

# Urban Farmers: A Profile of the California Nursery and Floral Industry

by

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*While the overall number of commercial nursery and floral producers within California appears to be decreasing, total sales are on the rise. With \$3.30 billion in receipts last year, California's nursery and floral industry is clearly a very important part of the state's agricultural economy.*

The California nursery and floral industry is the largest in the United States, accounting for 22.2 percent of total 2002 U.S. receipts for nursery and floral production. The total value of California nursery and floral products grew from \$1.90 billion in 1992 to \$3.31 billion in 2002 (an overall increase of 74 percent). During the same time period, total California agricultural output grew from \$21.77 billion to \$30.64 billion (an overall increase of 40.7 percent). As a result, the nursery and floral share of California agricultural production grew from 8.7 to 10.8 percent while many other commodities remained stable or decreased. Within the state, total 2002 production of nursery products placed the nursery industry in third place (\$2.57 billion) and the floral industry in 11th place (almost \$730 million) among all California agricultural industries. When combined, the floral and nursery industry (\$3.30 billion), ranked second among all California agricultural products. This followed the dairy industry, which ranked first with \$3.79 billion sales in 2002 but ranked ahead of the third place value of all grapes at \$3.16 billion.

Nursery and flower producers are rather unique among California farmers in that a large number continue to be located in the most urbanized areas of the state. Good reasons exist for remaining in urban areas, despite the pressures from development. Location near one's customers is typically a good strategy to minimize shipping and distribution costs and to provide fresh and high quality product. Many nurseries distribute their product directly to retailers and some are also integrated into retailing. In addition, the climatic conditions favorable for nursery production are also very attractive to many people and, as a result, population and housing growth have been high in areas where nurseries have traditionally located. While much of California's nursery and flower production sells locally, significant amounts are shipped to distant markets. California ships an estimated 40 percent of flower production and approximately 20 percent of nursery production to other states. California exports

an estimated one percent of its total nursery and flower production to other countries.

## Location of Production

California produces nursery products and/or flowers and foliage in 54 of its 58 counties, but production tends to be concentrated in the Central and South Coast. Eight of the 11 counties that produced over \$100 million in nursery, flowers and foliage in 2002 are coastal counties. As shown in Table 1, San Diego County dominates the industry with 26.5 percent of total production. The next four counties, Orange, Monterey, Ventura and Riverside combine for 25.6 percent of total California production. The remaining six counties account for 25 percent of production. As shown, the 11 counties with production over \$100 million, accounted for almost \$2.55 billion (77.1 percent) of California's 2002 nursery, flower and foliage production. Note

**Table 1. Top Producing CA Counties of Nursery, Flowers and Foliage: Value and Share of Production and Population, 2002**

| County        | Value of Production (\$1,000) | Share of CA Value (%) | Population | Share of CA Pop (%) |
|---------------|-------------------------------|-----------------------|------------|---------------------|
| San Diego     | 877,481                       | 26.5                  | 2,935,100  | 8.3                 |
| Orange        | 231,706                       | 7.0                   | 2,954,500  | 8.4                 |
| Monterey      | 218,650                       | 6.6                   | 412,000    | 1.2                 |
| Ventura       | 214,018                       | 6.5                   | 785,700    | 2.2                 |
| Riverside     | 182,977                       | 5.5                   | 1,677,100  | 4.8                 |
| Los Angeles   | 177,083                       | 5.4                   | 9,902,700  | 28.1                |
| Santa Barbara | 149,263                       | 4.5                   | 407,800    | 1.2                 |
| San Mateo     | 143,661                       | 4.3                   | 713,800    | 2.0                 |
| Santa Clara   | 122,106                       | 3.7                   | 1,718,500  | 4.9                 |
| San Joaquin   | 119,072                       | 3.6                   | 605,500    | 1.7                 |
| Kern          | 115,383                       | 3.5                   | 697,100    | 2.0                 |
| TOTAL         | 2,551,400                     | 77.1                  | 22,809,800 | 64.8                |

