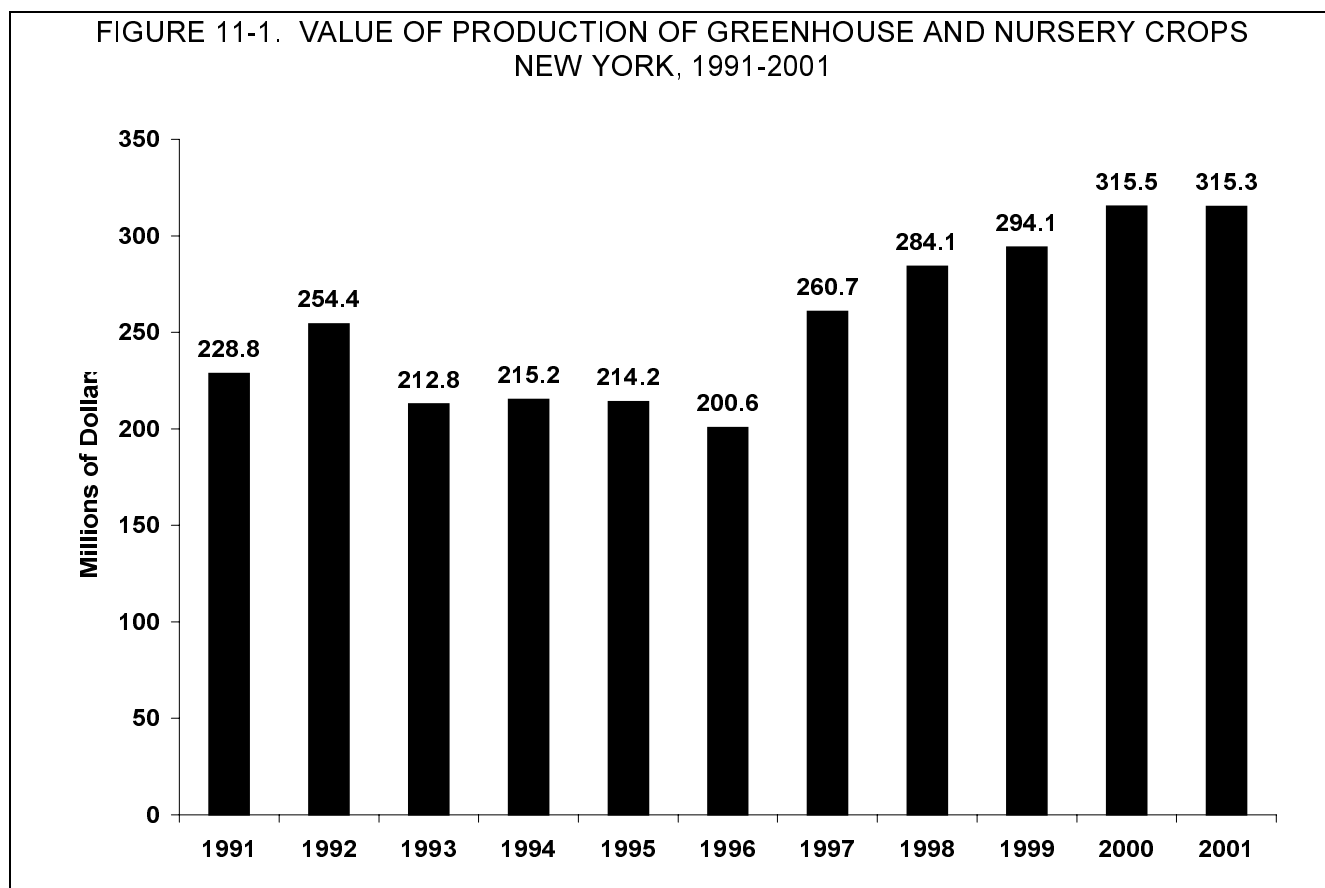


Chapter 11. Ornamentals

Wen-fei L. Uva, Senior Extension Associate

In 2001, New York greenhouse and nursery production was valued at \$315.3 million (Figure 11-1). This figure includes floriculture, nursery, Christmas trees and other greenhouse crops. It should be noted that nursery sales data were only available for 2000 and were valued at \$50.6 million. Floriculture crop had the highest value of \$172.4 million in 2001, down 4 percent from a year before. Other greenhouse crops generated \$125.0 million, up 63 percent from 2000. New York floriculture production ranked seventh in the nation for total commercial sales in 2001. The number of commercial growers of floriculture crops decreased for the fourth consecutive year to 731 growers in 2001. The area used to produce floriculture crops in the state was down approximately 10 percent. Greenhouse space decreased 2.73 million ft² from 2000 to a total of 23.7 million ft² in 2001. Value of sales increased from a year earlier for potted flowering plants and herbaceous perennial plants. Although the value of bedding and garden plants decreased 1 percent from 2000 to \$96.8 million, this category continued to account for the highest share of the total value of floriculture crop sales. Potted flowering plants were second with sales value of \$40.2 million, an increase of 7 percent from 2000. Cut flowers ranked third at \$4.51 million, a decrease of 27 percent over the same period (Table 11-1). Drought conditions this summer forced consumers to demand more drought-tolerant plants and flowers, as more communities restricted water usage for gardening. But what hurt the outdoor plant market may be what improved indoor plant sales.



