that our accountant determined was owed, which was over \$18,000. The IRS says that we did not owe it which our accountant disagreed with. That money was deposited in the Edward Jones Money Market titled IRS deposits and a request to have an IRS Tax Payer Advocate look into it was submitted. Since then, it has been in the hands of the tax payer advocate. Initially they thought that the case should be reviewed by late summer of this year but they have sent notifications extending that date.

The Tax Payer Advocate is also looking into an IRS determination that we did not pay anything on the 2019 990T which was paid in full. There is a cancelled check to prove it. Our accountant recommended we go ahead and pay it so that a lien is not filed, so we did. It is assumed that once they review it, it will become obvious that we had to pay twice and they will refund it.

Our accountant said that he has never seen any entity encounter such a string of IRS errors. Hopefully they will all be resolved satisfactorily in the coming weeks or months but time will tell.

- R&D: The PMC has had limited time to conduct much research into anything that is not directly involved with production. The PMC is a production nursery and

production is by far the main priority. That has changed some when the Assistant Manager position was created and filled by John Knox. He found a study conducted by ornamental bare root nurseries in the mid-west using gravel beds to heal in surplus bare root stock at the end of the season. The theory was that when the roots encounter the air pockets between the pea gravel they will branch, creating a finer root system that can enable the plant to tolerate being pulled and replanted during the growing season. There are good results last year so was repeated again with good results. There is a problem with damage to the young new roots when pulled during the growing season, but gravel beds are still a viable option for fall and winter planting. John has presented this study at WADE and will write up the results for possible publication with the Western Forest and Conservation Nursery Association.

On Behalf of PMC staff, thanks go out to the many supporters of this enterprise. There are too many to mention but you know who you are and be assured that we do too.