

## Chapter 11. Ornamentals

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In 2000, New York greenhouse and nursery production was valued at \$295 million, a 6 percent increase from 1999 and 24 percent above the 10-year (1990-1999) average (Figure 11-1). New York ranked 11<sup>th</sup> in the nation for total commercial greenhouse and nursery sales.

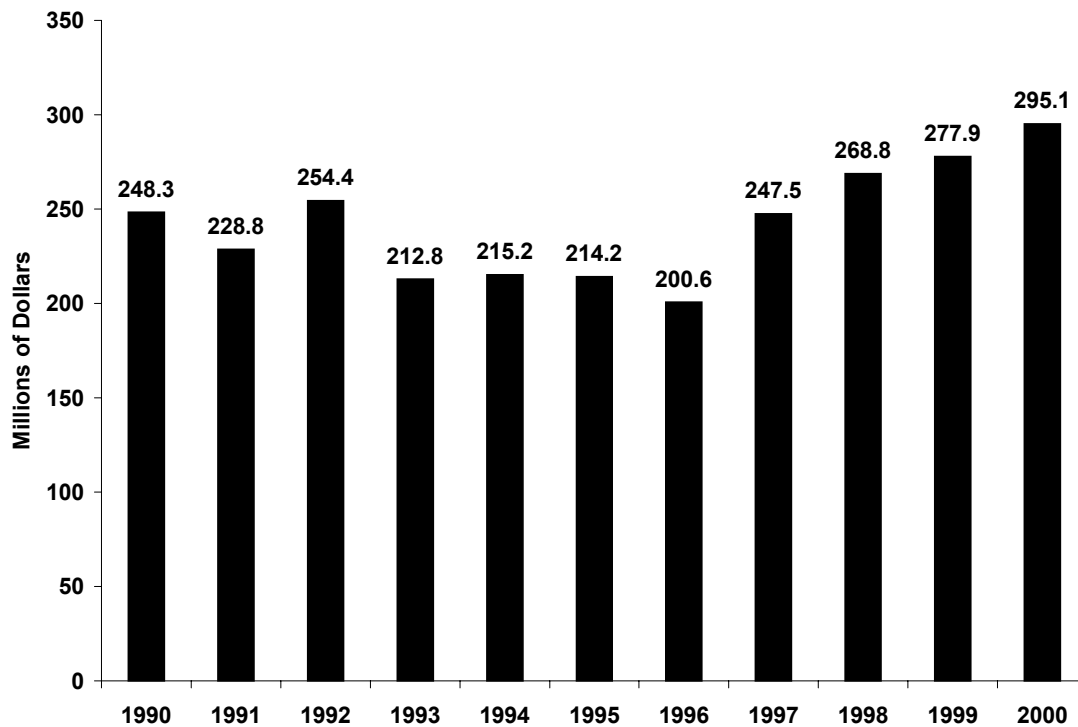
A variety of floriculture crops including bedding/garden plants, cut cultivated greens, cut flowers, flowering potted plants, foliage plants for indoor or patio use, potted perennials, and floriculture propagative material were produced in 26.8 million square feet of covered area and in 897 acres of open ground in New York. The overall value of floriculture production sales generated by growers with \$10,000 or more annual gross sales in New York reached \$175 million in 2000, an 8 percent increase from 1999, and accounted for 59 percent of the total greenhouse and nursery production value in New York. It has maintained the 6<sup>th</sup> ranking among states in the nation's floriculture production sales for the past four years.

While bedding and garden plants continued to top the list of floriculture commodities produced in New York, after enjoying growth for five consecutive years, the value of bedding and garden plants decreased 2.9 percent from 1999 to \$94.7 million. Value of sales increased from a year earlier for all other major commodities – potted flowering plants, cut flowers, and foliage for indoor or patio use (Table 11-1). The number of commercial growers of floriculture crops in New York decreased for the third consecutive year to 760 growers in 2000. The major decrease occurred in the group of growers with \$50,000-99,999 annual gross sales, from 205 in 1999 to 178. Although the land area used to produce floriculture crops in the state was down approximately 13 percent, greenhouse space increased 16.5 percent from 1999 to a total of 26.2 million square feet in 2000, pushing the total covered area (greenhouses plus shade and temporary structures) to 26.8 million square feet.

The total wholesale value of floriculture crops in the U.S. reached \$4.57 billion in 2000, up 11.5 percent from the 1999 total. Values for each crop category as compared with 1999 were mostly up. Bedding and garden plants, the largest commodity, recorded a 9 percent increase in wholesale value to \$2.12 billion. Potted flowering plants were up 3 percent in value to \$781 million. Foliage gained 12 percent in value to \$574 million. Value of cut flowers fell 1 percent to \$428 million, and cut cultivated greens decreased 2 percent to \$124 million.

