Floriculture & Nursery Crop *Situation and Outlook*

2007 Southern Region
Agricultural Outlook
Conference

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Situation and Outlook?

- *USDA-ERS "Floriculture and Nursery Crops Outlook" will not be released until Sept 28, 2007 – FRIDAY so …*
- *Review pertinent 2005/2006 nursery crop information/situation*
- *Review 2006 floriculture situation*
- *Divine 2007 outlook from my X years work in the green industry*
- *Talk with planning committee about next year*

What is the Green Industry?

Greenhouse and Nursery Crops

Greenhouse crops

Potted flowering plants

Foliage plants

Bedding & garden plants

Cut cultivated greens

Propagative materials

Nursery Crops

Broadleaf evergreens

Coniferous evergreens

Deciduous shade trees

Deciduous flowering shrubs

Fruit/nut plants

Palms

Ornamental grasses

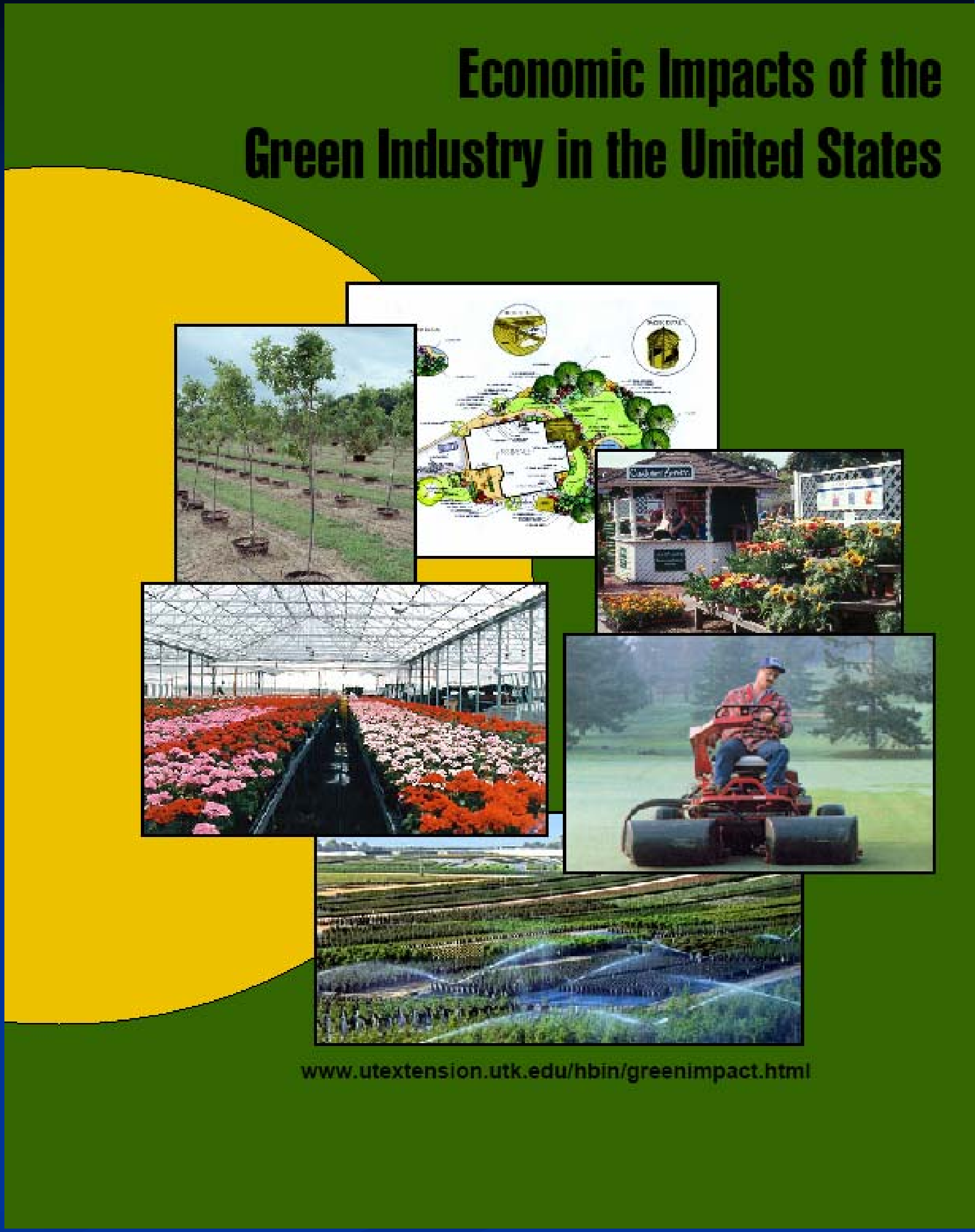
Other woody ornamentals

Christmas trees

Vegetable transplants

Propagation materials

Economic Impact of Green Industry



Economic Impact of Green Industry

- Value of Outputs -- $148B*
- Value Added -- $95B
- Labor Income -- $64B
- Indirect Business Taxes -- $7B
- Employment – nearly 2 million jobs

*2002 industry activities using 2004 dollars

Source: Hall, Hodges and Haydu. ***Economic Impacts of the Green Industry in the United States***
http://www.utextension.utk.edu/hbin/greenimpact.html

U.S. Wholesale Value of Sales

- Greenhouse & nursery crop sales – projected up (2%) for 2006, probably lower than that
  - Continued steady or decline anticipated in 2007 because…
- Production concerns:
  - Increased energy costs
  - Reliable, consistent beneficial labor force
  - Mass market demands – vertical integration of supply chain
    - *Increased automation & economies of scale*

U.S. Wholesale Value of Sales

- Greenhouse & nursery crop sales – projected up (2%) for 2006, probably lower than that
  - Continued steady or decline anticipated in 2007 because…
- Weakening consumer demand due to:
  - Increased energy costs
  - Less disposable income
  - Lower consumer confidence
  - *Credit crunch*
  - *Softening housing market (existing & new home sales)*

