

Business Statistics for the Ornamental Horticultural Industry in Ontario

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Abstract

A system to collect and publish industry statistics for (ornamental) horticulture in Ontario has been developed and tested over the past three years. Information was gathered from nearly 700 individual business operators in more than a dozen business types, with an interim report published in Landscape Trades magazine in April, 2001 and the first of several articles in June, 2002. A projected estimation from this information identified an evolving horticultural industry projected to be valued at \$4.4 billion annually (Nentwig, 2001), with a potential gross business estimated to be as high as \$8.7 billion annually (Nentwig, 2002), if vertical markets such as parks, golf courses, florists, retail chain store gardening sales, and municipal horticultural operations were considered. This paper presents results of the surveys, and discusses the need for further interest and involvement in the gathering of essential statistics from sectors of horticultural activity previously unexplored.

Surveying the Industry

Statistics Canada and the Ontario Ministry of Food (formerly OMAFRA) report on the production of horticultural crops, separating ornamental from food crops (OMAF). The figures they produce represent the farm-gate value of horticulture in Ontario, considered the wholesale segment for purposes of this study, and was valued at approximately \$940 million in 2000¹. The research study, begun in 1998, was interested in the value-added aspects of the horticulture industry-landscape related businesses-which does not focus on the production of plants in nurseries and greenhouses.

Initial attempts to survey business operators in the horticulture industry were planned as a self-administered questionnaire, and over 12,000 of these were mailed to business operators, with Landscape Ontario's assistance, during the spring and

1. Combined nursery and greenhouse (non-food) production, information from OMAF web site, May 2002.

summer of 2000. Responses were a dismal two to three percent-not nearly enough to establish any statistical information. The decisions to reformat the questionnaire, and to meet business operators face-to-face, resulted in structured interviews, conducted at Landscape Ontario's Congress in January of 2001 and 2002, and at their Garden Expo trade show in October of 2001. The Farm Safety Association also assisted in the two latter surveys by providing funding, and additional information regarding their impacts in these same business sectors was requested during the interviews.

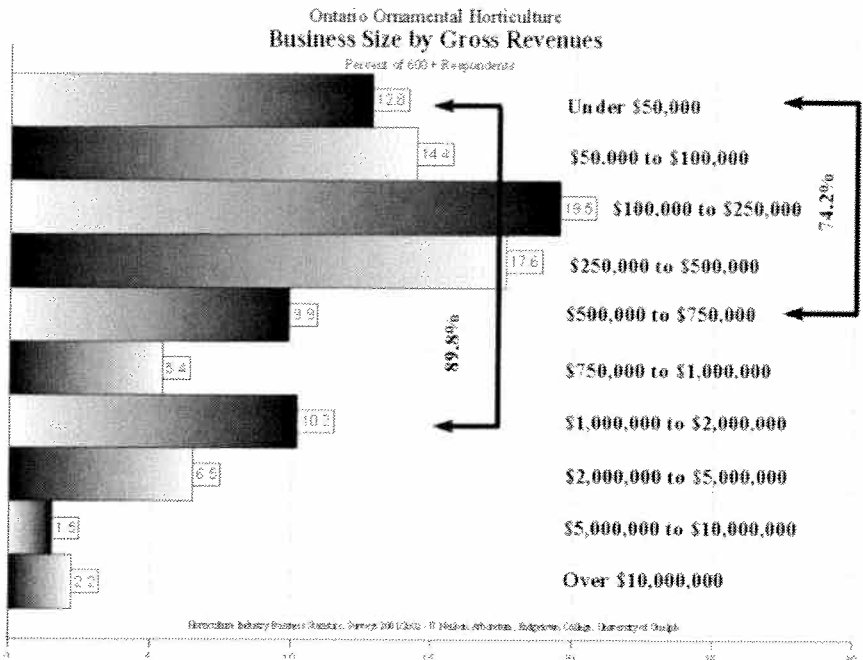
The two-to three-minute interviews netted almost 700 responses, covering mainly landscape, garden center, greenhouse and nursery operations. Many more business types were noted as component parts of these operations, some 70% having more than one component. There were 15% of the surveyed business operations concentrating in production (greenhouse or nursery) or in other pursuits (i.e., 50% of gross revenues or more in those sectors), and that were excluded from most calculations. The remaining surveys represented between 5-7% of the estimated eight to twelve thousand business operations in Ontario (see Nentwig, 2002).

