Florida Nurseries: Why Some Struggle and Some Sail Through Economic Hard Times

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SUMMARY. The Florida nursery industry generated \$3 billion in farm gate sales in 2005, positioning Florida as the nation's second largest nursery crop production state after California. The recent downturn in the economy and collapse of the housing market has had a negative impact on some sectors of the industry, forcing many of the nurseries producing landscape plant material out of business, but leaving some nurseries untouched. An informal survey by extension agents indicated that nurseries are coping by using various strategies, including reductions in labor force, increased efficiencies in irrigation and fertilizer, the adoption of best management practices, creative marketing strategies, specialization in the production of unique crops, and innovative production and business techniques.

The Florida nursery industry generated \$3 billion in farm gate sales in 2005 and is the second largest in the United States after California (Hodges and Haydu, 2005). Environmental horticulture in Florida, which includes nursery and greenhouse production and landscape services, had an output of \$12.9 billion, a value-added impact of \$7.7 billion, and employment impacts of 172,000 people statewide in 2006 (Hodges et al., 2008). An increasing amount of this impact has been in the landscape services area and golf courses, with nursery and floriculture production important in a few counties. Tropical foliage plant production had 4- to 5-fold greater sales than other floriculture production, including potted flowering plants, bedding plants, propagative materials, cut greens, and herbaceous perennials in Florida [U.S. Department of Agriculture (USDA), 2009]. However, landscape plant materials are not included in these USDA statistics. Sales of shrubs in Florida represented 19% of the total nursery sales, followed by tropical foliage at 14% of total sales, and deciduous trees at 13% of total sales in

2005, the peak economy year (Hodges and Haydu, 2005). With the collapse of the housing market in 2008–09, landscape plant sales plummeted, while floriculture sales have remained much more stable.

The economy has been especially hard hit in Florida with rising unemployment (over 12% in 2010); increased foreclosures and bankruptcies; restricted credit; reduced income and spending; a collapse in construction/landscape activity; increasing food, energy, and healthcare costs; restricted labor supply/reverse migration; an imbalance of foreign trade; and an expanded government debt (A.W. Hodges, personal communication). Housing starts were down by ≈80% in 2008 compared with the peak in 2005. In addition, since 2005, Florida has experienced droughts, freezes, irrigation restrictions, new invasive pests, and increased government regulations of water and fertilizer use (Tasker, 2009). Research is underway at University of Florida to determine the economic impact of best management practices (BMPs) and water and fertilizer restrictions. Local governments are not waiting for research and are instituting restrictions, such as Sarasota and Pinellas counties' total ban on nitrogen and phosphorus fertilizer in the summer (DeCamp, 2009). This combination of factors, added to the current economic crisis, has forced many wholesale landscape nurseries out of business, while many others are struggling to survive.

Extension agents working with the nursery industry have found that

the most affected nurseries have been those nurseries that produced wholesale for the landscape industry and were tied closely to development. Producers of commonly found trees, palms (Arecaceae), woody ornamentals, groundcovers, and bedding plants who are only selling locally have been hard hit. Their containerized plants have become overgrown and cannot be sold even at "fire sale" prices. Some failing nurseries were established solely for tax exemption purposes with inexperienced and "passive growers" waiting for calls from buyers. Others had overexpanded with the boom and were too highly leveraged. Growers who are financially challenged face the problems of weed control without herbicides, no fertilizers, no pest control, and a lack of knowledge of how to respond to these challenges. This leads to reduced-quality plants that are overgrown, pot-bound, and can only be unloaded at cheap prices (\$1.00 plants).

Grower survey

An informal survey was conducted by extension agents in several of the larger nursery-producing counties to determine how nurseries are coping. We asked several growers throughout the state the following questions:

1. What is your company business situation?
2. What are you doing to survive the crisis?
3. Are you doing something different to improve your business situation?

Thirty-one growers responded and extension agents talked informally to many more. Growers surveyed ranged from landscape to greenhouse and interior foliage. Examples of answers to these questions include a range of responses that indicated how some growers were surviving the hard economic times. Some nurseries are just surviving, while others are doing well enough. Success seemed to depend on marketing, plant materials produced, and business management.

Successful strategies

Some of the successful strategies practiced by nursery operators in Florida included diversifying services and marketing. Innovative marketers are able to find markets where others are relying on past markets that are

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failing. Many growers have gone from selling strictly wholesale to including at least some retail. Growers who provide a broader mix of services (plants, landscape, waterfall, lighting, hardscape, sidewalks, and pools) are diversifying and increasing income with a wider range of products and services. Client service, whether it is finding whatever plants the client needs even if they have to get them from a number of nurseries, or providing easy shipping and installation, increases market share. Some nurseries are even becoming sites for events like weddings.

