

# *The Fifth Annual* **State** *of the* **Industry** *Report*

How did growers fare in 2000 and what are the trends in greenhouse production?  
The GPN/Summit Plastics Fifth Annual State of the Industry Report  
has the in-depth information no one else has.

*By Bridget White and Andrew Wagner*

**E**specially this year, growers are all wondering how their neighbors, friends and competitors are faring, what the production trends are and how the floriculture industry is progressing. For this reason, GPN has once again conducted its Annual State of the Industry Survey — the only truly detailed analysis of the floriculture industry that's available.

For the third year in a row, Summit Plastic Co. has stepped forward as a co-sponsor to support this effort. And, GPN readers have also given some of their valuable spring production time to answer the survey. Both parties should be applauded for their support. So, with our sincere thanks to the supporters of this effort, GPN presents the Fifth Annual State of the Industry Report.

## **ABOUT THE STATE OF THE INDUSTRY RESPONDENTS**

Growers, growing techniques and crops grown differ between the many regions across the country. For this reason, it's important to understand who responded to our survey before we examine how they responded.

The 2000 respondents, as they have in previous years, came overwhelmingly from the Eastern half of the United States. Twenty-two percent of respondents — the largest percentage of respondents — are headquartered in the Midwest, 19 percent in the South, 14 percent in the Mid-Atlantic and 7 percent in the Northeast. The other main location of growers, as should be expected, is on the West Coast, 20 percent.

Please note that five percent of respondents did not indicate the region in which they are based.

With over 55 percent of respondents having growing space between 50,001 and 500,000 sq. ft., the respondents for this year's survey are also reflective of the typical size of most growing

operations (25 percent have operations 50,001-100,000 sq. ft. and 30 percent have operations 100,001-500,000). Responses from other size operations are almost equally represented, with 14 percent have operations 25,000 sq. ft. and under, 13 percent have operations 25,001-50,000 sq. ft. and 15 percent have operations more than 500,000 sq. ft.

Please note that three percent of respondents did not indicate the size of their growing operation.

Where applicable, questions have been broken down by region for the best understanding of the information.

## **SIZE OF AVERAGE OPERATION**

Unlike other questions in the State of the Industry Survey, size of operation does not really lend itself to a year over year comparison. If this year's respondents from a certain region had a large representation of small growers, the size of the average operation will appear small. This happened last year when two large shade growers in the central region responded, skewing the average size of shade operations in the south. Instead, it is interesting to note the overall averages for type and size of production.

The average for total production space in 2000 was 311,012 sq. ft., less than 40 percent of last year's total of 709,495. Even taking into consideration the margin of error and the year-to-year variance factor, the 2000 figures reflect a continued slide in total production space from a four year high in 1997.

The region with the largest operations was the West with 500,215 sq. ft. under production, followed closely by the West Coast with 470,491 sq. ft. The types of structures used in these regions were, however, polar opposites. West Coast growers tended to use fixed structures, with very little product grown in either a shade house or in the open field. Growers in the West,

however, used open field by a margin of almost two to one. Given the climates, these figures are appropriate. (See chart on page 18 for detailed information by region, year and type of cover.)

When the type of structure or growing environment is analyzed, you can see an interesting trend in the use of fixed cover versus open field. According to the 2000 survey results, a grower's reliance of open field space increases with the size of the growing operation. So that operations with 25,000 sq. ft. or less average only 954 sq. ft. of open field space (7 percent), as opposed to 10,418 sq. ft. of fixed structures (76.6 percent). Operations with more than 500,000 sq. ft. used 582,949 sq. ft. (46.3 percent) of open field space and 594,500 sq. ft. (47.1 percent) of fixed structure space. The result is that open field space is used almost as much as fixed cover space in the overall averages.

One other trend in production space is also worth noting, and that is the use of retractable roof systems. Though most popular with large growers in the Central region, retractable roof systems have failed to gain widespread use. As should be expected, the most popular types of structures continue to be fixed cover, 51.1 percent of respondents; open field, 41.7 percent of respondents; and shade houses, 6.5 percent of respondents.

Please note that 95 percent of respondents provided complete data that was useable for calculating size of production statistics.

## **EXPANSION PLANS**

Despite reports of a slowing economy, 22.4 percent of respondents are considering expanding their production space within the next two years — 16.5 percent covered and 13.3 percent open field space. This figure represents a wide variety of growers in size as well as in location.

By region, growers in the Mid-Atlantic States have the most expansion plans, with 44 percent adding production space over the next two

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## Methodology

In late March, the GPN staff mailed 2,000 State of the Industry surveys to a randomly selected cross-section of the magazine's readers who had reported on subscription qualifying cards that they are wholesale growers. Included in the sample were growers who also indicated that they have one or more retail outlets, provide landscaping services or both.

