

Starting a Nursery Business in BC (2nd edition)

INTRODUCTION TO STARTING A NURSERY

A nursery business offers the opportunity for a financially and personally rewarding business venture for the dedicated owner who has a sound business plan. The industry is attractive to new growers due to the small land base and minimal capital investment required to start a nursery; however, a wide range of knowledge is required and, there are many things to be considered before investing in a nursery operation.

This booklet is intended to assist a new grower in making the decision of whether or not to enter the nursery industry. The publication gives an overview of the industry, discusses points that should be considered before starting a nursery, and offers other valuable sources of information.

OVERVIEW OF THE NURSERY INDUSTRY

THE BC NURSERY INDUSTRY

BC is the second largest producer of nursery stock in Canada and accounts for 31% of the national nursery trade¹. The major production areas are concentrated on Vancouver Island, and in the Kootenay, Lower Mainland, and Okanagan regions. These areas enjoy some of the lowest production costs in Canada because of minimal over-wintering requirements, maximum growing season length, and the availability of abundant supplies of good-quality water.

BC nursery businesses range in size from small, one-person operations to highly mechanized facilities with numerous full time and seasonal staff and several hundred acres of field stock, outdoor container beds, and/or greenhouse facilities. Container production is more prevalent as more intensive crop production per acre is possible than with field production. Some nursery businesses are entirely wholesale grower operations, while others may specialize in the retail market, or have both retail and wholesale divisions.

Nursery crops include a diverse range of several thousand genera of ornamental plants. They range from herbaceous garden flowers, vines and grasses, to woody trees and shrubs, both deciduous and coniferous. Growers may propagate their plants from stock plant material or purchase "liners" from other nurseries to grow on and resell.

Table 1. Industry Challenges

- Marketing** - There are no marketing boards or other central sales agencies to assist producers to sell their crops.
- Supply and demand** - Since it takes years to grow many crops, crop demand can change faster than a grower's ability to adapt.
- High land values** - The main nursery production areas have some of the highest land costs in the province.
- Labour shortage** - The industry has a shortage of unskilled and skilled workers.
- Fewer pest controls** - There is a lack of ornamental pesticide registrations in Canada. Growers must place more emphasis on integrated pest management.
- Lack of local research** - Research at public institutions is focused on food crops. Nurseries must fund their own research, work with the BC Landscape and Nursery Association, or access research from other regions.

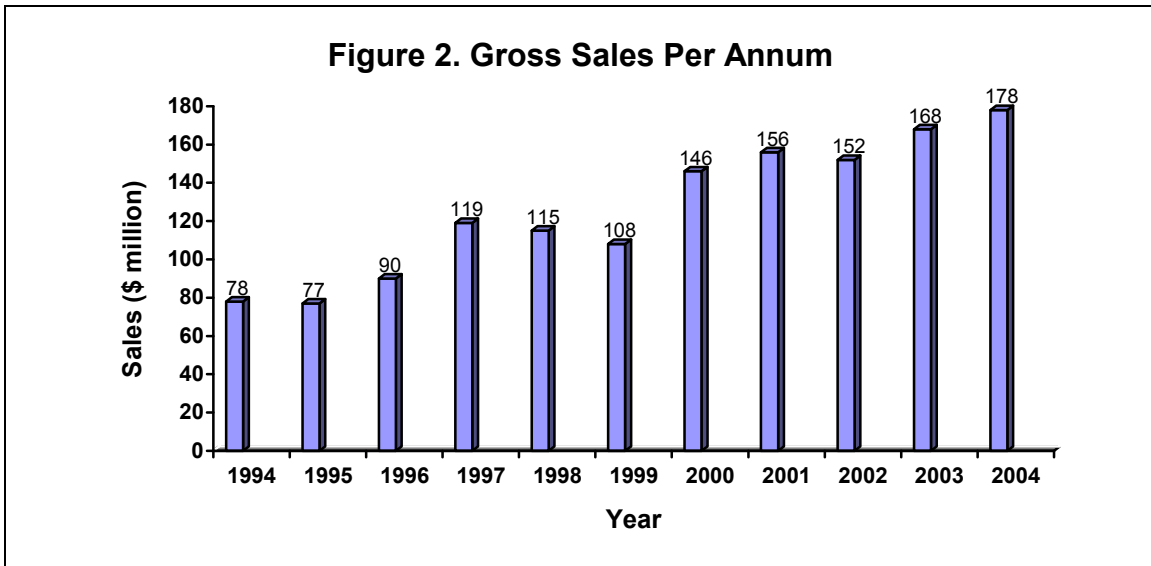
¹ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

Figure 1. Hoop houses at a large container nursery in BC.



