The 2006 *GPN*/OFA State Of The Industry Survey

Ask any grower what he or she thinks about the current state of the green industry, and you are sure to get an earful. Ask more than 570 growers and you get the 2006 *GPN*/OFA State of the Industry Survey. This survey provides a snapshot of today's floriculture market.

By Tim Hodson

Taking the pulse of the floriculture industry is not a simple task, but we wanted to gain some insight into what growers are thinking and doing. Earlier this year *GPN* partnered with OFA — an Association of Floriculture Professionals to see how growers felt about the current state of the green industry and in which direction they feel it is headed.

GPN and OFA, working with ABR Research Inc., an independent research company specializing in custom research, developed a 26-question Internet survey for growers. The survey asked these individuals for their opinions on a wide-ranging list of issues and topics currently facing growers. The list includes their personal demographics as well as those of their growing operations, what concerns are impacting their bottom lines, how they use immigrant labor and what they think about the industry standardizing pot sizes.

After the survey was created, a random sample of *GPN* subscribers was notified by E-mail and asked to participate in the study; more than 570 individuals completed the survey. The margin of error based on the number of returned surveys is calculated to be no greater than +/- 4.1 percent at a confidence level of 95 percent.

This article looks at just some of the issues covered in the 2006 *GPN*/OFA State of the Industry Survey. The results of the survey were also the topic of a panel discussion session at the 2006 OFA Short Course in Columbus, Ohio, in July.

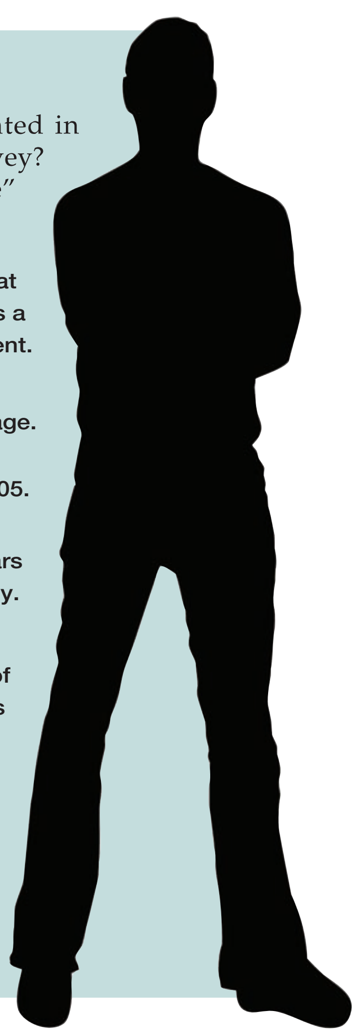
More To Come

In the coming months, *GPN* will dive deeper into these numbers and some of the other survey topics such as an industry-wide marketing initiative and retailer merchandising. We will provide you with additional analysis of the state of the green industry and what we might be able to expect in the coming years.

If you would like to purchase the full report, contact Judy Paul at jpaul@sgcmail.com.

The Participants

Who were the growers that participated in the *GPN*/OFA State of the Industry Survey? Here are the demographics of an "average" respondent.



65 percent: The amount that categorize themselves as a company owner and/or president.

49 years old: The respondents' average age.

$4.8 million: Average gross sales in 2005.

11 years: Number of years with current company.

32 years: Average number of years respondents' companies have been in business.

81 percent: Use the Internet for business.

76 percent: Belong to a local, state or national trade association.

2004-05 — A Marginal Year?

According to survey respondents, the change in average overall profit margin from 2004 to 2005 was 7 percent. The change in average gross revenue over that same period was 1.6 percent.

For those growers whose margin went up, the average gross revenue increased 17 percent. For those growers that saw a decline in profit margin, the gross revenue decreased 11.7 percent.

