Florida Nursery and Landscape Industry Outlook for 2013

Presented by
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Presentation Outline

• Industry at a glance
• Situation
• Sales estimates
• Market channels
• Industry threats
• Growth opportunities
• Competition
• Housing market
• Transportation costs
• Consumer demand
Florida Environmental Horticulture Industry Profile

• About 4,700 commercial nursery and greenhouse firms
• Production area: 141,724 open acres, 338 million square feet under protective cover
• Capital assets per firm: $1.18 million

Source: 2007 Census of Agriculture (USDA-NASS)
Florida is the Second Largest State in Nursery Sales
Florida Horticulture Industry Employment, 2001-10
(monthly)

Thousand Jobs

- Services to buildings and dwellings (Landscaping)
- Greenhouse and nursery production
- Lawn and garden equipment and supplies stores

Source: Florida Agency for Workforce Innovation, Quarterly Census of Employment and Wages
Florida Environmental Horticulture Industry Revenues, 2001-10

Billion Dollars (2010)

- Landscape services
- Greenhouse, nursery, and floriculture production
- Retail lawn and garden centers

Source: Implan
### Economic Contributions of the Florida Environmental Horticulture Industry in 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>Employment</th>
<th>Output</th>
<th>Value Added</th>
<th>Labor Income</th>
<th>Other Property Income</th>
<th>Indirect Business Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursery</td>
<td>98,439</td>
<td>8,122.3</td>
<td>5,038.7</td>
<td>3,546.3</td>
<td>1,265.8</td>
<td>226.6</td>
</tr>
<tr>
<td>Landscape</td>
<td>112,726</td>
<td>6,240.6</td>
<td>3,302.0</td>
<td>2,395.4</td>
<td>765.2</td>
<td>141.4</td>
</tr>
<tr>
<td>Retail</td>
<td>28,800</td>
<td>1,679.8</td>
<td>1,396.4</td>
<td>887.4</td>
<td>231.2</td>
<td>277.8</td>
</tr>
<tr>
<td>Allied</td>
<td>4,223</td>
<td>243.4</td>
<td>160.3</td>
<td>98.1</td>
<td>39.7</td>
<td>22.4</td>
</tr>
<tr>
<td><strong>Total All Sectors</strong></td>
<td><strong>244,188</strong></td>
<td><strong>16,286.1</strong></td>
<td><strong>9,897.3</strong></td>
<td><strong>6,927.1</strong></td>
<td><strong>2,302.0</strong></td>
<td><strong>668.2</strong></td>
</tr>
<tr>
<td>Direct</td>
<td>204,761</td>
<td>11,873.2</td>
<td>7,134.5</td>
<td>5,169.1</td>
<td>1,510.5</td>
<td>454.9</td>
</tr>
<tr>
<td>Indirect</td>
<td>7,380</td>
<td>692.3</td>
<td>402.6</td>
<td>285.9</td>
<td>98.8</td>
<td>17.8</td>
</tr>
<tr>
<td>Induced</td>
<td>32,046</td>
<td>3,720.5</td>
<td>2,360.2</td>
<td>1,472.1</td>
<td>692.6</td>
<td>195.5</td>
</tr>
</tbody>
</table>

## Estimated Sales of Florida Environmental Horticulture Firms in 2010

<table>
<thead>
<tr>
<th>Metric</th>
<th>Nursery</th>
<th>Landscape</th>
<th>Retailer</th>
<th>Allied</th>
<th>Total/Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents reporting sales</td>
<td>616</td>
<td>390</td>
<td>327</td>
<td>48</td>
<td>1,381</td>
</tr>
<tr>
<td>Sum of reported sales</td>
<td>$685.1</td>
<td>$314.9</td>
<td>$223.9</td>
<td>$558.4</td>
<td>$1,782.4</td>
</tr>
<tr>
<td>Average of reported sales per firm</td>
<td>$1.11</td>
<td>$0.81</td>
<td>$0.68</td>
<td>$11.63</td>
<td>$1.29</td>
</tr>
<tr>
<td>Estimated total sales</td>
<td>$4,265.3</td>
<td>$6,039.1</td>
<td>$1,470.5</td>
<td>$558.4</td>
<td>$12,333.4</td>
</tr>
<tr>
<td>-outside Florida</td>
<td>$2,357.2</td>
<td>$136.1</td>
<td>$112.1</td>
<td>$368.2</td>
<td>$2,973.6</td>
</tr>
<tr>
<td>-inside Florida</td>
<td>$1,908.1</td>
<td>$5,903.0</td>
<td>$1,358.4</td>
<td>$190.3</td>
<td>$9,359.8</td>
</tr>
</tbody>
</table>