Revenues

Of the nearly 500 business operators surveyed with revenues mainly from non-production operations, a predominance of small business was immediately evident, with 90% under \$2 million in gross annual revenues (Figure 1).

These figures (a total of \$440 million for the survey group) were projected using general industry estimates of eight to twelve thousand businesses, and showed a gross revenue for Ontario as high as \$8.7 billion annually. This number was not considered an accurate reflection of actual business operations, since many areas such as golf courses, municipal (and other parks) horticultural operations, independent florist shops, and the large chain store garden centers, were not included. At the same time, it was not known if the estimated total number of business operations actually comprised larger or smaller entities than the average \$725 K gross revenues. All in all, this information was the first available in three decades of the industry's rapid growth in popularity, and showed some valid trends and approximations.

Figure 1. Breakdown of business revenues of survey respondents.



Revenues were derived from many combinations of sectors, and a comparison of business sector proportions was produced from compiled revenues from all sources (Table 1).

Table 1. Sectoral breakdown of horticultural revenues of survey respondents.

Retail Garden Center	31.4%	Snow Removal	3.5%
Landscape Construction	27.2%	Design/Consult	3.0%
Grounds Management	9.2%	Ponds/Water Features	1.7%
Grower ¹	8.1%	Irrigation/Lighting	1.3%
Lawn Care	5.4%	Flower Shop ¹	0.6%
Greenhouse ¹	4.1%	Miscellaneous ²	5.7%

1. Growers, Greenhouses and Flower Shops all exist with Retail Garden Centers.

2. Includes: lawn equipment, hardware, mail order plant sales, tree services, holidayscaping, container gardening, home and garden wares, garden furniture, excavating/grading, and others.

Personnel

A simple regionalization of business operations was developed through analysis of the first digit of the postal code for each business operation (only the first three digits were requested, to ensure anonymity). This information could not be considered representative of the industry, since respondents were from an unstructured sample within an unknown population. The results showed regional locations of respondents for the first letter of the postal code only. Revenue proportions for each area followed the location index proportions almost exactly (Table 2).

Table 2. Regionalization of business operations of survey respondents.

Eastern Ontario	"K"	13.3%
Central Ontario	"L"	38.8%
Toronto Area (except Toronto)	"M"	8.3%
Southwest Ontario	"N"	34.4%
Northern Ontario	"P"	5.3%

The Retail Garden Center (31.2%) and Landscape Construction sectors (19.0%) held half the personnel; 25% more were found in three sectors: Growers, Grounds Management, and Lawn Care; almost 20% of personnel was Miscellaneous. Over 25% were full time year round, nearly 50% full time year seasonal, and the rest part time. Just under half were unskilled labour, nearly 30% skilled, and 17% managerial. Only 6% were supervisory, a middle management role often missing from small business operation types of this industry.

A projection of between eighty-five and one hundred thousand employees in the industry, was produced from a seasonality report showing over 50,000 (full time) workers in 1996 Statistics Canada census data (McEwan and Duffy, 1999), and an estimated average of 5% to 10% employee growth². Nearly 7,600 employees were reported in the surveys, almost half in business operations of five or less employees, and close to 70% with 10 or fewer. The average size of operation held 10.3 employees, however the median (half the businesses were fewer, half were greater) was five-again, indicative of small business.

Sector Groupings

Analysis of the data using groups of sectors, comparative to previous study work (see McEwan, 1999), left out Design/Consultation, Miscellaneous, Product Manufacturing and Distribution, and Grower operations. Over 80% of revenues came

2. Personnel growth estimated at 5% to 10%, while business revenues increased 15% to 20%, depending on sources if information.

from the specific sectors that formed these groupings in each case, however, Retail and Construction were both very high in the main sector (the first one listed below-78% and 72%), while Maintenance was split between Grounds and Lawn Care (35% and 45%). The three groupings (Retail Sales, Maintenance and Construction) covered 72% of gross revenues (33%, 13%, 26% respectively) and were formed from the following sectors:

