2008 State of the Industry Survey

Conducted by

June 2008

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The ***2008 GPN / OFA State of the Industry Survey*** provides a current detailed assessment of the floriculture industry. Different market dynamics were studied that included; grower demographics, revenue, purchasing intent, industry issues and other market-related topics.

Methodology

A sample of 5,750 subscribers to *Greenhouse Product News (GPN)* were selected to participate in this research project conducted by ABR Research, Inc. The actual number of *GPN* subscribers to receive an invitation to the survey site was 5,272 due to bounced, rejected or undeliverable e-mail addresses.

The project was conducted entirely over the Internet. The random sample of *GPN* subscribers were notified via an e-mail message stating that they had been selected to participate. The message requesting their cooperation contained a “hot link” to the survey site.

The e-mail messages were sent out to the sample group on April 15, 2008. In order to facilitate additional response, a second e-mail message was sent out on April 22, 2008. By May 15, 2008, a total of 512 surveys were completed.

The margin of error based on these 512 returned surveys is calculated to be no greater than +/- 4.3 percentage points at a confidence level of 95%.

ABR Research, Inc. is a nationwide independent research company, specializing in custom research for clients in the business-to-business publishing and marketing industries.

Reader/Company Demographics

Almost two-thirds (63%) of survey respondents classify themselves as owners and/or presidents of their companies, another 18% are involved with production (growers), followed by sales and office management (6%.) The average age of respondents to the study is 49. Two-thirds (65%) are between 40 and 59. The average grower has been with their current business for 13 years. Almost half (47%) have been with their current employers for 15 or more years. The average grower has been in business for 31 years. Almost one in five (19%) have been in business for 50 or more years.

The growers studied represent all areas of the country with 35% stating their company is located in the Midwest. Another 25% work in the South, 21% in the West and 18% are employed in the Northeast.

Gross sales in 2007 averaged $4.6 million. Sixteen percent (16%) had sales exceeding $10 million and 9% exceeded $25 million. More than one-third (38%) of respondent sales are to their own retail operation, followed by 19% of sales to independent garden centers and 10% to landscapers. Big box/discount retailers accounted for another 8% of sales. More than four in 10 (42%) have wholesale and retail operations. An additional 37% are wholesale only. On average, 18% of reader company's work force is made up of immigrant laborers, but almost two-thirds (64%) have no immigrant laborers working at their companies. Currently (20%) state that the majority of their workforce is made up of immigrant laborers. Outright sales make up 71% of big box supplier sales. An additional 19% are classified as pay by scan the remaining 10% are guaranteed sales.

Production Dynamics

More than four in 10 (43%) of growers state their total growing area is less than 50,000 square feet while another 23% state their growing area is 10 times that or 500,000 square feet or more. More than half (59%) have enclosed greenhouse space of under 50,000 square feet. More than eight in 10 (81%) state their production space under shade or a roof structure is under 50,000 square feet. More than half (56%) of growers have 50,000 square feet or less of production space in outdoor/full sun.

Bedding was the largest produced crop at growers' facilities in 2007 and made up an average of 34% of all crops. Potted crops was the second most produced with an average of 20%, followed by Herbaceous perennials (17%), woodies/nursery crops at 11% and vegetable transplants making up an average of 6% of crop production. Projections for this year appear to be very steady with all of the major crops staying consistent with 2007 production.

The average cost of production per square foot in 2007 was $10.0. Thirty-seven percent (37%) of growers plan to expand their operations. Of those planning t expand, almost one-quarter (23%) are planning this expansion within 12 months.

From seven product categories, greenhouse structures were the most widely used. These structures are currently used by 76% of growers, followed by environmental controls (57%), production equipment and business management software (45%). Greenhouse structures also topped the list of the product most planned for purchase. Almost one in five (19%) stated that they plan to purchase greenhouse structures within the next 12 months, followed by production equipment (14%) and automated materials handling equipment (11%.)

The average overall gross revenue change between 2006 and 2007 was 7.4%. Of those stating that their gross revenue went up the average increase was 16% and of those stating it went down the average decrease was 15%. The average overall profit margin change between 2006 and 2007 was negative 0.3%. Of those stating that their profit margin went up the average increase was 13% and of those stating it went down the average decrease was 15%. Of those that retail plants, on average 63% of their production is directed to their own retail. One in five (20%) produce only for their exclusive use.

Product and Industry Information Sources

Grower to grower was the most valuable way to learn about new products. Grower to grower topped the list of eight different sources and received an average rating of 7.7 on our 1 to 10 scale, where 1 is low value and 10 is high value. Trade magazines and Supplier web sites were the next most valuable source of information for new products with each receiving a rating of 7.2, followed closely by trade shows with a rating of 7.1. The least valuable sources for new information were directories and direct mail with a rating of 4.3 and 5.2 respectively. As is the case with most businesses today, whether high-tech or low-tech the Internet plays a role in the way business gets done. The vast majority (94%) of growers currently use the Internet for business . The number one reason for going online is for product information. Of those that use the Internet, 94% use it for this reason, followed by company information (84%) and purchasing products (81%). Three-quarters (75%) of growers belong to a local, state or national trade association. From a list of eight sources for continuing education, industry magazines were the most used. Eighty-two percent (82%) of growers use industry magazines for this purpose. The Internet is now the second most used source for continuing education with 81% of mentions followed closely by trade shows (76%).

Industry Issues

Energy cost increases had the greatest impact on growers' businesses. More than half (54%) stated that this cost increase had the greatest impact, followed by shipping (25%) and input material (11%.) Almost two-thirds (63%) of big box suppliers are not responsible for merchandising and/or care of product that they supply to retail. Of those that are responsible, more than half (56%) provide the merchandising and/or care of product themselves. The other 44% use a third-party.

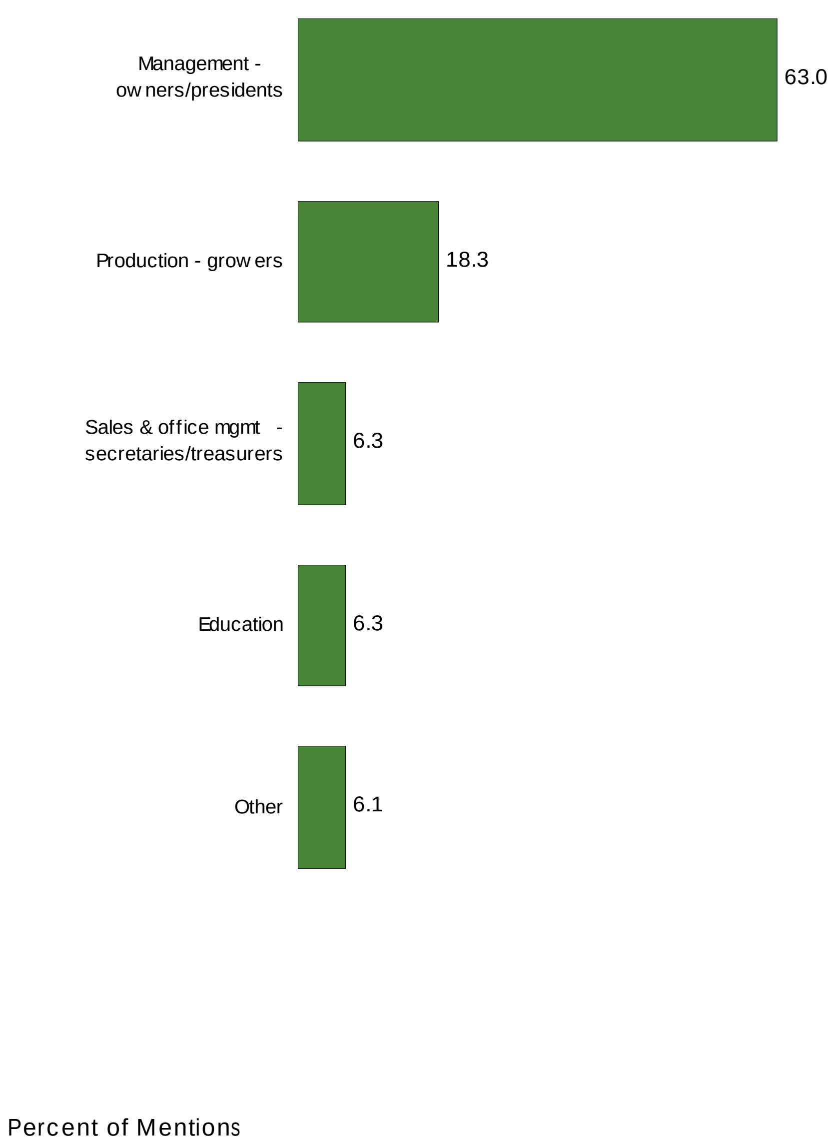
Six in 10 (60%) of respondents feel they have enough information to understand sustainability or sustainable practices. One quarter (25%) of respondents stated that they plan to pursue a "sustainable" certificate by a third-party within the next 12 months.

Slightly more than half (52%) of big box suppliers, think it's important t be certified "sustainable" by a third-party program. Almost half (45%) of growers feel it's important to their independent garden center customers to be certified "sustainable" by a third party certification program.

Question 1: Which one of the following best describes your job function?