Some growers have successfully pursued grants to explore international markets to diversify sales. They are participating in trade shows abroad with help from the Southern United States Trade Association. A nursery grower and his extension agent from the Fort Pierce, FL, area went to the IPM Plant Show in Essen, Germany (60,588 visitors from 90 countries, and 1447 exhibitors from 47 countries) in 2009 to explore European export markets. Palms can be more quickly grown in Florida than in Europe and may be able to be shipped to Europe with special precautions. The accompanying extension agent tested several methods for successfully shipping palms in the middle of winter to Germany for the trade show (Skvarch, 2009). This event stimulated a group of growers and buyers from Germany to visit Florida to explore future trade opportunities. Unfortunately, the economic downturn in Europe resulted in business leads, but no sales contracts so far. Cut foliage growers in Volusia County received a grant to send several representatives to The Netherlands for an international trade show to develop international markets. Other potential markets that growers are exploring from contacts at trade shows include Saudi Arabia, Kuwait, United Arab Emirates, the Caribbean Islands, and Canada.

Quality plant material has tended to sell even though there are extremely cheap plants overwhelming the market. Knowledgeable buyers avoid purchasing overgrown, pot-bound plants, but inexperienced buyers looking for bargains may not be aware of problems. Producers growing for niche markets are still doing well because they have found a product that

others are not producing. Native plant producers are finding markets with government contracts, landscape codes requiring a certain percentage of natives, beach plantings, contracts with the power companies, and mitigation sites. Edible landscape plants, fruit plants, vegetables, and herbs are popular with the “locavore” market and those trying to save on food costs. These growers are supplying farmers’ markets, high-end restaurants and hotels, and other specialty buyers (Tasker, 2009). Products that continue to have a good market include orchids (Orchidaceae) and bromeliads (Bromeliaceae), color plants, foliage for interiors, high-quality plant material, unusual plants such as uncommon ferns [e.g., spleenwort (*Asplenium* spp.), shield fern (*Dryopteris* spp.), tree fern (*Cyathea* spp.), fishbone fern (*Nephrolepis* spp.), staghorn fern (*Platynerium* spp.), maidenhair fern (*Adiantum* spp.), and pteris fern (*Pteris* spp.)] and carnivorous plants [e.g., venus flytrap (*Dionaea* spp.), sundew (*Drosera* spp.), pitcher plant (*Nepenthes* spp. and *Sarracenia* spp.), and butterwort (*Pinguicula* spp.)], plant arrangements in containers, and plants to supply outdoor rooms for the backyard “tropical paradise/sanctuary concept” or “stay-cations” (vacations at home).

Many producers are interested in improving business efficiency through programs like the lean flow approach (FlowVision, Dillon, CO) from the Lean Business & Supply Chain Consulting Group (Cortes and McPhetridge, 2008). The lean flow approach involves creating process flow charts, developing standard operation worksheets, and analyzing business efficiency to streamline production. A proponent of this program is Kerry’s Bromeliads in Homestead, FL. After implementing the recommended changes, Kerry’s improved productivity, had better management, eliminated waste, and saved more money with improved efficiency. Other growers have chosen a quicker way to reduce costs with the advantage of a “green” appeal by recycling potting mix, using potting mix with compost rather than peat, reusing containers, and recycling plastic from greenhouses. Growers able to invest more in the business are using technology to replace labor with pot-filling machines, irrigation systems with controllers,

innovative ways to move plants from the potting area to the growing area and back out to the shipping area, and automated climate control systems. Growers using best management practices and keeping a tight control of water, fertilizer, and pesticide use are able to realize even more savings, although research to back this is still lacking.

Conclusions

The informal grower survey indicated that successful growers were using aspects of an alternative, differentiated strategy rather than the commodity strategy that has been used in the past. Hall found similar results in his analysis (Hall, 2009). Instead of focusing solely on production, successful growers focused on what the customer wants and for what he is willing to pay. They emphasized marketing and value-added production rather than manufacturing, and they have reduced costs and increased efficiency. With this kind of marketing mentality, growers can be successful in weak markets, but it requires a complete shift in the way business is done. Extension educators have provided a series of programs to help growers with these changes. Examples include a state-wide program on Surviving Difficult Times in the Green Industry: Managing Risk and Uncertainty in a Maturing Marketplace in 2008; a state-wide program on Managing in Difficult Economic Times in 2009; several individual county programs with similar titles from 2007 to 2010; and a USDA grant-funded group effort by the Florida Nursery, Growers, and Landscape Association (Orlando, FL), University of Florida Extension, Farm Credit and McGladry and Pullen Business Consulting (Orlando, FL) to provide the Florida Agriculture Financial Management Conference in 2010.

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