Source: California Agricultural Statistics Service, Summary of County Agricultural Commissioners' Reports, 2002

that San Joaquin and Kern are the only Central Valley counties with production of more than \$100 million. Four counties support nursery, flower and foliage production in the range of \$50 to \$100 million. These four counties, San Luis Obispo, Santa Cruz, Stanislaus and Tulare, accounted for 9.5 percent of total 2002 production. Overall, 15 counties produced 86.6 percent of California's total 2002 nursery, flower and foliage crops. Among these top 15 counties, these crops ranked number one in value of production in San Diego, Orange, Los Angeles, Santa Clara and San Mateo Counties. Nursery, flower and foliage crops are very important agricultural products for several California counties that are not among the 15 largest value producers discussed above. For example, nursery crops are listed as the number one commodity in terms of gross value of production for seven counties that are not included in the top 15. These counties include Alameda (\$14.2 mil), Contra Costa (\$29.1 mil), Del Norte (\$12.9 mil), Humboldt (\$35.3 mil), Inyo (\$3.8 mil), San Benito (\$29.0 mil) and Solano (\$38.8 mil).

California's three most populous counties, Los Angeles, San Diego and Orange, are also among the six top nursery and flower producers. As shown in Table 1, the top 11 counties account for 64.8 percent of California's 2002 population.

### Crops Produced

California nursery, flower and foliage producers market a tremendous variety of plant materials ranging from cut flowers, potted plants, flower seeds, bedding and garden plants, bulbs, and ornamentals to fruit and nut trees and strawberry plants. Buyers include consumers, landscape contractors, institutions and agricultural producers. The most recent data available indicate that the gross value of plant materials produced by the

California nursery, flower and foliage industry in 2002 totaled over \$3.3 billion. Table 2 illustrates the various categories of nursery products and their values.

The California nursery industry supplies critical inputs to fruit, vine and nut crop producers in the form of seedlings, nonbearing trees and plants. Included in the category of nursery stock other than ornamentals, are products that accounted for 19.2 percent of total

value of nursery products in 2002. Thus, the majority of California nursery production consists of flowering plants and ornamentals sold to households rather than inputs sold to agriculture.

While cut flowers continue to be an important nursery product, they have faced and continue to face competitive pressure from imports. Latin American countries, especially Columbia and Ecuador, dominate the U.S. fresh cut flower market due to their lower costs of production and improved transportation systems. The United States now imports over three-fourths of the cut flowers consumed in the country. Thus, California cut flower production has remained rather steady over the past few years with most of the

growth in nursery production coming from the other nursery products shown in Table 2.

In addition to imports, the California nursery industry faces many of the same problems facing other California agricultural firms. These include the availability and increasing costs for major inputs, (labor, energy, water and chemicals), the high cost of workman's compensation insurance and other government programs, low product prices and increasing market power of their major customers.

### Number and Types of Firms

According to the 1997 Census of Agriculture, 4,988 California farms grew nursery and floriculture crops, which was a significant increase from the 3,263 farms

**Table 2. Wholesale Value of California Nursery Products by Major Categories**

| Floral Products  | 2002 Value in dollars |
|--|-----------------------|
| Cut Flowers & Cut Greens   | 365,944,700           |
| Flower Seeds   | 4,775,700             |
| Christmas Trees  | 9,636,300             |
| <b>Floral Products Total</b>                                     | <b>380,356,700</b>    |
| Nursery Products   |                       |
| Potted Plants & Flowering Foliage                                | 628,212,900           |
| Bulbs, Corm, Roots & Tubers                                      | 38,961,600            |
| Flowering Propagative Materials                                  | 71,976,600            |
| Bedding Plants   | 509,310,000           |
| Rose Plants  | 61,047,000            |
| Woody, Deciduous & Evergreen Ornamentals                         | 941,488,700           |
| Herbaceous Perennials  | 39,134,900            |
| Turf & Sod   | 74,853,100            |
| Nursery Stock Other Than Ornamentals                             | 561,484,100           |
| <b>Nursery Products Total</b>                                    | <b>2,926,468,900</b>  |
| <b>Grand Total</b>   | <b>3,306,825,600</b>  |
| <i>Source: CASS, County Agricultural Commissioners' Reports.</i> |                       |

counted in 1982. The pattern of production was similar to many other sectors with a relatively small number of large firms accounting for the majority of output. In 1997, 2,892 farms (58 percent of the total) produced nursery and flower crops with sales less than \$50,000 annually, and these farms accounted for only 1.3 percent of industry sales. At the other end of the scale, 411 California farms had nursery sales over \$1 million in 1997. This 8.2 percent of nursery farms, by number, accounted for 81.3 percent of total nursery sales.