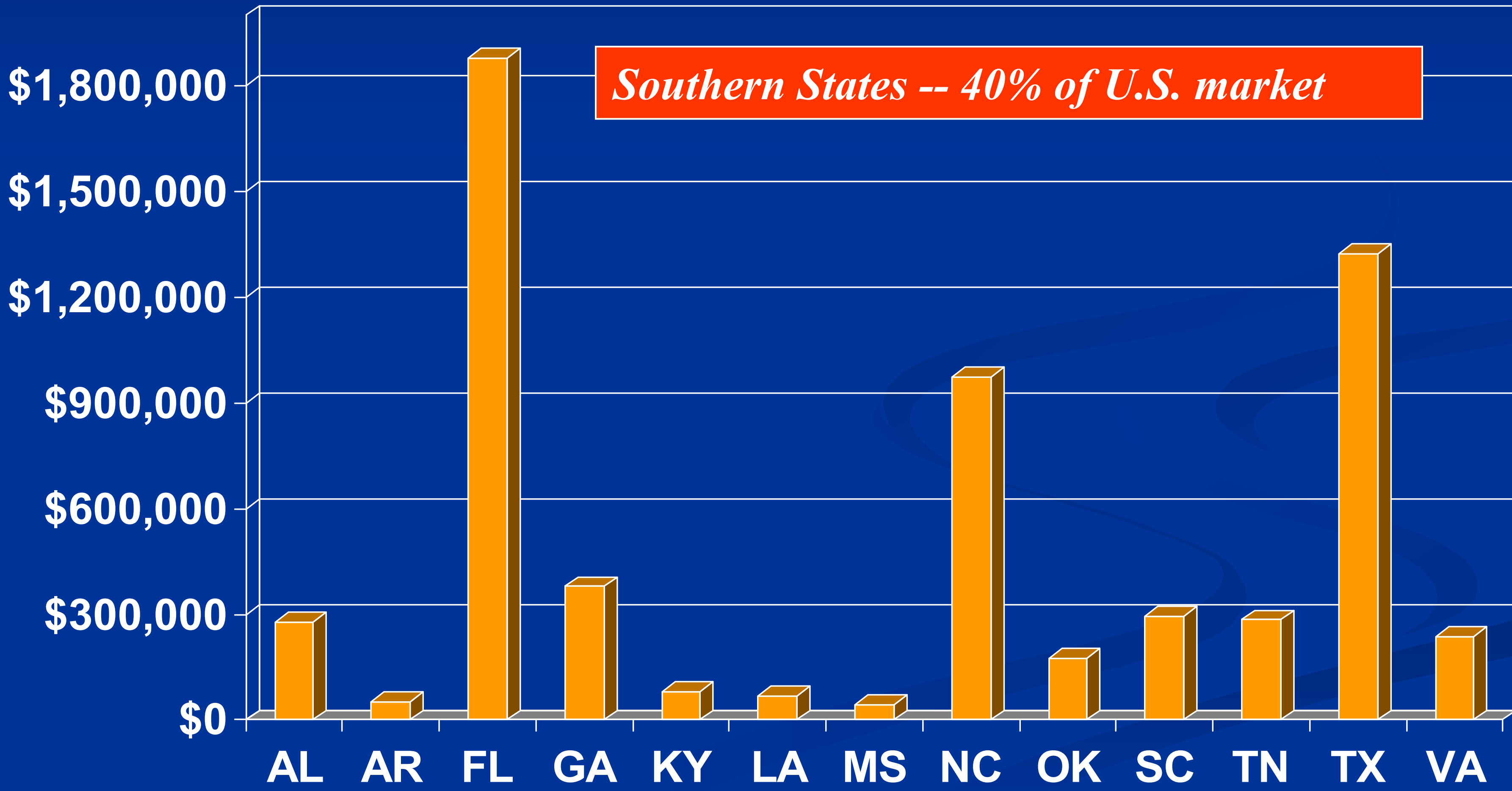
Greenhouse and Nursery Sales

2006 Forecasted

- **U.S. -- $16.5B**
  - Floriculture -- $5.4B *(33%)*
  - Nursery & other greenhouse -- $11B *(67%)*
- **Southern region -- $6.6B *(40% US)***
  - Floriculture -- $2.3B *(+8%)*
  - Nursery and other greenhouse -- $4.3B *(-1%)*

Greenhouse & Nursery Crop Sales

Southern States -- 2005 (1,000 dollars)



Floriculture Crops*

*2006 Summary, USDA-NASS

15 State Program – 2006 Sales

		$B Sales
CA	$	1.02
FL	$	0.80
MI	$	0.38
TX	$	0.27
NY	$	0.21
NC	$	0.20
OH	$	0.18
PA	$	0.17
NJ	$	0.17
IL	$	0.12
WA	$	0.12
SC	$	0.10
OR	$	0.10
MD	$	0.09
HI	$	0.07
15 - State Total	$	4.00