Source: New York Agricultural Statistics, various years.

TABLE 11-1. VALUE OF FLORICULTURE PRODUCTION BY PLANT CATEGORY,
NEW YORK 1995-2000

Crop	1996	1997	1998	1999	2000	2001	5-year average 1996-2000	2001 vs. 5-year average	2001 vs. 2000
	--- \$ million ---							% change	% change
Bedding/Garden Plants ¹	60.3	77.0	93.4	97.5	94.7	96.8	85.1	14%	-1%
Potted Flowering Plants ¹	24.2	37.1	35.0	34.1	37.2	40.2	33.6	20%	7%
Cut Flowers ¹	6.8	6.1	6.0	5.0	6.0	4.5	6.0	-25%	-27%
Total Foliage for Indoor or Patio Use ¹	1.6	1.9	2.2	2.3	3.4	2.5	2.3	5%	-33%
Total of Reported Crops ^{1,2}	93.0	122.1	137.0	139.0	152.9	149.9	129.6	16%	-4%
Grower Sales \$10,000-\$99,999 (Unspecified Crops)	15.6	25.4	21.8	24.0	22.1	22.4	21.8	3%	1%
Total	108.6	147.5	158.8	162.9	178.8	172.4	151.3	14%	-4%

¹ Sales by operations with annual sales of \$100,000 or more.

² Total includes categories not listed – cut cultivated greens and propagative materials.

Source: New York Agricultural Statistics, 1999-2000 and 2000-2001; and USDA Floriculture Crop 2001 Summary.

The total wholesale value of floriculture crops grown by U.S. operations exceeding the \$100,000 annual sales level reached \$4.44 billion in 2001, up 4 percent from 2000's total. The top five states -- California, Florida, Texas, Michigan and Ohio -- accounted for \$2.52 billion, 53 percent of the total value. Values for each crop category, compared with 2000, were mostly up except cut flowers (down 1 percent) and cut cultivated greens (down 12 percent). The number of growers totaled 10,965 in 2001, a decline of 6 percent compared with the 2000 count of 11,624. The number of growers with sales of \$100,000 or more dropped to 4,722 for 2001 from 4,851 in 2000. Every size group experienced a drop in members from the previous year.

Potted Geraniums (from both cuttings and seed) and Impatiens flats are still the best-selling bedding plants. Impatiens, Pansy/Violas and Petunias were the top three items in the bedding and garden flats category. Potted bedding and garden plants continue to capture more consumer interest. Petunias, *I. wallerana* Impatiens, Geraniums (from cuttings), Begonias, and Marigolds recorded increased sales in 2001. The value of herbaceous perennials in 2001 increased 12 percent from last year. Hardy Garden Mum value was down, and the most popular herbaceous perennials were Hosta, Daylily, Coreopsis, Ornamental Grass and Salvia. Potted flowering plants that recorded sales increases in 2001 include Poinsettias, spring flowering bulbs, orchids, florist Azaleas, and Easter lilies. Domestic cut flower growers continue to be acquired by larger businesses or forced out of business altogether. In 2001, the number of U.S. cut flower growers fell to 615 from 667 a year ago. Domestic cut growers are diversifying into nontraditional flowers, houseplants and particularly bedding plants.

Floriculture Industry Situation and Outlook

Total consumer spending on lawn and garden goods rose a dramatic 11.5 percent to \$37.74 billion in 2001 from 2000's \$33.4 billion, according to the latest National Gardening Survey by the National Gardening Association. The largest sales category for 2001 was lawn care, which rose from \$9.79 to \$12.67 billion. Other strong performers were insect control (\$2.06 billion) and water gardening (\$1.2 billion). The sharpest decrease was seen in vegetable gardening, down to \$1.54 billion from \$2.17 billion in 2000. Flower gardening also saw decreased sales. Although container gardening declined slightly to \$1.2 billion in 2001 from \$1.3 billion in 2000, this category still shows a great deal of consumer interest given that container gardening accounted for only \$387 million in sales just five years ago.

Although the value of cut flowers produced in the United States has continued to decrease, when considering only purchases of floriculture products consumers still spent the highest portion of their dollar on fresh cut flowers. According to the Society of American Florists, fresh cut flowers claimed 38.8 percent of consumer floral dollars in 2001, down from 42 percent in 2000. Another 35.8 percent of consumers' floral dollar went to outdoor bedding and garden plants in 2001, followed by potted plants (10.8 percent) and foliage plants (6.6 percent). Floriculture products are available from many types of retail outlets. Consumers are changing where they purchase and how much they spend on floriculture products. Consumers are spending more money per transaction at traditional retail outlets (retail florists and garden centers), but increasingly, they are purchasing flowers and plants at mass marketing outlets. Table 11-2 shows that in 2001 retail florist shops captured 27.1 percent of the overall consumer dollars spent on floriculture products, followed by garden centers (21.4 percent), while mass marketers including supermarkets, discount stores, home centers, and warehouse clubs captured 32 percent of the consumer floral dollar. On the other hand, more than half (52.2 percent) of the transactions for floriculture products occurred with mass marketers.

