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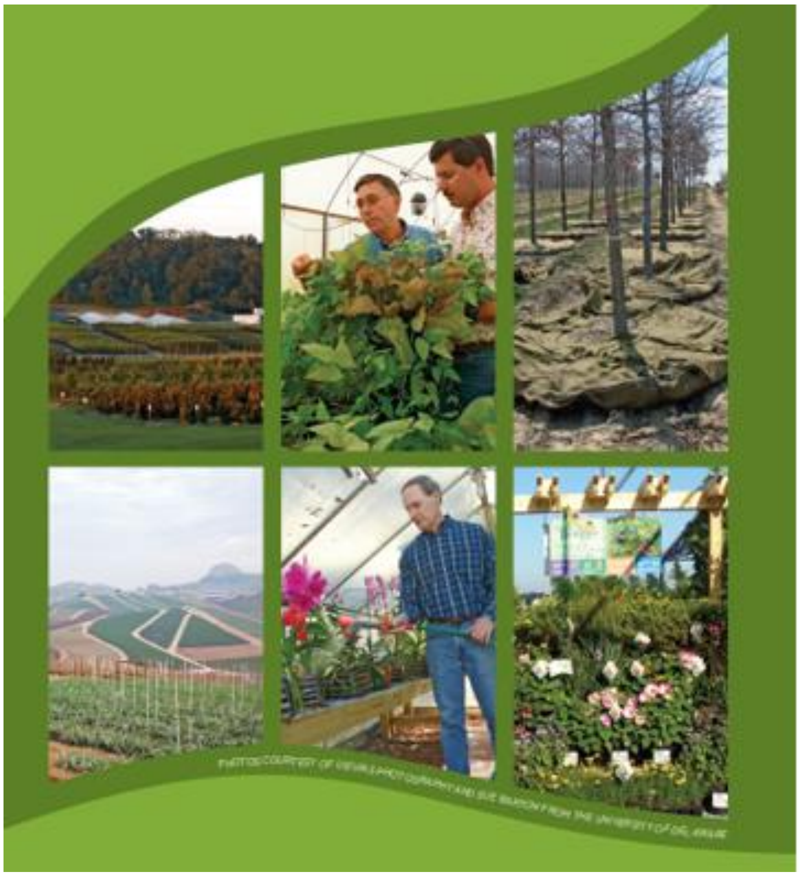
Production and Marketing Practices and Trade Flows in the United States *Green Industry*, 2013



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Abstract

This report presents information on production and marketing practices and trade flows for U.S. ornamental plant grower and dealer firms, based on a national survey conducted in mid-2014 to collect information on business practices and operating results for 2013 or FY 2013-14. The survey included questions about irrigation and pest management practices, employment, annual sales, product types, market outlets, selling methods, advertising expenditures, and product distribution by state or country. The 2014 *National Green Industry Survey* was the sixth such survey conducted by the *Green Industry Research Consortium* since 1989. In this edition, and for the first time, the survey targeted horticultural retailers as well as wholesale growers, with new questions added to the survey regarding retail marketing practices.

Lists of grower and plant dealer firms for the survey were assembled from the state agencies responsible for phytosanitary inspection and licensing of plant businesses in each state. A combined total of over 110,000 firms were compiled, from which a random sample of 32,000 firms were selected for the survey, with 15,000 distributed via mail and 17,000 via email (Internet). Each firm was initially contacted by the investigators to introduce the survey, then two mailings of the survey instrument were sent, followed by reminder postcards (messages).

A total of 2,657 usable questionnaires were returned for the survey, including 1,712 respondents by mail and 945 by email, representing an overall response rate of 8 percent. Responses were received from all 50 states, with the largest number from the southeast and northeast U.S. regions. Most results are reported by state and region. Some results are reported separately for grower (wholesaler) firms and plant dealer (retailer) firms.

Respondent firms reported total annual sales of nearly $4 billion, and total employment of 38,657 fulltime and part-time or seasonal jobs. The average number of employees per firm was 18.4, the average annual sales per firm was $1.83 million, and the average annual sales per employee was $102,355.

