

# Starting a Nursery Business

## Introduction

The nursery business involves the production and marketing of ornamental trees and shrubs, fruit trees, and perennial flowers. A landscaping service, garden center, or sod farm may also be associated with the enterprise. The successful nursery operator must be knowledgeable about all phases of plant production and be willing to work long, hard hours. Good marketing and management skills are essential. A passion for ornamental plants and an entrepreneurial spirit add greatly to the chances for success.

A prospective grower who already owns property will need to first evaluate whether the land is suitable for the nursery business and then select crops that are appropriate for that growing site. An alternative approach is to decide on the crops first and then purchase a site where those crops will grow well. Regardless of which approach is used, it is vital to the success of the nursery to match the crops with the land.

## Marketing

Nursery crops may be marketed in a number of ways. **RETAILERS** produce and market directly to the homeowner. This type of business requires a retail outlet along with the on-site growing area and must be conveniently located for consumer access, generally near large urban areas. **WHOLESALE** produce plants



that are sold to other nurserymen, landscapers, or retailers. **LANDSCAPE NURSERIES** produce plants for their own in-house landscaping service, but may also have a retail outlet. Plants can also be sold locally to a farmers market at retail prices. Mail order and Internet markets involve nationwide sales and shipping, and can extend the market area to include international markets. A phytosanitary certificate from the Kentucky Office of the State Entomologist is required to ship plants or plant parts across state lines or internationally.

## Market Outlook

Nationwide, the nursery business experienced steady growth through 2006. The Kentucky wholesale nursery industry was a \$35.6 million business in 2005 and had been expanding at a rate of 3 to 6 percent annually since 2000. Increases in housing starts and the growing number of hobby gardeners helped fuel this expansion. However, wholesale and retail nursery businesses are affected by new home construction, as well as overall economic health, and



the nursery industry was hit hard by housing and economic slowdowns in 2008. Nursery producers will want to develop a business plan that takes into account the potential for a slowing economy and uncertain housing market such as that experienced in 2008.

## **Production Considerations**

### *Production methods*

Nursery producers utilize one or more of the following production systems: field, container, and pot-in-pot. FIELD PRODUCTION involves planting woody trees and shrubs directly in the ground and harvesting them either as bareroot or ball-and-burlap material. In addition, perennial landscape plants can be field-grown, then dug and sold as bareroot material or moved to containers. CONTAINER PRODUCTION entails growing plants in above-ground containers using soilless growing media. POT-IN-POT PRODUCTION is an intermediate form of production that combines in-ground production with the marketing flexibility of container production. In this case, the plant is grown in a container that sits within a permanent in-ground socket pot.

### *Site selection*

Site selection will depend on many factors, including production method and crops grown. In general, a well drained, sunny site with good air circulation and a slightly sloping topography is best. Potential growing sites for field production should be tested for soybean cyst nematode infestation as the presence of this pest in the soil could severely limit out-of-state export. An adequate, clean, pest-free water source must be available for the size and type of nursery being planned. The history of pesticide use should be known.

### *Crop selection*

Nursery operators may choose to either produce their own planting stock or purchase seedlings and cuttings from other growers. Most nurserymen grow a variety of plants with known high market demand; others may specialize. Some specialty nurseries grow native plants or uncommon

cultivated plants. This type of specialized production can serve niche markets and is especially well-suited for the small grower.

### *Maintenance*

Pruning trees and shrubs in the production system is both an art and a science. Shade trees are often pruned in winter and summer to ensure that a central leader is maintained and the shape of the head of the tree is in proportion to the trunk. Shrubs are pruned regularly to establish a height and density for the planned market. Plants grown for the landscape trade tend to require specialized pruning. Inexpensive plants for the discount trade may be allowed to grow looser and taller before pruning, thus enabling them to get to size quickly. Trees may need to be staked to maintain a straight trunk. Winter protection for above-ground container-grown plants is needed in Kentucky.

### *Pest management*

Weed control in nurseries requires efficient and effective management. Methods of control can include a combination of hand weeding, mowing, mechanical cultivation, mulching, ground cloth, planting cover crops, and chemical methods. Insect and disease management requires integrated pest management (IPM) strategies, such as planting resistant cultivars, scouting, and practicing best management practices.

### *Harvest*

The time it takes for plants to reach a saleable size will vary depending on the type of plant, production system, and growing conditions. In general, field-grown finished trees can take 3 to 5 years to produce. Container-grown plants are generally in production for 30 to 36 months.

Harvest is also determined by the stage of development to be marketed. Plants may be sold as liners, whips, or finished plants. The term LINERS once referred to plants after one year of production from seed, cuttings, or tissue culture. Today this term refers to any plant placed ('lined out') into a production system so it can be grown

to a larger finished plant. WHIPS are plants consisting of a straight stem with little branching. FINISHED PLANTS, the final stage of production, have all the characteristics expected in the market place: form, size, branching, and trunk size.