Channel	% of Purchase Occasions	% of Consumer Expenditures
Supermarkets	26.0	14.1
Garden Centers	15.9	21.4
Discount Stores	14.2	7.5
Florist Shops	12.7	27.1
Home Centers	10.1	8.9
Craft/Art/Specialty Stores	1.9	2.3
Warehouse Clubs	1.9	1.5
Internet Retailers	1.0	3.3
Others	16.2	13.8

Source: IPSOS-NPD Market Research.

Interest in outdoor living is still strong. Homeowners want to expand their home's square footage by creating outdoor living areas. Vegetable plant and fruit tree sales usually increase when facing economic uncertainties. It makes consumers feel more secure to grow their own food when they need to pinch pennies. Add the growing interest in container and time- and labor-saving gardening, vegetable container gardening might have a back-to-basics appeal for consumers in the coming year. Internet buying will become even more prevalent. According to the U.S. Department of Commerce, as of September 2001, 143 million Americans, about 54 percent of the population, were using the Internet, and new users were adopting the technology at a rate of more than 2 million per month. Moreover, 90 percent, or 47.4 million, of children between

the ages of 5 and 17 now use computers at home and at school, and 75 percent of 14 to 17-year-olds use the Internet.

Despite the year being too cold and wet early in the spring and too hot and dry later in the season, independent garden centers were showing some positive numbers in the first half of the year. Average sale per customer (or per transaction) was up. The good news is that customers did not switch to smaller or cheaper staples (nursery stock, basic annuals, etc.), which would be the first sign of economic concerns. Sales of larger plants, such as 5-gallon vines, and more expensive options, such as bigger perennials, antique roses or branded production (i.e., Proven Winners color), were stronger than cheaper options. However, the bad news is that traffic or register transactions continued to decline for the third year in a row. As national chains are opening stores at a faster pace, the customer base for floriculture and nursery products continued to polarize as all shopping becomes destination shopping. Retailers are not only competing with each other for consumer dollars and time, they are also competing with other leisure pastimes such as golfing, boating or eating out.

The dramatic change in the retail environment for floriculture and nursery products has a strong impact on the production sector. As aggressive retail chains add more stores, they often expect suppliers to grow with them and would rather not complicate their vendor base. To retain status as primary suppliers, some growers have expanded faster than they planned. Growers who based their growth on serving regional and national chains have found themselves almost entirely dependent on a few giant retailers – The Home Depot, Lowe’s, Wal-Mart, and Kmart. Regional supermarket and wholesale club chains help round out the mix, but they also continue to consolidate. In some cases, letting large customers dominate the business has made growers more vulnerable to changes in the retail sector. These chains demand more frequent deliveries over a much vaster distribution area and a higher level of service at each store while holding prices level. Some chains have started implementing centralized order systems. Furthermore, to protect themselves, mass merchandisers are steadily pushing “ownership” of the live product back on the producers. Producers selling to various big box mass merchandisers were encouraged to take responsibility for maintaining and replenishing their product. In the case of the Chapter 11 bankruptcy protection filed by Kmart in January 2002, the retailer’s financial trouble has left some growers to operate in an unknown situation with few options to protect themselves.

To respond to these challenges, about five-to-seven years ago, several grower groups got bigger by launching their own consolidation movement and selling to venture capitalists to gain access to cash and a big-business mentality instead of a farmer’s perspective. These include Color Spot Nursery, Hines Horticulture, Floral Plant Growers, and Powell Plant Farms. An alternative to consolidation that has worked for many growers without sacrificing ownership is contract growing. The ultimate example is the Kalamazoo Valley Plant Growers Cooperative with about 60 grower members. Individual growers also have established contract-growing networks to increase their ability to serve large chains. In addition to building alliances, it is also important for growers to consider other risk management strategies, such as insurance (liability, credit, etc.) and market or product diversification.

As more retailers with the ability to buy in volume see “farm direct buying” as an option and continued pressuring of growers to lower prices, there is an opportunity for more upscale merchants to upgrade value-added product and secure a market niche. Many growers and wholesalers are maintaining their niche, especially among small- to mid-sized florists and garden centers, by providing personal service, by their ability to provide immediate solutions for problem orders, and by meeting last-minute needs and unique product requirements. Branded floriculture products – both domestic and foreign – are increasingly being advertised in the media, at the local as well as regional levels. Gardening appears to be more popular among consumers, but it is driven not so much by the desire “to keep up with the Joneses next door,” but by favorable demographics, economics and a touch of patriotism.