

STRENGTH & STAMINA

2021 STATE OF THE INDUSTRY REPORT



This year marks another marathon-like season with its share of victories and quandaries.

If grace and flexibility were the key words in 2020, this year's theme could easily be endurance and adaptability. In last year's State of

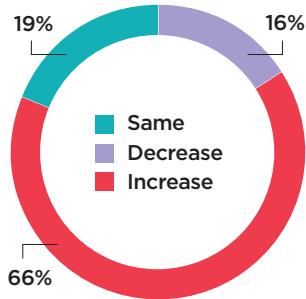


the Industry report, we asked you to bend, not break. It's apparent as we near the end of 2021, the industry has bent and not broken. And each one of you should be proud of how you've handled what has got to be the oddest 18+ months of your professional career.

Like last year, there are some uncommon responses in our survey, due in part to burgeoning sales and supply chain issues. Many of the so-called "COVID gardeners" returned to garden centers this year, driving demand. Some growers are planning for sales increases in 2022, but not at the level they experienced in '20 and '21. We were a bit surprised to

learn that 30% of respondents plan to increase production acreage by as much as 49 acres and 20% plan to add more than 50 acres. It's no surprise that sales jumped from last year's numbers, and it was refreshing to see growers once again raised prices. However, 16% said they expect profits in 2022 to decrease, likely due to the rising costs of inputs (see related article on page 48).

Do you anticipate your nursery's profits to **increase, decrease, or remain about the same** in 2022 compared with 2021?



Sales gains in 2021 vs 2020 were greater than sales losses with about 80% enjoying gains and about 3% reporting no change from year over year. Nearly three-quarters of respondents anticipate their 2021 gross sales to be more than \$1 million, and those anticipating sales of \$10 million - \$19.9 million more than doubled from last year.

Almost 70% said they anticipate sales to increase in 2022, while 14% expect them to remain the same.

Some 91% reported positive profit margins this year. Profit margins of 10%-19% ranked first among those surveyed (30%), followed by a profit

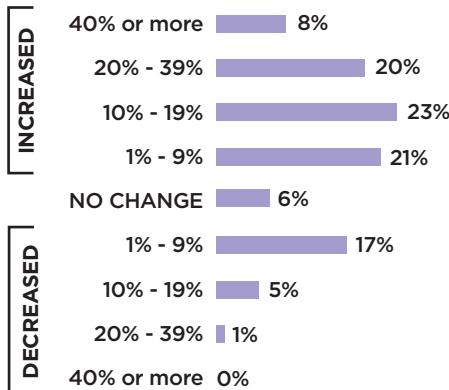
margin of 20%-24% (26%) with 8% revealing a profit margin of 25% or more.

About 23% of growers reported a 10%-19% increase in profits for 2021 over 2020, followed quite closely by an increase of 1%-9% (21% of those surveyed).

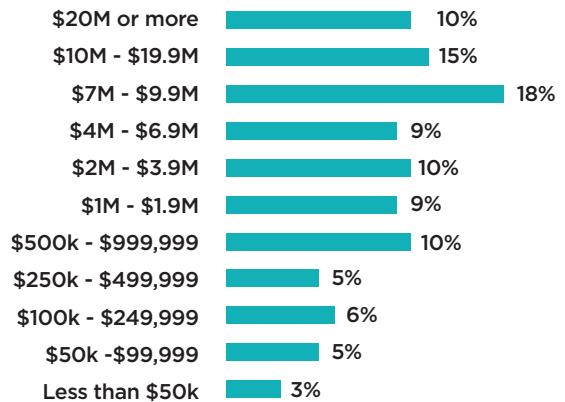
Some 66% expect profits to increase in 2022 and 16% anticipate profits decreasing next year. Again, the rising cost of inputs could be putting a strain on profits.

NOTE: Some charts don't total 100 percent due to rounding and because not all answers are included with some questions. Answers are based on 238 responses.