Easiest to harvest are container-grown and pot-in-pot plants. Crops grown in containers can be harvested any day of the year. Field-grown crops, on the other hand, are generally dug when plants are dormant in the fall or spring, with digging continuing through winter as long as the weather stays relatively mild. In addition, harvesting field-grown nursery crops requires considerable skilled labor, whether plants are hand-dug or mechanically harvested. Field dug tree and shrub root balls are covered in burlap and may be further supported by wire baskets. Smaller trees can be harvested bare-root.

*Labor requirements*

The level of management for container-grown plants is significantly higher than in field production, while pot-in-pot requires an intermediate level of management. A common rule of thumb is to employ one worker per actual acre of container production or one employee per 7 to 8 acres of field production.

**Economic Considerations**

Beginning a nursery business requires a large capital investment, even if land does not need to be purchased. Expenses include equipment, buildings, cold storage, supplies, plant material, grading for drainage, and the installation of an irrigation system. A greenhouse or overwintering structure will also be needed. Additional costs include labor, utilities, insurance, licenses, and inspections.

A grower must be prepared to make substantial investments for several years before realizing any positive returns. It can take 2 to 4 years of operation before significant returns can be expected and an additional 3 to 5 years before showing a profit. In addition, the nursery operator will need to be able to handle the cash flow ups and downs associated with seasonal sales.

Below are 2008 UK budget estimates comparing the three different production systems.

**Selected Resources**

- Introduction to Field and Container Nursery Production (University of Kentucky) [http://www.uky.edu/Ag/NewCrops/adcintro\\_files/frame.htm](http://www.uky.edu/Ag/NewCrops/adcintro_files/frame.htm)

ITEM	PRODUCTION SYSTEM		
	FIELD (IN GROUND)	CONTAINER (ABOVE GROUND)	POT IN POT
Capital requirement	\$255,550 to \$290,000	\$265,000 to \$300,000	\$270,760
Machinery/equipment operation	\$32,960	\$19,560	\$23,375
Fixed costs	\$380,000 to \$420,000	\$380,000 to \$420,000	\$410,000 to \$450,000
Fixed costs per plant	\$20.00 to \$22.10	\$17.72 to \$19.60	\$17.57 to \$19.28
Variable costs	\$112,500 to \$137,500	\$175,000 to \$200,000	\$135,000 to \$155,000
Variable costs per plant	\$5.93 to \$7.24	\$8.16 to \$9.33	\$5.79 to \$6.64
Total cost	\$492,500 to \$557,500	\$555,000 to \$620,000	\$545,000 to \$605,000
Total cost per plant	\$25.92 to \$29.34	\$25.89 to \$28.93	\$23.36 to \$26.00

- Kentucky Office of the State Entomologist (University of Kentucky)  
<http://www.uky.edu/Ag/NurseryInspection/>
- Marketing Your Nursery (University of Kentucky, 2008)  
<http://www.ca.uky.edu/HLA/Dunwell/marketingournursery.html>
- Nursery Crop Production (University of Kentucky)  
<http://www.ca.uky.edu/HLA/Dunwell/Nlgetstart.html>
- Nursery Crops Development Center (University of Kentucky)  
<http://www.ca.uky.edu/HLA/Dunwell/win1.html>
- Soybean Cyst Nematode: A Potential Problem for Nurseries (University of Kentucky, 1992)  
<http://www.ca.uky.edu/agc/pubs/id/id110/id110.pdf>
- Trees, Shrubs, Ground Covers and Vines Suitable for Kentucky Landscapes, HO-61 (University of Kentucky, 1997)  
<http://www.ca.uky.edu/agc/pubs/ho/ho61/ho61.pdf>
- Best Management Practices Guide for Producing Nursery Crops (Southern Nursery Association, Atlanta, 2007) *Order from The Kentucky Nursery and Landscape Association*  
[knla@mis.net](mailto:knla@mis.net)
- Getting Started in the Nursery Business: Nursery Production Options (Virginia Tech, 2002)  
<http://www.ext.vt.edu/pubs/nursery/430-050/430-050.html>
- Nursery Crops Science Website (North Carolina State University)  
<http://www.ces.ncsu.edu/depts/hort/nursery/>
- Site Selection and Layout Considerations for New and Expanding Plant Nurseries (North Carolina State University)  
[http://www.ces.ncsu.edu/depts/hort/nursery/cultural/cultural\\_docs/site\\_selection\\_layout/Site-Selection-layout.pdf](http://www.ces.ncsu.edu/depts/hort/nursery/cultural/cultural_docs/site_selection_layout/Site-Selection-layout.pdf)
- Sustainable Small-scale Nursery Production (ATTRA, 2008)  
<http://www.attra.ncat.org/attrapub/PDF/nursery.pdf>
- Tennessee Commercial Nursery Production Information (University of Tennessee)  
<http://www.utextension.utk.edu/mtnpi/handouts.html>