## Floriculture Crops 2010-11

### Wholesale value ($1000)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Percent Change 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. (15 states)</td>
<td>$4,148,766</td>
<td>$4,080,715</td>
<td>-1.6%</td>
</tr>
<tr>
<td>California</td>
<td>$1,015,083</td>
<td>$1,011,530</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Florida</td>
<td>$826,077</td>
<td>$835,233</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

### Number producers

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Percent Change 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. (15 states)</td>
<td>6,164</td>
<td>5,763</td>
<td>-6.5%</td>
</tr>
<tr>
<td>California</td>
<td>696</td>
<td>632</td>
<td>-9.2%</td>
</tr>
<tr>
<td>Florida</td>
<td>749</td>
<td>702</td>
<td>-6.3%</td>
</tr>
</tbody>
</table>

### Covered production area (1000 sq.ft.)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Percent Change 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. (15 states)</td>
<td>729,834</td>
<td>711,905</td>
<td>-2.5%</td>
</tr>
<tr>
<td>California</td>
<td>135,950</td>
<td>142,579</td>
<td>4.9%</td>
</tr>
<tr>
<td>Florida</td>
<td>307,854</td>
<td>287,463</td>
<td>-6.6%</td>
</tr>
</tbody>
</table>

### Florida wholesale floriculture sales by plant type ($1000)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>Percent Change 2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual bedding/garden plants</td>
<td>$80,525</td>
<td>$73,667</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Herbaceous perennials</td>
<td>$46,766</td>
<td>$53,294</td>
<td>14.0%</td>
</tr>
<tr>
<td>Potted flower plants</td>
<td>$115,421</td>
<td>$114,162</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Tropical foliage plants</td>
<td>$424,103</td>
<td>$442,650</td>
<td>4.4%</td>
</tr>
<tr>
<td>Cut flowers</td>
<td>NA</td>
<td>$3,663</td>
<td></td>
</tr>
<tr>
<td>Cut cultivated greens</td>
<td>$59,394</td>
<td>$54,684</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Propagative material</td>
<td>$78,642</td>
<td>$81,713</td>
<td>3.9%</td>
</tr>
<tr>
<td>Total All Types</td>
<td>$804,851</td>
<td>$823,833</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Data represents operations with $100,000 or more in annual sales.
SALES BY PLANT TYPE AND MARKET REGION IN 2010
Sales by Market Region (2010)

<table>
<thead>
<tr>
<th>Market Region</th>
<th>Local area</th>
<th>Florida (non-local)</th>
<th>Other states</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursery</td>
<td>22.7%</td>
<td>22.1%</td>
<td>51.9%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Landscape</td>
<td>2.0%</td>
<td>13.9%</td>
<td>0.2%</td>
<td>83.9%</td>
</tr>
<tr>
<td>Retailer</td>
<td>0.6%</td>
<td>7.0%</td>
<td>23.9%</td>
<td>68.5%</td>
</tr>
<tr>
<td>Allied</td>
<td>5.5%</td>
<td>10.3%</td>
<td>23.8%</td>
<td>60.4%</td>
</tr>
</tbody>
</table>

Legend:
- Local area
- Florida (non-local)
- Other states
- International
Nurseries and Greenhouse Sales by Plant Type in 2010