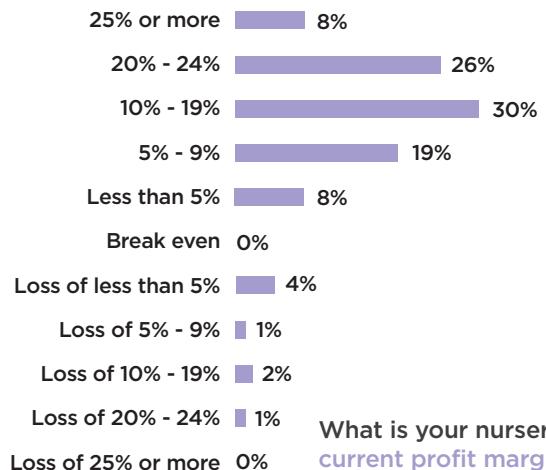
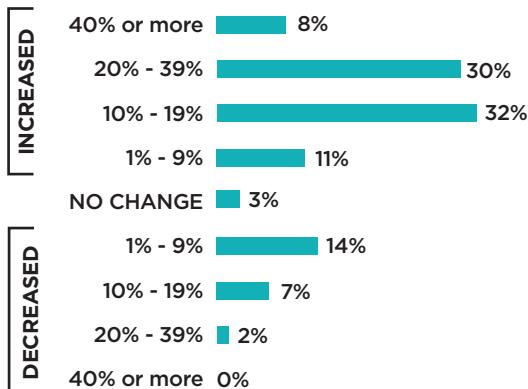
How have your nursery's **profits** changed in 2021 compared with 2020?



What do you anticipate your nursery's **approximate 2021 gross sales** to be?



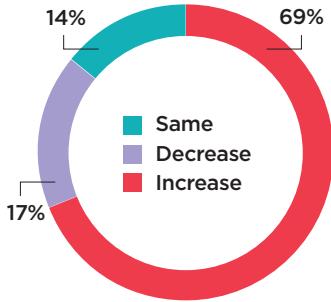
How has the dollar amount of your nursery's **anticipated 2021 gross sales** changed compared with 2020?



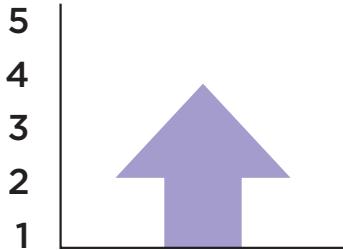
What is your nursery's **current profit margin**?

MARKET SEGMENTS & PRICES

Do you anticipate your nursery's sales to increase, decrease, or remain about the same in 2022 compared with 2021?



How confident are you that the market demand for nursery products will grow in 2022 with 1 being not confident at all and 5 being very confident.



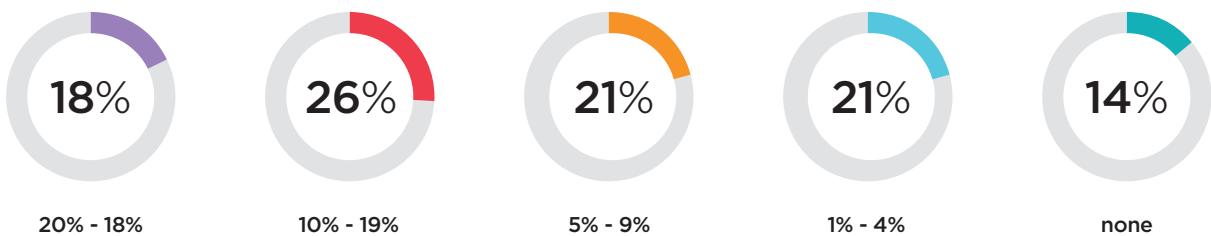
During 2021, 86% of respondents raised prices, with 26% raising them 10%-19%, up from 4% last year. In 2020, 50% said they planned to raise their prices in 2021 by 1%-4%. It's nice to see that the market supported a much bigger increase. Of course, higher input prices also required more growers to increase prices. Growers reveal they'll be a bit more conservative next year, with 26% planning a 5%-9% price increase.