While averages have many shortcomings, they do help to characterize California nursery operations. California nursery farms are comparatively compact and high value in comparison to other farms. In 1997, there were 74,126 California farms with an average size of 374 acres. Nursery farms were 5.8 percent of total California farms in 1997, but with an average of 45 acres of land, they accounted for only 0.7 percent of California land in farms. Overall, the average California farm had an average value of land and buildings totaling \$941,170 per farm (\$2,605 per acre). The average farm growing nursery crops had an average value of land and buildings of \$624,267 or \$12,017 per acre.

The legal structure of California nursery operations has changed over time. The 1982 distribution of nursery farms was comprised of 61 percent sole proprietors, 13 percent partnerships and 26 percent corporations. In 1997, this had changed to 69 percent sole proprietors, 11 percent partnerships and 19 percent corporations. In the corporate category, the relative importance of family corporations tended to decrease over time. Even though the share of farms organized as corporations has decreased over time, nursery farms had a higher share of corporations than any other sector in California agriculture. Note that the corporate share of all California farms was about 7.1 percent in 1997.

While the structure of California agriculture has been changing since 1997, the extent of the changes will be difficult to determine before the 2002 agricultural census is published. It appears that the number of nursery and floral producers has decreased. The 1997 census listed 4,988 California farms producing nursery and floral products. As noted above, 2,892 of these farms had sales less than \$40,000 and accounted for only 1.3 percent of industry sales. The California Agricultural Statistics Service (CASS) reported that "The number of floriculture producers in the state has been declining rapidly, and California now (2001) has 895 growers, compared to 973 in 2000, with sales greater than \$10,000." The 2002 Directory of Nurserymen and

Others Licensed to Sell Nursery Stock in California, which defines a commercial producer as someone who grows and sells a total of \$1,000 or more of nursery stock in one year, lists 2,999 producers for 2002.

There are a large number of California firms involved in production and distribution of nursery and floral products. The 2002 Directory of Nurserymen provides a listing of producers and retailers by county. At the high end of the scale, there are 551 producers in San Diego County, 375 in Los Angeles County and 207 in Riverside County. At the other end of the range, no registered producers exist in three counties (Alpine, Mono and Sierra). Moving forward in the channel of distribution, there are 3,756 retailers whose primary products are nursery and floral products. These include 263 integrated producer/retailer operations (producers who also retail nursery and floral products). Also, 3,465 incidental retailers are registered in California. These retailers are outlets with multiple product lines, including nursery and floral products. Retail stores in the incidental classification include many of the largest nursery retailers (warehouse club stores, chain stores and mass merchandisers such as Home Depot, Lowes, Wal-Mart, K-Mart, Target and the supermarket chains). Many producers sell directly to large-scale retailers, performing the functions usually associated with wholesalers and brokers. There are also 853 wholesalers and 476 jobber/broker/commission merchants dealing in nursery and floral products in California.

Total California retail sales of florists, independent farm and garden stores, the floral departments of large scale retailers, and the lawn and garden departments of hardware, big box and chain stores are very large and growing over time. A *Nursery Retailer* article estimated that 2002 California lawn and garden sales totaled \$8.96 billion out of the U.S. total of \$94.9 billion (March/April, 2003). This estimate did not include sales of retail florists, which the California State Board of Equalization reported at \$988 million in 2001. Thus, total retail sales for nursery and floral retailers are estimated at close to \$9.95 billion in 2002. The California nursery and floral industry is clearly a very important economic sector.

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