MARKETING RESEARCH REPORT NO. 951

ORGANIZATION AND PRACTICES IN SELECTED TERMINAL WHOLESALE FLOWER MARKETS IN THE SOUTH

U.S. DEPARTMENT OF AGRICULTURE • ECONOMIC RESEARCH SERVICE

ABSTRACT

This report--part of a nationwide study of wholesale floral markets--includes data on 22 flower wholesalers in four major markets. In the national study, 136 floral wholesalers were interviewed in 13 markets.

The wholesale flower markets in Baltimore, Washington, Atlanta, and Dallas-Fort Worth were found to be highly specialized. Carnations, chrysanthemums, gladioli, and roses account for two-thirds of total gross sales and 80 percent of sales of perishables. Approximately half the major cut flowers handled were from California. Local production accounted for about a fourth and Florida productions nearly a fifth of the volume handled. Nearly all California flowers were shipped to market by air freight. Most Florida flowers were shipped by truck. Wholesalers reported little change in type of customer or type of product sold in the past 5 years.

Keywords: Wholesale marketing, Flower marketing, Floricultural marketing, Market structure, Ornamentals, Marketing ornamentals.

PREFACE

This report is the first of a series presenting the results of a national study of selected major terminal wholesale markets for cut flowers and potted plants. The study was conducted cooperatively by Cornell University, Purdue University, and USDA's Economic Research Service. Researchers from Cornell interviewed terminal market wholesalers in New York City and Boston; Purdue personnel were responsible for the data from Chicago, Cleveland, St. Louis, and Dallas-Fort Worth; while ERS personnel conducted interviews in Detroit, Philadelphia, Baltimore, Washington, Atlanta, Los Angeles, and San Francisco. In total, 136 floral wholesalers were interviewed in 13 markets. This report presents data for four major southern markets: Baltimore, Washington, Atlanta, and Dallas-Fort Worth.

The Society of American Florists and the Florists' Transworld Delivery Association gave valuable advice and counsel in planning and conducting the study. The wholesale florists interviewed in the specified markets cooperated by giving detailed information concerning their business practices.

Washington, D. C. 20250 March 1972

CONTENTS

SUMMARY

Southern regional returns of a 1970 national study indicate that wholesale flower markets in Atlanta, Baltimore, Washington, and Dallas-Fort Worth are highly specialized. Very few firms selling major cut flowers handle many other products such as florist greens or supplies.

Carnations, chrysanthemums, gladioli, and roses accounted for approximately two-thirds of the total business and 80 percent of the sales of perishable products in the 1970 study. Nonperishable products, chiefly florist supplies, accounted for only 17 percent of total gross revenue.

Sales of all 22 firms interviewed totaled $16.9 million. Individual market sales ranged from $2.5 million in Atlanta to $5.3 million in Washington. Only 2 percent of the $16.9 million gross sales came from flowers grown in the wholesalers' own greenhouses. Dallas-Fort Worth and Washington wholesalers did not produce any of the perishables they sold.

Most firms were corporations and had been in business more than 30 years. They employed approximately 300 persons, including owner-managers. Approximately 96 percent were full-time employees.

About half the major cut flowers handled in these markets came from California, the leading flower-producing State. Local production accounted for another quarter. Glads and pompons from Florida represented less than a fifth of the gross volume of perishable sales in the four markets.

Type of flower was highly correlated with source of supply. Usually, pot mums and roses were purchased locally. California sources supplied approximately 75 percent of the carnations and 60 percent of the standard mums sold in the four markets. Florida supplied 60 percent of the glads sold by all firms interviewed. The Baltimore and Washington markets had a much higher percentage of local purchases than the other two markets because of the large nearby southeastern Pennsylvania producing area.

Sixty percent of the flowers sold in the four markets during 1970 were purchased outright by the wholesalers; 40 percent were handled on consignment. The trend over the last 5 years to more outright purchases is strongly influenced by increased California sales. Local flowers tended to be consigned more frequently than those from distant production areas.

Most out-of-State supplies of flowers were shipped into these markets by air. Shipments from California were by air 93 percent of the time, whereas 97 percent of the Florida shipments were by truck.

Neither type of customer nor types of products sold changed much in the last 5 years. The retail florist is the prime customer of the wholesaler. More than 90 percent of all flowers in the wholesale markets studied are sold to retail florists. The nonflorist retailer is the second most important customer, with 3 percent of total sales. Other wholesalers purchase less than 2 percent. Nonflorist retailers are limited to grocery chains, street vendors, and caterers.

Most terminal market wholesalers indicated that conditions are not favorable for the entry of new wholesalers. They believe that existing firms will get larger, but no new firms will enter the markets. Most believed there always will be demand for terminal wholesalers.

Opinions of terminal wholesalers varied widely concerning methods of improving the wholesale florist business. However, they all agreed that wholesalers would have to provide more services in the future.