In 2021, growers sold plant material to independent garden centers and landscapers more than other market segments (tied for first). Rounding out the rest of the market segments were big-box retailers, wholesale growers, regional chains and rewholesalers.

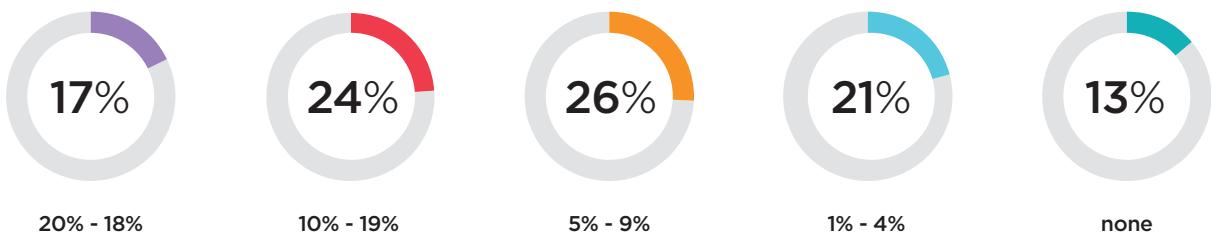
I'M SERIOUSLY LOOKING AT H-2A. I'VE GOT GOOD WORKERS, BUT I'M ALWAYS TRAINING. I'M INTERESTED IN A LEGAL, STABLE WORKFORCE. I'M 57, AND [HAVE] FRIENDS WHO USE CONTRACT WORKERS THAT HAVE BEEN THERE 15 YEARS, AND THEY KNOW WHAT TO DO. **THEY SAY, 'I DON'T THINK ABOUT MY NURSERY MUCH ANYMORE.' I WANT TO EXPERIENCE [THAT KIND OF] STABLE WORKFORCE.**

— Phillip Herd, Herd Farms Nursery, Belvidere, Tennessee

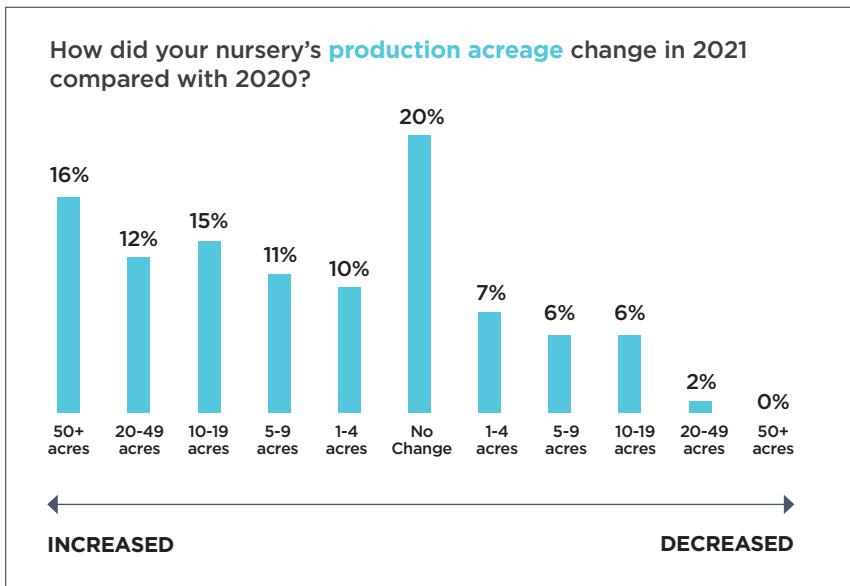
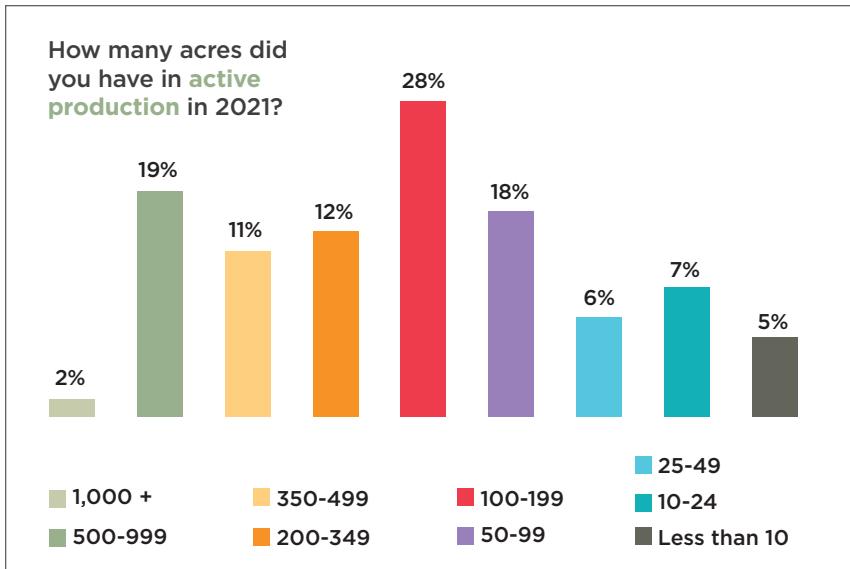
Overall, by what percentage has your nursery raised its prices in 2021 compared with 2020?



