NURSERY PAPERS

BENCHMARKING FOR SUCCESS

The latest *Nursery Industry Statistics* report for the 2018/19 financial year assessed data from 305 production nurseries. It found that total farmgate sales experienced an increase from the previous year, with sales reaching $2.44 billion in 2018-19, an increase of 1.6% from the previous year, unadjusted for wholesale to wholesale sales. The number of plants sold by Australian production nurseries exceeded 2 billion over a 12-month period.

This is the third year of data collected under a consistent methodology and the business benchmarking tool has been refined to provide growers with insights into how their business compares in terms of performance, sales, employment, wages and sentiment.

Growers are encouraged to use this benchmarking tool to support strategic decision making.

SUMMARY

- *Nursery Industry Statistics (NY17008)* is a three-year project funded by Hort Innovation using nursery industry levies and funds from the Australian Government.
- Greenlife Industry Australia (GIA) oversees the project and works with Down to Earth Research (DTER) and ACIL Allen Consulting for data collection and analysis.
- The project collects national greenlife statistics and tracks industry performance over time, to monitor market trends and prioritise investments for production nurseries.
- The results ensure that knowledge of the industry's size and economic contribution is underpinned by robust data.
- The nursery industry benchmarking tool, developed and refined using results over three survey periods, allows nurseries to compare financial performance, business and industry sentiment, sales shares by type and market segment, employment and wages, investment with other nurseries of similar turnover ranges as well as the industry as a whole.
- Levy-payers are strongly encouraged to register for access to the benchmarking tool.

The benchmarking tool is being developed through consultation with growers.

BACKGROUND & METHODOLOGY

This is the third industry statistics survey using the Computer Assisted Telephone Interview (CATI) methodology where businesses, which are producing greenlife across all sectors nationally, are randomly selected for interview. The questions and methodology have remained mostly consistent over this time period to ensure accurate and comparable data collection and analysis.

At the initial call, Down to Earth Research (DTER) arranges an appointment and provides the survey questions to the respondent in advance. This provides growers the opportunity to collate the data required to complete the survey and results in more complete data sets. Questions are asked about nursery size, sales volume and value, workforce, products and sales channels.

Participation in the survey continues to increase with a 4% increase in respondents from 2017-18 and a 38% increase since 2016-17.

Data collected is anonymised and aggregated to create insights for the nursery industry, whilst ensuring confidentiality is adhered to.

Using the data, the business benchmarking tool is updated and made available to growers to obtain an accurate, robust snapshot of how the industry looks for their turnover range and how their business compares. The insights can be used by growers to prioritise investments, make informed workforce decisions and plan for the future.

SURVEY RESULTS

Plants sold

Production nurseries exhibited growth in farmgate sales in 2018-19, with a 1.6% increase to approximately $3.14 billion. If sales to other production nurseries (intermediate or re-selling) are not included, it's estimated that the industry contributes $2.44 billion to the national economy. This positive result is in contrast to recent history for the agriculture industry as a whole in Australia which fell by 3% in 2017-18 in terms of gross value (2018-19 data currently not released)[1]

This value is derived from the sale of over 2 billion individual plants (or 1.34 billion if production nursery sales are discounted).

This provides our industry with evidence that we are a significant contributor to our national economy. Growers can arm themselves with this data to advocate for access to water, favourable insurance policies and local planning decisions.

From an industry perspective, it provides us with robust data to pitch for more funding, access to education and research.

Market segments

Of the 2 billion plants sold in 2018-19 the retail channel continues to be the primary driver for sales, with 63% of growers supplying greenlife to retailers, accounting for 39% of total sales volumes.

In line with 2017-18 data, sales into 'big box' retailers dominate the retail channel, with 49% of participants that sell into retail indicating that they sold to 'big box' retailers. In total, sales to 'big box' retailers were worth an estimated $661 million.

Outside of retail and wholesale (re-selling), the landscape market is the next largest channel with 43% of respondents selling to landscapers, developers and builders.

By examining the sales channels of similar businesses, growers may decide to do one of three things:

1. **Cement** their position in their preferred market segment
2. **Focus** on other segments where there is less saturation
3. **Identify** different or unique market segments.

Employment

Total employment in the sector remains consistent from previous years. It's estimated that the industry employs between 22,000 and 24,500 people.

For the first time, respondents were asked about the gender ratios in their businesses. The survey findings suggest that 53% of greenlife industry workers are male, with 47% female. For context, according to the Workplace Gender Equality Agency, men comprise 60.2% of workers within the wider agriculture sector.

The study also indicates that roughly 8 in 10 (78%) of businesses employs at least one qualified horticulturalist and that 80% of businesses are profitable.

Wages

In 2018-19 Greenlife businesses are estimated to have paid $1.11 billion dollars in wages (no significant change from 2017-18 at $1.19 billion) at a similar average wage to previous years of $58,465 ($59,974 in 2017-18). On average, the cost of wages represented 35% of turnover, varying slightly by business size, from 45% among small to 34% of large enterprise turnover.

