YOUR MARKET METRICS

MID-YEAR UPDATE

Summer Supplement Including 2026 Full-Year Forecast & Preliminary 2027 Outlook

AN INDEX OF PRICES PAID BY GROWERS IN THE GREEN INDUSTRY 2007–2026

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Hi folks!

When I published the full edition of the Index back in March, the ink was barely dry before the world rearranged the furniture on us. We were staring down a shooting war in the Persian Gulf, a Strait of Hormuz that had effectively slammed shut, oil rocketing past $100, and a Supreme Court that had just thrown out one whole legal basis for the tariff schedule. I told you then that those projections would need revision "as events unfold." Well — they unfolded.

This mid-year supplement isn't a re-measurement of the Index — it's a forecast. It's my read on where each input sector is likely to finish the full year given the trends through midyear and what's coming in the back half, plus a preliminary look at the year ahead. It lands right when most of you are negotiating next year's inputs with your allied-trade partners and setting next year's plant prices, and that's the whole reason it exists: to put defensible numbers behind those decisions so you can carry them into those conversations with confidence.

A word on method, because it matters for how much weight to put on these figures. I revise the Index itself just once a year, in the first quarter, when complete end-of-year data are in hand and every line item can be measured on the same full-year footing. I've never been comfortable re-cutting it mid-year off partial data — a half-year average and a full-year average aren't the same animal, and 2026 is a perfect

example, with a spring fuel-and-fertilizer spike that a mid-year snapshot would badly overstate. So the current-year column here is exactly that: a *forecast* of the full-year 2026 average — the same number the Q1 2027 edition will later measure and, fair's fair, grade me against. Forecasts are moving targets by nature, so expect these to shift as the year plays out. The next full, measured edition lands in the first quarter of 2027.

Warm regards,
Dr. Charlie Hall

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BOTTOM LINE: **A year ago, my preliminary read had 2026 input costs climbing 5.2% (and as much as 9.4% under a full-tariff scenario). I now expect the Index to finish 2026 up about 3.6% over 2025. That is not because the world got calmer — fuel, fertilizer, and freight all had a wild spring — but because the single heaviest item in your cost structure, labor, is finally decelerating for the first time in this Index's history. The story of 2026 is a genuine tug-of-war: energy and freight pulling costs up, a re-written federal wage rule pulling labor down, and the two of them roughly fighting to a draw.**

The Forecast At A Glance

Index of Prices Paid by Growers in the Green Industry (2007 = 100).
Figures through 2025 are measured actuals from the March full edition; 2026 and 2027 are forecasts.

COST CATEGORY	WEIGHT	2007	2019	2020	2021	2022	2023	2024	2025	2026F	2027P[1]	2027P[2]
Containers & other plastics	8.90%	100.0	127.3	126.4	143.5	166.8	166.7	167.0	167.8	172.9	176.3	183.2
Media (peat-based)	4.37%	100.0	120.5	122.0	135.8	140.1	160.1	142.1	144.9	149.3	153.7	153.7
Propagative materials	18.97%	100.0	128.6	128.6	142.9	142.9	142.9	157.1	157.9	164.2	169.2	175.7
Plant protection products	1.629%	100.0	109.8	107.0	115.1	175.0	154.0	131.2	130.8	134.8	137.4	144.2
Fertilizers	1.626%	100.0	109.5	103.5	138.6	225.8	168.4	154.3	167.2	180.6	171.6	189.6
Labor	42.99%	100.0	144.2	149.6	158.1	169.8	179.1	185.1	189.4	194.1	199.0	199.0
Fuel/Energy	4.57%	100.0	93.3	79.3	105.6	152.7	131.7	123.0	118.8	130.7	124.1	141.1
Supplies & repairs	2.95%	100.0	127.6	129.6	138.9	154.7	160.5	162.1	165.6	172.3	179.1	180.9
Freight and trucking	14.00%	100.0	130.5	124.9	138.9	151.1	136.1	131.8	134.1	142.1	149.2	150.6
Weighted index (2007=100)		100.0	132.8	133.6	146.3	160.3	161.0	163.9	166.6	172.6	176.9	180.2
YOY increase/decrease		---	---	+0.6%	+9.5%	+9.6%	+0.4%	+1.8%	+1.6%	+3.6%	+2.5%	+4.4%

F = forecast of the full-year 2026 average.

2027P[1] = preliminary forecast, assuming Section 122 lapses into an orderly Section 301 transition and the Iran ceasefire holds and Hormuz normalizes.

2027P[2] = preliminary forecast, assuming higher Section 301 duties land on key import origins.

Labor, peat (USMCA-shielded), freight, and fuel are largely tariff-insensitive, so their two 2027 columns move little or not at all.