By what percentage does your nursery plan to raise its prices in 2022 compared with 2021?

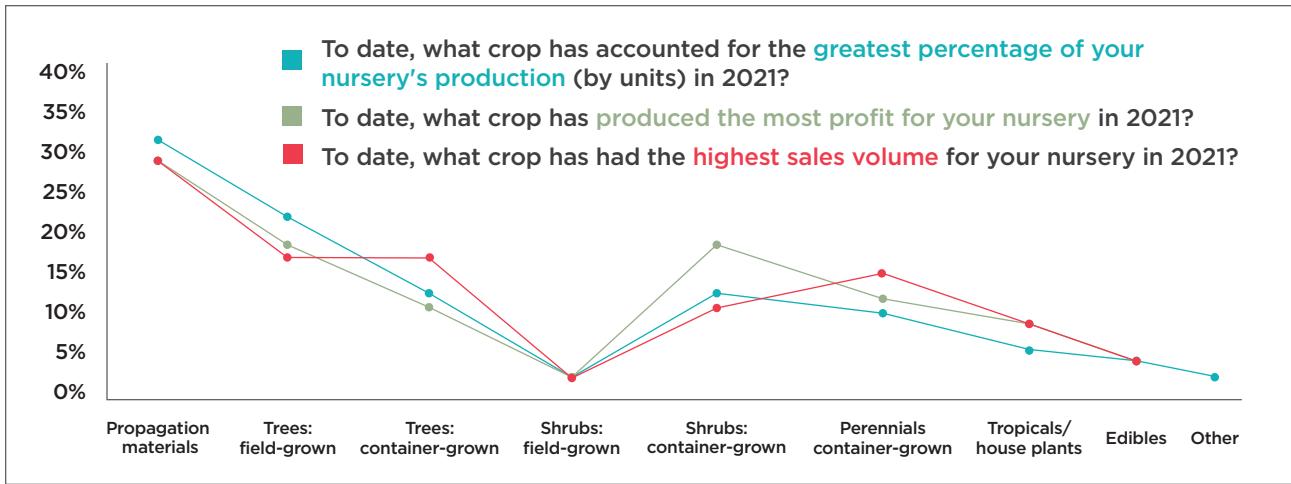


PRODUCTION & CROPS

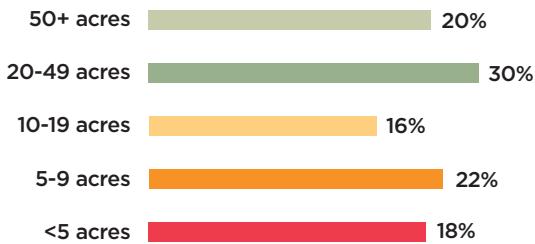


Some 20% of those surveyed did not increase or decrease production space this year compared to 2020, while 64% increased production acreage (with 16% claiming to have added 50+ acres). About 30% said they plan to increase production space in 2022 by 20-49 acres, followed by 20% who plan to bump it up 50+ acres. Our article on page 46 explains how some growers are spending some of the profits made during the past 18 months. It appears that some respondents are using their windfall to increase production.