Businesses in all industries should be benchmarking their wage cost against other similar businesses. If wages are in the upper bracket, growers should determine whether the higher wages are justified in terms of higher sales or other benefits. Conversely, if wages are significantly lower than peers, a nursery business may be missing out on the best talent, who typically command higher wages.

Sentiment & future business investment

76% of growers surveyed said they were confident in the future of the greenlife industry.

Confidence in the industry is also seen in optimism at the individual business level, with 63% of growers surveyed indicating they would be continuing to invest in their business through training, infrastructure or technology.

It should be noted that whilst a large proportion (56%) of businesses plan on expanding over the next five years, this figure is down from 65% since the 2017-18 survey.

Economists use business confidence as a general indicator for sentiment within industries and growers can use the information to benchmark their own confidence with that of their peers and make planning decisions accordingly.

Ashley Burns from *Living Colour Nursery* has used the benchmarking tool for two years to provide data-driven insights to inform both short-term operational decisions and long-term business strategy. As the growing and production manager, Ashley sits down with the *Living Colour* leadership team regularly to plan everything from staffing to product lines. The benchmarking tool provides an objective approach for the business to guide their investment decisions strategy.

Read more about how *Living Colour* get the most out of the benchmarking tool here: *https://www.greenlifeindustry.com.au/ Attachment?Action=Download&Attachment_id=2227*

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1 Australian Bureau of Statistics, 7503.0 – Value of Agricultural Commodities Produced, Australia, 2017-18

The 2017/18 benchmarking tool. The 2018/19 version is still under development.

WHAT GETS MEASURED GETS MANAGED – HOW TO LEVERAGE THE BUSINESS BENCHMARKING TOOL

Most nurseries acknowledge that in 2020 management of their businesses can no longer be done based on guesswork. The Benchmarking Data Tool assists businesses in making strategic and operational decisions based on robust data.

The tool allows producers to benchmark their performance against their peers from the survey findings. The data is split into 4 turnover ranges: <$500,000 p.a, $500,000 – $2million p.a, $2million to $4million p.a and >$4million p.a.

Producers can compare their sales values and volumes by product type and market segment to industry. They can also see where they sit along the range for sales value, employment, wages and cost metrics. That is, around the middle, upper or lower range. Producers can also gauge business sentiment about profitability and the future of the industry.

The tool provides an invaluable base upon which business owners can overlay their own data and make informed decisions about the future.

The benchmarking tool is made up of four key components:

- An overview of the 2018-19 results and trends over time
- Sales; where users can input their own data for comparison
- Employment and costs; where users can input their own data for comparison
- Industry sentiment; where users can input their own data for comparison.

The full benchmarking tool is scheduled to be released in May 2020, in the meantime, contact ***info@greenlifeindustry. com.au*** to register your interest.

WHAT CAN THE BENCHMARKING TOOL TELL ME?

💰	**How is my business performing financially in comparison to the wider industry?**	Compare yourself against others using real industry data, picking from 4 business sizes
🌱	**I know my business size and revenue, but how does my productivity compare to others in the industry?**	Analyse sales and FTEs against your peers
🚚	**How competitive are the sales channels I am currently targeting?**	Compare sales across 8 markets and 7 products
🏢	**I'm looking to expand in the next five years, how are others in the industry faring?**	Measure industry sentiment on growth, profit and confidence
🌳	**I'm reviewing my product lines. Are there any trends I should be aware of?**	Track industry growth in specific product segments

A DATA-DRIVEN INDUSTRY IS A MORE ROBUST INDUSTRY

The 2018-19 industry survey paints a positive picture for the continued growth of the greenlife industry. Key performance indicators are that volume and value of plants sold have both increased, while consumer demand and industry confidence remain strong.

The findings provide individual production nurseries with the proof of a healthy, resilient and strong industry as well as provide the wider industry with a dataset that can be used to guide industry development, marketing and advocacy.

However, the true value of the project is realised when growers access the benchmarking tool in order to bring the macro findings down to the individual nursery level.

To understand the past is to plan for the future and growers are strongly encouraged to access the tool and use the insights to plot their future.

The tool will be available in May 2020, and levy-payers are encouraged to register in advance to guarantee access as soon as it is made available.

Contact *info@greenlifeindustry.com. au* to register your interest.

FIVE FAST FACTS

2 billion
plants sold by production nurseries

76%
of growers are confident in the future of greenlife

63%
of businesses focusing on improving infrastructure, new technology and education

$407,998
turnover per hectare of outdoor production

47%
female participation in greenlife industry workforce

LINKS TO RESOURCES

Case study: Data-driven decisions guide growth for living colour nursery:
https://www.greenlifeindustry.com.au/Attachment?Action=Download&Attachment_id=2227

Media Release: Australian wholesale nurseries sell over 2 billion plants in 2018-19:
https://www.greenlifeindustry.com.au/Story?Action=View&Story_id=2752

Past nursery papers:
https://www.ngia.com.au/Story?Action=View&Story_id=2443

PAST EDITIONS OF NURSERY PAPERS ARE AVAILABLE ONLINE on the GIA website:
https://www.greenlifeindustry.com.au/Section?Action=View&Section_id=46