ANALYSIS

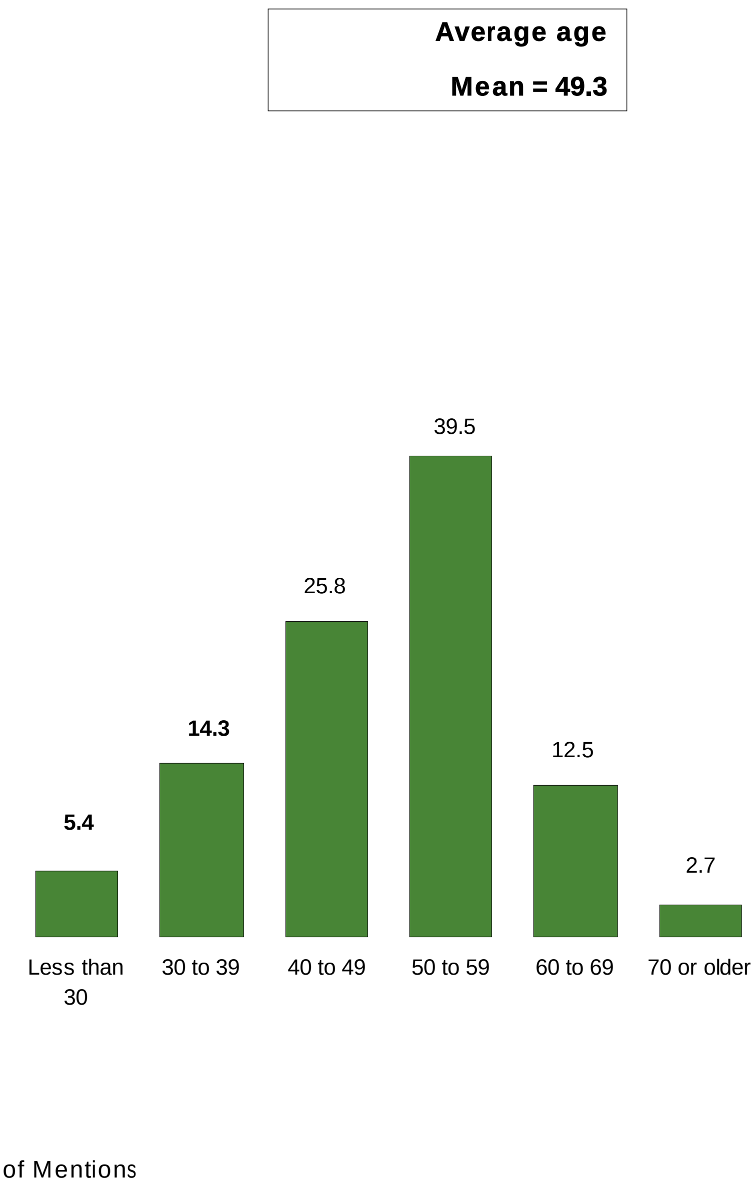
Almost two-thirds (63%) classify themselves as owners and/or presidents of their companies, another 18% are involved with production (growers), followed by sales and office management (6%.)



Question 2: In what range does your age fall?

ANALYSIS

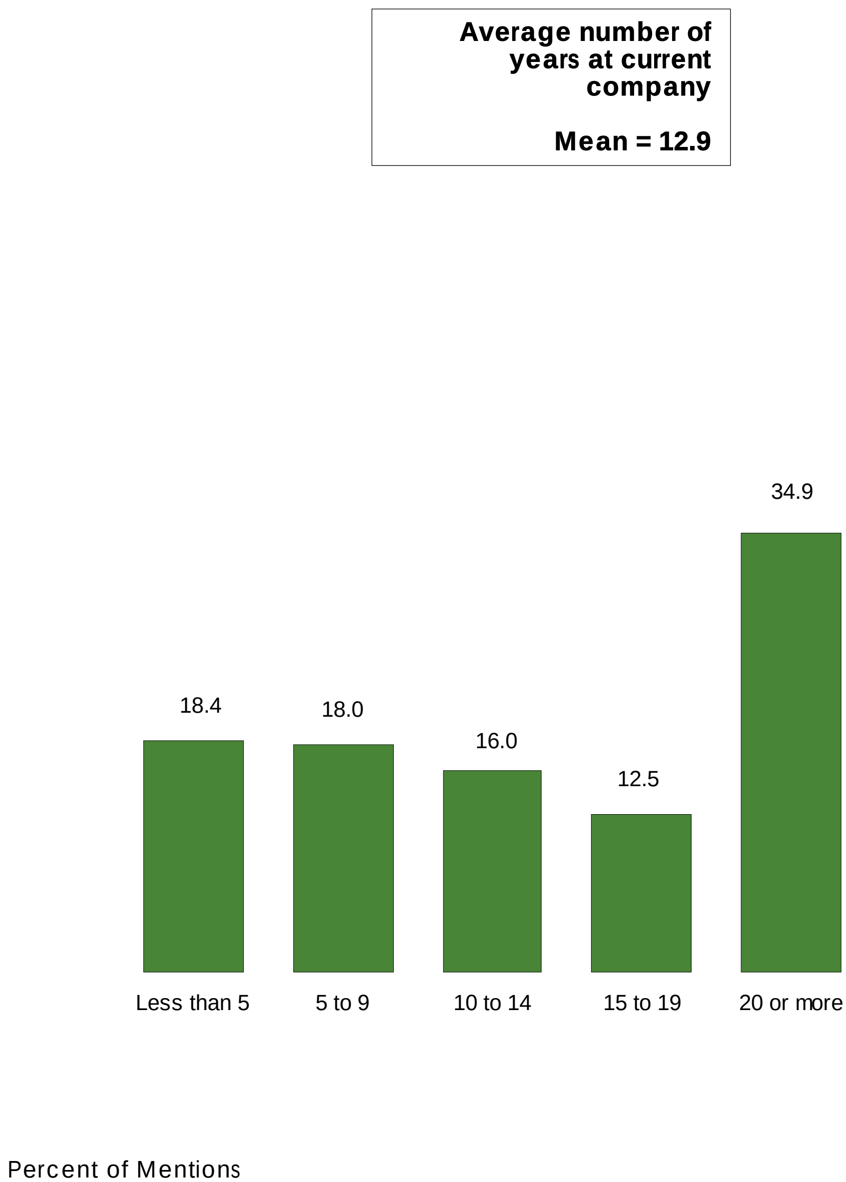
The average age of respondents to the study is 49. Two-thirds (65%) are between 40 and 59.



Question 3: How many years have you worked for your current company?

ANALYSIS

The average grower has been with their current business for 13 years. Almost half (47%) have been with their current employers for 15 or more years.



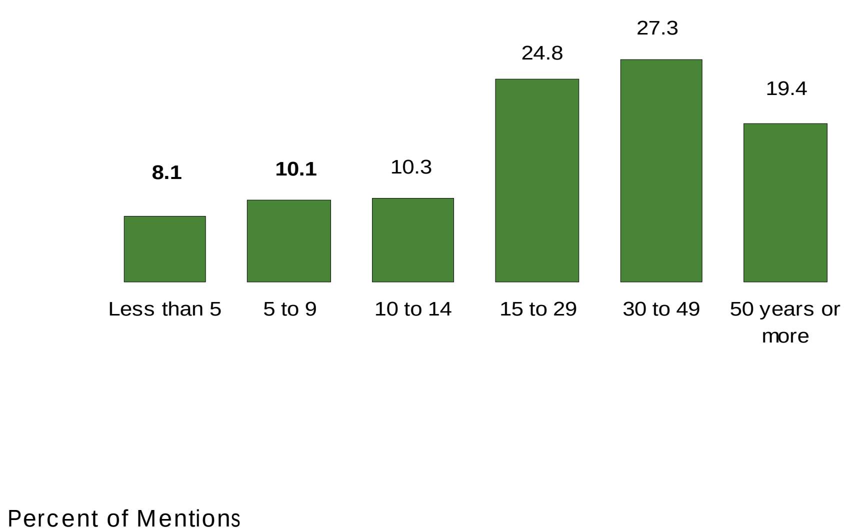
Question 4: Approximately, how many years has your company been in business?

ANALYSIS

The average grower has been in business for 31 years. Almost one in five (19%) have been in business for 50 or more years.

Average years in business

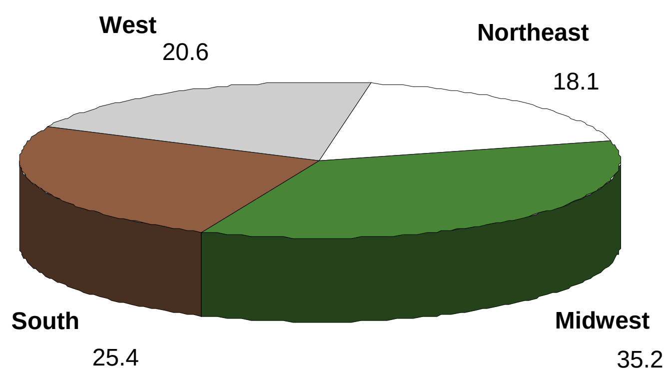
Mean = 31.3



Question 5: In which state (region) is your company located in?

ANALYSIS

The growers studied represent all areas of the country with 35% stating their company is located in the Midwest. Another 25% work in the South, 21% in the West and 18% are employed in the Northeast.



