



MARKET SNAPSHOT NURSERY/GREENHOUSE

June 30, 2021

Executive Summary

Drivers for the nursery and greenhouse industry include strong sales and pricing but increasing operational costs.

- The nursery/greenhouse industry continues to experience good market dynamics and sales continue to increase.
- Although people are starting to spend time away from their homes, a strong housing market bodes well for plant sales.
- Increasing labor and trucking costs are cutting into producers' margins.

12-Month Profitability



Northwest FCS' 12-month profitability outlook expects profitable nursery/greenhouse operations. Market fundamentals, such as a strong housing demand, should keep sales strong. Supplies are balanced but limited enough to keep prices stable. Increasing labor and freight costs will impact growers' returns.

Supply and Demand

For several years the industry has experienced strong demand. The pandemic pushed demand even higher since yard work became more popular in a stay-at-home world. Supplies are tight and some producers have used future year's inventory to cover sales. However, a supply shortage isn't anticipated as most growers expect sales to come back to more sustainable levels as people return to activities away from home.

Straw Poll

Annually, Northwest Farm Credit Services gathers Jan. 1 to May 31 sales data from its Oregon nursery customers. The survey, the Straw Poll survey, shows a year-over-year sales increase of 14.6%. This growth follows two very strong growth years which is a testament to how well the industry has performed.

Straw Poll, dollar growth in sales

Segment	2015	2016	2017	2018	2019	2020	2021
Greenhouse	7.8%	-2.6%	-3.2%	11.5%	3.9%	2.5%	7.0%
Shade Tree	18.2%	22.2%	12.7%	17.4%	46.2%	2.3%	30.4%
Container	12.7%	9.3%	4.4%	-0.3%	14.2%	24.1%	10.7%
Total	12.4%	8.1%	3.7%	4.6%	24.2%	15.5%	14.6%

Greenhouse grower's sales were strong during the pandemic as vegetable starts demand increased due to consumer interest in home gardening and demand appears to be sticky as sales continued increasing this year.

The **shade tree** segment saw huge growth with a 30.4% increase over 2020 sales. The surge is likely a result of increased demand from new home construction landscaping. With low interest rates, minimal existing housing inventory and pent up housing demand new home construction is expected to remain strong for the next several years, good news for the segment.

Container sales experienced very robust growth last year. Although sales didn't grow at the same pace this year, another 10.7% increase on top of last year's strong sales is evidence to how well the industry is performing.

Pricing

Strong demand and limited inventories have allowed producers to increase pricing. In fact, much of the increase in sales is due to price increases rather than volume increases. Even as some demand is expected to relax, with somewhat constrained supplies prices will likely remain strong for at least the next year.

Profitability

Strong sales and favorable pricing will result in good profitability for the industry over the next year.

Increasing costs

Despite robust market conditions for the industry, increasing costs are cutting into margins. Last year producers incurred increased costs due to mandates aimed at reducing the spread of COVID-19. Costs ranged from purchasing masks to decreased efficiencies due to social distancing requirements. As vaccination rates increase the mandates will hopefully lessen. However, growers continue to face increased costs, namely from labor and freight.

Attracting and retaining labor has been difficult for the industry for several years. Growers have implemented several strategies including increasing pay and providing year-round work. However, the labor market continues to be a challenge. With the pandemic some workers are afraid to return to work and increased government subsidies are pressuring labor costs further.

Supply chain disruptions related to consumer purchasing shifts during the pandemic continue to pressure freight rates. Trucking costs continue to increase as demand for shipping increases and trucking availability is limited.

Additional Information

Northwest FCS Business Management Center
www.northwestfcs.com/Resources/Industry-Insights

Nursery Management
<https://www.nurserymag.com/article/2020-state-of-the-industry-report/>

Learn More

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