<i>Retail Sales:</i>	Retail Garden Center, Flower Shop, Mail Order Plant Sales
<i>Maintenance:</i>	Grounds Management, Lawn Care, Snow Removal
<i>Construction:</i>	Landscape Construction, Ponds/Water Features, Irrigation Lighting

The number of businesses reporting involvement in the various sectors also followed the expected norms for Retail and Construction (99% and 92% in the main sector), while Maintenance reported over half involved in each of Grounds and Lawn Care. A surprising third of Maintenance operations are also involved in Landscape Construction and Snow Removal, and the Construction grouping was most diversified with over 20% in Design and Grounds, and between 11% and 15% in Lawn Care, Retail Garden Center, and Snow Removal. These involvements show business numbers, not revenues, and are not intended to be added together. It is interesting to note that Maintenance grouping sectors comprised 47% of involvements in the Construction grouping, and Construction grouping involvements appeared in 32% of the Maintenance grouping. Very little information that demonstrated a 'model' business operation for the industry was found.

The three groupings differed in business size by personnel, with five or fewer employees in nearly 40% of Retail operations, over 60% in Maintenance, and 46% in Construction, and with 65%, 83%, and 70% with 10 or less personnel, respectively. 'Employees' included owners/operators and managers, as explained during survey interviews. Previous study work (McEwan and Duffy, 1999) indicated that 80% of workers would likely fall into these three sector groupings: this study found 74% of personnel in these areas. However, some were left out simply due to the exclusion of personnel in pertinent sectors not focussed within one of the three groupings.

Industry Growth

Approximately 30% of surveys provided information on business increase/decrease for the 1999/2000 seasons, the remainder reported for 2000/2001. Over 75% of businesses indicated an increase in revenues from 1999, about 70% an increase from 2000. Increases were expected by over 75% for both 1999 and 2000. Decreases from 1999 were reported by 8% and from 2000 by 11%, while decreases in revenues for 2001 were expected by 4% and for 2002 by 3%. Net increases in revenues for the three groupings for both seasons ranged from 11% to 23% (Table 3).

Table 3. Reported trends in industry growth.

	Reported Increase/ Decrease from 1999 from 2000		Expected Increase/ Decrease for 2001 for 2002	
	Overall Survey	15 %	14 to 17%	10 %
Retail Sales	14%	15 to 23%	12%	6 to 16%
Maintenance	12%	11 to 18%	9%	13 to 17%
Construction	14%	+/-16%	7%	12 to 17%

An estimation of sector increase/decrease for each grouping was tried, but resulted in little valuable information. The figures produced reported on averaged sector details for individual business operations, and when totalled were no longer relevant.

Missing Sectors

All of the above statistics related to only some of the overall horticultural activity in Ontario. Retail sales through chain and hardware store garden centers, municipal park maintenance and plantings, independent florist operations, and the golfing industry, have not been addressed at all. From the Congress 2001 survey reports (Nentwig, 2001) an estimate of \$4.4 billion of value-added activity could be projected, and an 'educated guess' of \$6.5 billion has been used (by the author) to include the missing sector activities. The next phase of this research is to establish connections to these sector areas, and to develop manners of determining their horticultural value. It will be important to also separate the production activities from value-added aspects of installation and management or maintenance. The compiling of these statistics will be helpful in determining the direction of future regulations and certifications for the industry, and assist in the formulation of business plans for those presently in the business.

Related information from Statistics Canada, and as reported by OMAF, do not cover the specific areas that this research tries to define. There are some U.S. statistics that cover retail (homeowner) horticultural activities³ (NGA, 2000) and the 'green industry' in Ohio⁴ which have been compared to and help define a general sense of the Ontario figures. However, definitive statistics for our horticulture industry still need to be generated. A method of collection and dissemination has

3. Retail sales up in 1999 by 11%; average household spending up in 1999 by 17% (NGA 2000).

4. Greengoods industry in Ohio in 1996 (latest stats available): \$1.96 billion overall; 23% increase from 1992 <http://www.hcs.ohio-state.edu/greengoods/greengoods.html>.

been developed, without the sectors mentioned above, and should be expanded to include all aspects. Future research will endeavour to find better means of procuring and comparing statistical information, and broadcast the results for the benefit of both the industry and the public.

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