ORGANIZATION AND PRACTICES IN SELECTED TERMINAL WHOLESALE FLOWER MARKETS IN THE SOUTH

Stephen M. Raleigh, Jr.
Agricultural Economist
Marketing Economics Division
Economic Research Service

INTRODUCTION

Wholesalers traditionally have been a key marketing segment of the modern floricultural industry. As growers become more specialized and move further from the consumer, they rely more on wholesalers to distribute their products. Several forces have induced changes in the traditional methods of floral wholesaling. Shifts in populations and income distributions in addition to improved transportation and communication systems have induced many terminal wholesalers to change their methods of operation. Change has also come from within the industry. As the retailers have become larger, they have begun purchasing perishable supplies directly from nearby and distant flower growers. Adjustments must be made by wholesalers to adapt their methods of operation to the new technologies available to them.

Purpose

The purpose of this report was to determine and to describe the organization, marketing practices, and economic importance of wholesale flower markets in selected southern cities. The study upon which it was based was part of a nationwide study of 13 selected terminal wholesale markets. In the national study 136 floral wholesalers were interviewed. This report examines data for 22 flower wholesalers in four major southern markets--Atlanta, Baltimore, Washington, and Dallas-Fort Worth. Specifically, the objectives of the study were to: determine the organization and operation of the market for cut flowers with particular emphasis on the functions of terminal market wholesalers, and evaluate the market factors influencing organizational change in the terminal wholesale markets.

For the purposes of this study, a wholesale florist was defined as a firm selling cut flowers, potted plants, and florist greens to retailers and other wholesalers, and deriving a majority of sales from purchased or consigned perishable stock. Wholesale florist supply firms were included if its sales of carnations, chrysanthemums, gladioli and roses accounted for an appreciable portion of the total supplies on the local market. Firms handling only florist greens or only nonperishable supplies were not included. Twenty-two of the 25 firms in the four markets that met the definition of a wholesale florist were interviewed during the summer and fall of 1970.

FLORAL FIRM CHARACTERISTICS

Gross Volume

Three wholesalers were interviewed in Atlanta, five in Baltimore, and seven each in Washington and Dallas-Fort Worth (table 1). Total sales in the four markets were $16.9 million, ranging from $2.5 million in Atlanta to $5.4 million in Washington.

Based on total sales, wholesalers were classified into three economic classes: Under $400,000; $400,000 to $999,999; and $1,000,000 or more. Fifty-four percent of wholesalers in the four markets were clustered in the upper portion of the $400,000 to $999,999 class. The remaining wholesalers were evenly distributed in the other two classes (table 3).

The "small" firms with less than $400,000 gross sales accounted for 23 percent of wholesalers, but only 10 percent of sales (table 2); "medium" firms grossing up to $1 million represent 54 percent of wholesalers and a slightly smaller portion of total sales. The "large" firms, with sales in excess of $1 million, accounted for 39 percent of total gross sales of wholesalers in the four markets.

Trends in Gross Volume

Total sales volume has increased for all firms during the 1965-70 period. Four firms shifted from one sales class to a larger one (table 3). Two firms increased their gross volume to the over $1 million and two shifted from the small to the medium-size class. Only one additional firm entered the wholesale flower business during the period studied.

Volume from Own Production

The sale of flowers produced by the wholesalers comprised less than 2 percent of the total sales of perishables for all 22 firms. No production was reported by firms in the Washington or Dallas-Fort Worth markets. Three firms in Atlanta and Baltimore reported sales of flowers they produced amounting to $313,000. This amount represented about 5 percent of all perishables sold in those markets.

It has usually been assumed that only smaller terminal wholesalers engage in flower production. In this study, however, two out of the three firms that grew flowers had sales of less than $400,000. One flower-producing firm had sales of more than $1 million in 1970.

Nonperishables 1/

Nonperishable products were approximately 17 percent of total gross

---

1/ Nonperishables include florists' supplies (ribbon, wire, baskets,etc.), gift items, cards, and all items other than fresh cut flowers and potted plants sold by florists.

Table 1.--Gross annual sales and average sales per firm, by city, 22 wholesale florists, South, 1970

City	Firms	Total gross annual sales	Average per firm
	Number	1,000 dollars	1,000 dollars
Atlanta	3	2,460	820
Baltimore	5	4,300	860
Washington	7	5,277	754
Dallas-Fort Worth	7	4,915	702
Total	22	16,952	770

Table 2.--Gross annual sales by size of business, 22 wholesale florists, South, 1970

Firm size (1,000 dollars)	Firms	Total gross annual sales	Average per firm
	Number	1,000 dollars	1,000 dollars
Small (less than $400)	5	1,739	348
Medium ($400 - $999)	12	8,590	716
Large ($1,000 or more)	5	6,623	1,325
All sizes	22	16,952	770

Table 3.--Size of wholesale florists by gross sales, 22 wholesale florists, South, 1965 and 1970

Size (1,000 dollars)	1965		1970	
	Number	Percent	Number	Percent
Under $400	7	32	5	23
$400 - $999	12	54	12	54
$1,000 or more	3	14	5	23
Total	22	100	22	100

revenue for the markets studied (table 4). Nonperishable sales varied widely from city to city, ranging from 5 percent in Washington to 35 percent in Dallas-Fort Worth. Several firms in Dallas-Fort Worth that sold more supplies than floral products were included because their floral sales contributed appreciably to the total sales for the local market. The Dallas-Fort Worth market alone accounted for 61 percent of the total dollar volume of nonperishable commodities sold by cooperating firms in the four markets.