<table>
<thead>
<tr>
<th>Plant Type</th>
<th>Percent of Sales Reported</th>
<th>Million Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tropical foliage</td>
<td>34.7%</td>
<td>1,480</td>
</tr>
<tr>
<td>Potted flowering</td>
<td>21.5%</td>
<td>916</td>
</tr>
<tr>
<td>Shrubs</td>
<td>10.1%</td>
<td>431</td>
</tr>
<tr>
<td>Palms</td>
<td>9.5%</td>
<td>404</td>
</tr>
<tr>
<td>Other</td>
<td>5.5%</td>
<td>237</td>
</tr>
<tr>
<td>Liners, cuttings, plugs</td>
<td>4.5%</td>
<td>190</td>
</tr>
<tr>
<td>Deciduous shade trees</td>
<td>4.3%</td>
<td>185</td>
</tr>
<tr>
<td>Vines or ground cover</td>
<td>3.4%</td>
<td>144</td>
</tr>
<tr>
<td>Flowering and fruit trees</td>
<td>3.1%</td>
<td>132</td>
</tr>
<tr>
<td>Evergreen trees</td>
<td>2.4%</td>
<td>104</td>
</tr>
<tr>
<td>Cut foliage, cut flowers</td>
<td>0.6%</td>
<td>25</td>
</tr>
<tr>
<td>Turfgrass</td>
<td>0.4%</td>
<td>16</td>
</tr>
</tbody>
</table>
Landscape Firm Sales by Service/Product Type in 2010

Percent of Sales Reported

- Landscape maint. 43.8%
- Landscape installation 22.8%
- Live plants 11.8%
- Landscape design 8.2%
- Supplies / equipment 5.4%
- Landscape consulting 4.0%
- Other 3.2%
- Interiorscaping 0.7%

Million Dollars

- Landscape maint. 2,647
- Landscape installation 1,377
- Live plants 712
- Landscape design 498
- Supplies / equipment 324
- Landscape consulting 244
- Other 196
- Interiorscaping 42
Horticultural Retailer Sales by Product Type in 2010

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Percent of Sales Reported</th>
<th>Million Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live plants</td>
<td>50.6%</td>
<td>744</td>
</tr>
<tr>
<td>Other goods</td>
<td>28.8%</td>
<td>424</td>
</tr>
<tr>
<td>Supplies</td>
<td>13.7%</td>
<td>202</td>
</tr>
<tr>
<td>Hard goods</td>
<td>6.9%</td>
<td>101</td>
</tr>
</tbody>
</table>
Allied-Supplier Sales by Product/Service Type in 2010

- **Chemicals**: 37.7% (211 million dollars)
- **Other products or services**: 15.9% (89 million dollars)
- **Financial & insurance…**: 14.6% (82 million dollars)
- **Fertilizer**: 14.5% (81 million dollars)
- **Nursery containers**: 13.3% (74 million dollars)
- **Equipment and tools**: 2.3% (13 million dollars)
- **Soil media**: 1.1% (6 million dollars)
- **Packaging materials**: 0.4% (2 million dollars)
- **Consulting services**: 0.1% (1 million dollars)
- **Peat**: 0.1% (0 million dollars)
Landscape Service Firm Sales by Customer Type in 2010

<table>
<thead>
<tr>
<th>Customer Type</th>
<th>Percent of Sales Reported</th>
<th>Million Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowners</td>
<td>35.9%</td>
<td>2,171</td>
</tr>
<tr>
<td>Apartments, condos</td>
<td>21.9%</td>
<td>1,322</td>
</tr>
<tr>
<td>Commercial estab.</td>
<td>15.5%</td>
<td>934</td>
</tr>
<tr>
<td>Builders, developers</td>
<td>10.8%</td>
<td>651</td>
</tr>
<tr>
<td>Other landscape firms</td>
<td>8.8%</td>
<td>531</td>
</tr>
<tr>
<td>Governments</td>
<td>5.4%</td>
<td>328</td>
</tr>
<tr>
<td>Other</td>
<td>1.7%</td>
<td>101</td>
</tr>
</tbody>
</table>
Horticultural Retailer Sales by Customer Type in 2010

**Percent of Sales Reported**

- **Homeowners**: 51.1%
- **Commercial establishments**: 19.4%
- **Apartments, condominiums**: 10.3%
- **Landscape contractors**: 7.6%
- **Other type of customer**: 5.5%
- **Other retailers**: 3.8%
- **Governments**: 2.5%

