Spring 2005 | VOLUME 7.1 | COOPERATIVE EXTENSION UNIVERSITY OF CALIFORNIA

CO-HORT

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1. *A survey of the nursery industry was conducted in 1999.*

   According to the survey, the nursery industry continues to grow, both in the number of new nurseries and the acreage. However, the way nurseries do business and where the nurseries are located within the state is changing. In the following article we will summarize how production, marketing and business practices are evolving and what regions of the state are becoming the major nursery production centers.

A Snapshot of California's Wholesale Nursery Industry

By

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and
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Survey Format

A random selection of California nurseries was obtained in 1999 by choosing every fifth nursery from a list of 4680 wholsale nurseries licensed in California (California Department of Food and Agriculture, 1998). The survey, which consisted of 29 detailed questions, was sent out to wholesale nurseries. Ouestions were broken down into five sections: (1) general business operations; (2) plant material; (3) sales and marketing methods; (4) product distribution; and (5) pricing protocols. A total of 169 nurseries completed the survey.

Business Profile

California represents 20% of the nation's total receipts for green house and nursery industries. Florida and Texas ranked second and third, with 11% and 9% of the country's total receipts. In California, the nursery industry is rapidly growing, with over 25% of the nurseries being formed within the past ten years, and over 50% formed during the past 20 years (Figure 1).

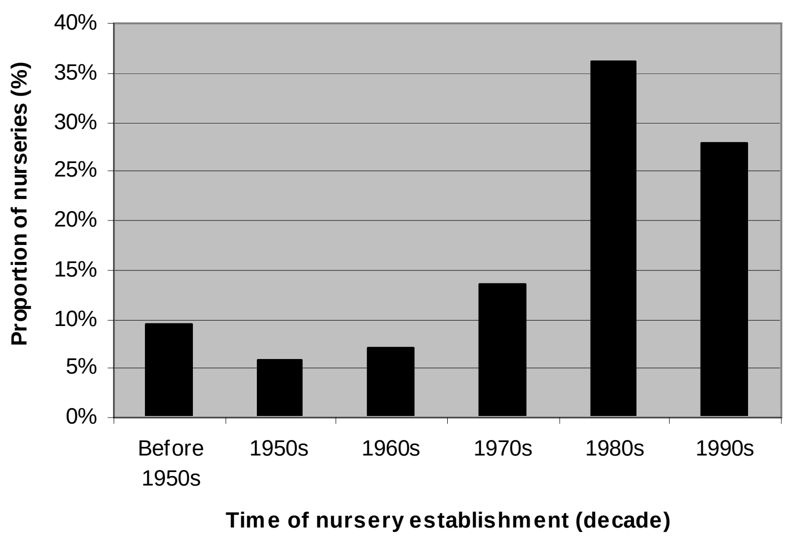

Figure 1. The percentage of existing California nurseries that were established during a given decade. Data is based on 169 respondents from a random survey conducted in 1999 on the ornamental wholesale nurseries in California.

However, based on annual sales, nursery size is quite varied, with some nurseries having total sales receipts of less than $50,000 per year while other businesses have profits of over $10,000,000 (Table 1). The average nursery size is 21 acres (8.5 ha) and consists of an employee base of 27 permanent personnel and an additional nine temporary employees during the busy season. The number of different plant species and cultivars grown is quite diverse, with some nurseries producing over 1,000 different varieties of plants. In general, nearly one-third of the plant material being produced and sold is ornamental trees and shrubs, but no single crop comprised more than 20% of all production (Figure 2). Containerized plant production is still the predominant method of plant production in California, (80% of product sales), due primarily to the mild climate.

Table 1. Average annual sales values for California wholesale nurseries and the percentage of nurseries within the specific sales bracket.