Larger firms place greater emphasis on nonperishables as a supplement to their business. Few firms in the small and medium classifications carried nonperishables. Nonperishables accounted for a very small percentage of the total sales of small-and medium-sized firms that sold them.

The portion of nonperishable commodities handled has increased considerably since 1965 in all markets except Atlanta. The greatest increase occurred in very large firms and in those that have been expanding total sales. The percentage of nonperishable sales decreased somewhat in Atlanta, probably because of larger increases in perishable sales or competition from the relatively large number of florist and gift supply houses in the Atlanta market.

Most firms with large or expanding nonperishable sales indicated that nonperishables were contributing proportionally as much to their profits as perishables. Firms with low or decreasing sales reported higher profit from the sale of perishables.

Importance of Selected Perishables

Carnations, chrysanthemums, gladioli, and roses comprise approximately two-thirds of the total sales of terminal wholesale florists in the Atlanta, Baltimore, and Washington markets. When only perishable commodities are considered, the four flowers comprise 80 percent of the total sales in the three cities (table 5).

An exception to this trend occurred in Dallas-Fort Worth, where the four flowers comprised only about 50 percent of the total sales. Several of the firms there sold more nonperishable supplies than flowers. However, they were included in the sample because their sales of carnations, chrysanthemums, gladioli, and roses accounted for an appreciable portion of the local market.

Organization of Firms

More than 80 percent of the firms studied were organized as corporations. Two firms in Dallas-Fort Worth were individual proprietorships and two in Baltimore were partnerships; all others were corporations.

Labor

The 22 firms interviewed employed approximately 300 persons, including managers (table 6). About 96 percent were full-time employees. Part-time help was equivalent to only 13 full-time employees in the markets studied. Baltimore had the most part-time employment. All but one of the firms with

Table 4.--Sales - gross, perishables, selected perishables, minor perishables and nonperishables by city, 22 wholesale florists, South, 1970

City	Selected perishables 1/		Minor perishables 2/		Total perishables		Nonperishables		Total sales	
	1,000 dollars	Percent of total sales	1,000 dollars	Percent of total sales	1,000 dollars	Percent of total sales	1,000 dollars	Percent of total sales	1,000 dollars	Percent of total sales
Atlanta	1,379	56	669	27	2,048	83	412	17	2,460	100
Baltimore	2,939	68	887	21	3,826	89	474	11	4,300	100
Washington	4,626	88	410	7	5,036	95	241	5	5,277	100
Dallas-Fort Worth	2,360	48	824	17	3,184	65	1,731	35	4,915	100
Total	11,304	67	2,790	16	14,094	83	2,858	17	16,952	100

1/ Selected perishables include only carnations, chrysanthemums (standard, pompons, potted), gladioli, and roses.
2/ Minor perishables include orchids, daisies, greens, etc.

Table 5.--Gross sales of selected perishables, by market, 22 wholesale florists, South, 1970

City	Carnations		Chrysanthemums						Gladioli		Roses		Selected perishables		Total perishables	
			Standards		Pompons		Potted									
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct. 1/
Atlanta	408	20	175	8	179	9	31	2	402	19	184	9	1,379	67	2,048	100
Baltimore	659	17	541	14	481	13	117	3	440	12	701	18	2,939	77	3,826	100
Washington	1,153	23	586	12	669	13	295	6	752	15	1,171	23	4,626	92	5,036	100
Dallas-Ft. Worth	858	27	295	9	218	7	108	3	306	10	575	18	2,360	74	3,184	100
Total	3,078	22	1,597	11	1,547	11	551	4	1,900	13	2,631	19	11,304	80	14,094	100

1/ Percent of total perishables.

Table 6.--Number of full-time employees (including manager), by city, 22 wholesale florists, South, 1970

Number of employees	Atlanta	Baltimore	Washington	Dallas-Fort Worth	Total
	Number				
5 or less	--	--	1	1	2
6 - 10	2	2	1	3	8
11 - 20	1	1	5	1	8
21 or more	--	2	--	2	4
Total	3	5	7	7	22
Total employees per city	27	69	86	90	272
Average employees per firm	9	14	12	13	12
	1,000 dollars				
Average sales per employee	91.1	62.3	61.4	54.6	62.3

sales of $1 million or more had over 20 employees. The medium-size firms usually had from 11 to 19 employees and the small firms from 5 to 8 employees.

Atlanta terminal wholesale florists averaged proportionately fewer employees per firm, with much higher average sales per employee, $91,100. The average for the other three cities ranged from $55,000 to $62,000 per employee.

Age of Business

Most firms in the four southern markets have been in operation more than 30 years (table 7). The Dallas-Fort Worth market is exceptional in that only 30 percent have been in operation more than 30 years.