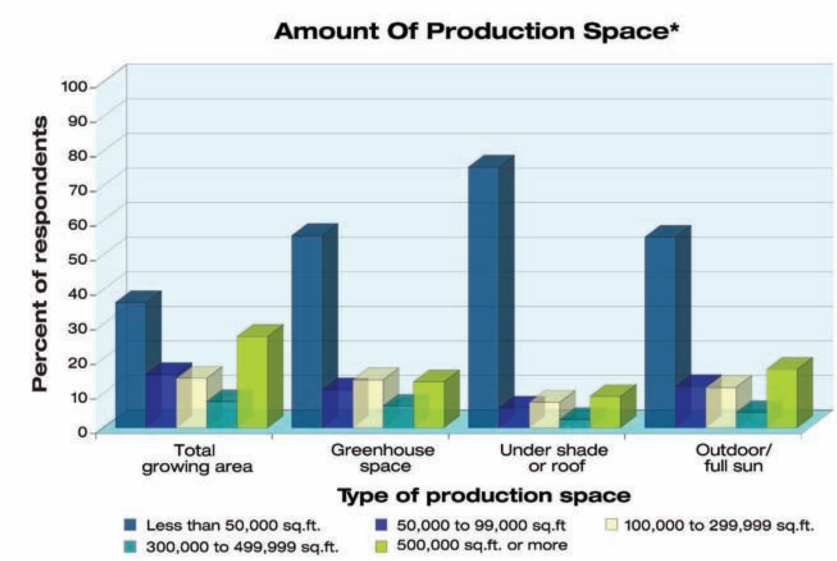
One grower expressed his concern about current and future profit margins: He said he worries about "the viability of the industry in terms of growers receiving a reasonable return on investment" over the next five years.

Production Space And Crops

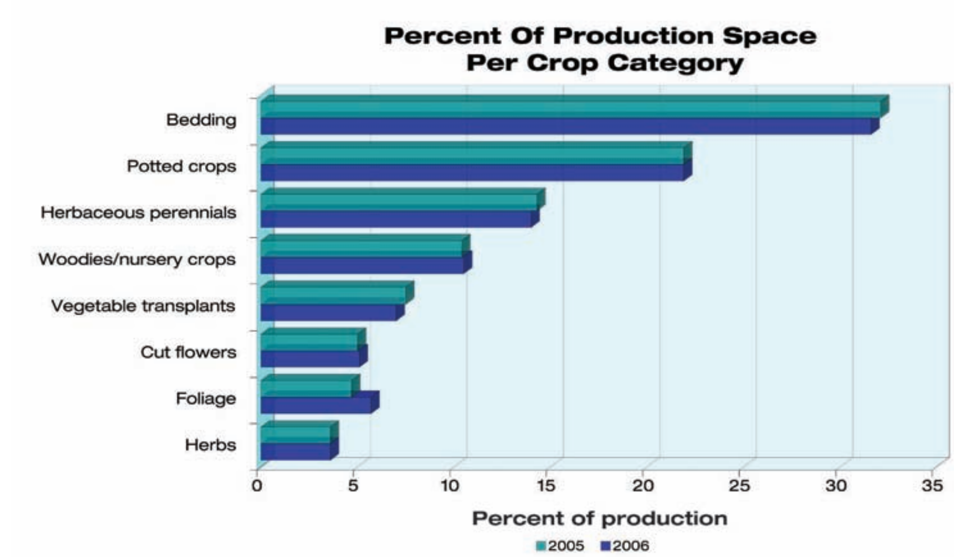
When asked about production space size, 36 percent of respondents said their total growing area was less than 50,000 sq.ft. Twenty-six percent said their growing area was 500,000 sq.ft. or greater. As we continue examining the information from the survey, try to keep the following size breakdowns in mind because growers of different sizes answer questions very differently. Large growers are going to use more automation and immigrant labor; smaller growers are going to be more inclined to try unusual crops. Additionally, by watching how this number fluctuates over the years, we will be able to better know if growing operations are really polarizing to small and large, as many people think.

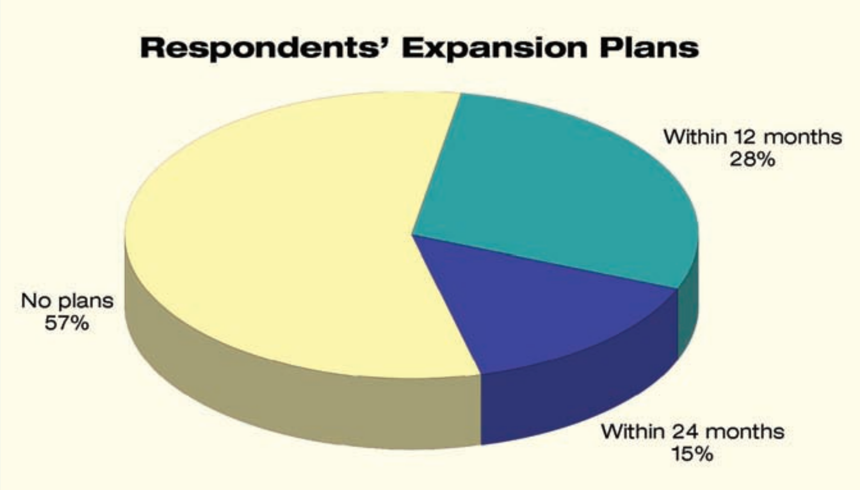
Bedding plants continue to be the largest crop produced by growers. According to the survey, bedding plants made up an average of 32 percent of all crops grown in 2006. Potted crops were the second most produced crop at approximately 22 percent. Across the board, there was very little movement in total percentages when comparing 2005 to 2006.

