The Impact of Canadian Floriculture Imports on the U.S. Floriculture Industry

Bruce W. Smith
Center for Regional Development
Department of Geography
Bowling Green State University
Bowling Green, Ohio 43403

Neil Reid
Urban Affairs Center
Department of Geography and Planning
The University of Toledo
Toledo, Ohio 43606

Michael C. Carroll
Center for Regional Development
Department of Economics
Bowling Green State University
Bowling Green, Ohio 43403

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Presentation Outline

- Purpose
- Economic Context
- Canadian Competition
- Causes of Growing Canadian Imports
- Conclusions

Purpose

- Describe changing pattern of Canadian floriculture imports into the U.S.
- Identify the context and causes of those changes.

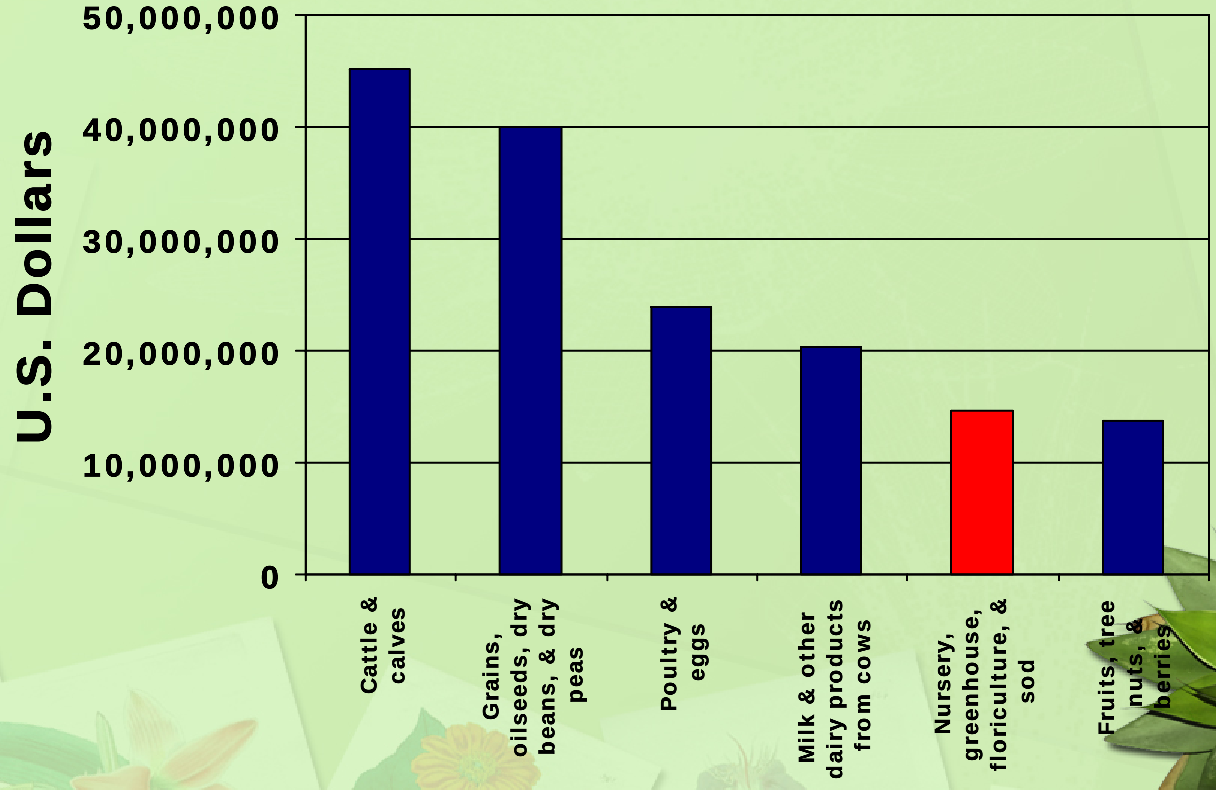
Industry Definition

Floriculture Production Definition

- Floriculture Production
- NAICS Code 111442
- establishments primarily engaged in growing and/or producing floriculture products such as
  - cut flowers
  - bedding plants
  - hanging baskets
  - house plants

Economic Context

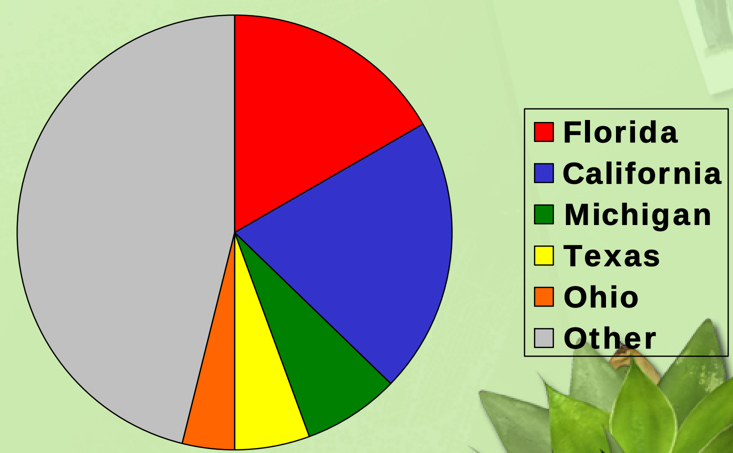
Top Agricultural Products Sold by Market Value, 2002