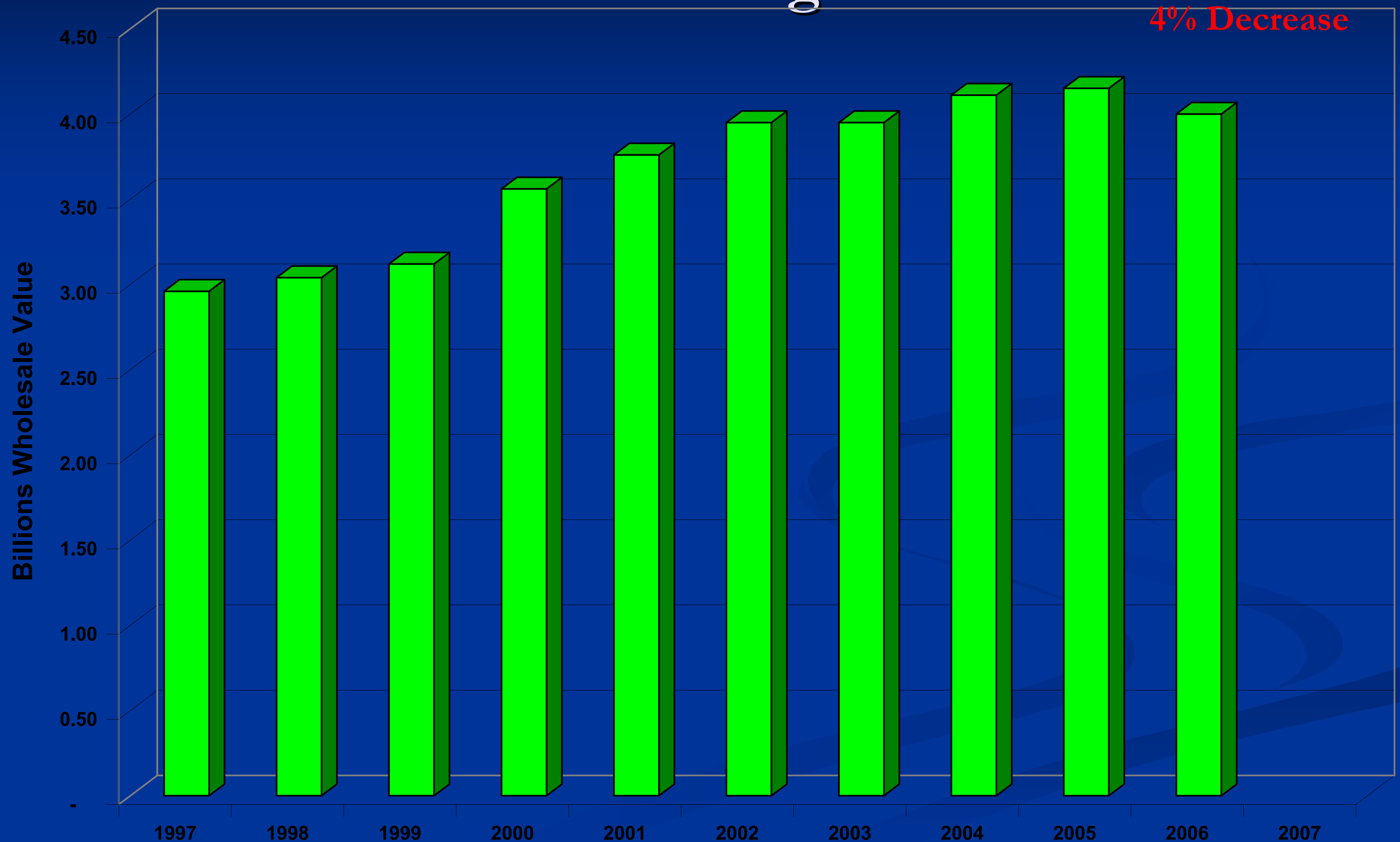
CA + FL = 46%

CA, FL, MI, TX, NY = 67%

15 States = 77%

Floriculture Sales (1997-2006)

15-State Program



Wholesale Value of Floriculture

(15-State Program, producers with $10,000+ sales)

US – 15-States		***Southern States – 4***	
<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>
$4.15 B	$4.00 B	$1.53 B	$1.37 B
4% decrease		***10% decrease***	

Wholesale Value per Grower

(15-State Program, producers with $10,000+ sales)

US – 15-States

- 2005 2006
- $578 K $610 K

10% increase

Southern States – 4

- 2005 2006
- $856 K $853 K

Slight decline

Increased sales per grower reflect increased concentration/consolidation

Floriculture - Number of Growers

(15-States Program)

	2005	2006	
Total growers	7,178	6,546	-9%
Large (>= $100,000)	3,154	2,991	-5%
Small (< $100,000)	4,024	3,555	-12%

Wholesale Value of Floriculture

(15-State Program, *Large Growers*)

US – 15-States		*Southern States – 4*	
2005	2006	2005	2006
$3.97 B	$3.83 B	$1.48 B	$1.33 B
3% decrease		*10% decrease*	

Wholesale Value per Grower

(15-State Program, *Large Growers*)

US – 15-States		*Southern States – 4*	
2005	2006	2005	2006
\$1.26 M	\$1.28 M	\$1.61 M	\$1.51 M
2% increase		*6% decrease*	

Increased sales for large growers reflect increased concentration/consolidation too