The average cost of production per square foot was $8.30. Nearly 17 percent said the production costs were $11 or more per square foot.



Participants were asked to quanitfy production space in four different categories. These answers are not intended to total 100 percent.





Expansion On The Horizon?

It seems most growers are content to sit tight when it comes to expanding their operations in the near future. Nearly 57 percent said they currently had no plans to expand their operations, while 28 percent said they are planning to expand within the next 12 months. It also seems the past few years of higher steel prices and shrinking margins may have growers putting off plans for expansion. Another factor that might explain the reluctance to build new greenhouses is the availability of contract or lease facilities. Many growers we talk to are now doing some contract growing, preventing other growers from needing to expand.

Working With Immigrant Labor

As officials in Washington continue to struggle with the nation's current immigration laws, the issue of immigrant labor continues to vary widely for growers. According to respondents, more than one-quarter (28 percent) said the majority of their workforce is comprised of immigrant laborers. The readers also said, on average, 23 percent of their company's workforce is made up of immigrant laborers.

However, 58 percent said they do not use any immigrant workers in their growing operations. It is not surprising to find that smaller growers said immigrant labor made up a very small percentage of their workforces. These are typically family-operated businesses with few additional employees. But for larger growers with gross sales of $5 million or more, immigrant labor is almost half (49.2 percent) of their workforces. ➧

The use of immigrant labor varies considerably depending on the size of the grower.

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The photos in this ad were taken at outdoor trials in Boulder, CO on July 19, 2006. The plants were subjected to 26 days of 90ºF+ heat.*

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Varieties pictured: Nirvana™ Pink Blush, Cascade White, Cascade Orchid, Red, Lavender With Eye

Outstanding performance.

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Perform very well in full sun and hot conditions

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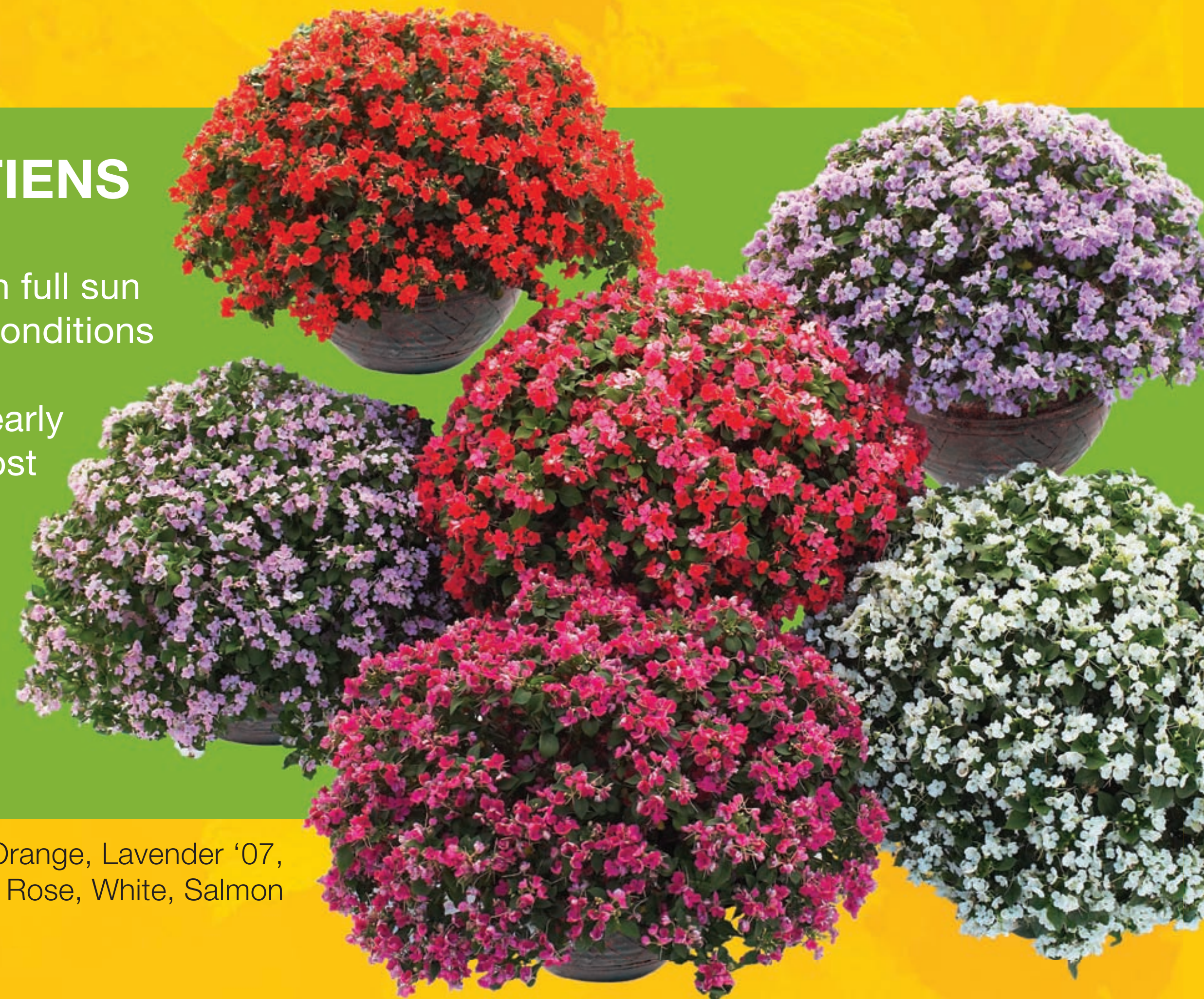