Source: USDA, 2003

Top U.S. Floriculture Producing States, 2004

- The top two producing states are California (20.5%) and Florida (16.5%)
- No other state has over 5% of national production



Source: USDA, 2005

Floriculture
A Growing Market

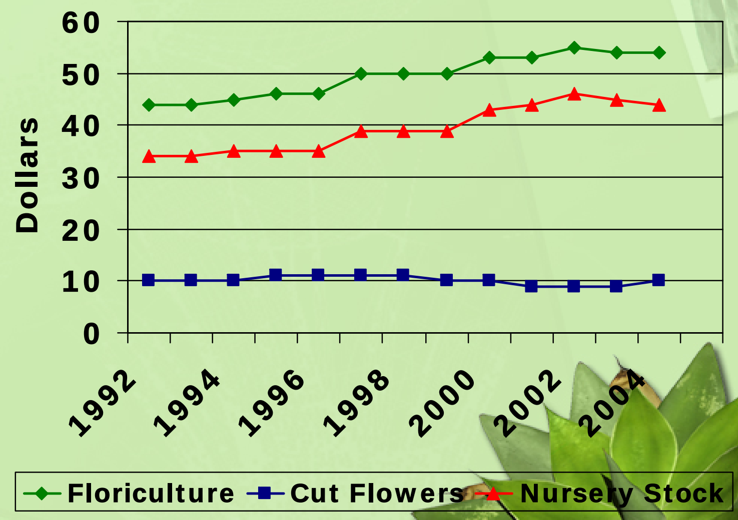
- Per household consumption of floriculture products increased from $44 to $54 between 1992 and 2004

- This represents an increase of 22.7%

Per Household Consumption of Floriculture Crops, 1992-2006

(2004 U.S. Dollars)

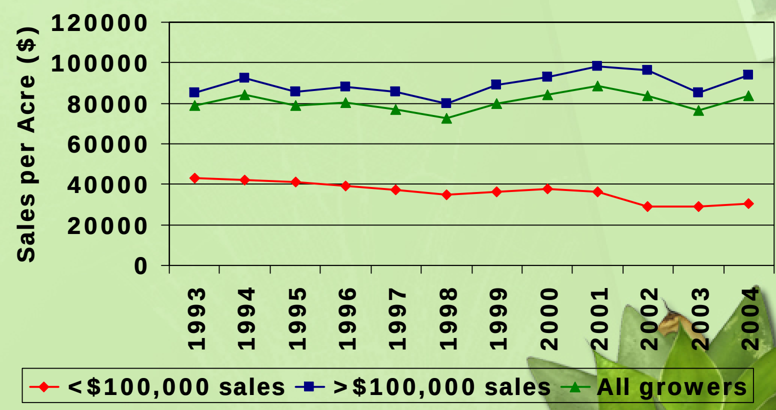
- Changes in per capita household consumption
  - Floriculture products 22.7%
    - Nursery stock 29.4%
    - Cut Flowers 0.0%



Source: USDA, 2005

Floriculture Average Sales Per Acre, 1993-2004

	Change 1993-2004	
Grower Type	Number	Percent
All Growers	$5,149	6.5%
<$100,000 sales	-$12,382	-28.9%
>$100,000 sales	$8,311	9.7%



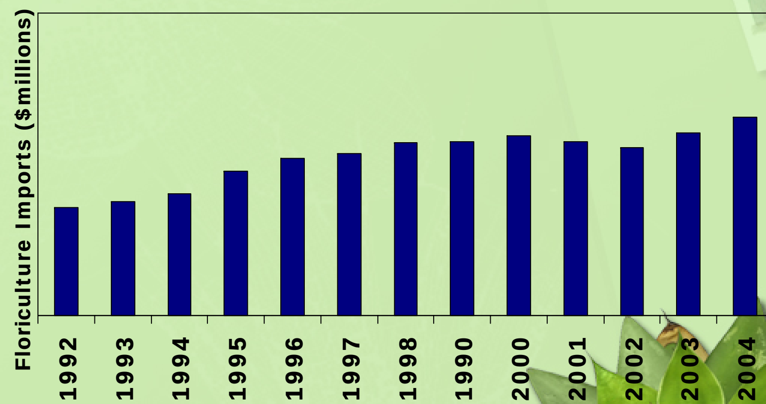
Source: USDA, 2005

U.S. Floriculture Imports

U.S Floriculture Imports, 1992-2004

(2004 U.S. dollars)