All firms in the markets studied fall into two distinct age-of-business classes. About one-third of the firms were founded in the last 7 years and about two-thirds are 30 or more years old. No firms were in the 10-30-year old group. The average age of the firms is about 26 years.

Several firms changed location over the years. Some were forced to move because of urban renewal projects, while others chose to because of increased business or changing market outlets. Average tenure at the present location is less than 20 years, but most of the changes in location occurred in the last 10 years. Some firms have added branches rather than change location of their major operation.

Integration

Most terminal market wholesalers indicated that wholesaling was their only business, although several firms were also integrated into production or retailing. Three firms owned production units. Six of the firms were part of a larger chain operation. One firm was the wholesale outlet for a large production corporation; another was owned by a fully integrated firm that had both production and retailing facilities.

BUYING PRACTICES

Geographic Buying

All terminal market wholesalers in this study bought one or more types of flowers from California. More than 75 percent of the firms indicated that the importance of California as a major source of supply was increasing. Wholesalers reported that prices for California flowers were competitive and that the quality of the flowers was consistently dependable.

A few firms in the southern region also indicated that Latin America is becoming an increasingly important source of supply. However, several firms increased local purchases over California or Latin America supplies, because of reduced transportation expense and a closer control of supply and inventories. Scheduling problems and delayed or lost shipments were cited as problems in obtaining flowers from California and Latin America.

Table 7.--Number of years business in operation and at present location, by city, 22 wholesale florists, South, 1970

City	Years in business	Years at present location
	Number of firms	
Atlanta:		
1 - 10 years	1	1
11 - 20 years	--	--
21 - 30 years	--	2
31 or more years	2	--
Average years per firm	23	19
Baltimore:		
1 - 10 years	--	1
11 - 20 years	--	--
21 - 30 years	2	2
31 or more years	3	2
Average years per firm	35	26
Washington:		
1 - 10 years	3	4
11 - 20 years	--	--
21 - 30 years	--	--
31 or more years	4	3
Average years per firm	28	20
Dallas-Fort Worth:		
1 - 10 years	3	5
11 - 20 years	--	--
21 - 30 years	2	--
31 or more years	2	2
Average years per firm	19	14
Total:		
1 - 10 years	7	11
11 - 20 years	--	--
21 - 30 years	4	4
31 or more years	11	7
Average years per firm	26	19

A majority of the wholesalers reported that, with the exception of roses and potted plants, local growers were supplying a smaller proportion of their perishable products. In the four markets, many local growers were going out of business because of high production costs and urbanization in and near the cities. Many wholesalers also responded that seasonal production variations in quality and quantity of the local grower supplies necessitated procuring supplies from more reliable centers of production.

Almost half the sales of major cut flowers made by the 22 wholesalers came from California. Local purchase accounted for another quarter of the sales (tables 8 and 9). Glads and pompons from Florida accounted for a little less than one-fifth of the gross volume of perishable sales in the four markets.

The source of flowers varied greatly by type of flower and city. Approximately 90 percent of the potted mums were obtained locally because of the high cost of transporting a heavy and bulky item (table 9). Approximately 75 percent of the carnations and 60 percent of the standard mums came from California. Florida supplied 60 percent of the glads to all firms in the region. Of the cut flowers, roses tended to be produced near the wholesale terminal market more than other flowers; approximately 40 percent of the total rose supply was produced locally. Nearby Maryland and southeastern Pennsylvania rose-producing areas were considered local production for Baltimore and Washington. Roses from California supplemented this production for Washington and Baltimore and were a major source of supply for Atlanta and Dallas-Fort Worth.

Atlanta was the only city reporting any imports from Latin America at the time of the study. Imports accounted for 4 percent of sales in Atlanta. Less than 1 percent of total 4-city sales were from Latin America. Other firms thought that Latin America would become more important. In fact, some thought they might already be getting repacked imported flowers from their usual wholesale source.

PRODUCT PROCUREMENT

Of the four markets, 28 percent of the major perishable commodities handled came from local suppliers (table 11). There was a marked difference between the two northern most markets (Baltimore, Washington) in the region and Atlanta and Dallas-Fort Worth. Atlanta had only 7 percent and Dallas-Fort Worth 5 percent in-State purchases. Both cities purchased potted chrysanthemums locally. Atlanta also purchased gladioli locally (tables 10 and 12). On the other hand, local purchases in Baltimore and Washington were 53 and 29 percent of the total, respectively. This marked difference is influenced by the large flower-producing areas located nearby in Pennsylvania and Maryland.

There is an inverse relationship between the size of firm and the volume of flowers purchased directly from distant areas. Larger firms tended to purchase a larger percentage of their volume locally, but indicated that they were shifting their purchases to the more distant and specialized markets to better meet the customer demands for consistent year-round quality and quantity (table 13).

