2004 Nursery Products Buyer Survey

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Introduction

A survey of the nursery industry in a seven state region including Kentucky was conducted during the summer of 2004. The purpose was to assess trends within the nursery industry in this region. There were 500 industry professionals from Kentucky, Tennessee, Ohio, Indiana, Missouri, Illinois, and West Virginia questioned by mail, with a response rate of 25%. These professionals included retailers, landscapers, and wholesalers within the nursery sector.

Firms surveyed are operating primarily as retailers or landscapers. Approximately 56% of businesses reported retailing activity and 75% reported landscaping services that contributed to their firm's gross sales. While 52% of respondents reported wholesaling as part of their business, these firms reported only 20% on average of their sales coming from wholesaling activity. This indicated a lack of firms deriving the majority of their income from wholesaling in this survey, so we hesitate to generalize the trends reported here as those characteristic to "wholesalers."

Industry Trends

With new nursery industry data forthcoming in 2005, the most current nursery industry summaries available during the period of this survey were from 1998.[3] The states summarized in this 1998 study represented 69% of the total grower cash receipts in the U.S.[4] Major nursery production areas are not expected to change significantly in forthcoming studies.

California and Oregon were leading supply states of whips, seedlings, and liners in 1998.[5] Florida and California were the most self-sufficient states, having large portions of their nursery purchases supplied in-state. In 1998, deciduous trees, broad-leaved evergreen shrubs, foliage, and annual bedding plants were the dominant nursery plants sold. Containers accounted for an average of 61% of sales in 1998. Balled and burlapped packaging was still a widely used method, contributing 40-70% of sales in some states.

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[4] Johnson, Doyle C. *Floriculture and Environmental Horticulture Situation and Outlook Report*. USDA Economic Research Service FLO-1999 (October 1999), Table 3.
[5] 1998 data is summarized from: John R. Brooker, Roger A. Hinson and Steve C. Turner. "Trade Flows and Marketing Practices within the United States Nursery Industry: 1998." Southern Cooperative Series Bulletin 397 (2000), pp. 2-9.

Cultivars Anticipated Difficult to Obtain by Business Type

Evergreen trees, evergreen shrubs, and flowering shrubs accounted for the largest sale volumes by retailers and landscapers. Flowering, ornamental, and shade trees, however, accounted for relatively low sales volumes (average of 000-999 units annually). Respondents reported selling few Kentucky-grown products. Respondents to this survey sold, on average, 0-10% of Kentucky grown products.

Retailers and landscapers are defined as businesses deriving 30% or more of gross sales from retail or landscaping activities. According to the survey, the average amount of sales in the businesses surveyed contributed by the retail sector is 32%. Retailers expected difficulty in finding 15-gallon and larger container plants, especially *dogwood, maple and pear*.

Survey results also indicated that landscaping contributed an average of 45% of sales for the businesses surveyed. Businesses deriving the majority of their income from landscaping anticipated difficulty locating *larger sizes of maple* including*:*

- *Japanese maple*: 6-8 ft.; 15-, 25-, and 45-gallon; 3”-4” caliper
- *Maple*: 2”-8” caliper, 3- and 5-7 gallon
- *Sugar maple:* 4-6 ft.; 2”-6” caliper sizes

Respondents also anticipated difficulty in location as well as *2-3 inch stock of oak and yellowwood.* Both business types anticipated difficulty locating various sizes of “Bloodgood” and viburnum cultivars during the coming one to five years.

Observed Trends

Three main trends were observed from the responses to this survey:

- Demand for specific plants
- Demand for certain sizes of cultivar
- Important characteristics in wholesale purchases

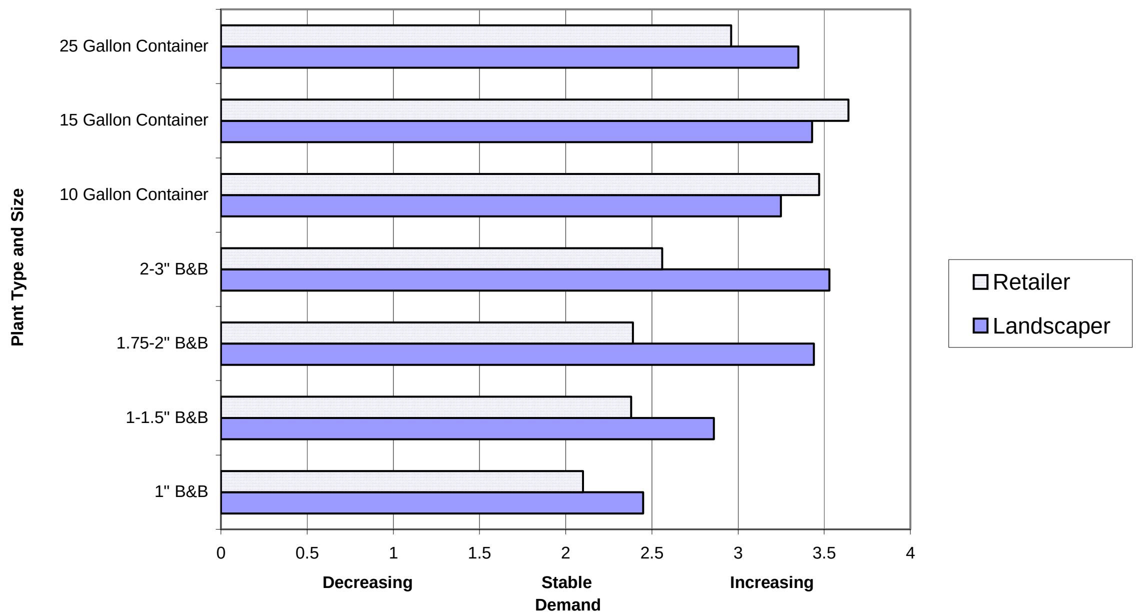
1. Demand for Specific Plants

Respondents were asked whether they saw quantity demanded for 12 cultivars as decreasing, remaining stable, or increasing. Both retailers and landscapers noted the demand for sweetgum, honeylocust, and ash as stable to decreasing. Stable to increasing demand was indicated for magnolia by retailers, for oak by landscapers, and for maple by both business types (Table 1).

