



## MARKET SNAPSHOT NURSERY/GREENHOUSE

June 30, 2022

### Executive Summary

Drivers for the nursery and greenhouse industry include a slow start to 2022 retail sales, rising input costs and falling consumer sentiment.

- Unseasonable cool and wet weather led to a slow start to the season.
- Rising input costs and shortages remain a significant challenge for growers.
- Consumer sentiment and financial health are waning, and the housing sector is showing signs of a future slowdown.

### 12-Month Profitability Outlook



Northwest FCS' 12-month profitability outlook anticipates profits for the nursery/greenhouse industry. Growers continue to face rising costs and shortages of inputs but benefit from strong demand and consumers' willingness to absorb higher prices. Rising fuel and food costs may encourage people to focus on home projects and grow garden vegetables.

### Supply

Plant inventories are generally high for this time of the year as unseasonably cool and wet weather reduced retail sales. With warmer weather upon us, shipments are expected to pick up. Shortages, slow shipments and price increases are becoming more acute for containers, soil media, fertilizers and herbicides. While many prepaid for these items, everyone faces rising fuel and labor costs. Competitiveness in East Coast markets is coming under pressure as transportation costs rise.

Northwest Farm Credit Services conducts a survey of its Oregon nursery/greenhouse customers, collecting sales data across different product types for January 1 to May 31. So far in 2022, greenhouse sales declined 3.5% due to the prolonged cool and wet spring (this may recover on warmer weather), ornamental nursery/container sales were flat and shade trees sales declined.

**Straw Poll, dollar growth in sales**

Segment	2016	2017	2018	2019	2020	2021	2022
Greenhouse	-2.64%	-3.18%	11.48%	20.20%	5.06%	2.59%	-3.50%
Shade Tree	22.16%	12.73%	17.40%	46.16%	2.34%	30.37%	9.32%
Container	9.28%	4.38%	-0.30%	14.17%	24.60%	8.56%	0.46%
Total	7.96%	1.29%	5.49%	18.53%	15.35%	13.46%	-1.42%

**Demand**

Retail sales have been slow to start the year due to unseasonably cool and wet weather. Some are concerned that if this pattern persists, it will be difficult to catch up later in the season as peak sales generally occur between May and July. Fortunately, most expect this to reverse with warmer weather.

Consumer sentiment and financial health are deteriorating with inflation outpacing wage gains, record high credit card debt and a plummeting savings rate. Housing construction remains strong, but decreasing affordability is a major headwind. The 30-year fixed mortgage rate is up nearly 100% year over year (5.78% as of June 16). The Federal Reserve has committed to raising interest rates more aggressively (last 75 basis point increase marks a significant move) and median sales price is at an all-time high (\$428,700). Consequently, consumer and home builder confidence are falling. Existing home sales, home permits issues, single family starts and multifamily starts are all down month over month in May. These trends will make it more difficult for first time home buyers, perhaps forcing some to continue renting, and support the repair and remodeling sector in 2022. While these are concerning statistics, rising fuel and food costs may be supportive of the nursery/greenhouse industry as it could incentivize people to focus on home projects and grow more garden vegetables.

**Profitability**

Demand for nursery/greenhouse products has held in the face of rising prices over the last year and this should continue through 2022. Assuming retail sales pick up on warmer weather, the industry should remain profitable despite rising macroeconomic and housing headwinds. Producers will have to balance the need to purchase inputs further in advance (to mitigate shortages and rising prices) with preparing for a potential economic slowdown.

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**Additional Information**

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Nursery Management  
[Nurserymag.com](http://Nurserymag.com)

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