Percent of Mentions

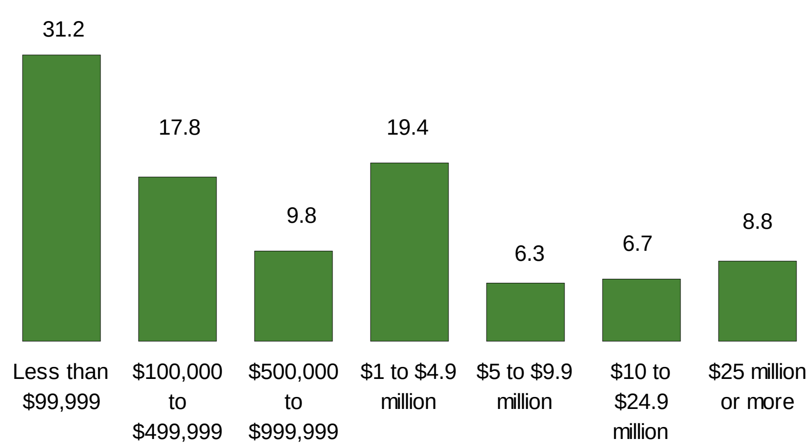
Question 6: Approximately, what was your company's gross sales in 2007?

ANALYSIS

Gross sales in 2007 averaged $4.6 million. Sixteen percent (16%) had sales exceeding $10 million and 9% exceeded $25 million.

Average gross sales

Mean = $4.6 Million

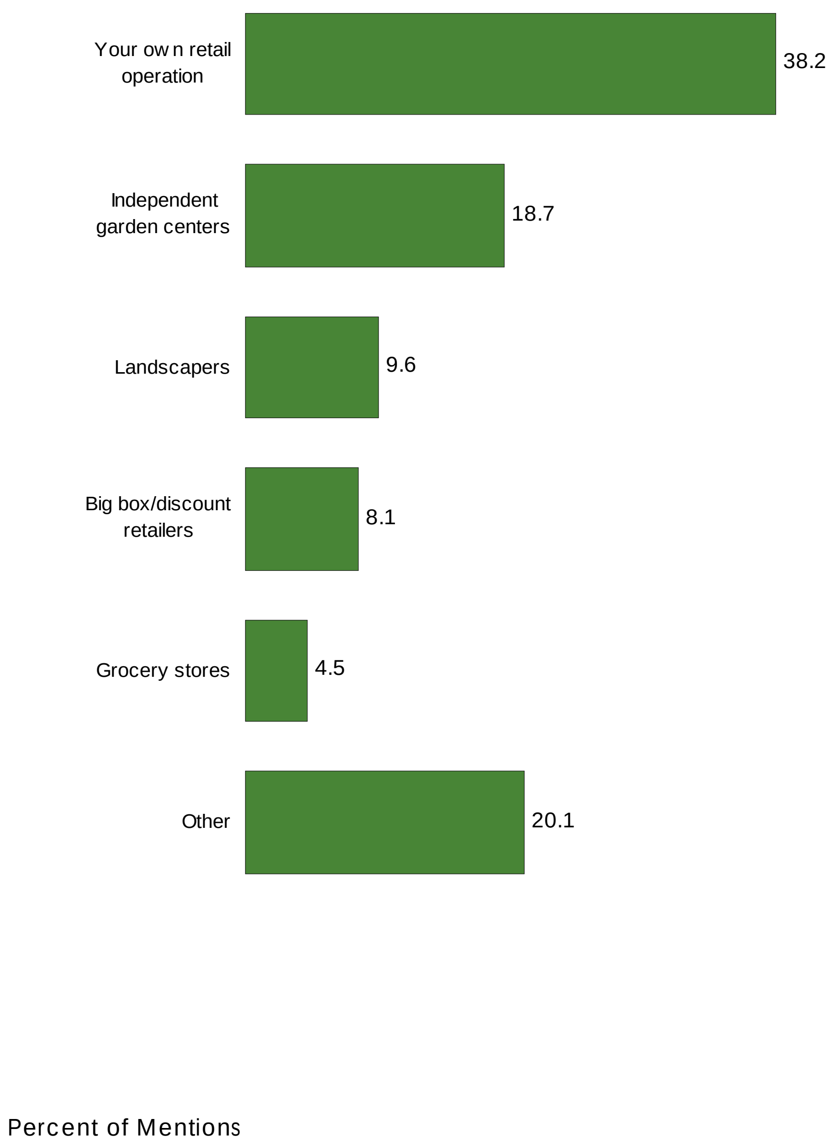


Percent of Mentions

Question 7: What percentage of your sales is to:

ANALYSIS

More than one-third (38%) of respondent sales are to their own retail operation, followed by 19% of sales to independent garden centers and 10% to landscapers. Big box/discount retailers accounted for another 8% of sales.



Question 8: Please indicate which range identifies your company's production space for each of the following?

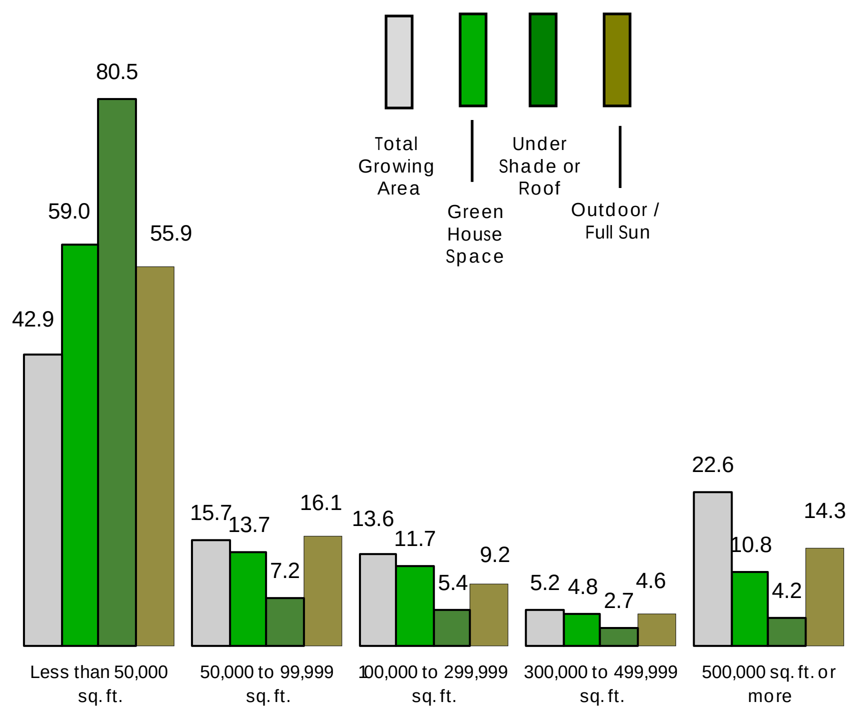
ANALYSIS

More than four in 10 (43%) of growers state their total growing area is less than 50,000 square feet while another 23% state their growing area is 10 times that or 500,000 square feet or more.

More than half (59%) have enclosed greenhouse space of under 50,000 square feet.

More than eight in 10 (81%) state their production space under shade or a roof structure is under 50,000 square feet.

More than half (56%) of growers have 50,000 square feet or less of production space in outdoor/full sun.



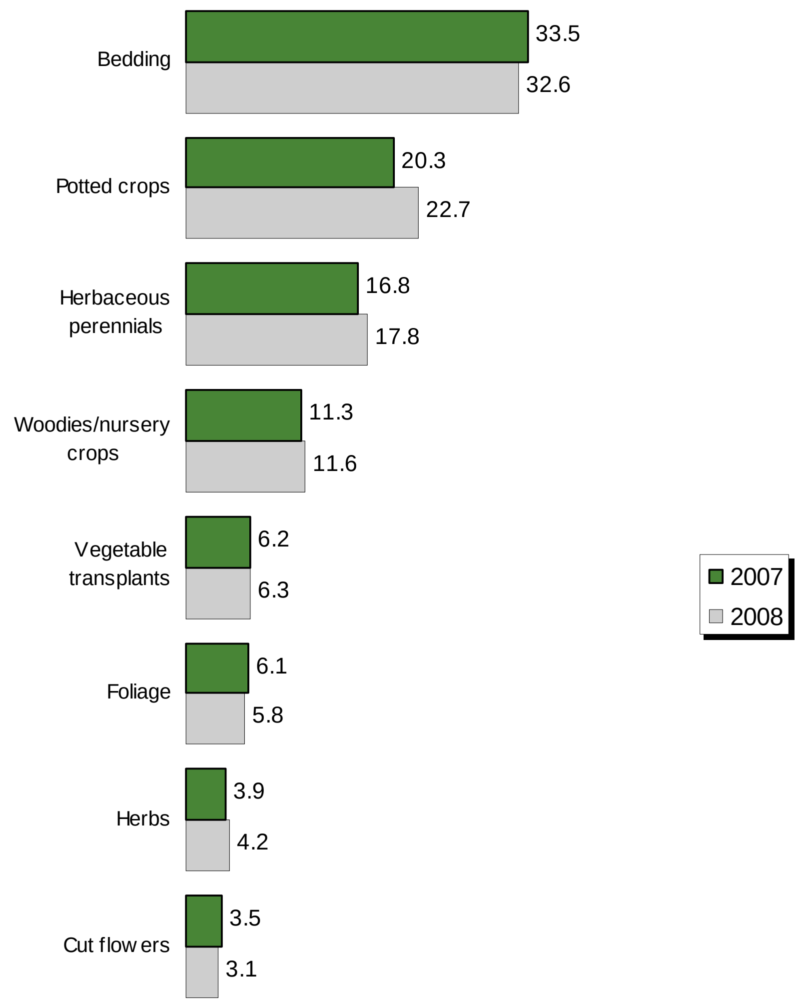
Percent of Mentions

Question 9: Approximately how much of your production was devoted to the following crop categories in 2007 and what are your projections for this year?