The distribution of total reported sales was 57% through wholesale markets and 43% at retail to final consumers. Among wholesale market channels, landscape firms were the largest outlet, representing 28% of sales, followed by re-wholesalers (20%), home centers (20%), single location garden centers (17%), mass merchandisers (10%), and multiple location garden centers (5%).

The top five specific plant categories as a share of total sales were bedding plants-flowering annuals (18%), deciduous shade and flowering trees (9%), herbaceous perennials (9%), deciduous shrubs (7%), and bedding plants-vegetables/fruits/herbs (6%). Native plants represented 17 percent of total sales.

Containerized plants accounted for 73 percent of total sales, followed by balled-burlapped (8%), bare root plant material (7%), in-ground containers (2%), and other product forms (9%).

About one-fourth (26%) of sales transactions involved negotiating price and terms, which was decreased from the previous survey (37%). Sales for product contracted in advance comprised 17% of total sales, which was increased slightly since the previous survey. Repeat customers represented 78% of sales, and brokerage for other growers represented 8% of total sales. Sales transacted in-person represented 63 percent of total sales, followed by telephone (29%), and a relatively small share via the Internet (4.5%), trade shows (2.0%), and mail order (1.7%). Since the previous survey, sales in-person increase, and sales by telephone decreased, while sales via the Internet were unchanged.

Advertising expenditures represented about 4% of total sales for Green Industry firms in 2013.The largest category of advertising media expenditures was the Internet, representing 19% of total expenditures, followed by trade journals (15%), miscellaneous other unspecified advertising media (14%), radio/TV (12%), social media (12%), Yellow Pages (9%), and trade shows (6%), print/CD catalogs (5%), newsletters (4%), gardening publications (3%), and billboards (2%). Surprisingly, the large share of expenditures for Internet advertising does <u>not</u> appear to have resulted in significantly increased sales through this medium according to respondents. Attendance at trade shows continues to decline, both with and without an exhibit.

In terms of trade flows, the Appalachian region had the largest share of total sales to other regions (36%), followed by the Mountain (25%), Southeast (19%), Southcentral (12%), Pacific (11%), and Northeast (10%) regions. The Midwest and Great Plains regions had less than 3% of total sales to other regions. International exports represented only 1.0% of total sales, down from 3.7% in 2008.

The predominant source of irrigation water was groundwater wells, used by 55% of the surveyed firms in 2013, followed by city water (27%), natural surface water (23%), recaptured (10%) and reclaimed (4%) water sources. The share of firms using city water was increased from the previous survey. The most common irrigation application method in was overhead irrigation, used by 53% of firms, followed by drip irrigation (37%), sub-irrigation such as ebb/flood systems (5%), and other methods, including hand watering (20%). Although drip irrigation typically has higher water use efficiency, the share of firms using this method has not increased.

The most commonly used Integrated Pest Management (IPM) practice in the Green Industry in 2013 was “remove infested plants”, reported by 72% of firms, followed by “cultivation and hand weeding” (62%), “spot treatment with pesticides” (53%), “elevate or space plants for air circulation” (47%), “inspect incoming stock” (46%), and “alternate pesticides to avoid chemical resistance” (42%). Many of IPM practices were reported by a slightly lower percentage of respondents than previously.

Among factors that potentially determine prices for Green Industry products, cost of production, was rated as important or very important by 87% of respondents, followed by grade of plants (83%), market demand (79%), product uniqueness (76%), other growers' prices (66%), last year's prices (56%), and inventory levels (54%). For factors potentially affecting the geographic range of business conducted by Green Industry firms, transportation was rated as important/very important by 69% of respondents, followed by plant offerings (71%), production (67%), personnel (56%), and marketing (50%), while debt capital and equity capital were generally rated as not important. Factors most affecting the overall health of the Green Industry included market demand and weather uncertainty, rated as important/very important by 87% and 78% of respondents, respectively, followed by own managerial expertise (68%), ability to hire competent hourly employees (53%) and labor (57%), water supply (46%), and competition/price undercutting (53%). Factors that were generally regarded as not important included ability to hire competent management, debt capital and equity capital.