GPN received 153 usable surveys from responding readers. Data from these surveys was recorded and tabulated by GPN staff using a formula devised by Accountability Information Management (AIM), Palatine, Ill.

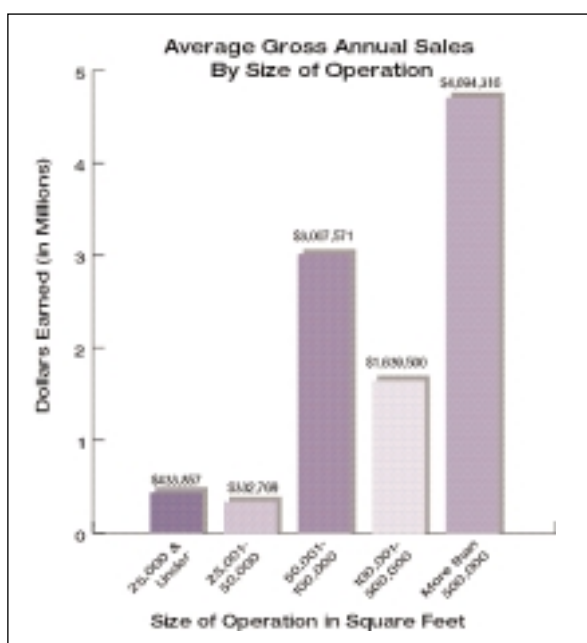
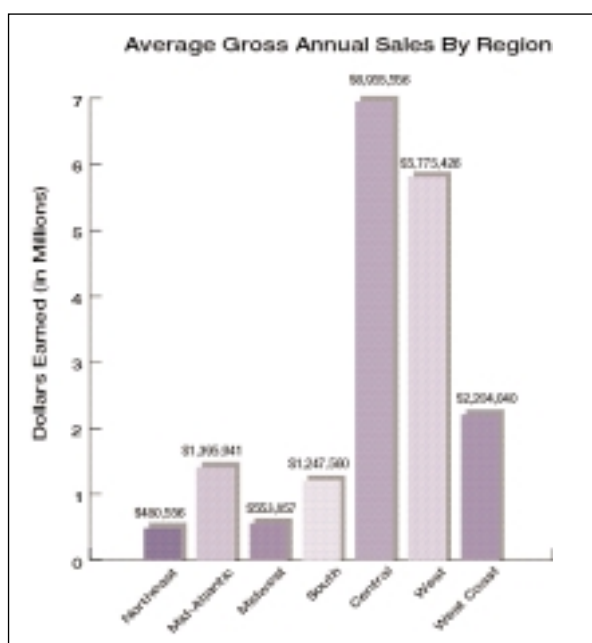
To ensure that data for each area of inquiry (i.e., production cost per square foot, crops

grown, gross sales) was as accurate as possible, we calculated an overall average for each question based only on surveys in which sufficient information was provided.

To the fullest extent possible, we have endeavored to provide year-over-year data. This enables interested readers to track the performance of key industry sectors and to perhaps detect trends in production practices, consumer preferences, etc. All findings for 1999 and 1998 are based on data compiled and tabulated by AIM. Findings for 1997 and 2000 are based on data compiled and tabulated in-house by GPN. Data gleaned from growers in 1996 for our First Annual State of the Industry Report does

not appear in year-over-year comparisons because the methodology used for that survey is not compatible with that of subsequent surveys.

The manner in which GPN compiled data in 1997 and 2000 is similar in most respects to the manner in which AIM compiled data for 1998 and 1999. However, readers should factor a fair degree of variance into comparisons of data compiled by GPN with data compiled by AIM. Needless to say, readers must assume that findings contain some margin of error. All findings presented in this survey are accurate to the degree that respondents provided accurate information regarding their operations.



years. Twenty-five percent of growers in the West plan to expand, 17 percent of growers in the South, 15 percent of growers in the Northeast, 14 percent of growers in the Midwest, 3 percent of growers in Central states and 2 percent of growers on the West Coast.