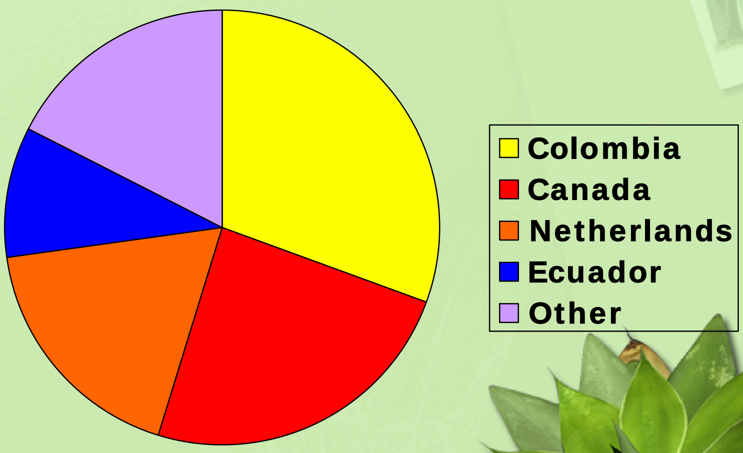
- The value of U.S. floriculture imports increased from just over $749.4 million to nearly $1.4 billion between 1992 and 2004
- This represents an increase of 84.1%



Source: USDA, 2005

Origin of U.S Floriculture Imports, 2004

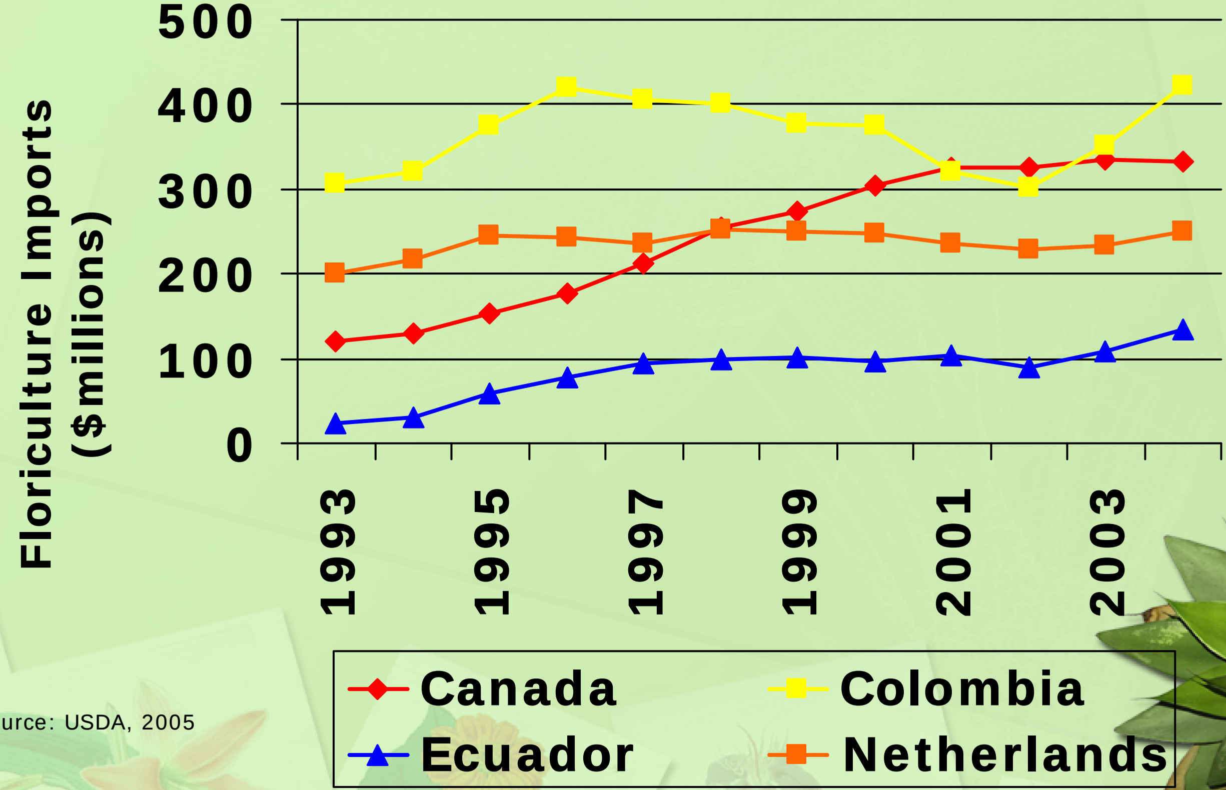
- 4 countries account for 82.4% of imports
  - Colombia (30.5%)
  - Canada (24.1%)
  - Netherlands (18.1%)
  - Ecuador (9.7%)



