2006 State of the Industry Survey

Conducted by

April 2006

Table of Contents

Conducted by:

The ***2006 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.

A sample of 5,250 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 4,567 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 4, 2006. In order to facilitate additional response, a second e-mail message was sent out on April 11, 2006. By April 15, 2005, a total of 574 surveys were completed.

The margin of error based on these 574 returned surveys is calculated to be no greater than +/- 4.1 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 Demographics

Almost two-thirds (65%) of respondents to the study classify themselves as owners and/or presidents of their companies, another 18% are involved with production (growers), followed by sales and office management (7%.) The average age of respondents to the study is 49. Two-thirds (66%) are between 40 and 59. The average reader has been with their current business for 11 years. Almost half (48%) have been with their current employers for 15 or more years. The average respondent has been in business for 32 years. More than one in five have had their businesses for 50 or more years. The readers studied here represent all areas of the country with 31% stating their company is located in the Midwest. Another 27% work in the South, 22% in the West and 20% are employed in the Northeast. Gross sales in 2005 averaged $4.8 million. Fifteen percent (15%) had sales exceeding $10 million and 10% exceeded $25 million. More than one-third (39%) of respondents businesses are exclusively wholesale, while 38% sell retail as well. Retail only businesses account for 16% of responses. The vast majority (90%) of sales are outright with an additional 7% being guaranteed sales and the remainder (3%) of sales are pay by scan.

On average, almost one-quarter (23%) of reader company's work force is made up of immigrant laborers, but more than half (58%) state that they don't hire any immigrant laborers. More than one-quarter (28%) state that the majority of their workforce is made up of immigrant laborers.

Production Dynamics

More than one-third (36%) of growers state their total growing area is less than 50,000 square feet while another 26% state their growing area is 10 times that or 500,000 square feet or more. More than half (56%) have enclosed greenhouse space of under 50,000 square feet. Three-quarters (75%) state their production space under shade or a roof structure is under 50,000 square feet. Slight more than half (55%) 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 2005 and made up an average of 32% of all crops. Potted crops was the second most produced with an average of 22%, followed by Herbaceous perennials (14%), woodies/nursery crops at 10% and vegetable transplants making up 8% of crop production. Projections for this year appear to be very steady with all of the major crops staying consistent with 2005 production.

The average cost of production per square foot in 2005 was $8.3. One in six or 17% of growers stated that their production cost was $11 or more. Forty-three (43%) of growers plan to expand their operations. More than one-quarter (28%) are planning this expansion within 12 months and 15% between 13 and 24 months.

Of those that retail plants, 62% of their production is directed to their own retail. More than one-quarter (28%) produce only for their exclusive use.

The average overall profit margin change between 2004 and 2005 was +7.0%. Of those stating that their profit margin went up the average increase was 17% and of those stating it went down the average decrease was 12%.

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 7.8 on our 1 to 10 scale, where 1 is low value and 10 is high value. Trade magazines was the next most valuable source of information for new products with a rating of 7.3, followed by trade shows (7.0). The least valuable source for new information was direct mail with a rating of 5.0.

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 (81%) 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 virtually all (96%) use it for this reason, followed by company information (78%) and purchasing products (77%). More than three-quarters (76%) of growers belong to a local, state or national trade association. From a list of eight sources for continuing education, industry magazines was the most used. Eighty-nine percent (89%) of growers use industry magazines for this purpose, followed by trade shows (79%), Internet (77%), books (69%) and seminars (66%.)

Industry Issues

Just about one-third (33%) of growers would financially contribute to an industry-wide marketing initiative. Of those that would contribute, more than two-thirds (69%) stated that they would only contribute less than 1% of annual sales. Without a doubt, energy cost increases had the greatest impact on growers' businesses. More than half (57%) stated that this cost increase had the greatest impact, followed by shipping (22%) and input material (13%.) More than half (60%) of growers agree that there is a need for a standardized container size. Almost half (49%) of growers and/or their agents are responsible for merchandising and/or care of product they supply to retail. Of those that are responsible, more than three-quarters (78%) provide the merchandise at the retail level.