ANALYSIS

Bedding was the largest produced crop at growers' facilities in 2007 and made up an average of 34% of all crops. Potted crops was the second most produced with an average of 20%, followed by Herbaceous perennials (17%), woodies/nursery crops at 11% and vegetable transplants making up 6% of crop production.

Projections for this year appear to be very steady with all of the major crops staying consistent with 2007 production.



Average of Mentions – *sorted by 2007 production percent*

Question 10: What was your average production cost per square foot in 2007?

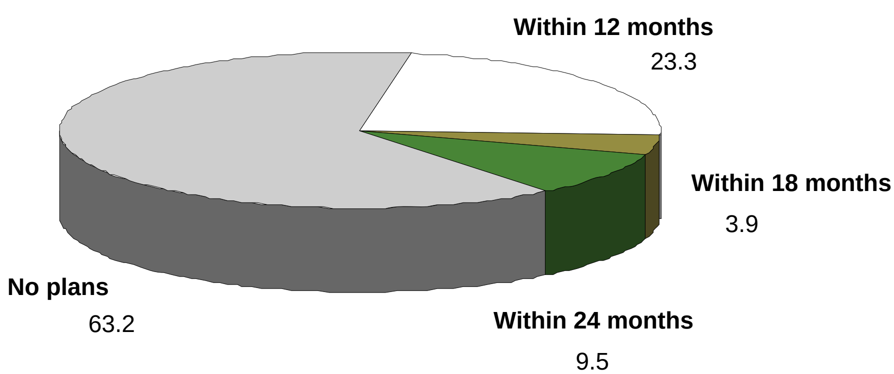
ANALYSIS

The average cost of production per square foot in 2007 was $10.0.

Question 11: Do you plan to expand your operation:

ANALYSIS

Thirty-seven percent (37%) of growers plan to expand their operations. Almost one-quarter (23%) are planning this expansion within 12 months.



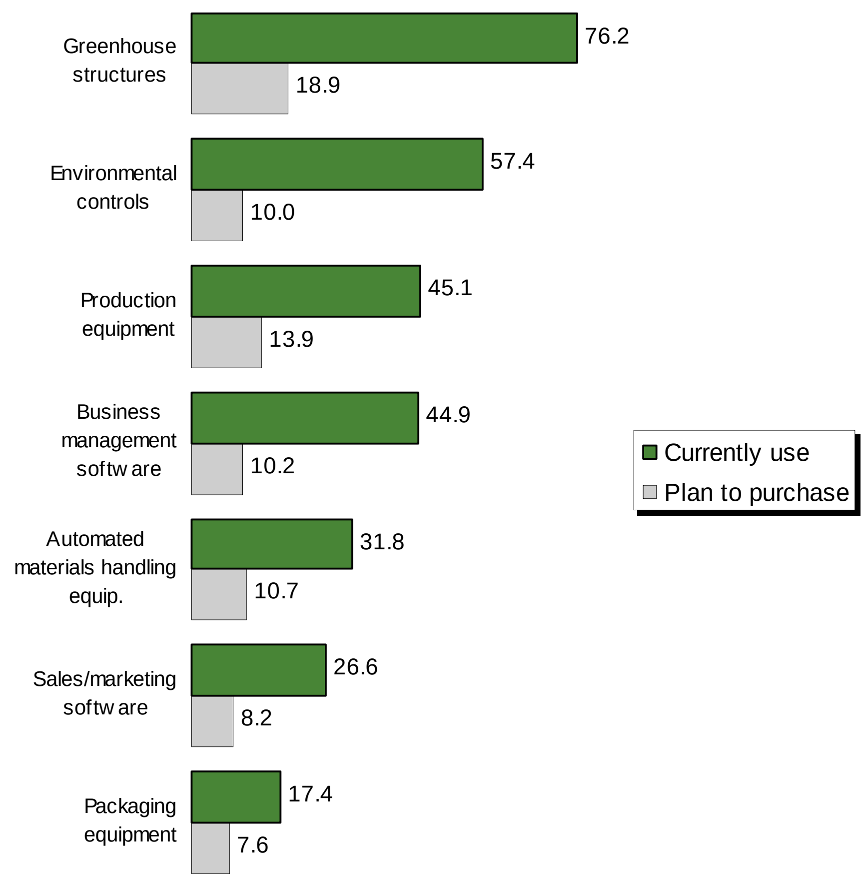
Percent of Mentions

Question 12: Which of the following products do you currently use and which do you plan to purchase within the next 12 months?

ANALYSIS

From seven product categories, greenhouse structures were the most widely used. These structures are currently used by 76% of growers, followed by environmental controls (57%), production equipment and business management software (45%).

Greenhouse structures also topped the list of the product most planned for purchase. Almost one in five (19%) stated that they plan to purchase greenhouse structures within the next 12 months, followed by production equipment (14%) and automated materials handling equipment (11%.)



Percent of Mentions – *sorted by current usage*

Question 13: By approximately what percentage have your total gross revenue and profit margin changed from 2006 to 2007

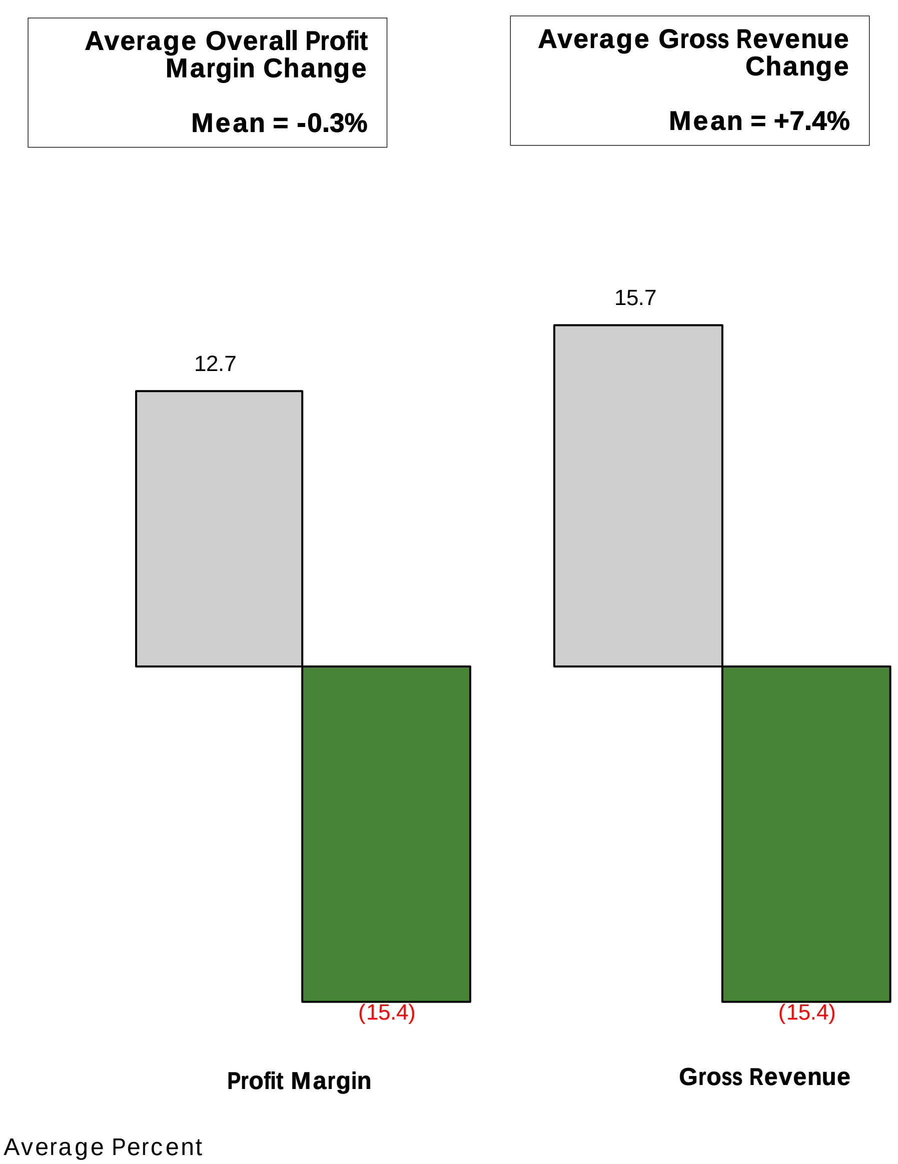
ANALYSIS

The average overall gross revenue change between 2006 and 2007 was 7.4%.

Of those stating that their gross revenue went up the average increase was 16% and of those stating it went down the average decrease was 15%.

The average overall profit margin change between 2006 and 2007 was -0.3%.