Table 8.--Sales by origin of selected perishables and by city, 22 wholesale florists, South, 1970 1/

Source of supply	Atlanta		Baltimore		Washington		Dallas-Fort Worth		Total	
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
Local	97	7	1,570	54	1,348	29	108	5	3,123	27
California	657	48	711	24	2,117	46	1,907	81	5,392	48
Carolinas	62	5	6	2/	70	1	--	--	138	1
Colorado	59	4	8	2/	50	1	116	5	233	2
Florida	383	28	644	22	827	18	169	7	2,023	18
New England	50	3	--	--	130	3	--	--	180	1
New Jersey	--	--	--	--	84	2	--	--	84	1
Latin America	58	4	--	--	--	--	--	--	58	1
Other	13	1	--	--	--	--	60	2	73	1
Total	1,379	100	2,939	100	4,626	100	2,360	100	11,304	100

1/ Includes carnations, chrysanthemums, gladioli and roses.
2/ Less than 0.5 percent.

Table 9.--Sales of major floral products by source of supply, 22 wholesale florists, South, 1970

Source of supply	Carnations		Chrysanthemums: Standard		Chrysanthemums: Pompons		Chrysanthemums: Potted		Gladioli		Roses		Total	
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
Local	543	18	386	24	253	16	481	87	395	21	1,065	40	3,123	27
California	2,324	75	1,045	66	571	37	---	---	184	10	1,268	48	5,392	48
Carolinas	---	---	---	---	2	1/	28	5	108	6	---	---	138	1
Colorado	161	5	---	---	---	---	---	---	---	---	72	3	233	2
Florida	---	---	163	10	691	45	42	8	1,127	59	---	---	2,023	18
New England	25	1	---	---	---	---	---	---	---	---	155	6	180	1
New Jersey	---	---	---	---	---	---	---	---	84	4	---	---	84	1
Latin America	25	1	3	1/	30	2	---	---	---	---	---	---	58	1
Other	---	---	---	---	---	---	---	---	2	1/	71	3	73	1
Total	3,078	100	1,597	100	1,547	100	551	100	1,900	100	2,631	100	11,304	100

1/ Less than 0.5 percent.

Table 10.--Selected flowers by source of origin and by city, 22 wholesale florists, South, 1970

Type of flower	Atlanta		Baltimore		Washington		Dallas-Fort Worth		Area total	
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
Carnations:										
Local	---	---	397	60	146	13	---	---	543	18
California	299	74	254	39	1,007	87	764	89	2,324	75
Colorado	59	14	8	1	---	---	94	11	161	5
Latin America	25	6	---	---	---	---	---	---	25	1
New England	25	6	---	---	---	---	---	---	25	1
Total	408	100	659	100	1,153	100	858	100	3,078	100
Gladioli:										
Local	90	22	162	37	143	19	---	---	395	21
California	---	---	22	5	11	2	151	49	184	10
Florida	280	70	250	57	444	59	153	50	1,127	59
Carolinas	32	8	6	1	70	9	---	---	108	6
New Jersey	---	---	---	---	84	11	---	---	84	4
Other	---	---	---	---	---	---	2	1	2	1/
Total	402	100	440	100	752	100	306	100	1,900	100
Roses:										
Local	---	---	518	74	547	47	---	---	1,065	40
California	147	80	183	26	443	38	495	86	1,268	48
Colorado	---	---	---	---	50	4	22	4	72	3
New England	24	13	---	---	131	11	---	---	155	6
Other	13	7	---	---	---	---	58	10	71	3
Total	184	100	701	100	1,171	100	575	100	2,631	100
Chrysanthemums, Standard:										
Local	5	3	292	54	89	15	---	---	386	24
California	157	90	120	22	475	81	293	99	1,045	66
Florida	10	6	129	24	22	4	2	1	163	10
Latin America	3	1	---	---	---	---	---	---	3	1/
Total	175	100	541	100	586	100	295	100	1,597	100
Chrysanthemums, Pompons:										
Local	---	---	112	23	141	21	---	---	253	16
California	54	30	132	27	181	27	204	94	571	37
Florida	93	52	237	49	347	52	14	6	691	45
Latin America	30	17	---	---	---	---	---	---	30	2
Carolinas	2	1	---	---	---	---	---	---	2	1/
Total	179	100	481	100	669	100	218	100	1,547	100
Chrysanthemums, Potted:										
Local	3	8	88	75	282	95	108	100	481	87
Florida	---	---	29	25	13	5	---	---	42	8
Carolinas	28	92	---	---	---	---	---	---	28	5
Total	31	100	117	100	295	100	108	100	551	100

1/ Less than 0.5 percent.

Table 11.--Dollar volume of in-State or out-of-State supply of selected perishables by city, 22 wholesale florists, South, 1970 1/

City	In-State		Out-of-State		Total	
	1,000 dollars	Percent	1,000 dollars	Percent	1,000 dollars	Percent
Atlanta	97	7	1,282	93	1,379	100
Baltimore 2/	1,570	53	1,369	47	2,939	100
Washington 2/	1,348	29	3,278	71	4,626	100
Dallas-Ft. Worth..	108	5	2,252	95	2,360	100
Total	3,123	28	8,181	72	11,304	100

1/ Includes carnations, chrysanthemums, gladioli and roses.
2/ Pennsylvania, Maryland, and Virginia included as local or in-State purchases for Baltimore and District of Columbia.