Gross value of products ($)	Proportion of nurseries (%)
Less than 50,000	31
50,000 - 99,999	9
100,000 - 249,000	12
250,000 – 499,000	12
500,000 – 999,999	6
1,000,000 - 1,999,999	9
2,000,000 – 2,999,999	5
3,000,000 – 3,999,999	3
4,000,000 – 4,999,999	4
5,000,000 – 9,999,999	4
10,000,000 or greater	4

Geographical Distribution

Most nurseries are located near the coast of central and southern California (Figure 3) (California Agricultural Statistics Service, 2002), regions that are in proximity to major urban centers. Even though the costs of land and water are higher in these areas compared to inland valleys, namy nurseries remain along the coast due to the mild, year-round growing

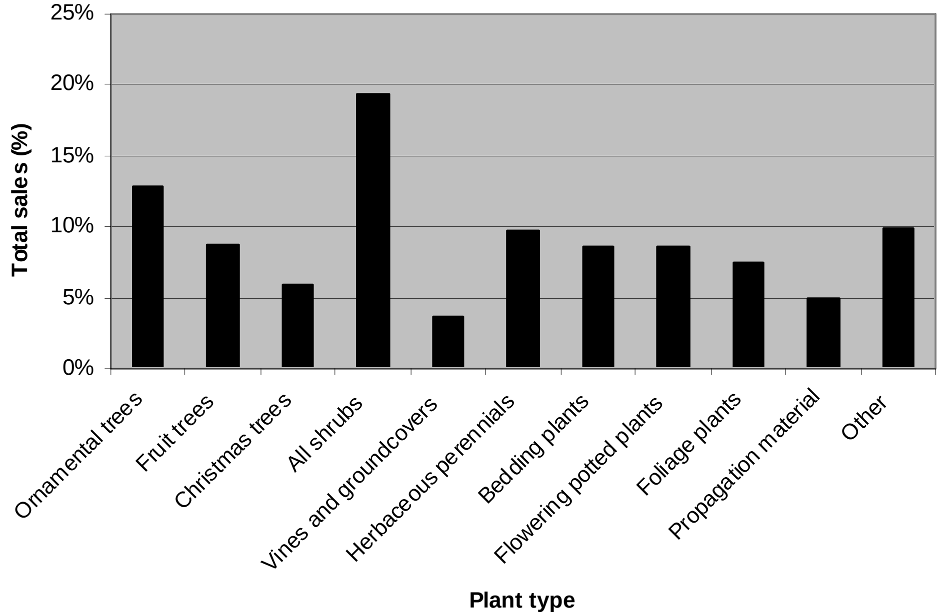

Figure 2. Percentage of California's total nursery sales for different types of plant material, based on dollar value. Data are based on 169 respondents from a random survey conducted in 1999 on the ornamental wholesale nurseries in California.

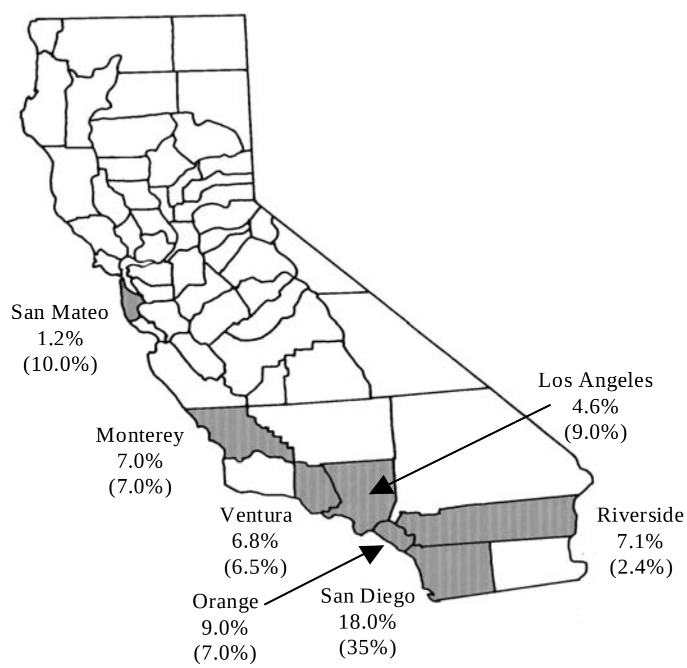

Figure 3. Map of the state of California with the top five counties for nursery crop production, based on the percentage of the state's gross nursery products sales produced for the years of 1991 and 2002. Counties are shaded in gray, and the percentage of the state's total nursery sales is indicated for each county, with 1991 data in parentheses. Data is based on California Agricultural Statistics Service, 2002.

