



A Budding Industry Blooms

Nursery Business Expands in Sixth District

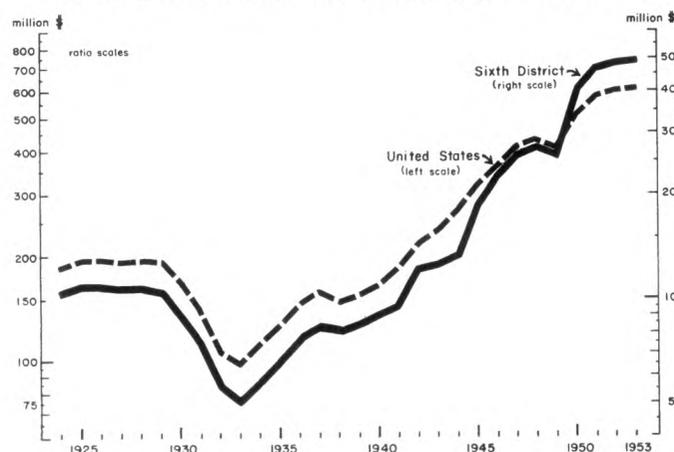
When incomes rise, consumers usually expand their purchases of luxury items, and recent prosperous times have been no exception. At department stores in the last few years, sales of sporting goods, jewelry, cameras, and silverware have led increases in all other departments; grocers have noted that consumers selected choice cuts of meat despite lower relative prices of less attractive cuts; and, as incomes have increased, frozen and pre-cooked foods have become more popular.

Horticultural specialty products, which can be classified as one of the niceties of life, have shared in the rising sales of luxury items. In District states, sales of flowers, ornamental shrubs, and other horticultural specialty crops have increased more than six times during the last 15 years. Part of the sizable increase in consumers' income above

that needed for food, clothing, and shelter apparently was used to purchase ornamental plants for use in and around the home. The record rate of new home construction, of course, has spurred sales of nursery plants. Builders often include basic plantings with the new houses, and home buyers and owners, with their comparatively high incomes and increased leisure time, add to those basic plantings to further beautify their grounds.

A new and expanding source of income that has developed almost unnoticed and that today rivals several traditional Sixth District crops has been found in the commercial growing of flowers and foliage plants. Because this horticultural specialty industry is still growing and shows promise of even greater growth in the future, information on the production and marketing practices and on credit needs and sources should prove helpful to those immediately concerned, especially bankers who may be called upon to furnish such credit.

**Cash Receipts from Marketings of Greenhouse and Nursery Products
Sixth District States and United States 1924-53**

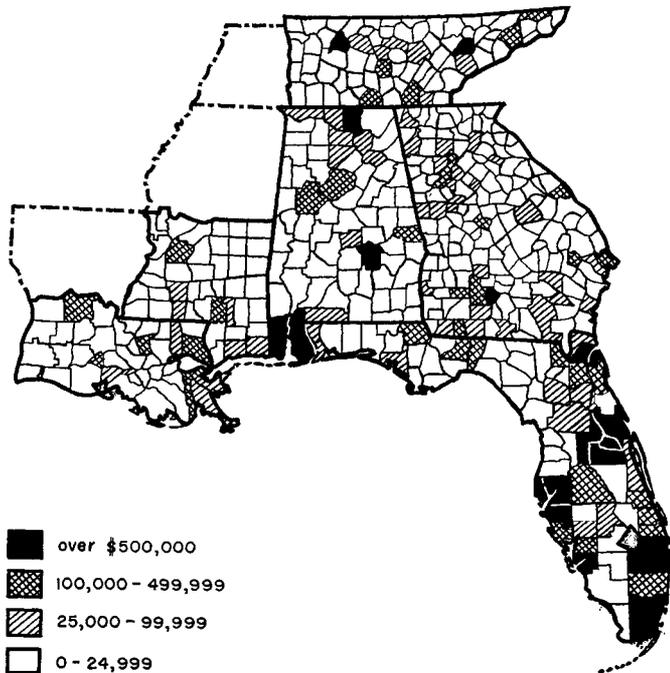


Growers Have Prospered Since the War

Production and sales of cut flowers, foliage plants, and ornamental shrubs have increased sufficiently in the postwar years to materially alter the relative position of the horticultural specialty industry in the District economy. In 1953, cash receipts from greenhouse and nursery product sales amounted to nearly 49 million dollars. Receipts from the industry exceeded the cash income received by District farmers from combined sales of peaches, pecans, and sweet potatoes, and was more than one-half the amount received from the peanut or rice crops.