There is no question that impatiens are still the best-selling bedding plant. However, other bedding plants such as petunias are closing the gap. This was partly due to the development of new varieties such as Wave Petunias. Table 11-2 shows that growers received higher prices for most of the major floriculture crops in 2000, compared to 1999. Prices are expected to be higher for 2001 compared to 2000 prices, to compensate for higher energy costs in the 2001 growing season. New York generally received slightly lower wholesale prices than the national average except for potted bedding/garden plants and florist mums.

**FIGURE 11-1. VALUE OF PRODUCTION OF GREENHOUSE AND NURSERY CROPS  
New York 1990-2000**



Source: New York Agricultural Statistics, various years.

**Table 11-1. VALUE OF FLORICULTURE PRODUCTION BY PLANT CATEGORY,  
New York 1995-2000**

Crop	1995	1996	1997	1998	1999	2000	5-year	2000 vs.	2000
							average	5-year	vs.
							1995-1999	average	1999
	\$ Million							% change	
Bedding/Garden Plants	68.5	60.3	77.0	93.4	97.5	94.7	79.3	19%	-3%
Potted Flowering Plants	31.9	24.2	37.1	35.0	34.1	37.2	32.5	14%	9%
Cut Flowers	7.6	6.8	6.1	6.0	5.0	6.0	6.3	-5%	19%
Total Foliage for Indoor or Patio Use	2.2	1.6	1.9	2.2	2.3	3.4	2.0	69%	53%
Total of Reported Crops*	110.2	93.0	122.1	137.0	139.0	152.9	120.3	27%	10%
Grower Sales \$10,000- \$99,999 (Unspecified Crops)	16.0	15.6	25.4	21.8	24.0	22.1	20.5	8%	-8%
<b>Total</b>	<b>236.4</b>	<b>201.6</b>	<b>269.6</b>	<b>295.5</b>	<b>301.9</b>	<b>316.4</b>	<b>261.0</b>	<b>21%</b>	<b>5%</b>

\* Total includes categories not listed.

Source: New York Agricultural Statistics, 1999-2000 and 2000-2001.

<b>Table 11-2. WHOLESALE VALUE, QUANTITY SOLD, AND AVERAGE WHOLESALE PRICE OF SELECTED FLORICULTURE CROPS, 1999 and 2000 New York vs. U.S.</b>											
		<b>New York</b>					<b>U.S.</b>				
	<b>Year</b>	<b>Value of all sales at wholesale</b>	<b>Quantity sold</b>		<b>Wholesale price</b>		<b>Value of all sales at wholesale</b>	<b>Quantity Sold</b>		<b>Wholesale price</b>	
<b>Bedding/ garden plants (Flats)</b>											
		<u>\$1,000</u>	<u>1,000 flats</u>		<u>\$/flat</u>		<u>\$1,000</u>	<u>1,000 flats</u>		<u>\$/flat</u>	
Impatiens	1999	5,977	879		6.80		114,939	16,331		7.04	
	2000	6,682	885		7.55		116,058	15,115		7.68	
Vegetable type bedding plants	1999	4,567	659		6.93		97,288	11,976		8.12	
	2000	3,800	502		7.57		89,767	10,818		8.30	
Petunias	1999	2,886	417		6.92		86,848	11,645		7.46	
	2000	2,883	387		7.45		88,919	11,318		7.86	
<b>Bedding/ garden plants (hanging baskets)</b>											
		<u>\$1,000</u>	<u>1,000 baskets</u>		<u>\$/basket</u>		<u>\$1,000</u>	<u>1,000 baskets</u>		<u>\$/basket</u>	
New Guinea Impatiens	1999	2,438	387		6.30		31,196	4,911		6.35	
	2000	2,531	398		6.36		29,361	4,613		6.36	
Impatiens	1999	1,182	234		5.05		21,559	4,274		5.04	
	2000	1,267	256		4.95		20,692	4,072		5.08	
Petunia	1999	978	158		6.19		15,774	2,823		5.59	
	2000	1,074	251		4.28		15,502	2,941		5.27	
<b>Bedding/ garden plants (pots)</b>											
		<u>\$1,000</u>	<u>&lt; 5" &gt;=5" 1,000 pots</u>		<u>&lt; 5" &gt;=5" \$/pot \$/pot</u>		<u>\$1,000</u>	<u>&lt; 5" &gt;5" 1,000 pots</u>		<u>&lt; 5" &gt;5" \$/pot \$/pot</u>	
Geranium from cuttings	1999	8,845	4,788	508	1.44	3.84	110,291	45,221	17,099	1.39	2.76
	2000	8,540	4,853	500	1.43	3.20	108,033	43,538	17,541	1.42	2.63
New Guinea Impatiens	1999	3,931	2,278	238	1.45	2.64	33,802	15,860	5,090	1.33	2.48
	2000	4,688	2,410	454	1.51	2.31	38,237	18,057	5,388	1.36	2.55
Geranium from seed	1999	2,771	3,197	44	0.83	2.67	37,837	42,550	2,149	0.79	1.87
	2000	2,372	2,776	53	0.80	2.86	40,248	44,613	1,514	0.83	2.11
<b>Potted flowering plants</b>											
Poinsettias	1999	10,767	730	2,666	1.31	3.68	226,816	12,839	48,848	1.86	4.15
	2000	12,918	1,099	3,189	1.54	3.52	237,328	15,143	49,896	1.80	4.21
Finished florist azaleas	1999	5,521	313	1,566	1.58	3.21	43,185	2,718	7,207	1.95	5.26
	2000	6,126	386	1,562	1.87	3.46	55,446	4,309	9,484	1.78	5.04
Florist mums	1999	1,525	469	527	2.03	4.06	70,923	6,895	17,218	1.51	3.51
	2000	1,523	917	637	2.11	4.22	73,487	7,624	17,251	1.51	3.59