Source: USDA, 2006

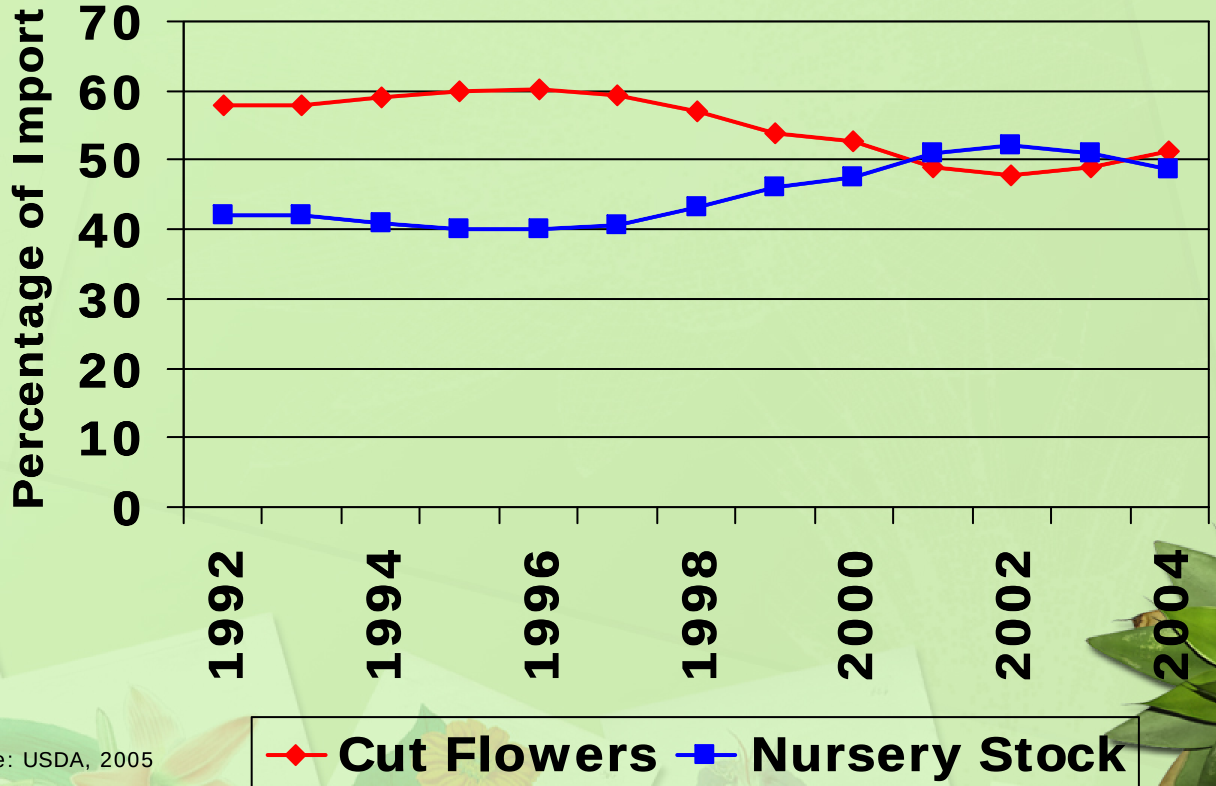
Origin of U.S Floriculture Imports, 1993-2004

(2004 U.S. dollars)