A reminder on the weights, since I get this question every year: they were rebuilt last year off each input's actual share of tracked expenses, the first refresh since before the pandemic. The expenses tracked here totaled 63.5% of sales eight years ago; they now represent 67.8% of sales. Labor alone carries 42.9% of that — which is exactly why what happens to wages tends to swamp everything else in the table.

The Calls Behind the Forecast

Same forecast, expressed as the year-over-year call on each line — with the range I'd carry in negotiations and how each has moved against the March edition's outlook:

COST CATEGORY	WEIGHT	2026 (FULL-YR)	RANGE	2027 (ORDERLY PATH → HARDER)	VS. MARCH EDITION
Containers & other plastics	8.90%	+3%	+2 to +5%	+2% to +6%	low end of +2-12%
Media (peat-based)	4.37%	+3%	+2 to +4%	+3% (USMCA-shielded)	low end of +2-10%
Propagative materials	18.97%	+4%	+3 to +6%	+3% to +7%	≈ +3-6%
Plant protection products	1.629%	+3%	+2 to +5%	+2% to +7%	low end of +3-8%
Fertilizers	1.626%	+8%	+6 to +12%	−5% to +5%	mid of +3-15%
Labor	42.99%	+2.5%	+1 to +4%	+2.5% (tariff-neutral)	↓ from +4-7%
Fuel/Energy	4.57%	+10%	+6 to +14%	−5% to +8%	↑ from flat-5% base
Supplies & repairs	2.95%	+4%	+3 to +5%	+4% to +5%	within +3-10%
Freight and trucking	14.00%	+6%	+5 to +8%	+5% to +6%	↑ from +1-3%
Weighted index (2007=100)		+3.6%		+2.5% to +4.4%	↓ from +5.2% / +9.4%

The two columns under 2027 represent the tariff fork in the road — the orderly path (Section 122 lapses into a clean Section 301 transition) and the harder path (heavier Section 301 duties on key origins). The biggest single revision since March is labor, which I've cut from a +4–7% climb to roughly +2.5%; the biggest upward revision is freight, roughly doubling its March range.

Why Did Labor — the 800-Pound Gorilla — Finally Stop Roaring?

For as long as I've published this Index, labor has been the relentless line that only ever pointed up and to the right. This year it flattened, and it's worth understanding *why*, because it's not because farm work suddenly got cheap.

Last October, the Department of Labor tore up the methodology behind the H-2A Adverse Effect Wage Rate. Out went the old Farm Labor Survey basis; in came Bureau of Labor Statistics occupational wage data and a two-tier "skill level" structure, plus a downward adjustment where employers furnish housing. The practical effect is a sharply lower wage floor for guest workers in 2026 — the prior year's roughly $17.43 national average AEWR drops to something closer to $13.70 at skill level one before housing deductions. The growers among you who lived through years of double-digit AEWR jumps can be forgiven for doing a double-take.

Two things keep this from being a free lunch, however. First, in eight states — including the big ones for the green industry, California and Florida — the state minimum wage is higher than the new AEWR and supersedes it, so the floor doesn't actually fall there. Second, immigration enforcement is tightening the supply of available labor at the same time, which pushes market wages the other direction even as the regulatory floor drops. Net those forces against each other and you get the modest **+2.5%** I'm carrying for 2026, versus the +4% to +7% I had in March.

One more wrinkle that matters is the legal fight isn't over. A federal court in California declined to block the new rule in mid-May, so it stands for now, but the litigation continues. I'd put the odds that the 2026 wage structure survives intact through year-end at roughly 70%. If it's struck down and the old methodology snaps back, labor (and therefore the whole Index) reprices higher in a hurry.

Has Freight Quietly Become the Story Nobody's Talking About?

While everyone has been fixated on the Gulf, the freight market turned a corner underneath us. After three years of falling rates, the truckload market has flipped into a classic supply-led upcycle with the Cass Truckload Linehaul Index posting its biggest year-over-year jump since 2022 this spring. The drivers (pun fully intended) are a tightening capacity picture: a genuine driver shortage, new federal CDL rules pushing noncompliant drivers out of service, Class 8 tractor sales running below replacement, and a diesel surge layered on top. I've moved freight to **+6%** for 2026, up hard from the +1% to +3% I had in March. For an input carrying 14% of the weighting scheme, that's not a rounding error — it's the second-biggest reason the Index isn't falling.

Did the Iran War Actually Wreck Fuel and Fertilizer?

Yes and no — and the timing is everything for how it shows up in the Index. The spring spike was real: oil punched through $100, fertilizer ran hot (anhydrous topped $900 a ton for the first time since 2023, explicitly on war fears), and resin feedstocks jumped. But the fragile ceasefire pulled crude back toward the low $90s by late May, roughly 20% off its peak.

