## **Green Industry 2025**

## **Main Takeaways**

- 2024 was a good year for many green industry firms, though Hurricane Helene mitigated these positives for many growers.
- There are many unknowns going into 2025 that will impact green industry sales, including higher inflation and interest rates, mixed signals within the economy, increased input costs, and the varying strength of the housing market in Georgia.
- Green industry demand is expected to have stable to moderate growth with increased prices, which will result in comparable average sales for 2025 compared to 2024.

The **green industry**—the production, distribution, retailing, and services associated with ornamental plants; landscape and garden supplies; and nursery, greenhouse, and sod growers—is highly dependent on the overall national and local economies. In 2018, the last year estimates were calculated, the Georgia green industry was ranked as the 10th largest across the United States with a regional economic impact of \$9.97 billion and employment around 100,000 (both direct and indirect; Campbell & Khachatryan, 2020).

In 2022, the Georgia green industry had \$1.28 billion in farm gate sales, which made it the thirdlargest agricultural commodity in the state, behind broilers and cotton. Notably, the greenhouse segment is the largest sector (ranked seventh in agricultural farm gate value [FGV] at approximately \$611 million in 2022), followed by field nursery (13th with ~\$250 million in FGV), container nursery (15th with ~\$223 million in FGV), and turfgrass (16th with \$194 million in FGV; Center for Agribusiness and Economic Development, 2022).

Using data from the University of Georgia Center for Agribusiness and Economic Development *Farm Gate Value Report*, the ornamental horticulture industry saw upward trending sales starting around 2014 for greenhouse and field nurseries (Figure 1). Turf and container nurseries saw upward sales trends in 2020.





\*Values represent percent changes in farm gate value adjusted to 2001 dollar values. Data comes from the Georgia *Farm Gate Value Report* developed by the University of Georgia Department of Agricultural and Applied Economics Center for Agribusiness and Economic Development.

The overall economy is an indicator of green industry growth. Forecasting the 2025 season is extremely complex given the number of unknowns in the economy. Economic indicators provide an idea of what 2025 will bring; however, there are mixed signals in the marketplace.

Interest rates have risen to 2008 levels, which has cooled housing markets and home renovations in many areas. The consumer price index (CPI) in November 2024 is at the same level as March 2021, which is far below the peak in June 2022. Currently, the CPI is in line with the years 2010–2020 (U.S. Bureau of Labor Statistics, 2024). However, the combination of higher inflation, supply chain issues, and the perceptions of a weaker economic outlook may reduce green industry expenditures.

Price increases should be worrisome for green industry firms as prices typically are the largest driver of many plant purchases. That said, **own-price** (a measure of the impact of a changing product price on quantity demanded of that product) and **income** (a measure of the impact of changing income on the quantity demanded of that product) are somewhat variable between different plants (Abdelmagid et al., 2016; Hovhannisyan & Khachatryan, 2016). For instance, ornamental plants are mostly **price elastic** (price changes have a large impact on quantity demanded), with foliage plants being more responsive to price changes compared to other plant

categories (Hovhannisyan & Khachatryan, 2016).

Another large driver of green industry product demand is the weather. Lower minimum air temperatures during the spring have been shown to decrease sales of both herbs and vegetables (as well as flowering annuals), while increased air temperatures increased sales. Notably, a one-unit increase in maximum air temperature resulted in a 9% increase in sales of herbs/vegetables, while a one-unit decrease in minimum air temperature resulted in a 6% decrease in sales. However, the impact on flowering annuals was larger, with a one-unit increase in maximum air temperature resulting in a 19% increase in sales and a one-unit decrease in minimum air temperature resulted in a 6% decrease in minimum air temperature resulting in a 14% decrease in sales and a one-unit decrease in minimum air temperature resulting in a 14% decrease in flowering annual sales (Behe et. al., 2012). National Weather Service projections for the winter of 2024–25 indicate wetter, warmer temperatures for Georgia. During the main growing and purchasing seasons (spring and summer), the industry should expect above-average temperatures and increased precipitation across Georgia because of El Niño conditions.

Outside of the normal factors noted above, the impact of Hurricane Helene heading into 2025 is unknown. The estimated loss caused by Hurricane Helene is \$450 million, with \$314 million, \$50 million, and \$51 million in short-term plant losses, long-term plant losses, and infrastructure losses, respectively. Many of the short-term losses may impact the 2025 season as those plants will not be available on the market in the spring. Infrastructure losses may result in the inability to produce plants in 2025 as producers rebuild lost greenhouses, etc. Further compounding production issues is the fluctuating adverse wage rates for H-2A workers, which drastically increased wage bills for Georgia producers in the last few years.

Furthermore, political issues will potentially impact economic growth as a presidential transition generally results in slower economic growth, though current investment markets are seemingly bucking this trend.

Final forecasts for 2025 should take all of the above information into consideration. Most likely there will be less Georgia production acreage in 2025, but stable to increasing demand for plants. Though Georgia will likely fill any plant shortages with imports from other states, prices will most likely rise. Therefore, we would expect stable demand and higher prices in 2025.

## References

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