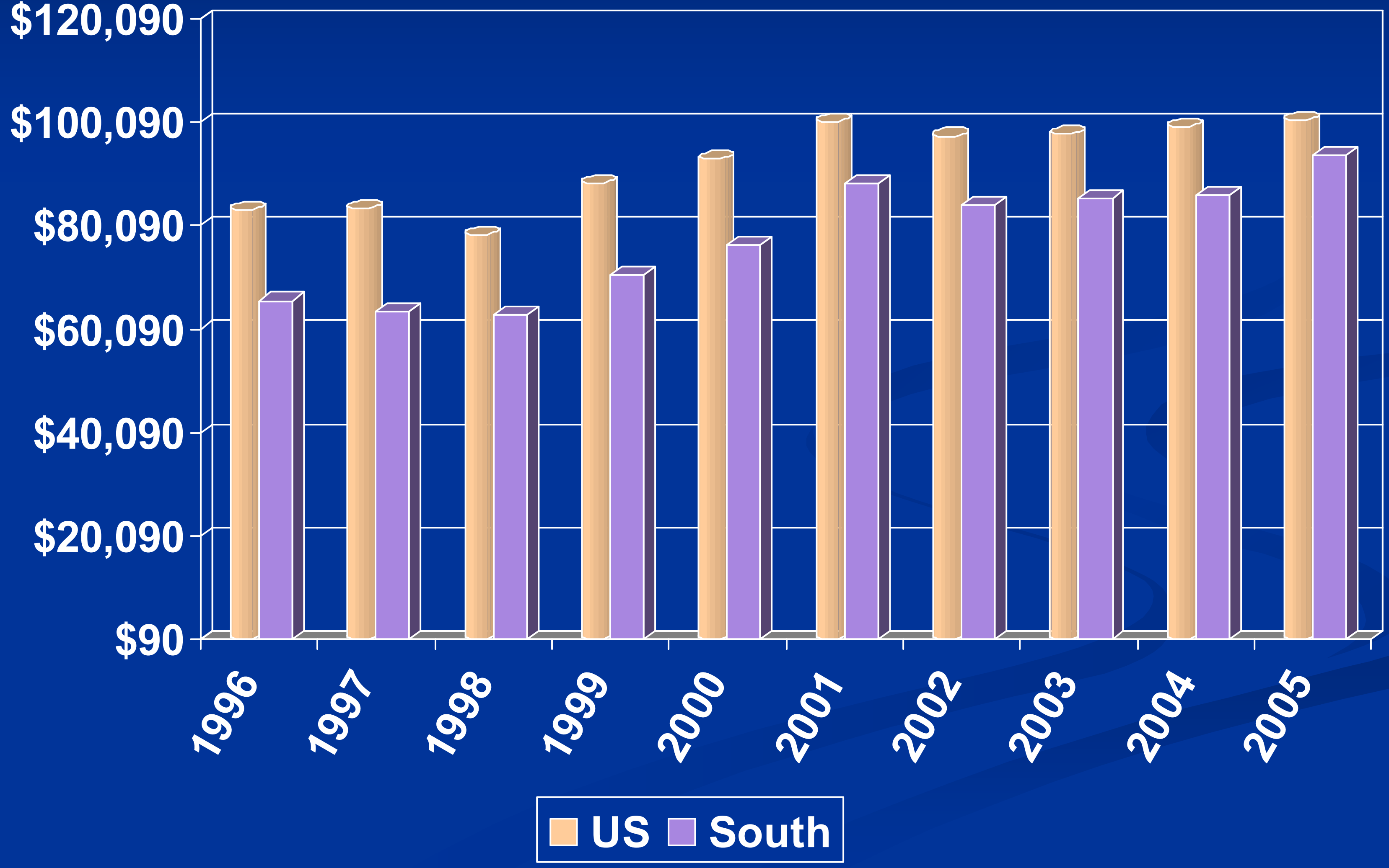
U.S. Floriculture Sales & Production

(15-State Program, *Large Growers, 2006*)

- **Sales**
  - per 1,000 ft^2 under cover -- $5,464 (0%)
  - per acre -- $140,664 (+6%)
  - per grower -- $1.28 M (+$24,000 or +6%)
- **Production Area per large grower**
  - 125,553 ft^2 greenhouse (+3%)
  - 109,109 ft^2 shade/temporary cover (+1%)
  - 234,662 ft^2 total covered (+2%)
  - 9.12 acres open ground (-4%)

Floriculture Sales/Acre

(36-State Program, Large Growers, 1996-date)