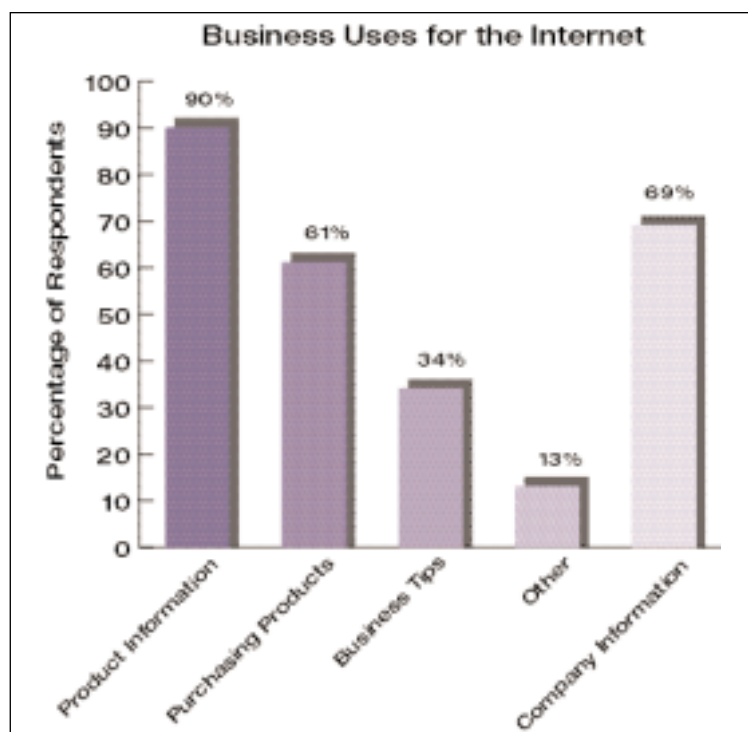
Expansion plans also fail to indicate any correlation to the size of the growing operation. Growers of all sizes are planning expansions: 23 percent of growing operations 25,000 sq. ft. and under, 33 percent of operations 25,001-50,000 sq. ft., 13 percent of operations 50,001-100,000 sq. ft., 9 percent of operations 100,001-500,000 sq. ft. and 13 percent of operations larger than 500,000 sq. ft.

When the amount of expansion expected for all regions and all sizes is combined, the projected expansions for covered space is approximately equivalent to that of outdoor production space, 14 percent and 11 percentx

## Business on the Internet

Internet use increased 10 percent in the 2000 survey over the 1999 survey. Sixty-

three percent of respondents indicated that they use the Internet for business, as opposed to 52 percent last year. Ninety percent of those respondents said they use it for product information while 69 percent said they use it for company information. Forty-two percent of respondents indicated they have made business purchases on the Internet. About a third of the respondents indicated that they surf the Web for business tips. Thirteen percent said they use the Internet for other reasons. Other reasons for Internet use among growers included emails, references, research, sales, travel, weather and novelties. Among those who don't have access to the Internet, 33 percent said they intend to do so in the next year and 50 percent indicated that they plan to do so within the next three years.



### PURCHASING

Forty-one percent of respondents said they would consider purchasing containers and tags/labels (although only four percent have purchased tags/labels and only one percent as purchased containers.) over the Internet. Over a third of respondents said they would purchase seed/plant material over the Internet, and five percent already have. Thirty-two percent said they would use Internet sources to purchase fertilizers, 31 percent would purchase greenhouse chemicals and 27 percent said they would buy greenhouse equipment. Only 17 percent of respondents showed interest in buying greenhouse structures over the Internet.

### SELLING

Few growers are selling their products on the 'Net. Only 12 percent of respondents reported that they are currently selling product via the Internet and only 28 percent said they plan to in the future. That leaves almost two-thirds of the growers surveyed having no plans to sell products over the Internet. GPN

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respectively. However, as noted in the previous section, the majority of the increases in outdoor production space will come with larger operations in the West.

Please note, approximately 70 percent of respondents provided complete data that was useable for calculating expansion plans.

### TRENDS IN AUTOMATION

Respondents to this year's State of the Industry Survey indicated a continued interest in automating their growing operations. Approximately 26 percent of growers own at least one of the automated machines listed below. Perhaps the more reveal-

ing statistic about the industry's attitude toward automation is the number of growers planning to add automated equipment soon. Approximately 8 percent of respondents will be purchasing automated equipment over the next few years. That's over 30 percent of the number that currently own such equipment.

For the fourth year in a row, environmental controls remain the most widely used form of automation in the greenhouse industry. Fifty-three percent of respondents already own some form of environmental control system, with another 12 percent planning to purchase a system soon.

The least used piece of automated equipment, regardless of size or location of the operation, is flood floors. Six percent of growers use flood floors, 10 percent use an automated transplanter, 13 percent use an automated transport system, 18 percent use floor heating, 21 percent use sub-irrigation benches, 32 percent use an automated seeder or flat filler, 38 percent use rolling benches and 40 percent use root-zone heating. Growers who intend to add equipment soon place almost the same importance as is reflected in the percentages above.