Production of horticultural specialty crops is concentrated for the most part in certain areas. Favorable climate, which permits open-field production, is probably respon-

**Value of Greenhouse and Nursery Products Sold, by Counties
Sixth Federal Reserve District, 1949**



sible for Florida farmers' leadership in sales of cut flowers, foliage plants, and ornamental shrubs. In other District states, where plants more often require greenhouse protection, proximity to markets is probably the most influential factor in production location. In some areas like Mobile, Alabama, where azaleas and camellias are grown or in the Thomasville, Georgia, area where roses are grown, tradition plays an important part in determining the type of production followed.

Successful Production Requires Skill

Growers of horticultural specialty crops use a number of production methods under various soil and climatic conditions. Cut flowers, for example, may be produced in open fields in many District counties. In some areas and for some varieties, on the other hand, greenhouses are used for protection against weather extremes or to control soil conditions. In greenhouses, temperature, light, and humidity can also be controlled to force out-of-season blooming. Some flower producers avoid high capital investments in greenhouses by using laths or cloth for protection against weather extremes.

Greenhouses frequently must be used to produce foliage plants, which are natives of the tropics and which must have protection from low temperatures. Even producers who use open or lath-protected fields, however, commonly use greenhouses in plant propagation because plants can be more readily propagated when light, humidity, and soil moisture can be controlled.

Ornamental plants are less exacting in soil and climatic requirements than are flowers and foliage plants. Nevertheless, most nurserymen find that a greenhouse is useful for propagating ornamental plants because they too can be

grown more readily from either cuttings or seed if temperature and moisture can be controlled.

Specialization in one phase of producing nursery stock is possible because of the natural breaks occurring between the time that cuttings are rooted and the time that they are transplanted to fields for growing out, as well as the growing period required before the finished stock can be dug for retailing. A nurseryman, for example, may confine his production to rooted cuttings that are sold to other nurserymen for growing out to market size, or he may further specialize in producing only evergreens, such as boxwoods or camellias. These characteristics of the nursery business make it possible for nurserymen to begin on a small scale and to increase the size of their business as their capital accumulation and managerial ability permit. Nurserymen may, of course, expand their business by performing all operations; that is, propagating, growing out, and retailing plants, and providing landscaping services. Either method of expansion apparently allows adequate room for growth to the limit of available capital and managerial ability.

Selling Techniques Are Changing

Consignment sales are the most widely used method of marketing cut flowers. Under that system, cut flowers are shipped to wholesalers or jobbers in city markets who sell them and remit the proceeds, less their commissions, to the growers. Growers who produce greenhouse flowers, however, are usually located near large cities and consequently retail a major share of their products directly to consumers through their own florist shops.

Until recently, flower producers for the most part relied on premium markets. Now, however, they are striving to capture a mass market. One phase of that attempt is the market research being conducted cooperatively by several southern agricultural experiment stations and directed toward developing market outlets through grocery and department stores and toward expanding the five- and ten-cent store outlets. Successful completion of the research program may provide information about new marketing techniques that will enable District producers to expand their flower output substantially.

Many growers of foliage plants have developed marketing techniques that give them access to the mass markets needed to make their business successful. They retail only a small proportion of their foliage plants, because the relatively low selling price of individual plants makes retail sales unprofitable. Growers find it more lucrative to wholesale their plants to retail outlets, which gives them a larger number and wider variety of customers.

Retailers want plants that are already potted, which is what their customers prefer, but potted plants have to be shipped first class and the rates are high. Many growers, therefore, have developed their own distribution systems. Some producers have a fleet of trucks operated by salesmen who regularly supply potted plants to retailers. This practice relieves the retailers of costs and inconveniences involved in potting plants and reduces the shipping and delivery costs. Retailers, therefore, are able to sell at prices sufficiently low to encourage sales and thereby maintain a high rate of turnover.

Many small growers of foliage plants wholesale their products through the larger producers, who in turn distribute them to retail outlets. It is generally conceded that jobbing of that nature lowers unit distribution costs for producer-distributors without burdening them with higher capital costs involved in expanding their own production. The combined benefits of high production, low distribution costs, and mass markets that are essential to the success of the foliage plant business give little reason to expect a different type of marketing system to develop in the industry.