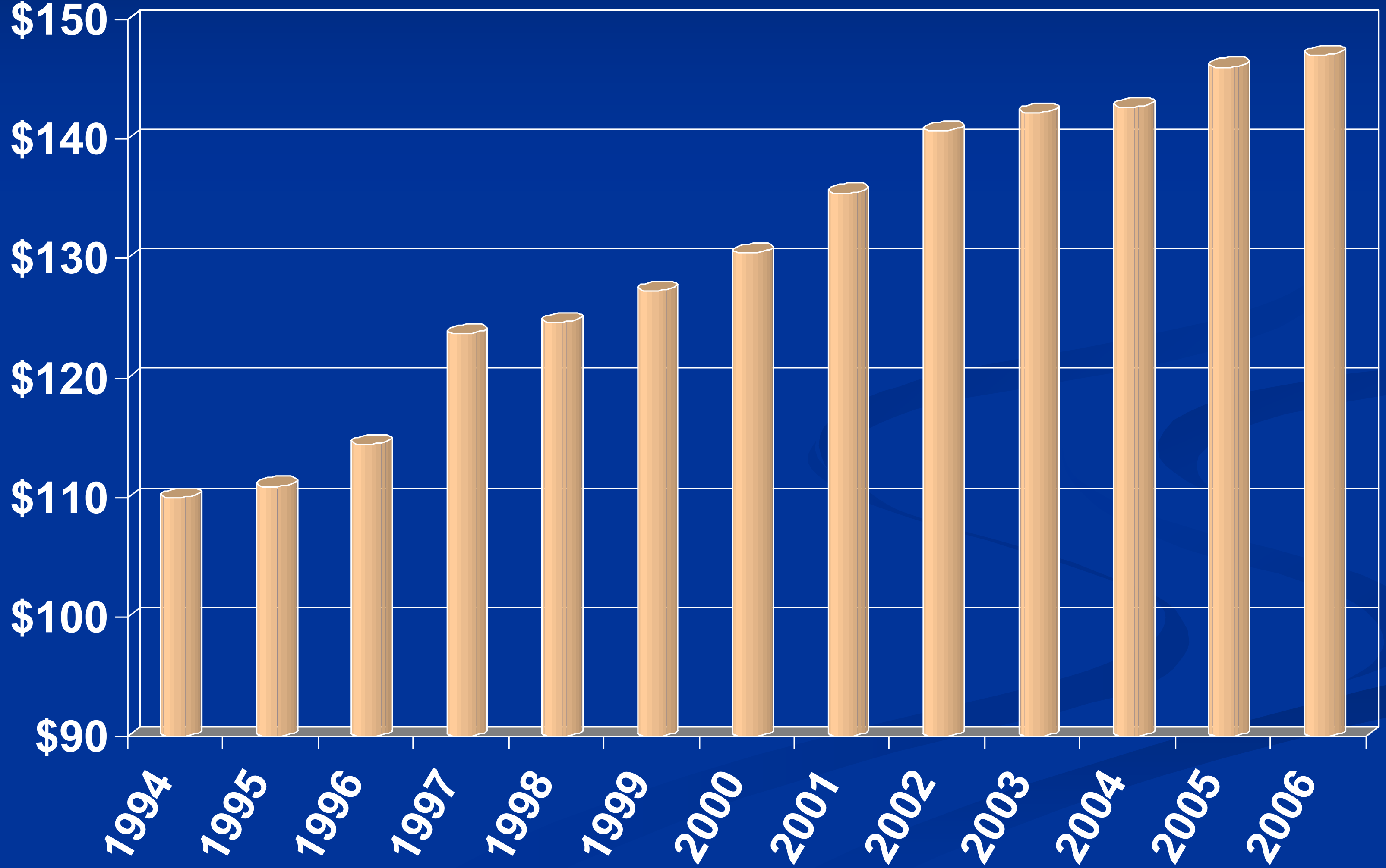
Floriculture Sales and Production

(South 4-States, Large Growers, 2006)

- **Sales**
  - per 1,000 ft^2 under cover -- $3,774 (+1%)
  - per acre -- $138,397 (-8%)
  - per grower -- $1.51 M (-$97,000 or -6%)
- **Production Area per large grower**
  - 134,058 ft^2 greenhouse (-6%)
  - 322,057 ft^2 shade/temporary cover (-1%)
  - 456,115 ft^2 total covered (-2%)
  - 10.92 acres open ground (+2%)

Greenhouse and Nursery Crops

(Consumption/household, 1994-date)