Source: USDA, 2005

Cut Flowers and Nursery Stock Share of U.S. Imports, 1992-2004

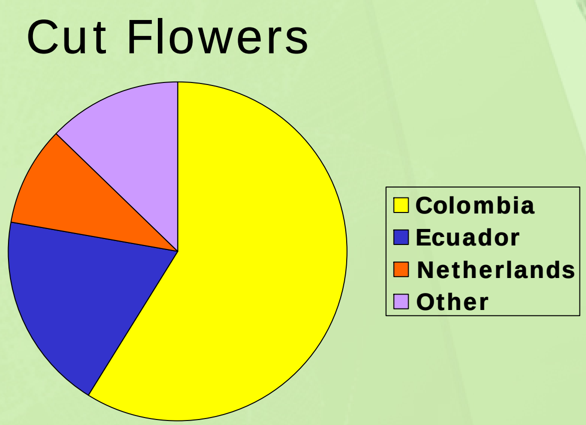


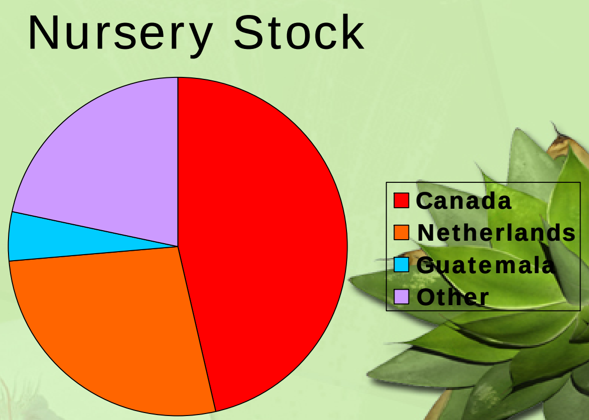
Source: USDA, 2005

Origin of U.S Floriculture and Nursery Stock Imports, 2004

- Colombia has 58.8% of cut flower market

- Canada has 46.4% of nursery stock market



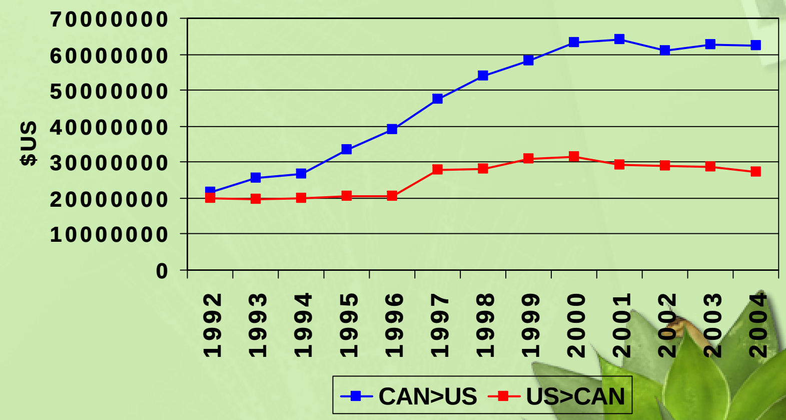


Source: USDA, 2006

Canadian Competition

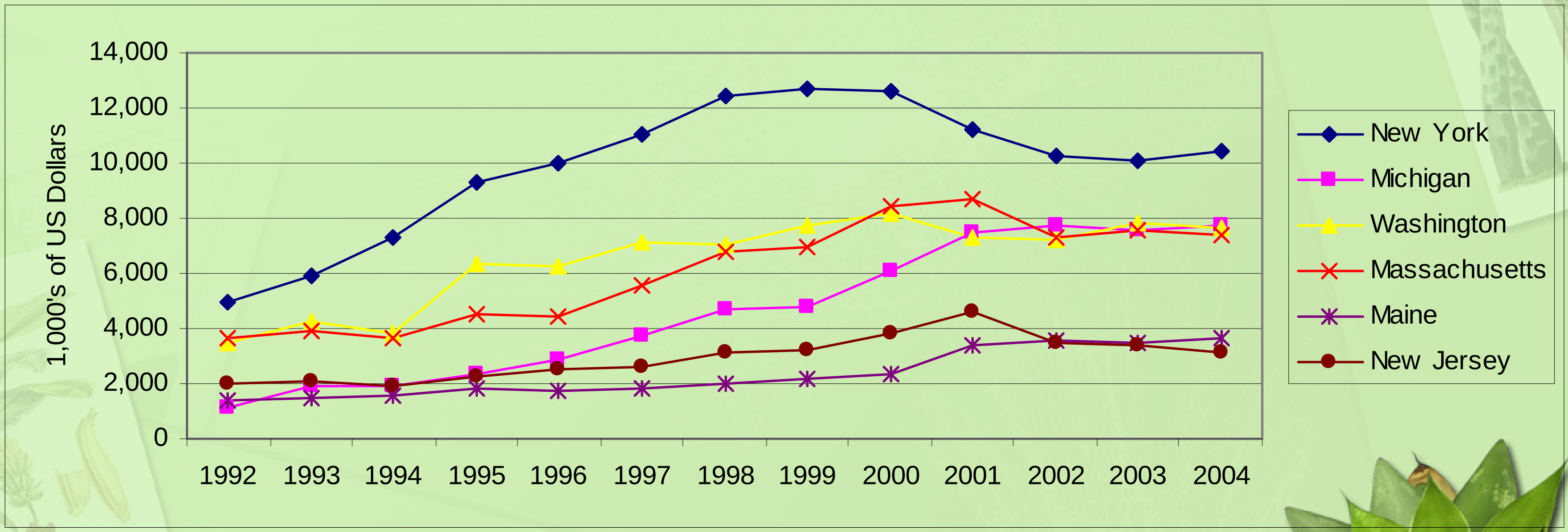
Canada-U.S Floriculture Trade, 1992-2004

- Canada's trade surplus with the U.S. in floriculture products increased from $1.5 million to $35.3 million