climate. However, as urban populations increase near Los Angeles, San Diego and San Francisco, nursery operations are beginning to relocate to inland and less populated regions of the state. During the past decade, nursery production has decreased in Los Angeles, San Mateo and San Diego counties, but has increased in the less populated inland areas of the state. Some of the larger nurseries also have additional production facilities in other states: Arizona, Florida and Washington. Over 50% of the nurseries consider all factors listed in the survey (capital, marketing, personnel, production, transportation and plant offering) to be important when thinking about geographical expansion of the business.

Business and Production Practices. More than half of the nurseries have computerized business processes, such as accounting and word processing. However, few companies have computerized marketing processes or horticultural practices, such as production scheduling and greenhouse operations (Figure 4). Based on reports from UCCE Farm Advisors, most computerized production processes are associated with planting and irrigation. However, manual labor is still utilized for many planting and irrigation needs.

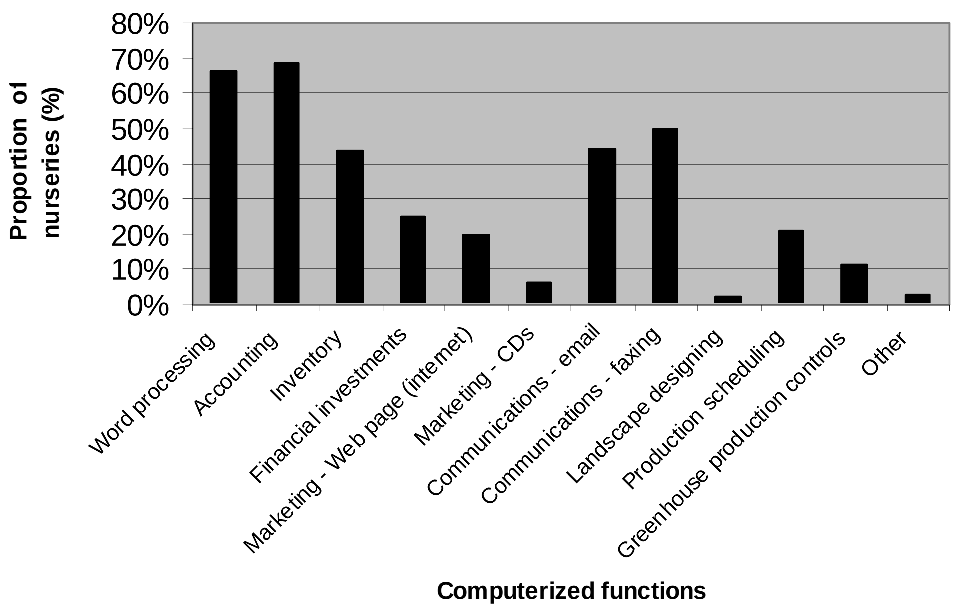

Figure 4. The percentage of California nurseries that have computerized various horticultural and administrative functions. Data is based on 169 respondents from a random survey, conducted in 1999, on the ornamental wholesale nurseries in California.

Marketing and Sales

The factors that nursery owners feel have the most impact on their business are market demand, weather uncertainty and water supply, while environmental regulations and governmental regulations are still considered to have the least impact on business (Table 2). However, as water quality regulations are developed and enforced throughout the state during the next decade, it will be interesting to see if these issues will have a greater impact on marketing.

Price Determinations

Over 50% of nursery owners consider the cost of production the most important factor influencing the price of products (Table 3). Plant grade (47%), market demand (43%) and product uniqueness (43%) are also considered important factors for product pricing.

Table 2. Ratings on the impact that climate, business and governmental factors may have on California wholesale nursery businesses. Values for the ratings are based on the percentage of respondents who answered the question.