Source: NASS, USDA, Floriculture Crops 2000 Summary, April 2001

The first multi-state Nursery Production Survey revealed that the gross value of sales for nine categories of nursery products from operations with over \$100,000 in sales in 17 selected states totaled \$3.32 billion. The nine nursery product categories are broadleaf evergreens, coniferous evergreens, deciduous shade trees, deciduous flowering trees, deciduous shrubs and other ornamentals, fruit and nut plants, cut and to be cut Christmas trees, propagation material or lining-out stock, and transplants for commercial truck crop production. New York had a total wholesale value of \$52.0 million for the nine nursery product categories and ranked 16<sup>th</sup> in the nation in 2000.

There were 388 nursery operations with sales over \$10,000, reported production area of 852.6 million square feet (or 19,573 acres) in New York. Table 11-2 shows that the gross sales value for the nine surveyed categories by operations with over \$100,000 in sales in New York was the highest for deciduous shade trees (\$11.6 million) in 2000, followed by deciduous shrubs and other ornamentals (\$9.6 million), coniferous evergreens (\$9.4 million), and broadleaf evergreens (\$9.2 million). These were also the top four categories in the U.S. in terms of wholesale values in 2000, and the deciduous shrub and other ornamental category had the highest value of \$771.8 million. The inventory of the surveyed nursery product categories in these operations was slightly over \$116 million. Deciduous shade trees accounted for 30 percent of the total, deciduous shrubs and other ornamentals 20 percent, coniferous shade trees 14 percent and deciduous flowering trees 13 percent.

Plant Category	New York		U.S.		NY as % U.S.
	Total value of sales	% of NY sales	Total value of sales	% of U.S. sales	
	<i>\$ million</i>	<i>%</i>	<i>\$ million</i>	<i>%</i>	<i>%</i>
Broadleaf evergreens	9.2	18%	593.2	18%	2%
Coniferous evergreens	9.4	18%	402.8	12%	2%
Deciduous shade trees	11.6	22%	405.6	12%	3%
Deciduous flowering trees	4.9	9%	232.5	7%	2%
Deciduous shrubs and other ornamentals	9.6	18%	771.8	23%	1%
Fruit and nut plants	3.8	7%	298.9	9%	1%
Cut or to be cut Christmas trees	1.1	2%	149.1	4%	1%
Propagation material	2.3	4%	349.3	11%	1%
Transplants for commercial truck crop production	0	0%	119.9	4%	0%
<b>Total</b>	<b>51.9</b>	<b>100%</b>	<b>3,323.1</b>	<b>100%</b>	<b>2%</b>

Source: NASS, USDA, Nursery Crops 2000 Summary, August 2001.

## **Floriculture Industry Situation and Outlook**

Floriculture products are available from many types of retail outlets. Consumers patronized a variety of retail outlets with varying frequency and distributed their spending dollars differently, depending on product and outlet. In 2000, consumers spent the highest proportion of their dollars for floriculture products on fresh cut flowers (42 percent), followed by bedding/garden plants (37 percent), potted flowering plants (12 percent), and foliage plants (8 percent). During 1998 – 2000, retail florist shops captured 31 percent of the overall consumer dollars spent on floriculture products, followed by garden centers (21 percent) and supermarkets (14 percent). Although consumers are spending much more money per transaction at traditional retail outlets (retail florists and garden centers), increasingly they are purchasing flowers and plants at mass marketing outlets. In 2000, even though only 20 percent of consumer cut flower dollars were spent in supermarkets, 43 percent of the transactions for cut flowers occurred in supermarkets, compared to 62 percent of dollars and 33 percent of the transactions at retail florists. Similarly, discount chain stores and home improvement centers captured 39 percent of transactions for bedding/garden plants, compared to 34 percent of bedding plant transactions at garden centers.