Varieties pictured: Firefly™ Orange, Lavender '07, Blush Pink, Rose, White, Salmon

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Varieties pictured: Tradewinds™ Pink, Pure Yellow, White '06, Deep Purple, Light Purple

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*Weather data supplied by weather.com. All varieties pictured in this ad were bred by Goldsmith.

management

To Standardize Or Not?

When asked if the industry needs to standardize container sizes, 60 percent were in favor of the idea, while 40 percent were not. One grower said standardized container sizes would "benefit the industry by leveling the playing field." Ease of automation, less confusion for consumers and improved overall consistency were some of the other reasons cited for the industry to move to standardized pot sizes. Another grower said standardized pot sizes "would make ordering materials easier across the board."

On the other hand, one reader feared that the cost of switching to standardized pot sizes "could cripple the industry." Another respondent said pot standardization "is just another regulation, and we already have enough of them."

Container standardization is seen as a benefit for some growers and a burden for others.

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

A sampling of random verbatim responses:

"How will our customer base change over the next five years due to Baby Boomers getting older?"

"Caring for the first generation in our second-generation family business and the transfer of assets."

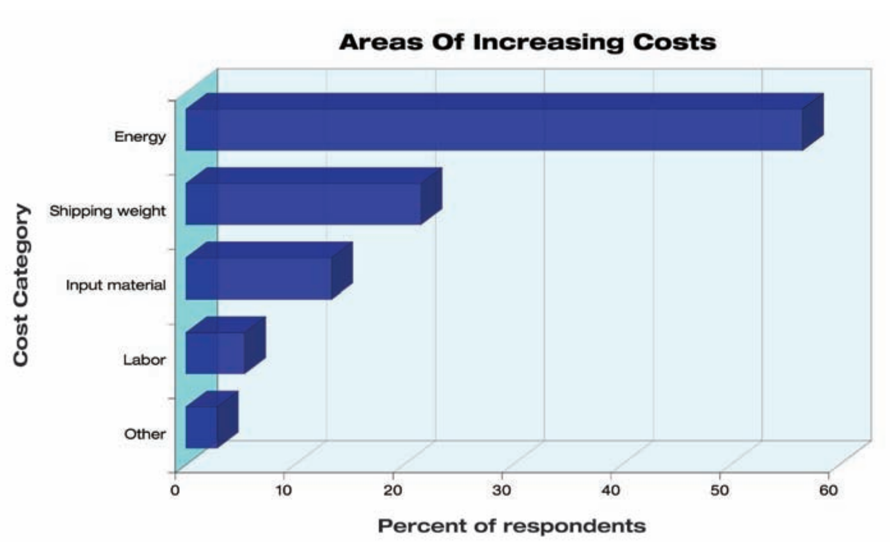
"Finding profitable items to sell in light of energy costs."

"Mechanization, distribution and demands for perfect product quality."

"Reduced demand for floriculture crops as customers get older."

The Impact Of Energy Costs

Skyrocketing energy costs continue to be the number-one item affecting the overall business operations of growers. Fifty-seven percent of participants said the increased price of energy had the biggest impact on their businesses over the last 12 months followed by shipping/weight, input materials and labor. One grower said his biggest concern over the next five years was how to control "cost increases in all economic areas due to increased oil prices." GPN



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