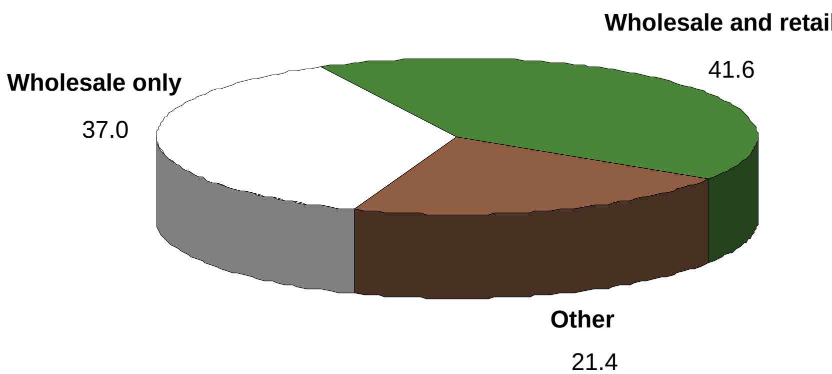
Of those stating that their profit margin went up the average increase was 13% and of those stating it went down the average decrease was 15%.



Question 14: Is your business:

ANALYSIS

More than four in 10 (42%) of respondents have wholesale and retail operations. An additional 37% are wholesale only.

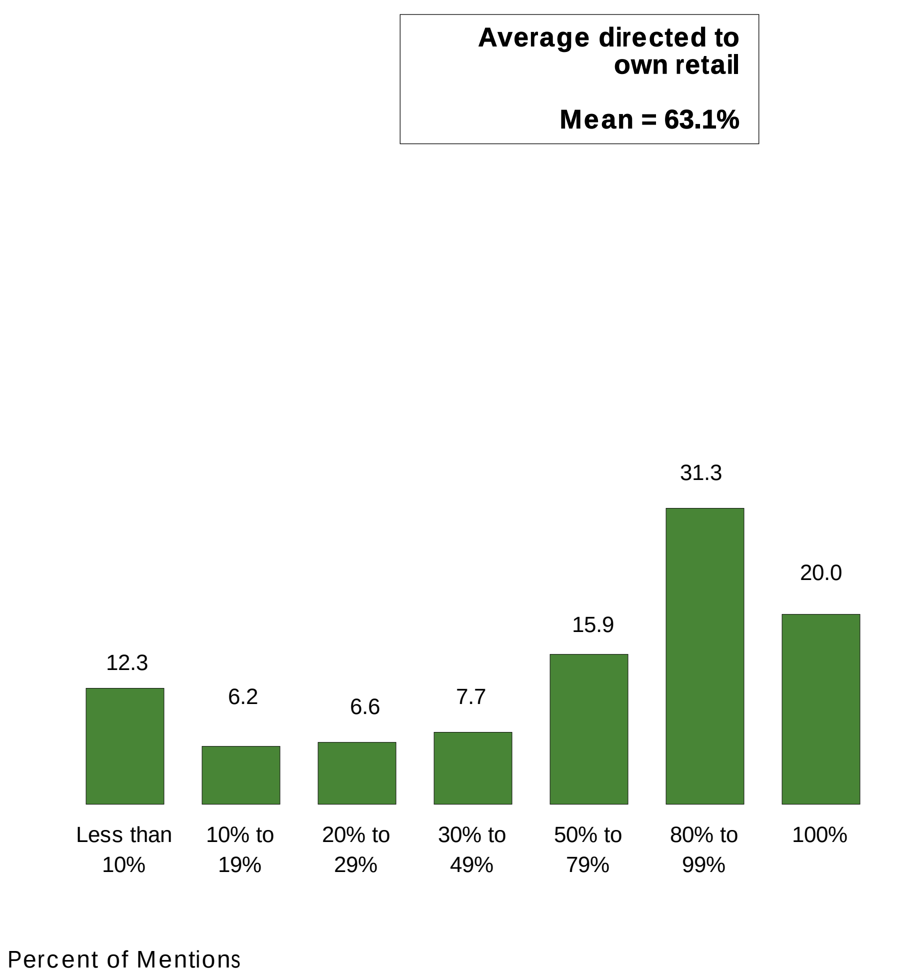


Percent of Mentions

Question 15: If you retail your own plants, how much of your production is directed to your own retail outlet?

ANALYSIS

Of those that retail plants, on average 63% of their production is directed to their own retail. One in five (20%) produce only for their exclusive use.

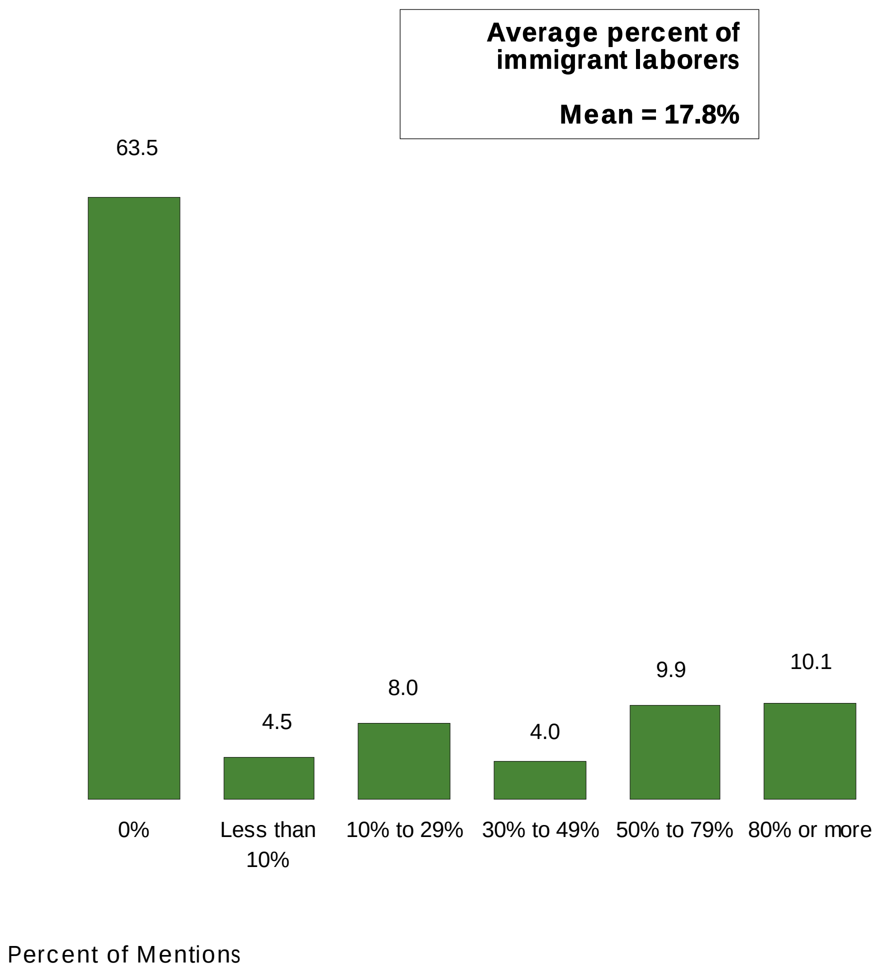


Question 16: What percentage of your employees are immigrant laborers?

ANALYSIS

On average, 18% of reader company's work force is made up of immigrant laborers, but almost two-thirds (64%) have no immigrant laborers working at their companies.

Currently (20%) state that the majority of their workforce is made up of immigrant laborers.



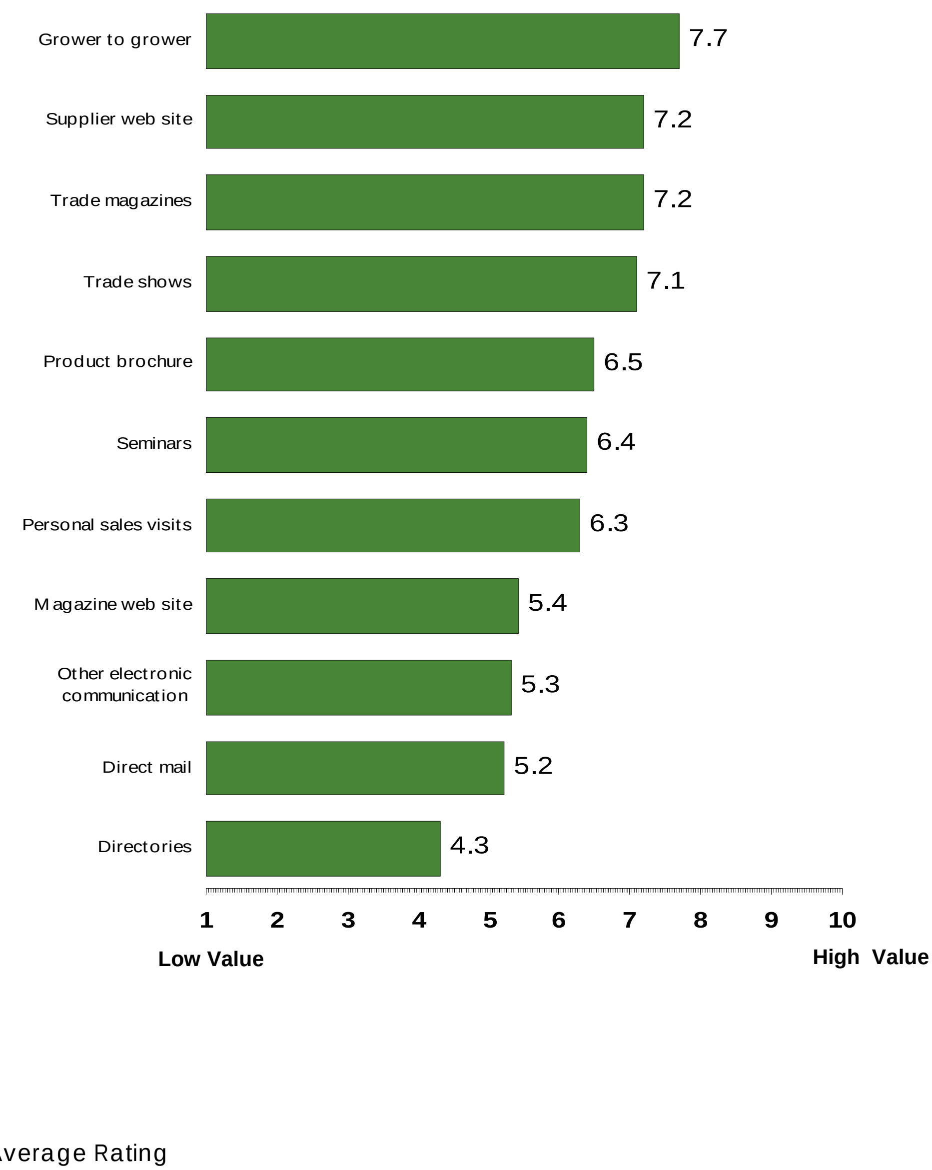
Question 17: Please rate how valuable each of the following are to you when learning about new products.