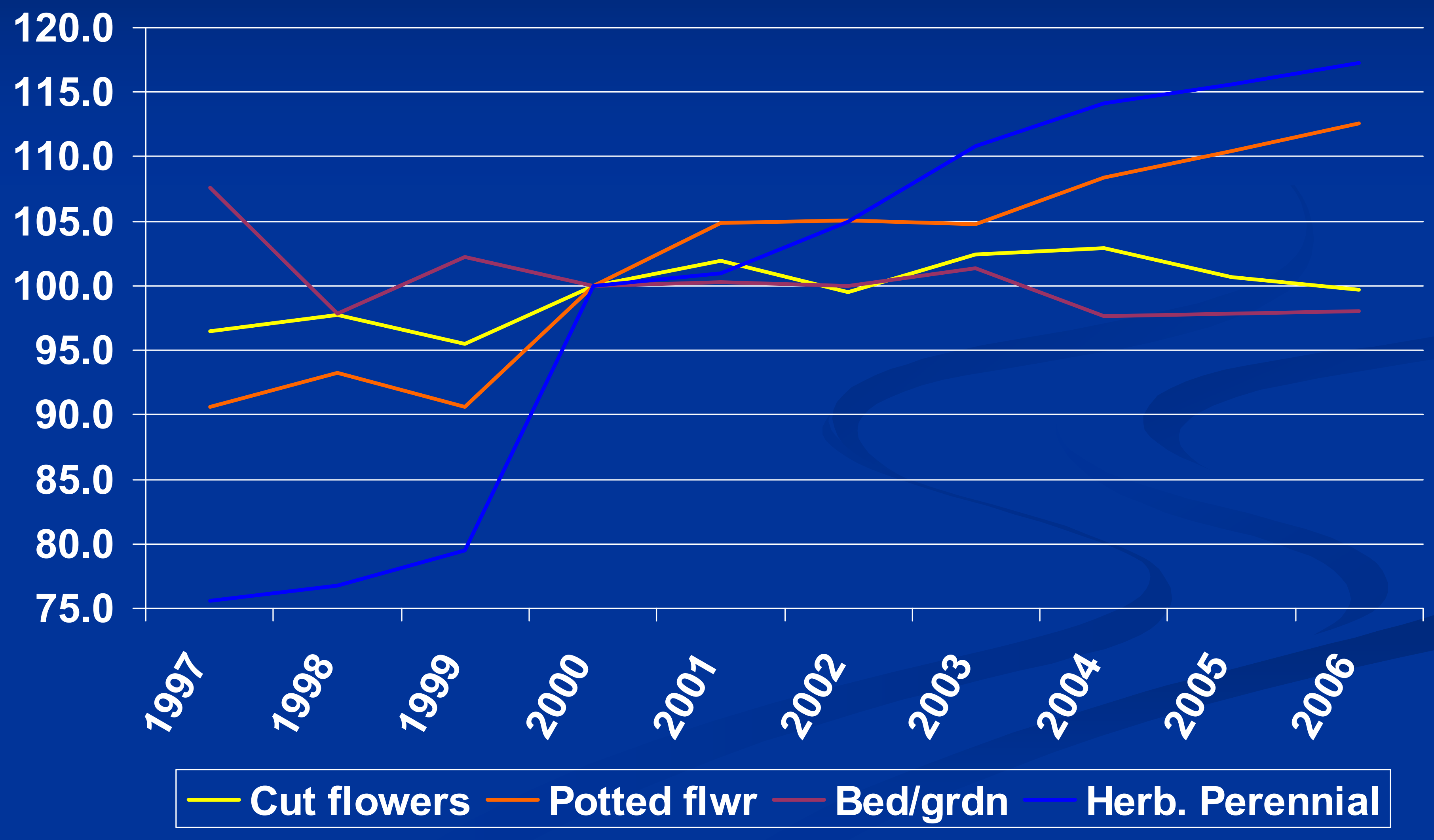


U.S. Household Consumption

- Domestic ornamental sales per household
  - Relatively constant at $147 (at wholesale)
- Floriculture consumption per household
  - $10 for cut flowers
    - 67% imported & 33% domestic
  - $46 for flowering and foliage plants

Floriculture Prices by Crop

(1997-date, 2000=100)