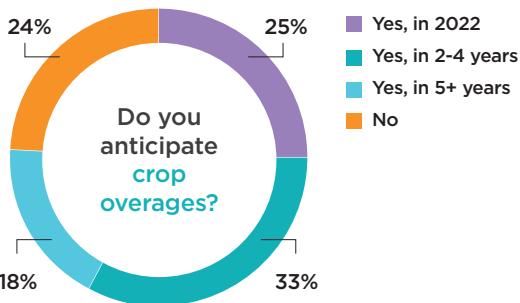
Finished stock of field-grown trees, container-grown trees and container-grown shrubs accounted for the greatest percentage of production by units in 2021. But in terms of the highest sales volume for finished stock, growers chose field-grown trees, container-grown shrubs and container-grown perennials. The most profitable finished crops in 2021 were field-grown trees, container-grown trees and container-grown perennials.



How does your nursery plan to **change its production acreage** in 2022 compared with 2021?



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EVERYONE CAN SENSE THERE IS A HESITANCY IN THE AIR SURROUNDING OUR BUSINESS BY MOST OWNERS. OTHERS IN THE INDUSTRY ARE CAUTIOUSLY OPTIMISTIC, BUT NOT BETTING ON A REPEAT OF THE PAST TWO SPRINGS. **THOSE WHO DON'T PUSH THE ENVELOPE ARE THE ONES WHO DON'T GROW AND DON'T INCREASE THEIR PROFITS.**

- Grower and retailer from Illinois

“We’d be lost without them. Everything improves. Growing, harvesting, digging, hauling and shipping.”

Roger Canfield,
Puget Sound Plants (Owner), Olympia, WA



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LABOR & MARKETING

WE HAVE AN AGING WORK FORCE AND HAVEN'T BEEN ABLE TO GET QUALIFIED LABOR TO TAKE OVER IN THE FUTURE. SEEMS LIKE MOST PEOPLE WHO WANT TO GET INTO OUR INDUSTRY ONLY WANT TO WORK IN THE OFFICE. **I'M TRYING TO FIGURE OUT WHERE I WILL FIND OUR FUTURE CREW AND TEAM LEADERS FOR THE FUTURE.**

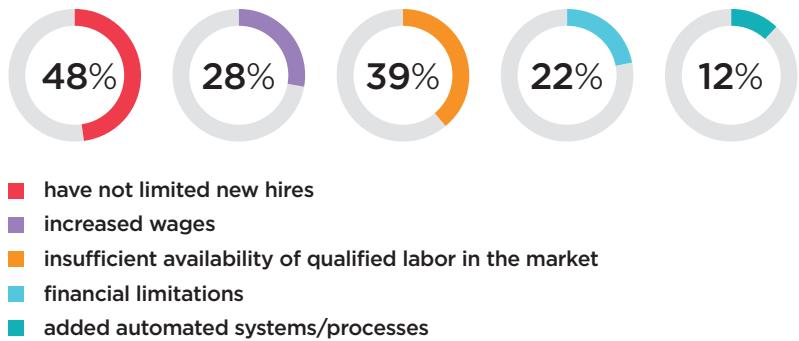
– Ariel Montanez, general manager, Pender Nursery, North Carolina

Increasing labor costs and lack of availability continue to trouble growers. Insufficient availability and increased wages kept some growers from being able to bring on new staff this year. When it comes to hiring the next generation – those eventually tasked to carry on the businesses – many respondents said they are

participating in job fairs, using social media, offering internships and sponsoring university visits to attract those next gen workers and managers.

Just over 10% said they weren't doing anything to attract the next generation, which is way down from 39% last year.

What, if anything, has caused your nursery to **limit new hires** in the past 12 months?