Supply Agreements

The terminal market wholesalers use two principal types of agreements for handling perishable supplies: Out-right purchase and consignment. Approximately 60 percent of the flowers sold in the four markets during 1970 were obtained by purchase (table 14). Dallas-Fort Worth wholesalers purchased 98 percent of the perishables sold, whereas Baltimore and Washington wholesalers purchased only 60 and 50 percent, respectively. Some relationship appears to exist between the amount of consignment received and the volume of local flowers handled. Local flowers tend to be consigned more frequently than flowers from distant production areas. This tendency was reflected in all markets except Atlanta, where 45 percent of the volume was handled on consignment. The fact that two of the three Atlanta firms are part of Florida-based chains that make some of the purchase arrangements locally in Florida may account for the difference. Also, Latin American imports are usually on a consignment basis and Atlanta was the only city selling an appreciable quantity of imports.

Smaller wholesalers tended to handle a larger portion of gross volume on purchase arrangements, while larger wholesalers handled most of their gross volume on consignment agreements (table 15). This tendency probably dates from past years when more flowers were handled on consignment, because the larger firms were usually the older firms. These larger firms indicated that the trend had been away from consignment and in the direction of making more outright purchases in the future.

Table 12.--Dollar volume of selected perishable sales by types of flowers and origin, 22 wholesale florists, South, 1970

City	Type of flower						
	Carnations	Chrysanthemums			Gladioli	Roses	Total
		Standard	Pompons	Potted			
	1,000 dollars						
In-State:							
Atlanta	---	4	---	3	90	---	97
Baltimore	397	293	112	88	162	518	1,570
Washington	146	89	141	282	143	547	1,348
Dallas-Fort Worth	---	---	---	108	---	---	108
Total in-State	543	386	253	481	395	1,065	3,123
Out-of-State:							
Atlanta	408	170	179	28	312	185	1,282
Baltimore	263	249	369	29	277	182	1,369
Washington	1,006	497	528	13	610	624	3,278
Dallas-Fort Worth	858	295	218	---	306	575	2,252
Total out-of-State	2,535	1,211	1,294	70	1,505	1,566	8,181
Total	3,078	1,597	1,547	551	1,900	2,631	11,304

Table 13.--Dollar volume of in-State or out-of-State supply of selected perishables by size of firm, 22 wholesale florists, South, 1970 1/

Location	Size of firm (1,000 dollars)							
	Under $400		$400-999		$1,000 or more		Total	
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
In-State 2/	240	21	1,751	26	1,132	33	3,123	28
Out-of-State	889	79	4,974	74	2,318	67	8,181	72
Total	1,129	100	6,725	100	3,450	100	11,304	100

1/ Includes carnations, chrysanthemums, gladioli and roses.
2/ Pennsylvania, Maryland, and Virginia included as local or in-State purchases for Baltimore and Washington.

Table 14.--Perishable sales by supply agreement and by city, 22 wholesale florists, South, 1970

City	Consignment		Purchases		Total	
	1,000 dollars	Percent	1,000 dollars	Percent	1,000 dollars	Percent
Atlanta	930	45	1,118	55	2,048	100
Baltimore	2,282	60	1,544	40	3,286	100
Washington	2,370	47	2,666	53	5,036	100
Dallas-Fort Worth	55	2	3,129	98	3,184	100
Total	5,637	40	8,457	60	14,094	100

Table 15.--Perishable sales by supply agreement and firm size, 22 wholesale florists, South, 1970

Firm size (1,000 dollars)	Consignment		Purchases		Total	
	1,000 dollars	Percent	1,000 dollars	Percent	1,000 dollars	Percent
Under $400 ....:	471	29	1,142	71	1,613	100
$400-999 ....:	2,630	33	5,268	67	7,898	100
$1,000 or more .....:	2,536	55	2,047	45	4,583	100
Total ....:	5,637	40	8,457	60	14,094	100

TRANSPORTATION

Origin and Mode

Florist supplies and perishables were shipped into these markets by air and truck. Approximately two-thirds of all out-of-State supplies were received by air (table 16). Half of all supplies were shipped by air. Approximately 65 percent of the out-of-State supplies came from California. Ninety-three percent of the California flowers were by air, the remainder was trucked to Dallas-Fort Worth.

Supplies from Florida, the second largest out-of-State source, were by truck. Trucking is generally used for distances up to 1,000 miles and air transportation for greater distances. Florida producers are located within 1,000 miles of the markets studied. Dallas-Fort Worth are the only cities studied in this report within 2,000 miles of California producing areas.

In exceptional cases, air transportation may be used when flowers are needed more quickly than they can be delivered by truck or when airlines provide special services or flight schedules. Truck transportation may be preferred when good through or nonstop flights are not available on the airlines. Colorado shipments to Atlanta are a good example of trucks being used almost 50 percent of the time for even long distances, because of air freight scheduling difficulties between those two points. The New England-to-Washington and Denver-to-Dallas-Fort Worth shipments are examples of the special air services or flight schedules that encourage the use of air freight facilities.