Scale of 1 to 10 (1 being low value, 10 being high value)

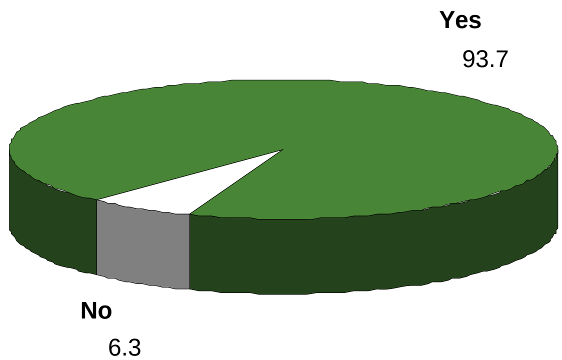
ANALYSIS

Grower to grower was the most valuable way to learn about new products. Grower to grower topped the list of eight different sources and received an average rating of 7.7 on our 1 to 10 scale, where 1 is low value and 10 is high value. Trade magazines and Supplier web sites were the next most valuable source of information for new products with each receiving a rating of 7.2, followed closely by trade shows with a rating of 7.1.

The least valuable sources for new information were directories and direct mail with a rating of 4.3 and 5.2 respectively.



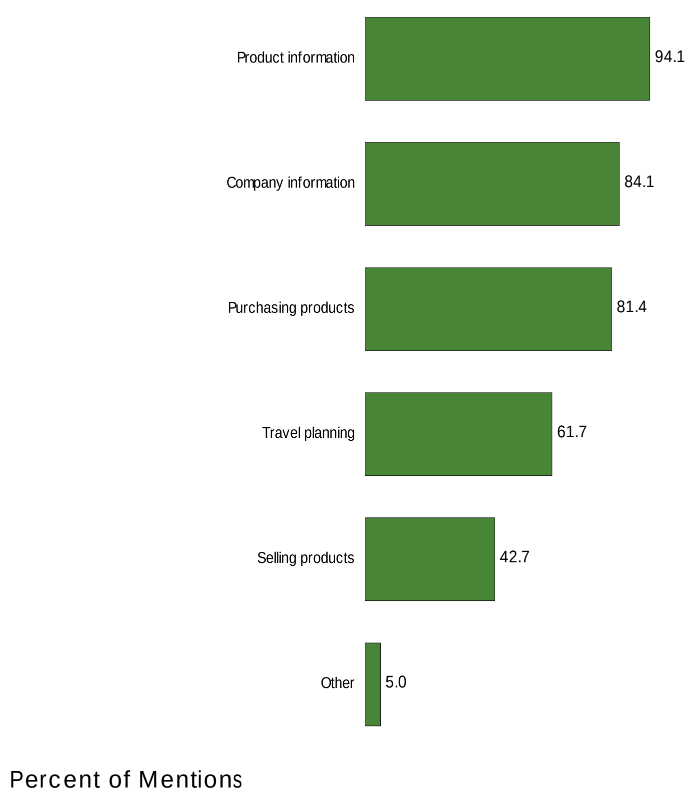
Question 18: Do you currently use the Internet for your business?



ANALYSIS

As is the case with most businesses today, whether high-tech or low-tech the Internet plays a role in the way business gets done. The vast majority (94%) of growers currently use the Internet for business . The number one reason for going online is for product information. Of those that use the Internet, 94% use it for this reason, followed by company information (84%) and purchasing products (81%).

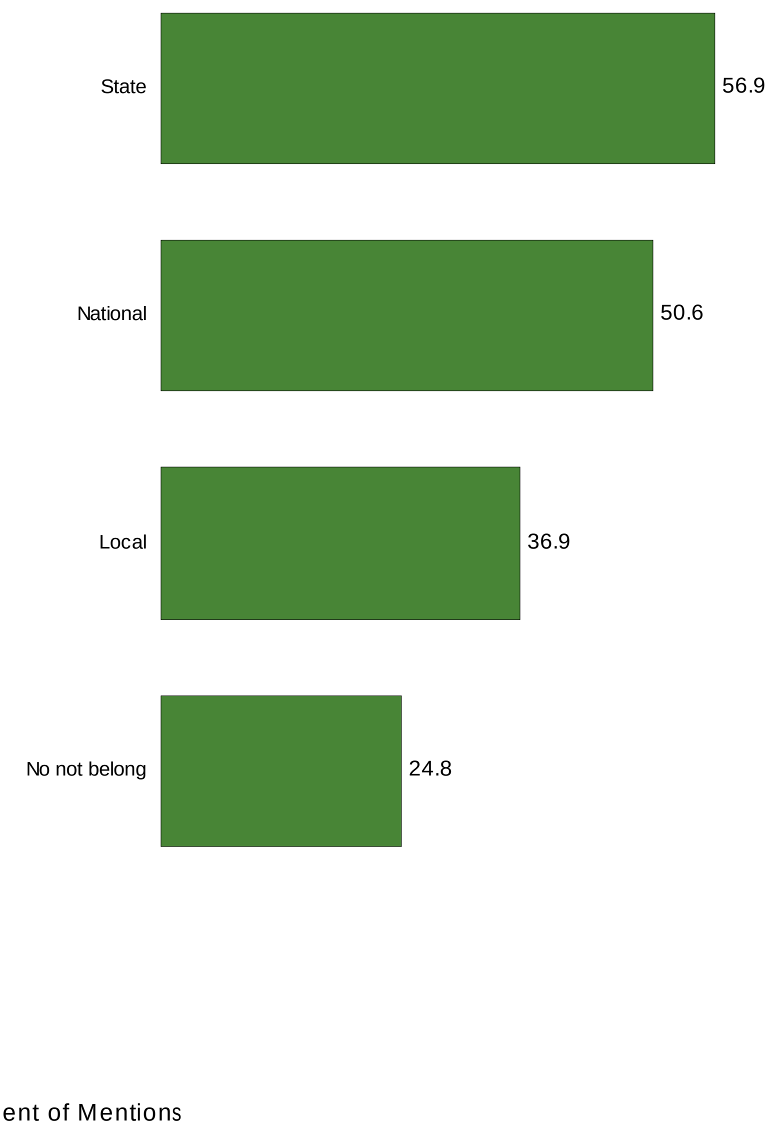
Question 19: If yes, what do you use the Internet for?



Question 20: Do you belong to any state and/or national trade associations in this industry?

ANALYSIS

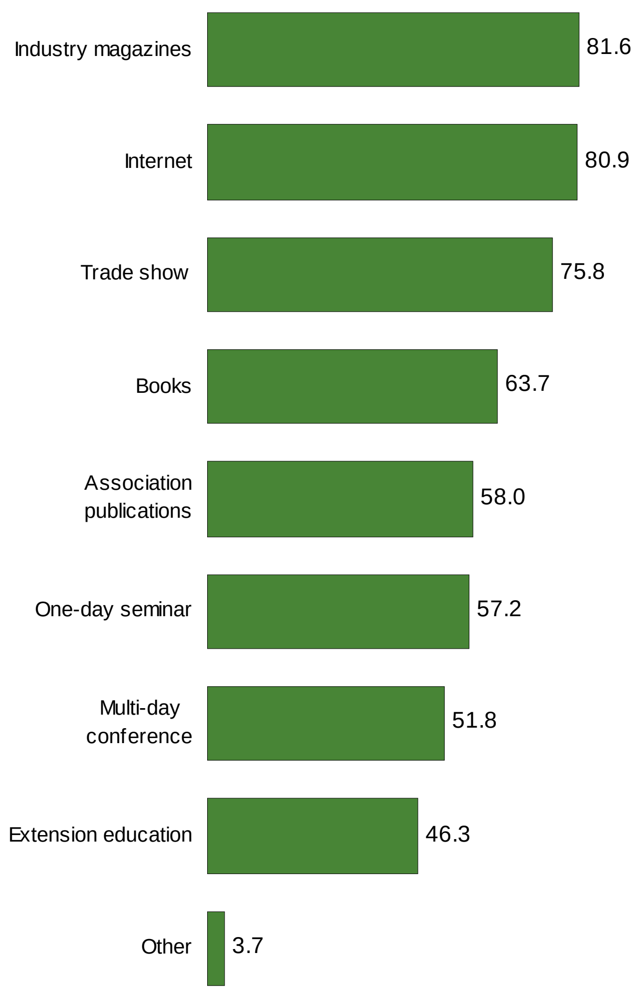
Three-quarters (75%) of growers belong to a local, state or national trade association.