In the case of marketing nursery products, landscaping service is usually provided. A large share of the retail sales of nursery plants, consequently, is made by landscape designers. Some landscape designers grow their own stock, but for the most part they purchase from growers who have propagated the plants or who have grown them from rooted cuttings purchased from other nurserymen.

Specialized Capital Is Required

Investment and working capital needs of horticultural specialty producers depend upon the type of production and size of business. Greenhouses represent the major item of capital investment for foliage producers and for some flower growers. Since ornamental horticulture producers do not usually need greenhouse space except for plant propagation, a smaller proportion of their total capital is invested in greenhouses. Land and other buildings constitute the bulk of the remaining investment capital needs of horticultural specialty producers.

Working capital needs of horticultural specialty producers are similar to those of general farmers. There is, however, a difference in the relative importance of the various production expenses. Advertising, for example, is a major expense for most nurserymen and flower producers; other farmers seldom advertise their products. Costs of insecticides, packaging materials, propagation materials, and transportation usually amount to a larger proportion of nurserymen's total expenses than for farmers generally. Working capital in the form of growing stock varies with type of production. Foliage plant producers, for instance, may market two or three crops each year, whereas nursery stock producers may make only one crop in two years. Other working capital needs usually consist of investments in machinery, tools, fertilizer, and insecticides. Foliage producers who operate their own distribution systems have substantial amounts invested in trucks.

Producers Obtain Capital from Various Sources

Although many horticultural specialty producers have developed sizable businesses (some have annual gross sales exceeding one million dollars), a good many of them began with very small enterprises. Frequently the business was started as a hobby or spare-time diversion and developed to a full-time job providing a substantial income. Capital requirements for a beginning in the nursery business then may be of less consequence than the production skills required. But if the beginner has the required talent and managerial ability, he may soon find his possibilities of

expansion limited for the most part only by the amount of capital he can command. Beginners with training and experience wishing to establish a business of sufficient size to provide full-time employment, however, will find that the investment requirements are substantial. Thus horticultural specialty producers, like other businessmen, may profitably use more capital than they own. They have, therefore, turned to other producers, production credit associations, and commercial banks as a source of needed funds.

Individuals already in horticultural specialty production have been an important source of credit for beginners as well as for others with going businesses. A well-established wholesale nurseryman, for example, may provide other nurserymen with propagation material or growing stock and defer collections until the plants are grown to market size. Such credit extensions are usually made on the basis of intimate personal knowledge of the borrower's business and managerial ability. Whether lending for capital investment or selling plants on open account, the lender must feel that the credit is being extended to a sound business.

Commercial banks are another important source of credit for horticultural specialty producers. Bank loans to meet annual costs of labor, fertilizer, insecticides, and similar items are usually made in the spring and mature about six months later when crop sales begin. Since loans are budgeted over the production period, producers are, in effect, granted a line of credit. Loans may amount to as much as one-fourth of prospective annual crop sales and usually are secured by real estate. This procedure, of course, minimizes loan losses. Despite occasional adverse weather conditions and insect attacks, loans have had to be extended infrequently. One banker reported that he had suffered no losses in his many years of experience with loans to nurserymen.

A Rosy Future

Now, as never before, people in the District have more money to buy and build new homes and more money and leisure time to beautify them. Industry is realizing, for the first time, that it has an obligation to the community in which it locates to make the settlement a more attractive place with clean buildings, well-kept grounds, and decorative flowers and shrubs. In most areas of the District after the war, therefore, the setting was perfect for a phenomenal expansion of the nursery business. Despite the recent rapid growth, however, the market has not yet been fully exploited; there is every reason to believe that with continued high personal incomes, growers and producers of nursery plants will find their sales expanding even more.

Furthermore, as sales channels for cut flowers are broadened and as the market for potted plants continues to widen, the industry will offer greater opportunities for those who wish to enter it on a small scale. Hobbyists and part-time workers will find their time well spent as their efforts pay off in cash receipts. Lenders will find that they have a chance to become a part of a growing industry as they supply horticultural specialists with operating funds. And all will have a share in making the District a lovelier and more prosperous place to live and work.

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