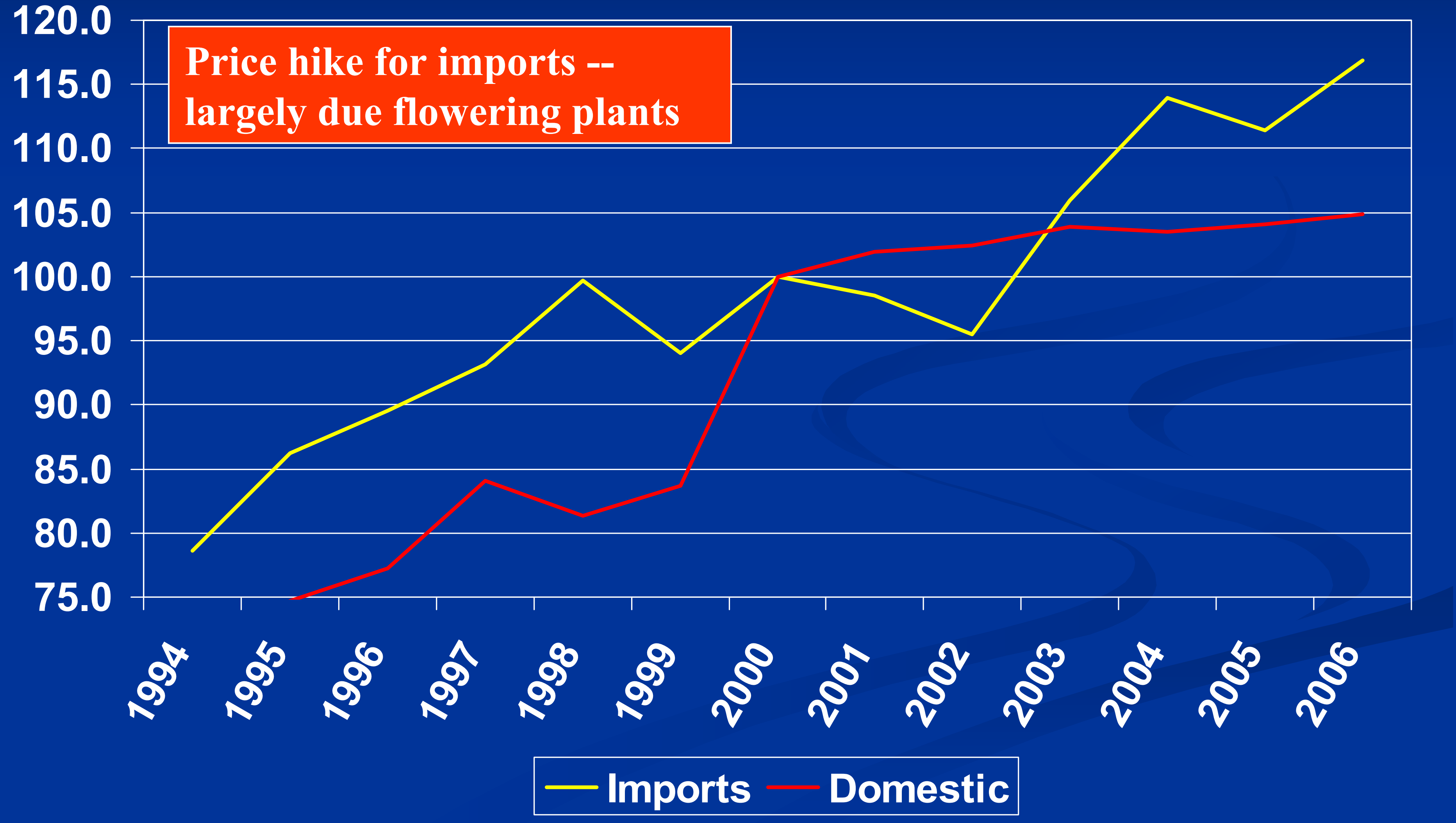


Prices

- Domestic prices of U.S. floriculture crops
  - *Barely risen in recent years*
  - *Only 5% above 2000 level*
- Prices of domestic-grown and imported fresh cut flowers were down in 2005 and flat in 2006
- Only herbaceous perennials (bedding & garden plants) were forecast slightly higher for 2006

Floriculture Prices

(Domestic v. Import Price Index, 1994-date, 2000=100)



Summary

- Number of *total growers* continues to decline
- Number of *large growers* also declines (5%)

Yet, …

- Covered production area continues to rise
  - *greenhouses, temporary shade cover*
- Total wholesale value declines slightly

So,

- *Wholesale value per grower continues to increase*

Summary - 2

- ***High energy costs***
  - Continue to drive industry
  - Increase production costs for growers
  - Decrease demand or consumption spending on discretionary goods such as ornamentals
- ***Credit crunch & housing market***
  - Decrease new housing starts and sales of existing homes
  - Decrease demand for bedding/garden plants, potted flowering plants and landscaping services

Summary - 3

- Growers concerned
  - Increasing production costs
  - Market forces (mass marketers) pressuring producers to increase efficiencies (supply chain becoming more integrated)
  - Labor market concerns – availability & reliability
- Examining new technologies to reduce labor and other costs
- Results of these forces:
  - Some growers exiting industry
  - Larger producers are getting bigger
  - *Automation, economies of scale and specialization*
  - Producing higher per-acre and per–worker sales

Thank You

Questions