Question 21: Which of the following resources do you use for your continuing education?

ANALYSIS

From a list of eight sources for continuing education, industry magazines was the most used. Eighty-two percent (82%) of growers use industry magazines for this purpose. The Internet is now the second most used source for continuing education with 81% of mentions followed closely by trade shows (76%).



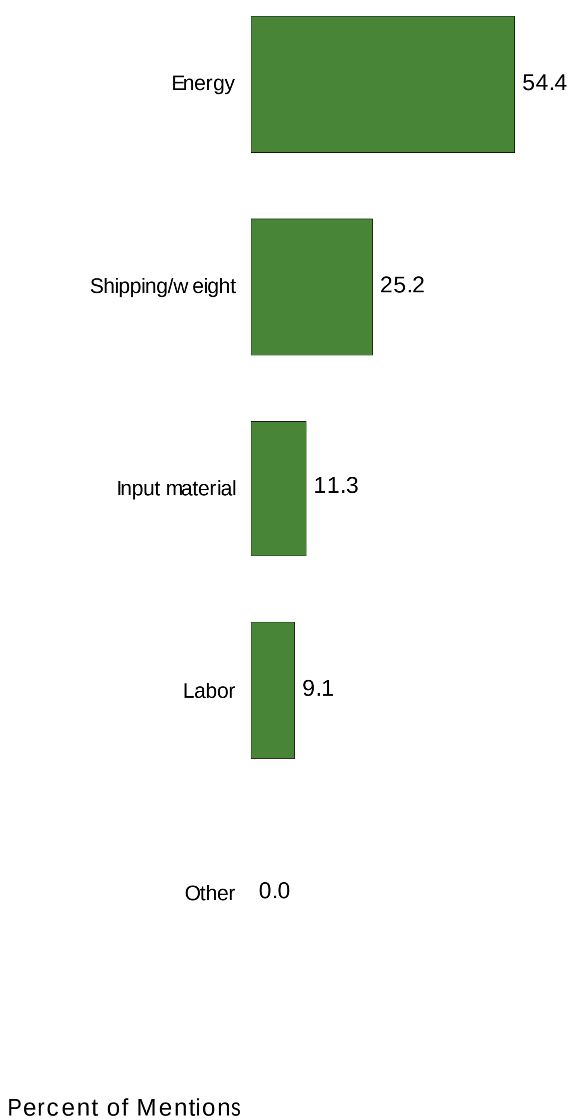
Percent of Mentions

Question 22: Which of the following areas of your business felt the greatest impact from cost increases in the last 12 months?

ANALYSIS

Energy cost increases had the greatest impact on growers' businesses.

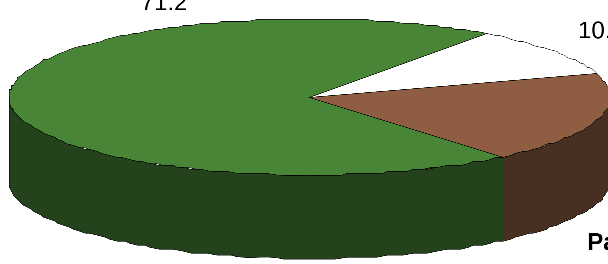
More than half (54%) stated that this cost increase had the greatest impact, followed by shipping (25%) and input material (11%.)



Question 23: If you are a big box supplier, approximately what percent of your sales are:

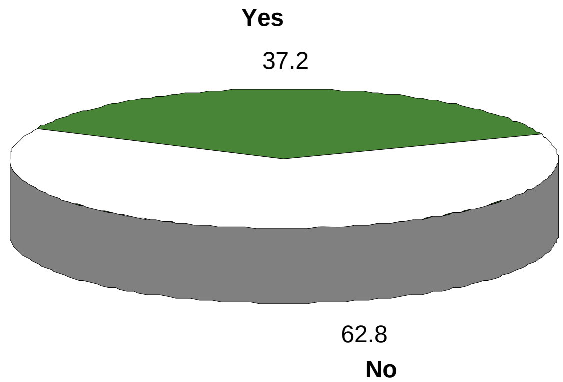
ANALYSIS

Outright sales make up 71% of big box supplier sales. An additional 19% are classified as pay by scan the remaining 10% are guaranteed sales.



Percent of Mentions

Question 24: If you are a big box supplier, are you or your agent responsible for merchandising and/or care of product you supply to retail?

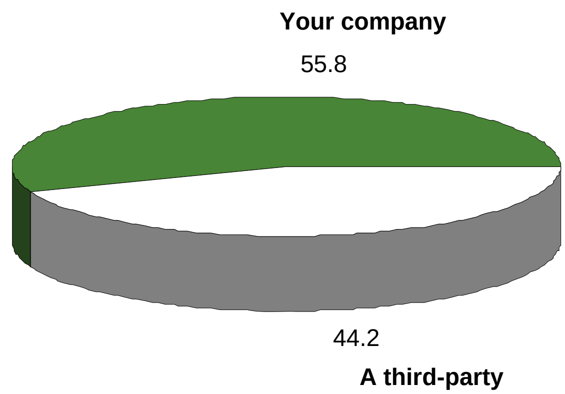


ANALYSIS

Almost two-thirds (63%) of big box suppliers are not responsible for merchandising and/or care of product that they supply to retail.

Of those that are responsible, more than half (56%) provide the merchandising and/or care of product themselves. The other 44% use a third-party.

Question 25: If yes, who is responsible for merchandising and/or care of product?

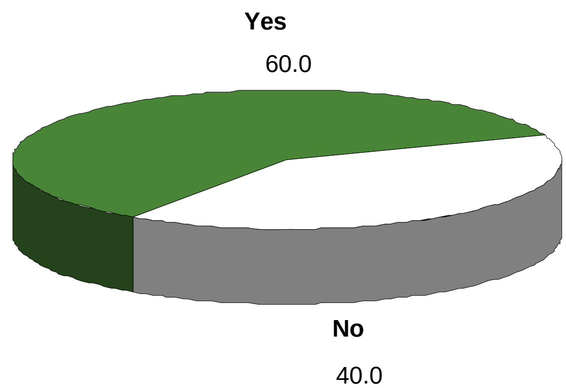


Percent of Mentions

Question 26: Do you feel you have enough information to understand sustainability or sustainable practices?

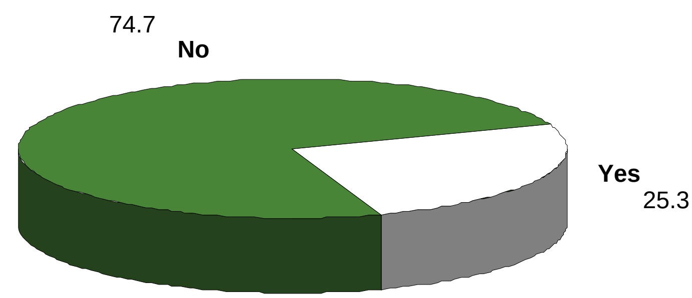
ANALYSIS

Six in 10 (60%) of respondents feel they have enough information to understand sustainability or sustainable practices.



Percent of Mentions

Question 27: Do you plan to pursue a "sustainable" certificate by a third-party in the next 12 months?

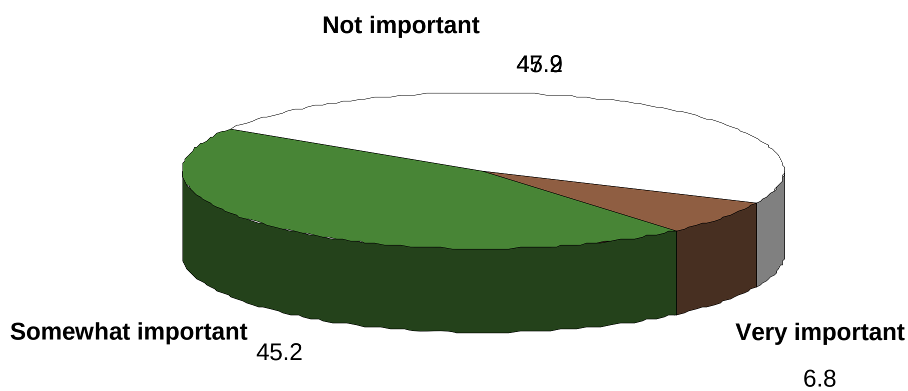


ANALYSIS

One quarter (25%) of respondents stated that they plan to pursue a "sustainable" certificate by a third-party within the next 12 months.

Slightly more than half (52%) of big box suppliers, think it's important t be certified "sustainable" by a third-party program.