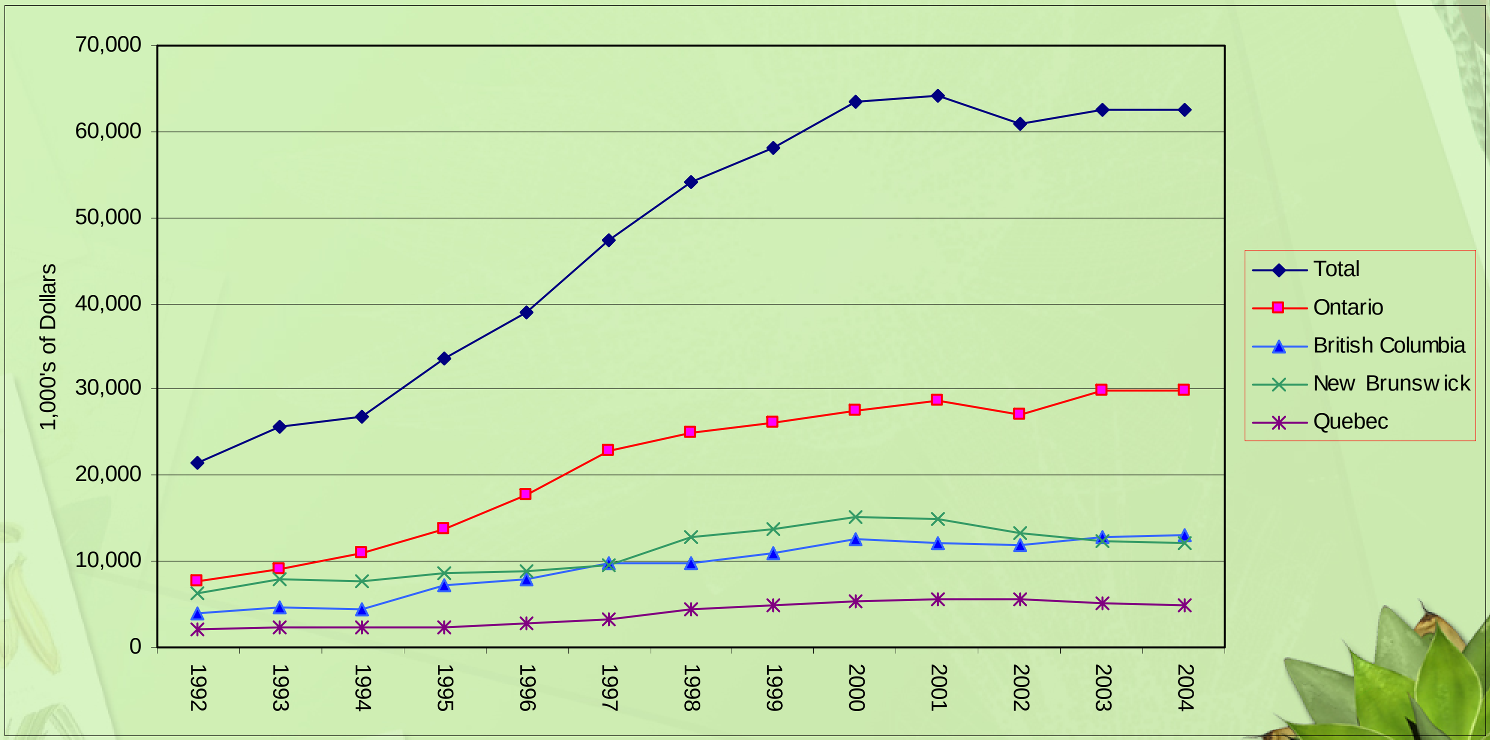
Source: Industry Canada 2006

Imports by State*



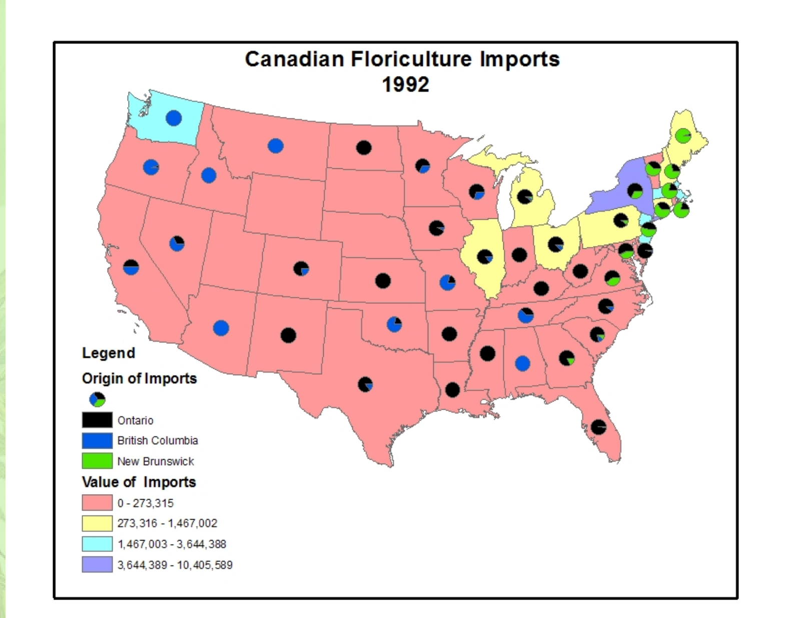
*States accounted for 64% of US total in 2004.