Table 16.--Volume of all out-of-State flower types received, by origin and mode of transportation, 22 wholesale florists, South, 1970 1/

Source of supply	Atlanta		Baltimore		Washington		Dallas-Ft. Worth		Total	
	Air	Truck	Air	Truck	Air	Truck	Air	Truck	Air	Truck
	1,000 dollars									
California	657	---	711	---	2,117	---	1,524	384	5,009	384
Carolinas	---	62	---	6	---	70	---	---	---	138
Colorado	33	26	8	---	50	---	74	42	165	68
Florida	---	383	14	630	23	803	15	154	52	1,970
New England	50	---	---	---	131	---	---	---	181	---
New Jersey	---	---	---	---	---	84	---	---	---	84
Latin America	58	---	---	---	---	---	---	---	58	---
Other	13	---	---	---	---	---	1	58	14	58
Total	811	471	733	636	2,321	957	1,614	638	5,479	2,702
	Percent									
California	81	---	97	---	91	---	94	60	91	14
Carolinas	---	13	---	1	---	7	---	---	---	5
Colorado	4	6	1	---	2	---	5	7	3	3
Florida	---	81	2	99	1	84	1	24	1	73
New England	6	---	---	---	6	---	---	---	3	---
New Jersey	---	---	---	---	---	9	---	---	---	3
Latin America	7	---	---	---	---	---	---	---	1	---
Other	2	---	---	---	---	---	2/	9	2/	2
Total	100	100	100	100	100	100	100	100	100	100

1/ Includes carnations, chrysanthemums, gladioli and roses.
2/ Less than 0.5 percent.

HANDLING PROBLEMS

Most of the firms interviewed experienced problems related to air shipments. The most commonly designated problems were: Airline delays, airline and truck strikes, airline transfer problems, poor airline schedules, damage claim high and hard to collect from some firms, space availability problems especially on holidays, delays in picking up material at terminal after plane lands (up to 2 hours), poor or delayed delivery from airport to market, and order being split between flights.

Many of these difficulties occur only very infrequently. About 15 percent of the firms interviewed reported no problems.

Selling Practices

Terminal wholesale florists sell their merchandise to three major types of customers: Retail florists, other wholesale florists, and nonflorist retailers. The nonflorist category can include many types of firms such as grocery stores, department stores, discount stores, variety stores, street vendors, large organizations, and business users of cut flowers.

The retail florist was by far the largest customer, purchasing more than 90 percent of the total flowers in the markets studied (table 17). About 99 percent of the Atlanta wholesalers' sales were to retailers. The nonflorist retailer was the second most important customer, accounting for approximately 3 percent of the total perishable sales. About one-quarter of these sales were to grocery chains and the balance to street vendors and caterers. Most of the nonflorist retail outlets in Baltimore or Washington were street vendors.

All sales to wholesalers and nonflorist retailers were sold to customers within a 50-mile radius of the terminal markets. Retail florists within a 50-mile radius purchased 73 percent of the gross sales of terminal wholesalers. Florists more than 50 miles away accounted for only a quarter of the volume. Shops within 50 miles often purchased on a daily basis, whereas more distant shops purchased once or twice a week.

Trend in Customer Types

Most terminal wholesale florists believed that there had been no, or very little, change in the type of customers served in the past 5 years. A few indicated that sales had increased slightly to nonflorist retailers. Others noted that, because of improved specialty supply sources, they were now selling and buying less from other wholesalers in their area or nearby markets.

SALE ARRANGEMENTS

The terms of credit extended to customers vary widely among individual firms with the manager's personal judgment generally determining the credit policy. Wholesalers usually operate with 90 percent of sales on credit. All

Table 17.--Dollar volume of flowers sold by type of customer and city, 22 wholesale florists, South, 1970

Type of customer	Atlanta		Baltimore		Washington		Dallas-Ft. Worth		Total	
	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.	1,000 dol.	Pct.
Retail florists	2,034	99.3	3,493	91.3	4,852	96.3	3,112	97.7	13,491	95.7
50 miles or less	1,904	93.0	2,527	66.0	3,666	72.8	2,129	66.9	10,226	72.5
Over 50 miles	130	6.3	967	25.3	1,185	23.5	983	30.8	3,265	21.2
Nonflorists 1/	14	.7	221	5.8	176	3.5	---	---	411	2.9
Grocery	14	.7	67	1.8	33	.7	---	---	114	.8
Miscellaneous 2/	---	---	154	4.0	143	2.8	---	---	297	2.1
Wholesale florists 1/	---	---	112	2.9	8	.2	72	2.3	192	1.4
Total	2,048	100	3,826	100	5,036	100	3,184	100	14,094	100

1/ All nonflorist and wholesale florist sales under 50 miles.
2/ Includes sales to street vendors and caterers.

markets except Washington have a 30-day net credit policy. In Washington, most firms had the 30-day policy, but two had a limit of 2 weeks.