**Million Dollars**

- **Homeowners**: 751
- **Commercial establishments**: 285
- **Apartments, condominiums**: 151
- **Landscape contractors**: 111
- **Other type of customer**: 80
- **Other retailers**: 55
- **Governments**: 36
THREATS AND GROWTH OPPORTUNITIES
Issues or Threats to the Environmental Horticulture Industry

Mean Importance Rating (1-10 scale)

- Economic recession
- Energy or transportation costs
- Increasing costs of production
- Low prices for products or services
- Drought or water use restrictions
- Government regulations
- Lack of professionalism
- Market power of large retail chains
- Poor worker education or skills
- Restrictions on chemicals
- Immigration enforcement
- Competition by plant substitutes

Opportunities for Growth by Florida Horticulture Businesses

Percent of respondents already doing or very interested

0% 10% 20% 30% 40% 50% 60%

- Offering new services (e.g. green walls, roofs)
- Securing sustainability certifications
- Growing/Selling Florida-friendly plants
- Using social media (e.g. Facebook, Twitter)
- Expanding digital presence (websites, i-phone apps)
- Participating in branding campaigns
- Networking or partnering with builders/developers
- Earning FNGLA professional certification
- Using/Selling biodegradable containers
- Landscape installation or maintenance
- Changing plant or product mix
- Retailing direct to the public
- Growing bio-fuel energy crops
- Growing edible crops
- Contract growing

Legend:
Nursery
Landscape
Retailer
WHERE IS THE INDUSTRYヘADED TO?
External Factors Affecting Industry Performance

- Housing market dynamics - existing sales and new construction starts
- Unemployment rate
- Consumer confidence index
- Competition - intra-industry and foreign
- Transportation efficiency and fuel prices
- Consumer preferences and demand
Housing Market: Case-Shiller Home Price Index, Florida and U.S.

Source: Standard and Poor’s Indices; http://us.spindices.com/
Unemployment Rate: Florida, CA, TX, & U.S.

Source: Bureau of Labor Statistics, through Google Public Data Service
Florida Consumer Confidence Index (2000-2012)

Source: University of Florida, Bureau of Economic and Business Research
Competition: Intra-industry and Imports

- Large producers vs. small, family-owned operations
- Large chain stores vs. specialized retailers
- U.S. is a net importer of nursery products
- 2012 imports, $1.9 B, 12.5% of domestic demand (expected 19.3%)
- U.S. exports 3.1%; $415.2 M of revenue
- Duty-free imports from South America (cheap labor, favorable weather)
- The Andean Trade Promotion and Drug Eradication Act
Industry Consolidation

- U.S. Establishments in 2007 - 52,845
- Decreased to 45,565 in 2012 (16%↓)
- Small firms exiting the industry
- Larger firms:
  - Efficient means of transportation
  - Improved logistics
  - Lower costs
  - Lower prices
Transportation Costs and Industry Consolidation

**World crude oil prices**
dollars per barrel (real 2010 dollars, monthly average)

- **WTI**
- **Brent**
- **Mars**
- **Tapis**
- **Dubai**

Sources: Bloomberg, Thomson Reuters. Published by: U.S. Energy Information Administration. Updated: Monthly | Last Updated: 8/31/2012
Factors in choosing plants
(1=Not important, 5=Extremely important)

Quality of Plant: 4.4
Price: 4.1
Color: 4.0
Guaranteed Growth: 3.9
Flowering: 3.9
Size of Plant: 3.8
Light Demand: 3.8
Drought Tolerance: 3.6
Effectiveness of Air Purification: 2.9

Final Thoughts

- Revenue $13.5 B in 2012
- Decreased 4.2% per year since 2007
- 2012-2017 projected growth -0.7% per year (IBIS World Industry Report 11142, Sep 2012)
- Innovation
  - GM seeds (licensing issues)
  - Perceptions about GM movement
  - Disease resistant varieties
  - Consumer preferences
  - Plant quality vs. price
Thank you for attention!

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