What **strategic recruiting efforts** is your nursery making, if any, to attract the next generation of workers and managers?

(Other responses include: word of mouth, recruiting in junior high schools, high schools and colleges.)



How much have prices increased in 2021 for the following supplies?



growing media



chemicals

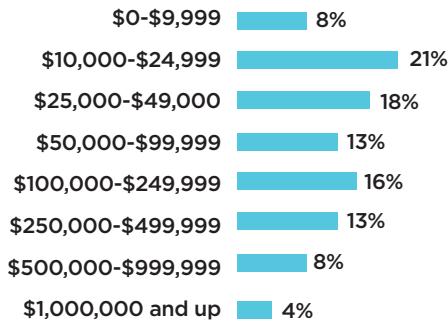


containers



liners

How much did you spend on capital improvements in 2021?



We asked a new question, “How much have prices increased in 2021 for the following supplies?” Respondents revealed the highest price increases in growing media and containers. Capital improvements were part of growers’ tasks this year, with 68% spending at least \$10,000 up to \$249,000. And 25% said they spent at least \$250,000 up to \$1 million+ on capital improvements.

Each year, growers cite labor issues as their greatest challenge (57% this year). While others pointed to weather and increased expenses. Some gave a nod to supply chain issues and water shortages. When it comes to making improvements, this year’s respondents tagged marketing efforts, staff hiring and training, and LEAN production as a priority.



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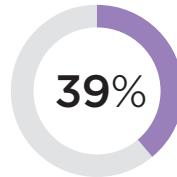
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EXPENSES & CHALLENGES

What are the **three greatest problems** facing your business for 2022?



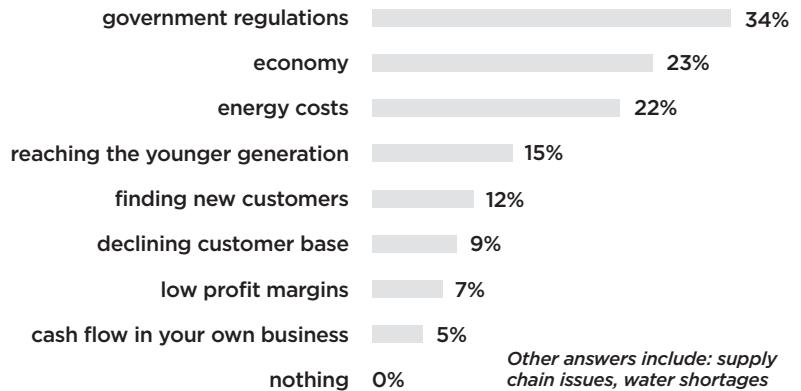
labor issues



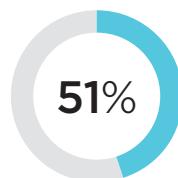
weather



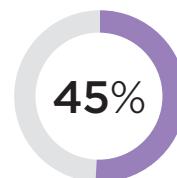
increased expenses



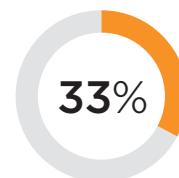
What three aspects of your business would you **most like to improve?**



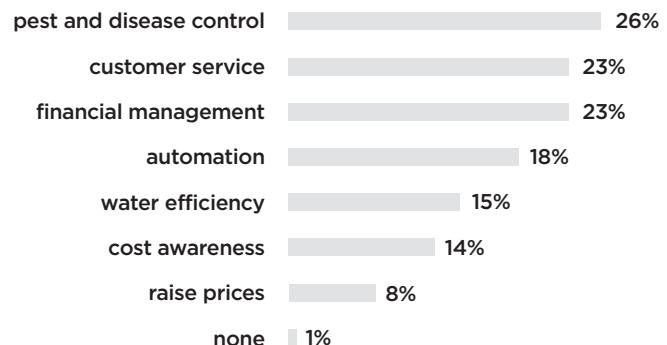
marketing efforts



staff hiring and training



LEAN production



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