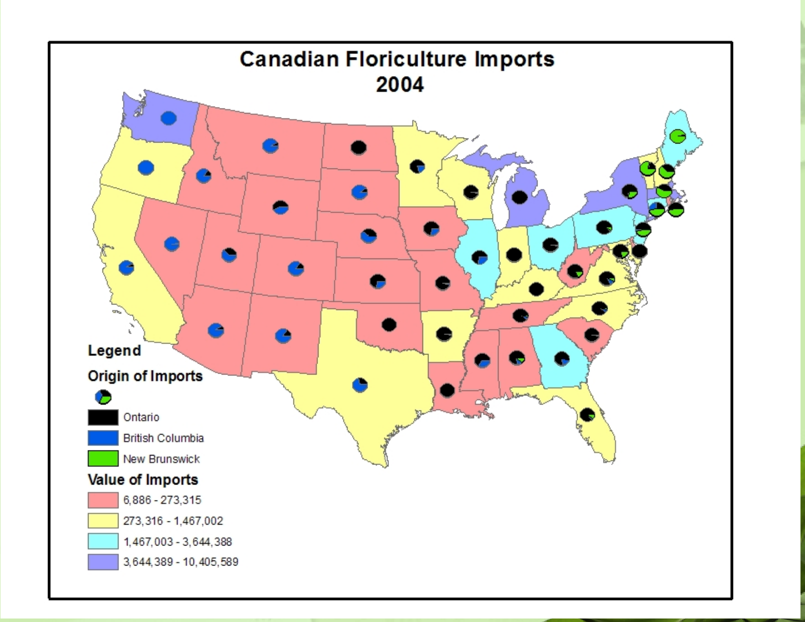
Exports by Province*



*Provinces accounted for 96% of total in 2004.

Changing Import Patterns





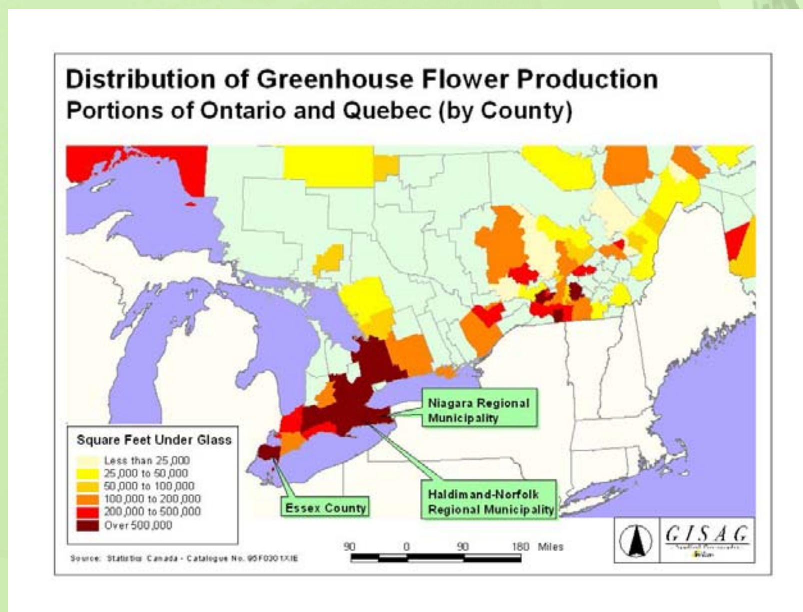
Causes of Growing Canadian Imports

Canadian Industry is Large

- Ontario is the 3'rd largest production area in North America behind Florida and California
- On average Canadian greenhouses are larger than many in U.S.
  - For example Ontario average is about 48,000 sq. ft. under protection versus 29,000 sq. ft. in Ohio.
- This generates substantial scale economies.

Southern Ontario

- Good location.
- 50% of U.S. urban population within 8 hour drive.



U.S. Growers

A grower invested little profits back into the family business. He was complacent. He had halfhearted promotions and short hours. The greenhouse layout, lighting, displays and merchandising were virtually unchanged since construction. He was slow to incorporate new trends and follow customers' changing needs and preferences."