Table 1. Demand Table for Tree Varieties

	Decreasing to Stable	Stable	Stable to Increasing
Retailers	Sweetgum Honeylocust Ash Flowering Pear Flowering Cherry	Birch Oak Serviceberry Dogwood Flowering Crabapple	Maple Magnolia
Landscapers	Sweetgum Honeylocust Ash Serviceberry Flowering Pear	Birch Magnolia Dogwood Flowering Cherry Flowering Crabapple	Oak Maple

Fig. 1 Demand for Plant Sizes by Business Type



2. Demand for Specific Sizes of Plants

The survey focused on trends in balled and burlapped (B&B) as well as container plant sales (Figure 1). There were increases in quantity demanded for larger sizes of B&B plants. For example, landscapers are showing a stable-to-increasing demand for 1¾ inch to 3 inch B&B plants. Both retailers and landscapers surveyed are experiencing decreasing demand for 1-1½ inches (smaller sizes) B&B plants.

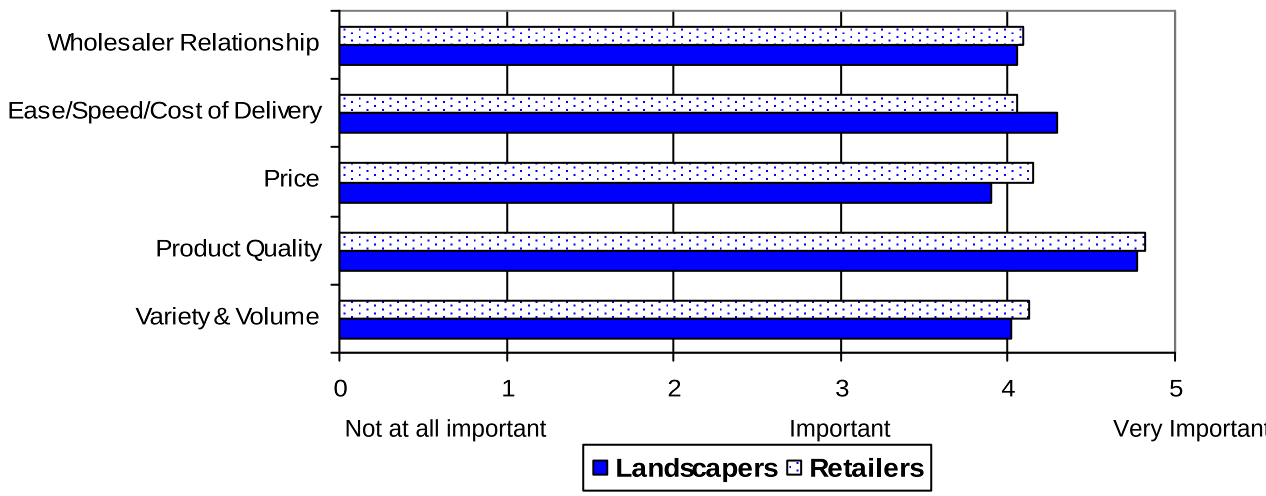
Container plants also followed the larger size-larger quantity trend. Landscapers indicated stable-to-increasing demand for 10- and 15-gallon sizes and an increasing demand for 25 gallon container plants. Retailers indicated an increasing demand for 10 and 15 gallon containers, and stable demand for 25 gallon sizes.

These results reinforced claims from many respondents of having difficulty locating 1½ -3-inch B&B's as well as 10- and 15-gallon container plants.

3. Characteristics of Wholesale Purchases

The survey attempted to isolate which characteristic of a purchase between wholesalers and retailers/landscapers is most important. Retailers and landscapers reported product quality the most important factor in a transaction. Other important components were (1) variety/selection/volume, and (2) ease/speed/cost of delivery (Figure 2). Price was ranked least important by landscapers; relationship with the wholesaler ranked least important by retailers. However, the average response to the "price" category from both groups was over or nearly 4.0 on the Likert scale, well above the "Important" range of 3.0.

Figure 2. Important Characteristics in Wholesale Purchases



Kentucky Statistics

Thirty-three businesses responded from Kentucky. Annual sales from operations in Kentucky averaged 38% retailing, 47% landscaping, and 15% wholesaling.

- Kentucky products sold from these businesses averaged 20-50%, compared to 0-10% in other participating states.
- Highest sales volumes were from evergreen shrubs, flowering shrubs, and shade trees.
- There is an increase in quantity demanded for magnolia and maple trees.
- There is a decrease in quantity demanded for flowering crabapple, ash, and honeylocust.

Kentucky respondents specify increases in demand for larger B&B sizes (2-3 inches), and 15-gallon container plants. Decreases were also found for 1 inch and 1-1½ B&B plants. Lastly, Kentucky businesses reported that the most important characteristic for wholesale purchases is product quality. However, product quality was ranked only slightly higher overall than the other categories: wholesaler relationship, ease/speed/cost of delivery, price, and variety/volume.

Conclusion

This survey indicates that the most important production concern for nursery growers is consistent high quality product. Kentucky nursery stock is not currently regarded as the lowest price stock in our region. However, growers may find that opportunities exist to market their products' higher quality characteristics. Exactly how much more buyers are willing to pay for higher quality is yet to be determined. This information will be key to the possible development of a niche for Kentucky nursery growers.

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