

MARKET SNAPSHOT Nursery/Greenhouse

March 31, 2023

Executive summary

AgWest Farm Credit’s 12-month outlook sees the nursery/greenhouse industry as profitable. Drivers include rising prices, resilient demand, falling consumer sentiment, interrupted deliveries to East Coast markets, and increasing interest in drought-tolerant plants.

12-Month Profitability Outlook



Industry drivers

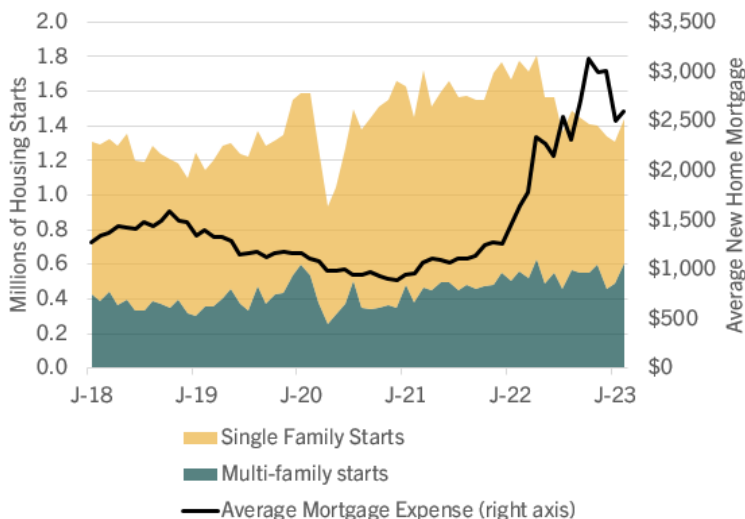
Price increases offset elevated input costs

Nursery/greenhouse producers have increased plant prices to account for rising input costs. With steady demand, margins should remain healthy. See the **Crop Inputs Snapshot** for more information on crop input trends.

Demand resilient

Multi-family housing starts, residential improvements and better inventory management should support the industry despite falling single-family housing starts. Affordability is a significant challenge as elevated new home values and interest rates drive up mortgage costs (see chart below). Most in the industry think this dynamic will not significantly impact nursery-greenhouse sales in 2023 but could become problematic in 2024. Growers are managing inventories more effectively than in the past (leading up to the 2008-09 recession) and are more prepared for a potential downturn. In addition, multi-family starts are generally more resilient than single-family starts.

Single- and Multi-family Housing Starts and Estimated New Home Mortgage Expense



Mortgage costs are double their ten-year average.

Single-family housing starts have fallen 32% from peak levels in November 2021.

Forecasters expect housing starts to settle around 1.3 – 1.4 million units in 2023.

Source: U.S. Department of Housing and Urban Development. Freddie Mac.

Mortgage expenses are calculated using average new home prices and 30-year fixed mortgage rates.

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Consumer sentiment falls

Consumer sentiment is low and this may signify lower consumption of goods, including nursery-greenhouse sales. In early March, the University of Michigan's Consumer Sentiment Index declined for the first time in four months by 5% (recorded prior to the failure of Silicon Valley Bank). While the index noted decreases across all components, they were particularly strong among lower-income, less-educated, younger consumers and those with large stock market holdings. Sentiment is near all-time lows and declining readings can indicate lower consumption of goods, including nursery/greenhouse plants.

Shipments to East Coast markets interrupted

Inclement weather patterns this winter interrupted and delayed shipments to East Coast markets. These challenges have not impacted sales and most expect them to clear up in the spring; however, the risk of buyers canceling orders will rise if they continue.

Drought tolerant plants gain attention

Interest in drought-tolerant plants is increasing, but consumption patterns have not changed materially yet. Drought is making water scarcer and more expensive, a trend many expect to continue as climate patterns change. In response, consumers are increasingly interested in building resiliency into their landscapes and gardens, as well as lowering maintenance costs by using plants with lower water needs.

Profitability

The nursery/greenhouse industry should be profitable over the next 12 months. Plant sales should hold throughout the year despite falling single-family home starts and consumer sentiment. Impacts on sales from delayed and/or diverted shipments to East Coast markets have been minimal. Plant prices have adjusted upwards to account for elevated input costs and margins should remain healthy. There is increasing interest in drought-tolerant plants; however, sales patterns have not materially changed yet.

Share your feedback! [Click Here](#) to complete a two-minute survey about this Snapshot.

Additional Information

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