Greenhouse Product News, 2006

Canadian Ownership

“The Ontario Greenhouse Alliance’s vision is to provide an infrastructure and approach that will integrate all the current resources and future potential of the Ontario greenhouse stakeholders into a community and international marketplace presence, with the synergy and standards to be a world leader in greenhouse operations”

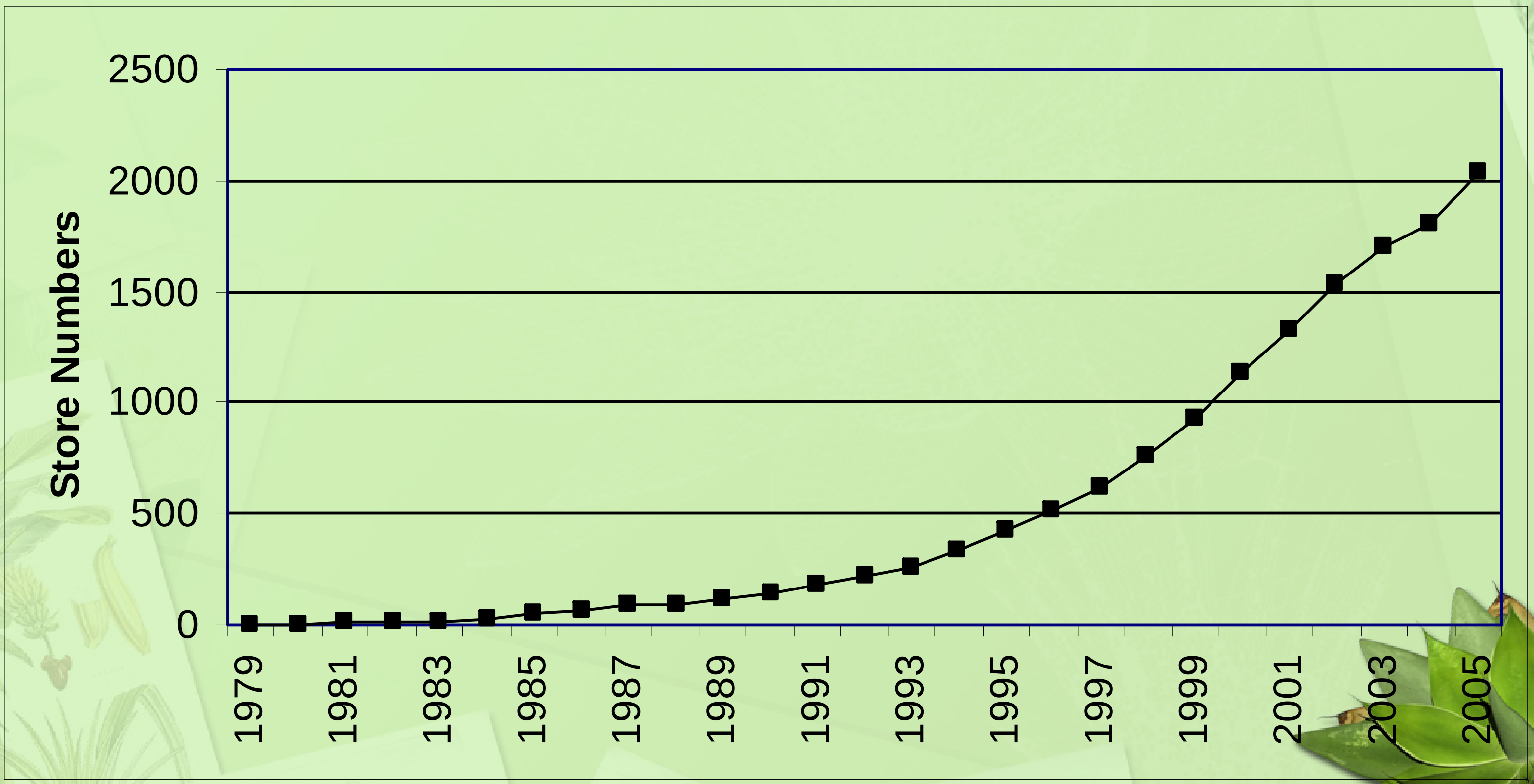
The Ontario Greenhouse Alliance

Growth of “Big Boxes”

- The industry is now buyer-driven rather than producer-driven due to global competition (Blumfield 2002).

- “Big Boxes” are major force in that change. It is estimated that every new Home Depot that opens up, another three hectares (7.4 acres) of floriculture production is needed to fill demand (Canadian Business, 2005).

Growth of Home Depot



Conclusions

Market Segmentation

- Growers are increasingly being segmented into those producing for the big chain stores, and those who direct market or sell to independent garden centers.
- Canadian imports are major competitor in the "big box" market.

Impact of Competition

- Northwest Ohio greenhouse industry
  - Next 5 years
    - 40% - industry less profitable
    - 15% planning to downsize or close

Source: Grower Survey 2004

Continued Import Growth

- Continued growth of Canadian imports can be expected.
- Those imports are a major driver in moving the industry to being a buyer-driven supply chain and fostering the transition of the industry from a "cottage industry" to a large-scale commercial agricultural industry.

Trade Issues

- In contrast to other industries, NAFTA has had little impact on this trade.
- Instead currency exchange rates and border issues related to Homeland Security seem to be more influential.

Acknowledgements

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