Here's the subtlety. Because I build each year's figure as an *average of the monthly data*, that Q1–Q2 spike lives in the 2026 number even though spot prices have since cooled. I've deliberately left it in because you paid those elevated costs in the spring, and your pricing needs to recover them. So fuel lands at **+10%** and fertilizer at **+8%** for 2026, both well up from March's base case. The 2027 columns are where the de-escalation shows: **if the ceasefire holds and Hormuz normalizes**, both inputs *fall* next year; if the region heats back up again, they don't. The jury is genuinely still out — I'd call it 60/40 that the truce holds through the summer.

What About Everything Else?

The lighter-weight categories move less, but the logic is the same. **Containers** (+3%) firmed on the spring resin bump but the downstream product index is sticky and oil is now easing, albeit slightly. **Peat-based media** (+3%) gets a quiet break since Canadian peat is USMCA-compliant and shielded from the Section 122 surcharge, so the tariff story passes it by. Coir products, however, are short and prices are higher this year. **Propagative materials** (+4%) is the one I'd most want your eyes to focus on: it's built from customs values on imported cuttings, the Central American origins are largely CAFTA-DR-exempt from the surcharge, but the elimination of the de-minimis exemption adds real friction on smaller shipments in that year-to-date import data should drive this line more than my model does currently. **Supplies & repairs** (+4%) carries a steady building-materials trend plus a nudge from Section 232 duties on steel, aluminum, and lumber. **Plant protection products** (+3%) edged up on oil-linked feedstocks, with Chinese active-ingredient exposure as the swing factor in 2027.

The Tariff Fork: Why Two 2027 Columns?

The whole tariff regime is sitting on a cliff edge as I write this. The 15% Section 122 surcharge that's been in place since late February expires July 24 unless Congress extends it, and the administration has signaled Section 301 (country-by-country) as the long-term replacement. So next year genuinely forks:

1. **2027P[1] (the orderly path)** assumes Section 122 lapses and Section 301 replaces it cleanly and comparably. Import-exposed inputs settle; energy normalizes. The Index rises a tame +2.5%.
2. **2027P[2] (the harder path)** assumes Section 301 lands heavier on key origins — China especially — reaching containers, plant protection, propagative material, and fertilizer. The Index runs +4.4%.

I'd put the odds at roughly 55/45 in favor of the orderly path, but this is the single biggest "known unknown" hanging over your 2027 input budget.

How to Actually Use This Index in Your Pricing

This is the part I want you to focus on, because the Index is only as valuable as the decisions it drives. Think of your pricing as living inside a band with two walls.

Your floor is your total cost. Your cost of goods (*with* every one of these input increases baked in) is the price below which you are quite simply giving product away. Every tick this Index moves up, your floor moves up with it. That's not optional and it's not negotiable; it's arithmetic. The reason I document these increases line by line is so you can walk into a conversation with a retail or landscape buyer and show them, with data rather than hand-waving, that your floor genuinely moved — and by how much. A 3.6% input-cost increase that you fail to pass through is 3.6% straight out of an already-thin margin.

Your ceiling is your customer's willingness to pay. That ceiling is set not by your costs but by the *value* your plants and your service deliver, and the encouraging news from the demand side is that the consumer remains reasonably resilient, and gardening and landscaping continue to punch above their weight as discretionary spending categories. The green industry is recession-resistant, not recession-proof, and that resilience is precisely what gives you ceiling room to work with.

The mistake I see good operators make every single year is treating the floor as if it were the whole strategy. That is, adding up costs, tacking on a habitual markup, and stopping there. That's cost-plus pricing, and it quietly leaves money on the table by ignoring the ceiling entirely. Covering your costs is the price of admission. *Maximizing the spread between your floor and your ceiling* is the actual game. Use this Index to defend and raise the floor with confidence — and then focus relentlessly on the WHY of your value proposition to push your realized price toward the ceiling. Cover your costs, yes. But price to your value.

Your Mid-Year Checklist

1. **Re-run your COGS with these 2026 figures built in** — don't price next season off last season's costs. Freight and energy alone moved enough to matter.
2. **Document the increase by line item** so your sales team can defend price moves to buyers with data, not apologies.
3. **Lock freight and energy terms where you can**. This is a supply-led freight cycle; capacity gets tighter before it gets looser.
4. **Pressure-test your labor plan against both AEWR scenarios** — budget to the current rule, but know what a court reversal does to your wage line.
5. **Watch July 24**. Whatever replaces Section 122 will shape your 2027 import costs on containers, cuttings, and chemicals.
6. **Above all, don't just cover costs — price to your value**. Move the floor up with confidence and chase the ceiling deliberately.

As always, these are forecasts and they'll keep moving as the year plays out and I'll update them when the full, measured edition lands in Q1 2027. In the meantime, feel free to reach out with questions, and I'll see many of you at summer meetings.

—Charlie