As mass merchandisers continued to expand their market share of retail floriculture products, many are also using their floral or plant departments to reinforce their marketing positions. Some supermarkets increased the size of their floral departments and staff to give customers the perception of personal service in order to differentiate themselves from competition. On the other hand, the floral department is often downsized when a supermarket expands itself to a “superstore”. As a superstore, the supermarket no longer competes on personal service but on price and selection, and it often finds itself competing against discount chain stores. Loyalty of these mass merchandisers to the floral and plant departments or their suppliers depends on the profit margin the department or the supplier can offer compared to other merchandise.

National chains continued to dominate the supermarket, discount chain and home improvement markets and force less aggressive, older, regional chains out of business. Growers serving mass merchandisers were challenged to keep up with expansion and enjoyed growth along with the chain stores in the past five years. However, growers will find that they become more vulnerable when depending heavily on few big customers, and the national chains will be more demanding to their suppliers in order to maintain profitability during a sluggish economy. Products and display quality at retail should improve because more growers will offer additional services and make greater investments in store-level maintenance and merchandising programs to ensure their preferred supplier status.

While growers, suppliers, and retailers continued to consolidate in 2000, the merger frenzy of a couple years has steadied. Companies like the International Garden Products and Hines Horticulture have taken a careful approach to consolidation to avoid acquiring companies faster than they can manage them. More companies will adopt this more conservative attitude while considering expansion. In addition to formal mergers, companies were also forming strategic alliances like the one between Yoder Brothers and the Paul Ecke Ranch. Companies created these partnerships to consolidate their efforts in terms of product scope, marketing and distribution. More strategic alliances would be formed horizontally as well vertically; such as alliances between breeders and distributors could help strengthen pull-through marketing programs.

Toward the end of 2000 we began seeing dot.coms bowing out of the floriculture industry. The fallout continued in 2001 as venture capital dried up, distribution challenges became too overwhelming, and more traditional companies added e-commerce capabilities to their websites. As floral wire services consolidated, the price of participating in floral wire service increased for florists. Therefore, alternatives such as internet marketing become more attractive. Many floral and plant websites have been developed, and online floral sales increased as more product was presented to consumers on a regular basis. However, the

internet also makes other competing non-floral types of gift products available for delivery across the country within 24 hours. In both B2C (business-to-consumer) and B2B (business-to-business) realms, customer acquisition and retention will be key, and established companies are best positioned to do that. Also, companies that form strategic alliances will be in a better position to land customers than companies starting from scratch.

Marketing efforts have intensified across all levels of floriculture industry in recent years, as more merged companies and industry alliances attempt to reach consumers with product identity. Branding has become more common, and suppliers emphasize the final package at the retail level, including plants, pots, tags, point-of-purchase displays, and other marketing tools. Industry groups, such as the Society of American Florists, are supporting scientific studies to prove that flowers improve emotional health, and communicated the study results to the public. Consumers are trying new products and testing their creativity by putting things together as seen on popular television gardening programs (i.e. HGTV) and lifestyle magazines (i.e. Martha Stewart and Southern Living). More independent garden centers and retail florists are working on providing a shopping experience for consumers to differentiate themselves from the chains. They realize that they are not just selling plants, they are selling a lifestyle.

There are good news and bad news for the industry. Despite the past growth, the industry will feel the effect of trickle-down economic problems from recent merger failures (i.e. two recent bankruptcies: Gerald Stevens and U.S.A. Floral Products) and the impact of economic slow-down and in this coming year. If wholesalers go unpaid, they can't pay growers or shippers, and the effect trickles down. On the other hand, the sales rates for existing homes are expected to rise in 35 states in 2001, including most states in the West and South, compared to last year, and existing-home sales in 2001 are expected to be similar or slightly higher than 2000, according to projections by the National Association of Realtors. Heavy home sales suggest that gardening and landscaping will continue to attract their share of consumer dollars. However, the more cautious spending atmosphere will be likely to dampen consumer spending, especially for discretionary items. Marketing efforts will need to continue in the coming year. Every link in the distribution chain will need to invest more money to reach consumers. Marketing gardening and decorating with flowers as a fashionable and rewarding experience is critical in the future.