As expected, the majority of automation users are larger growers, though growers of all sizes are beginning to use certain pieces of equipment such as environmental controls, root-zone heating, rolling benches, automated seeders and automated flat fillers.

Please note, approximately 85 percent of respondents provided complete data that was useable for calculating automation statistics.

### SALES AND PROFITS

Not surprisingly, the operations with the largest sales are those with the largest production area. Growers with more than 500,000 sq. ft. of production space averaged annual sales of \$4.7 million, operation of 100,001-500,00 sq. ft. averaged \$1.6 million, 50,001-100,000 sq. ft. averaged \$3.0 million, 25,001-50,000 sq. ft. averaged \$332,769 and operations 25,000 sq. ft. and under averaged \$433,857.

But sales do not tell the story of who actually made money last year. For those figures, we need to look at net profit statistics. And, these statistics do not seem to reflect any set patterns.

Averages of all the responses to net profit questions show that 39 percent of respondents increased profits last year, 22 percent decreased and 38 percent report profits remaining constant from 1999.

Profits seem highest in the Northeastern states, with 50 percent of respondents taking home more money last year. In the Mid-Atlantic States, 33 percent of respondents

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reported profits, 38 percent in the Midwest, 44 in the South, 30 in the Central states, 29 percent in the West and 35 percent on the West Coast.

Decreases in take home hit the Central states

the hardest, with 40 percent of respondents reporting a decrease in profit over last year.

Thirty-two percent of respondents from Southern states reported a decrease, 24 percent

from the West, 21 from the Midwest, 17 from the Mid-Atlantic States, 13 percent from the West Coast and 10 percent from the Northeast.

And the numbers do not become any more homogenous by size of respondents. It seems that last year was mostly a mixed year as far as profits are concerned, though the majority of respondents did report increased earnings.

Please note, approximately 76 percent of respondents provided complete data that was useable for calculating sales and profits.


## PRODUCTION SPACE 1997 TO 2000

FIXED COVER				
Region	1997	1998	1999	2000
Northeast	63,599	91,550	61,471	44,113
Mid Atlantic	65,084	87,677	159,401	102,943
Midwest	81,629	166,124	113,817	80,355
South	128,784	120,415	191,400	97,004
Central	74,041	117,011	111,290	112,625
West	97,564	107,103	121,894	164,900
West Coast	151,570	230,228	171,025	359,564
<b>OVERALL AVERAGE</b>	<b>94,610</b>	<b>151,589</b>	<b>135,920</b>	<b>158,007</b>
SHADE				
Region	1997	1998	1999	2000
Northeast	1,689	1,150	1,200	1,109
Mid-Atlantic	3,746	455	0	5,964
Midwest	6,743	2,705	5,259	3,385
South	106,062	145,113	49,096	60,840
Central	38,844	12,300	244,827	6,833
West	26,391	7,250	9,504	8,125
West Coast	17,651	95,975	25,677	20,756
<b>OVERALL AVERAGE</b>	<b>28,732</b>	<b>42,410</b>	<b>34,023</b>	<b>20,225</b>
TOTAL PRODUCTION				
Region	1997	1998	1999	2000
Northeast	260,833	159,007	137,895	119,041
Mid-Atlantic	221,132	251,555	396,133	277,171
Midwest	375,430	1,401,112	393,389	112,210
South	866,573	1,784,192	618,501	367,333
Central	985,990	277,482	1,777,867	305,743
West	3,109,734	876,374	2,033,969	500,215
West Coast	1,091,777	1,366,923	786,656	470,491
<b>OVERALL AVERAGE</b>	<b>987,352.7143</b>	<b>1,054,451</b>	<b>709,495</b>	<b>311,012</b>

### HOW TO OBTAIN A COPY

GPN's report on the State of the Industry will continue next month, and we will also be providing additional information gleaned from this survey in upcoming articles and news items. However, space does not permit us to include all of the information from our survey. We do offer a publication that includes all data from this survey.

This publication offers breakdowns by size of operation and region for all categories covered in this and other articles. Included are the specific numbers of respondents who submitted information for each category. Also included are additional comparisons between data from the 1997-1999 surveys.

The cost of the complete survey is \$100.00. Please submit your order to Bridget White, GPN, 380 E. Northwest Hwy., Suite 200, Des Plaines, IL 60016, or email your request to [bwhite@sgcmail.com](mailto:bwhite@sgcmail.com). 

*Please look for part two of the State of the Industry Report in the June issue of GPN.*

Bridget White is managing editor and Andrew Wagner is staff writer of GPN.

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