The main purchasers of BC nursery products are: garden centres (21%), other growers (13%), landscape contractors (15%), mass merchandisers (9%) and retail sales to the public (10%)². A large proportion of BC nursery products are exported.

The BC nursery industry has experienced steady growth since 1992 in both sales (Figure 2) and acreage under production (Figure 3). Sales have grown from \$78 million in 1994 to \$178 million in 2004, an increase of 127% over the ten years³. Land area under nursery production in the province increased by 87% between 1993 and 2003. BC nursery export sales reached \$71 million. Export sales increased rapidly between 1998 and 2002, showing a 122% growth rate, by far the largest percentage increase of any province⁴ (see Figure 4).



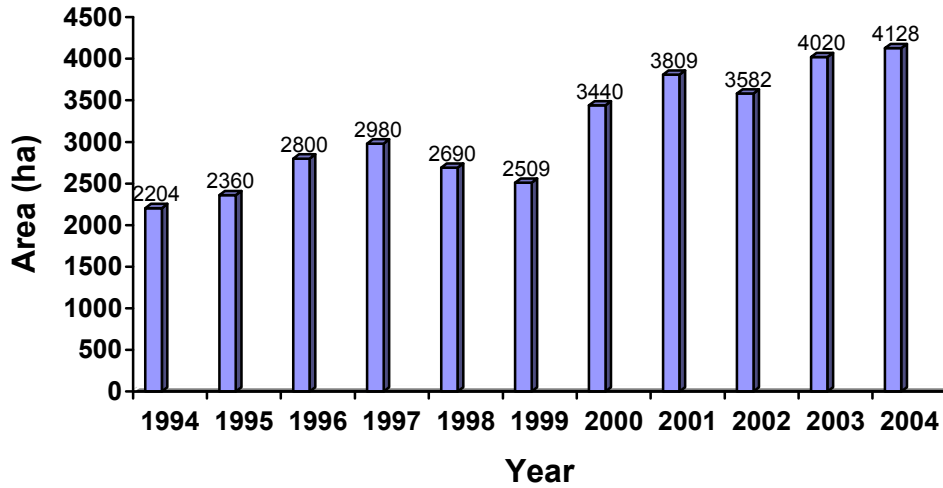
Source: Statistics Canada, Farm Income Section, Agriculture Division

² *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

³ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

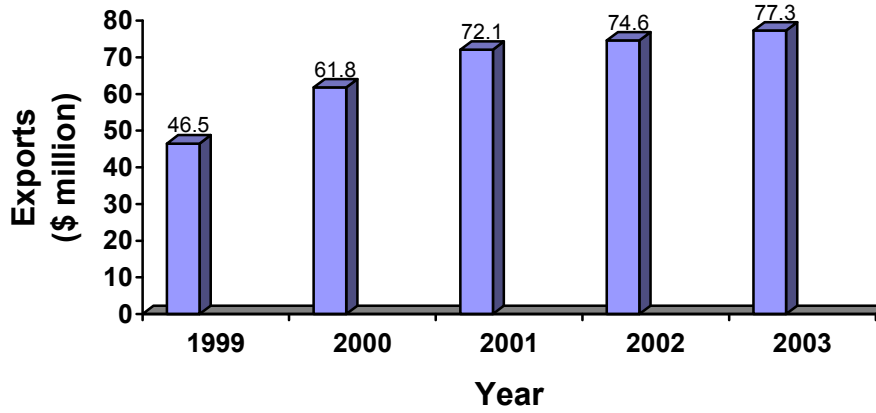
⁴ Statistics Canada. Available online at: [Trade Data Online](#)

Figure 3. Nursery Land Area (nurseries of 2 ha or more)



Source: Statistics Canada, Catalogue 22-202

Figure 4. BC Exports of Live Plants to the U.S.



Source: Trade Data Online

THE CANADIAN NURSERY INDUSTRY

The Canadian nursery industry has seen significant increases in sales over the past several years, despite a decline in nursery area across the nation⁵. In 2004, nursery sales in Canada were Cdn\$568.9 million, a 5% increase over the previous year. Nursery land area decreased by 1.0% over the previous year, to 46,836 hectares (115,735 acres). A trend in the industry is increased imports and purchases for resale by nurseries, and a decline in purchases for growing⁶.

The main nursery areas in Canada are Ontario, which accounts for 46% of total sales, and British Columbia, with 31%⁷. Quebec ranks third, representing 12% of national nursery sales.

The market for Canadian nursery stock is diverse; it encompasses wholesale, retail and export sales. Nationally, the three major markets in Canada are garden centres (22%), landscapers (23%) and sales to the public (14%)⁸. Mass merchandisers continue to be an important and growing market for nursery stock. In 2004, nursery growers sold more than 12% of their product to mass merchandisers, which was up from 7% in 2000⁹.