Question 28: If you are a big box supplier, how important do you think it is to be certified "sustainable" by a third party certification program?

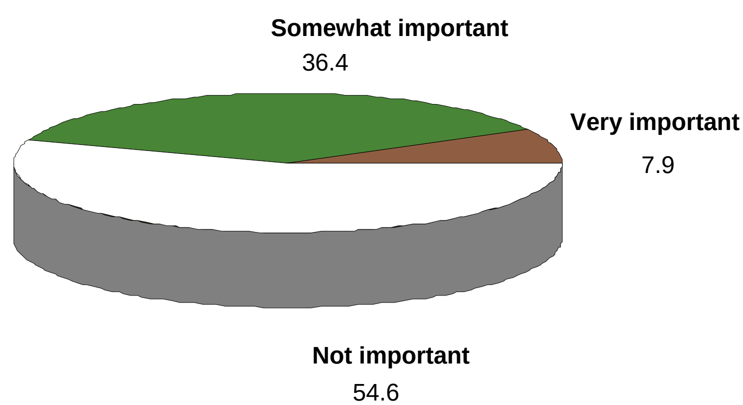


Percent of Mentions

Question 29: For your independent garden center, customers, how important is it to them, that a grower is certified “sustainable” by a third-party certification program?

ANALYSIS

Almost half (45%) of growers feel it’s important to their independent garden center customers to be certified “sustainable” by a third party certification program.



Percent of Mentions

Question 30: What is the most important issue you expect to face five years from now?

Verbatim Response

1 labor; 2 energy; 3 new regulations by industry and or government relating to sustainability
Adequate help
Affordable labor due to rising costs of benefits
Aging of the workforce without replacements.
Available local labor
Bad economic times
Be able to sell product in this economy.
Big box take over
Climate change
Consolidation
Constraints related to the green movement
Continued erosion of profit margin
Continuing fuel price increases this impacts the cost of everything else
Continuing increase in input costs
Continuing to find a reliable labor source.
Controlling costs (2)
Cost (3)
Cost of energy and low margins (3)
Cost of inputs
Cost of materials including fuel.
Cost of needed products.
Cost of plant material vs. retail price having to charge to make a profit
Cost of production
Cost of production verses selling price
Cost of production/ labor/ energy
Cost of raw materials and cost of freight
Costs of all inputs and shrinking state funding
Costs of inputs will exceed consumer's ability to bear the price increase.
Costs of products and fuel
Costs of supplies due to rising oil prices and cost of energy to heat greenhouses.
Costs related to energy.
Declining sales as consumers have less disposable income for little luxuries like cut flowers.
Decreasing margins (2)
Distribution
Drought
Economic costs
Economy issues
Energy gas soil amendments irrigation costs
Energy & chemical costs
Energy & health issues.
Energy (7)
Energy and global warming
Energy and Labor availability and cost
Energy and labor costs (2)
Energy cost (25)
Energy costs and taxes
Energy prices continue to slow the ability and rate at which we can expand
Environmental regulations
Expensive inputs
Finding quality/legal laborers

Question 30: continued

Verbatim Response

For Southern California: Water Issues and Labor Issues
Fuel & freight charges
Fuel & labor (2)
Fuel and chemical costs
Fuel cost (14)
Fuel costs and lighting
Fuel Costs and related products
Fuel costs and supplies
Fuel for freight/heating
Fuel prices
Fuel prices and insurance costs
Fuel/ Labor costs
Funding for research and the availability of labor.
Getting consumers to 'get it' how to make it work for them.
Getting down production procedures.
Getting in with the new generation of gardener.
Getting more for our plants increasing value to consumer.
Getting my on hybrid products to market
Go more international
Govt. subsidized Korean nurseries are taking over the orchid business.
Greenhouse heating costs
Growing the business
Growth
Growth and expansion with energy costs and the development of middle management
Having enough qualified and educated labor
Heat source for more areas to increase production
Heating Costs (4)
High cost of living for the general public cutting the amount of spend able income they can spend at
Hopefully the growers will be able to weather this period of tremendous increases in operating costs
How to get customers that want to pay for service
If we can compete with the big growers who can produce for less
I'm completely uncertain about any issue that far out in the future.
Immigration and the rising cost of fuel and energy
Impact of pesticides
Improving profits
increase in green awareness
Increase in production cost
Increased competition from imported products.
increased cost of goods with limited cost increases from customer
increased customer base
Increased Energy costs & Labor costs.
Increased Production Costs
increased production costs (including labor) with little or no price increases
Increased water and energy costs
Increasing cost of direct materials while being limited on how much we can pass those cost on to the
Increasing energy costs.
increasing fuel costs - which impact every aspect of our industry
increasing production to meet ever-increasing demand for certified organic products
increasing profitability in a tight labor market
Is the florist industry able to adjust to the new and different distribution channels or is it going

Question 30: continued

Verbatim Response

keeping qualified employees and providing quality plants and affordable prices
keeping the cost down so people can afford to buy and going more organic
Labor & energy and our industry not adapting to our changing market.
Labor & Fuel Prices
Labor (11)
Labor and energy costs
Labor availability (2)
Labor cost and availability
Labor cost and overproduction of foliage
Labor expenses and the ability to keep qualified staff members
Labor followed by energy
Labor shortage (5)
Lack of educational funding
Lack of labor. We will have to leave the country because there will be no food in the US without immigrants
Local elected officials
Maintaining profit margins with downward pricing pressure and rising input costs.
Maintain or grow margins
Making a decent profit with overhead rising so fast. Will customers continue to buy as prices rise?
making a profit
Making the transition to retiring and passing ownership of the business to my sons.
Material cost rising
Meeting energy costs and labor force needs.
My inability to expand
New greenhouse structures
New product development
Off-shore competition
Oil
Over production
Poor economy - lower sales
Poor economy.
Predicting customer trends.
Price increase
Price of fuel and electricity
Prices not going up despite costs going up. Lack of forward planning by our Customers.
Pricing resistance
Production costs increases
Profitability due to rising input costs with very little price increase.
Profitability in a changing environment
Profitability in face of uncertainty of fuel costs & heating costs
Profitability
Profitability / cash flow
Qualified Employees to perform nursery jobs and tasks
Qualified labor force and meeting the wages to keep the staff we do have.
Raising prices
Recession
Regional water and fuel shortages leading to restrictions on use for non-food producers
Regulations
Retirement (5)
Rising cost
Rising costs and challenges of selling on low margin.

Question 30: continued

Verbatim Response

Rising costs of doing business
Rising energy costs
Rising fuel costs.
Rising oil prices
Rising production costs and local flower shops/ garden centers going out of business
Sale of our Business
Same issues as now
Selling crops in a tight economy
Shipping charges
Shipping cost and labor
Shipping costs going up which will make our premium product that much of a harder "sell" in bidding
Shortage in labor and increasing labor costs.
Slow market expansion
Stay a float and stay in operation without going into the red zone
Staying active
Still heating/fuel costs
Supply costs
Surviving the high cost of energy!!!
Taxes
That is a broad question; issues are dependent on multiple factors but I will venture to say:
That our business will not be "sustainable" with all these new issues. At the end of the day.
The ability to Increase our prices to cover our sky rocketing costs.
The collapse of society. :-)
The economy
Tighter regulations on irrigation water runoff and minimizing the industry's carbon footprint on the
To be able to pass along price increases as they come to us.
Too many questionnaires that take my time when I could be doing something toward my nursery work.
Tougher regulations on water usage
Trying to stay in business with the costs of every thing doubling every year
Water & Soil Quality
Water availability and cost (5)
Water conservation
Water recirculation
Water restrictions among local municipalities
Water shortage
Whether I'll still be in business
Whether we want to continue in this business.
Will the general public want to ornamental garden?
Will we still be in business
Work load

Question 31: Are there any other comments you would like to make?

Verbatim Response

As usual, we will have to adapt and change in order to survive.
Bad timing-do this in the fall!
Can we do this in the winter instead of the middle of the spring?
Drought did not effect my product but drove away my customers
Enjoy reading your publication
Fuel oil and diesel are holding us hostage!!
GPN has all the info I need and I buy from several of the advertiser, Thanks
How do we raise the impact of flowers to the consumer to change their opinion of a seasonal item
I am tired of all the talk about "Green or Sustainable" Enough! What about survivability?
I answered these questions based on what was related to a public gardens facility
I appreciate your magazine even though i have very little time to read all that i wish
I had to add our plug sales under vegetable transplants you did not have a category for this
I thought sustainable agriculture was something to do with food crops.
It is not the economy as much as South Florida Water Management that is destroying the horticultural business
Make good use of this information.
My biggest source of new knowledge is from experiences of other growers.
Our industry must decrease some production so we can get our prices up--across the board
Part time operation.
Stop guarantee sells
Sustainability should only be done by Big Box Growers & that way if it falls on its face.
Sustainability would be great but at the moment survival is more important. Between fuel cost and labor
The part of our company I am involved with is as a plant broker so many questions were not applicable
this is my working hobby
We are Veriflora certified
We are very small...making a little profit and enjoying (almost) every aspect of this business!
We are wholesale vegetable producers.
We need industry-wide generic cooperative advertising with a message that works!
We sell to box stores and garden centers via brokers (not listed as choice)
With the pressures from increasing costs it will be imperative to analyze how it affects each business