	Proportion of respondents (%)[z]				
Influencing factor	Very minor	Minor	Neutral	Important	Very important
Market demand	4	3	6	30	57
Weather uncertainty	7	7	12	28	46
Water supply	19	4	13	25	39
Own managerial expertise	13	4	13	34	36
Capital	14	7	23	26	30
Ability to hire competent hourly employees	24	6	12	32	26
Land	27	10	15	24	24
Competition	12	12	23	30	23
Labor	20	11	20	25	24
Ability to hire competent management	31	9	15	22	23
Environmental regulations	21	14	20	26	19
Other government regulations	20	10	25	27	18

[z]Data are derived from a random survey, conducted in 1999, on the ornamental nurseries in California.

Product Imports

For woody ornamentals, over 80% of the plant material needed for production, such as seedings, bulbs, rooted liners, cuttings and grafted material, were purchased within California. The remaining 20% of the plant materials were derived primarily from Oregon, Washington and Florida.

Product Exports

Ninety-two percent of California nurseries' total annual sales are derived from in-state purchases. Residential landscaping is a major consuming equity for nursery products, with over 60% of nursery business directed towards landscapers, traditional garden centers, and re-wholesalers (Table 4), and over 75% of the clientele being repeat customers. The primary destinations for out-of-state purchases are Nevada, Arizona, Oregon, Washington and Texas. Only 8% of the respondents export nursery products out of the United States, and these exported products account for only 3.5% of their total sales.

Table 3. Ratings on the impact that different factors may have on the price determination of products grown in California wholesale nurseries. Values for the ratings of each factor are based on a percentage of 159 respondents.

Influencing factor	Proportion of respondents (%)[z]				
	Very minor	Minor	Neutral	Important	Very important
Cost of production	4	4	11	27	54
Inflation	16	18	27	27	11
Other growers' prices	7	7	19	36	31
Grade of plants	4	5	16	27	47
Market demand	4	3	17	34	43
Product uniqueness	7	3	18	29	43
Inventory levels	10	10	33	28	18
Last year's price	16	13	31	26	14
Other	0	25	0	25	50

[z]Data are derived from a random survey, which was conducted in 1999 on the ornamental nurseries in California.

Table 4. Types of California wholesale nursery customers and the percentage of respondents who claimed to sell to these types of clientele.

Wholesale clientele type	Proportion of respondents (%)[z]
Landscape firms (in-house or external)	69
Retail firms (garden centers)	60
Re-wholesalers (brokers, other grower, etc.)	60
Retail firms (other - grocery, hardware)	26
Retail firms (mass merchandisers/home centers)	24

[z]Data are based on 137 respondents from a random survey, which was conducted in 1999, on the ornamental nurseries in California.

Summary

As noted in the past, the California nursery industry is very diverse in the size of operations and in the plant materials produced. Growth of the woody ornamental nursery industry continues to support the increased demand for nursery products by the increased population in California. However, as the population of people increases in the coastal regions, production facilities are shifting to less populated, but more climatically extreme regions of the state, such as the Central Valley and deserts. It will be interesting to see how cultural practices will be modified to deal with the more extreme weather conditions (winter cold and summer heat) of California's interior valleys. Horticulturally, containerized plant production (80% of the industry) is still the primary method of growing and shipping plants in California. This cultural practice will probably not change, since the benefits of container production still outweigh any negative aspects of this cultural practice.

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Co-Hort is published 2 times per year (Spring, Fall) and distributed to U.C. Farm Advisors, Specialists, and Department Faculty associated with environmental horticulture. It summarizes current research and information on issues related to urban landscapes, turfgrass, and ornamental/floriculture crop production in an effort to support research and educational programs meeting the environmental horticulture industry's needs in California. This publication is written and edited by Donald J. Merhaut, and Dennis R. Pittenger, and prepared by Lynne Cochran. Please address any correspondence concerning this publication to the editors.

Co-Hort is issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, W. R. Gomes, Director of Cooperative Extension, University of California.