The export market for nursery products is strong. Canada's primary trading partner in the nursery industry is the US. Canadian nursery products account for almost 50% of all nursery imports into the US, with a value of close to US\$293 million in 2001¹⁰. The US is the world's largest consumer and producer of nursery products⁵; and has the potential to be a lucrative and growing market for Canadian nursery products. Canada's proximity to the US and a currency exchange advantage placed Canadian nursery growers in a strong position to take advantage of this opportunity in the mid 1990's. This advantage has eroded in recent years as the value of the Canadian dollar has soared to 10-year highs. The Canada-US exchange rate was 0.635 to begin 2003, but had risen to 0.775 a year later. The dollar has continued to strengthen into 2006. It is no secret that a high exchange rate influences the ability of Canadian exporters to access the US market.

"The total value of product exported to the US represents a significant portion of Canada's total farmgate sales, however, they are a mere drop in the bucket compared to what is consumed annually by the American marketplace. There exists a huge potential for increased market share.

Then too, there is always the possibility that at some time in the future, a strengthened Canadian dollar will remove our price advantage."¹¹

Canada is a net exporter of nursery and tree products¹². In 2002, exports totaled Cdn\$417 million, nearly twice the value of imports, which were Cdn\$210 million. Table 2 examines the distribution of exports by province; Ontario is the primary exporting province, accounting for 62% of the total. BC is the second largest exporter, followed by Quebec. Together, these three provinces represent 90% of Canadian nursery exports.

⁵ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

⁶ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

⁷ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

⁸ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

⁹ *Greenhouse, Sod and Nursery Industry*. 2004. Statistics Canada, cat. # 22-202-X1B

¹⁰ *The US Market for Floriculture and Environmental Horticulture*. June 2000. Jeremy Finkelstein. Agriculture and Agri-Food Canada. [Available online](#)

¹¹ *Quality standards program will improve both export and domestic sales*, National Grower News, Spring 2003, vol. 1, issue 1, Canadian Nursery Landscape Association

¹² Statistics Canada. Available online at: [Trade Data Online](#).

Table 2. Growth of Canadian Nursery Exports (Cdn\$,000) 1998-2002

| | 1998 | 1999 | 2000 | 2001 | 2002 | % Increase 1998-2002 |
|------------------|---------|---------|---------|---------|---------|-------------------------|
| Ontario | 176,598 | 192,043 | 221,871 | 251,871 | 258,591 | 46% |
| British Columbia | 32,202 | 44,102 | 58,542 | 69,790 | 71,356 | 122% |
| Quebec | 28,491 | 30,207 | 32,549 | 39,014 | 43,770 | 54% |
| New Brunswick | 20,109 | 23,010 | 21,311 | 24,982 | 25,877 | 29% |
| Nova Scotia | 14,012 | 12,863 | 13,060 | 14,965 | 15,013 | 7% |
| PEI | 881 | 892 | 1,050 | 1,019 | 1,164 | 32% |
| Manitoba | 523 | 793 | 749 | 1,064 | 746 | 43% |
| Alberta | 1,459 | 279 | 497 | 415 | 423 | -71% |
| Saskatchewan | 152 | 31 | 87 | 174 | 83 | -45% |
| Total | 274,427 | 304,237 | 349,114 | 403,295 | 417,023 | 52% |

Source: Statistics Canada (Trade Data Online)

Table 3. Industry Opportunities and Strengths

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| <p>Climate – The Lower Mainland and Vancouver Island areas have some of the mildest climates in Canada.</p> <p>Industry grading standard - The <i>BC Landscape Standard</i> is improving consistency of product quality which, in turn, relates to industry integrity and strengthens local and export sales.</p> <p>Co-operation between growers - Growers work together to solve production issues.</p> <p>Freedom from quarantine pests - Permits freer access to markets throughout North America for BC nursery stock.</p> <p>Support and representation from industry associations - Provincial and federal associations address issues and problems faced by nursery growers. Industry associations also foster high standards and communication between members.</p> <p>New technology - Increases marketing opportunities, and aids in production efficiency and information storage. Automated systems are available to reduce production costs and labour requirements, and to allow more efficient use of resources.</p> <p>Increasing demand - Sales of nursery crops are increasing steadily. “Americans are gardening more than ever before, and they will continue to garden more in the future ¹³.” Predictions of continued growth in gardening are good news for the industry.</p> <p>Pacific Rim trade - The nursery industries in Oregon and Washington are interested in the prospects of markets in Asia and have sent several trade missions to China and Japan in recent years. There may be opportunities for BC as well.</p> <p>New plant cultivars - New crops are being continually introduced and offer potential for higher returns than standard industry cultivars.</p> |
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¹³ K. Druse, “Fulfilling Dreams.” *American Nurseryman*, April 1, 1998.