Variations occur when credit is extended beyond 30 days. Fifteen of the 22 firms indicated that they charge 1-2 percent interest per month on the balance of the account for varying periods of time. Half the firms charge 1 1/2 percent per month. The payment period varies from 30 days to 2 years, with 60-90 days being normal. The usual penalty for nonpayment is to place the customer on a C.O.D. basis. A customer may have to pay a percentage of his past-due bill in addition to the C.O.D. shipment. Generally, the manager's judgment and experience with a particular account were the major determinants in setting a credit limit on an account.

Wholesalers usually were willing to assist a firm in various ways to help them reestblish credit.

Services

Services are an important part of a wholesale florist business. Delivery services were performed by all firms, although only 14 percent of them charged for delivery. Another 14 percent--in Washington and Baltimore--charged $0.80 to $1.00 for purchases of less than $10.00. One firm in Dallas would not deliver orders under $10.00. Another 14 percent charged only for deliveries 25 miles or more from the market. The remaining firms, 58 percent, did not charge for delivery. All Baltimore firms and four of the seven in Washington had some charge for delivery. None of the firms in Atlanta or Dallas-Fort Worth had any type of delivery charge. All but two Baltimore firms handled their own deliveries. The two exceptions had cooperative delivery services. The firms in Atlanta believed their locations were too spread out to arrange any cooperative delivery service. Most Washington wholesalers are located in a central area and could deliver cooperatively, but do not because of the nature of competition in the market.

All firms except one in Washington had scheduled deliveries. In Dallas-Fort Worth, it was usually two deliveries per day and in the other cities one per day on a definite schedule for local deliveries. In Washington and Baltimore, where deliveries were made to the Shenandoah Valley of Virginia and the Eastern Shore of Maryland, schedules were set but varied from once to three times a week.

Approximately 85 percent of the wholesalers altered prices, depending on quality variations. Such price changes were often made by the manager or individual salesman on the basis of the age of the flower.

Credit and delivery are essential services for wholesale florists, although many other services are or could be offered: Advertising, regrading, labeling, refrigeration or icing for delivery, "cooperative" selling, and market or management advice. One of the most important of these services is advertising and promotion through national or local associations. Contributions to the Society of American Florists for advertising purposes were made by 73 percent of the firms interviewed. Sixty-eight percent of the firms did individual advertising. All Washington firms indicated that most of what was considered individual advertising was really through membership in the local Allied Florists Association's advertising programs.

Very few firms indicated they do any regrading, labeling, "cooperative" selling, or brokering. Although these services were already being practiced by one or two firms per market, they were mentioned as possible services that might be offered in the future. Marketing and management advice is offered by many on a very informal basis. Two-thirds of the southern wholesalers in the study refrigerated or iced merchandise. About half the wholesalers offered special pricing arrangements for standing orders.

Future Services

Over half the firms indicated that there would not be any new services performed by wholesalers in the future. There was little agreement on what new services wholesalers should be performing. Suggested services included: Cash and carry discounts, prepackaging, servicing street peddlers, servicing claims, design and management schools for retailers, and brokerage and "cooperative" selling to retailers.

Elimination of Services

Wholesalers disagreed as to which services might be eliminated in the future. Free delivery service seemed most likely to be eliminated. Several wholesalers advocated more credit charges.

PRICING PRACTICES

Rate of Return

The rate of return on investment estimated for the market in which the firm was located varied considerably. Approximately one-fourth of the firms indicated a rate of 1-3 percent, and a like number indicated 4-6 percent (table 18). A little less than 40 percent of the firms indicated a rate of 7-9 percent.

Of all the firms in the study, 59 percent stated that their own rate of return matched the city's average rate. Another 27 percent believed that they were above average. Only one firm--one of those that did not estimate an average for the market area--believed it was below the average.

Markup

The percentage markup over cost to retail customers of the four markets ranged from 20 to 50 percent. However, most of the terminal wholesalers' markup ranged from 25 to 30 percent. A pattern seemed to be set in each market. The Dallas-Fort Worth markup was either 33 or 50 percent, Baltimore 20-25, Washington 20-30, and Atlanta 25-30. With few exceptions, most firms did not vary their markup for different types of products. Also, most southern wholesalers maintained the same markup for wholesale customers as they did for retail customers.

Table 18.--Estimated average rate of return for market by city, 22 wholesale florists, South, 1970

Percentage rate	Atlanta	Baltimore	Washington	Dallas-Ft. Worth	Total
	Number				
1 - 3.......	---	2	1	2	5
4 - 6.......	---	3	1	2	6
7 - 9.......	2	---	4	2	8
10 or more..	---	---	1	---	1
NA 1/.......	1	---	---	1	2
Total.....	3	5	7	7	22

1/ Not available.

In general, terminal wholesalers do not adjust their markup for specific services rendered. Yet, 73 percent do adjust their prices for volume purchases, usually of a carton or more. Also, 68 percent give special prices for standing orders. Therefore, the markup will vary depending upon the price the wholesaler will have to pay. One firm indicated that occasionally the markup will have to drop as low as 5 percent when his price becomes unusually high. Another factor affecting a firm's markup is price charged by others in the market. This factor affected the price charged by about half the firms interviewed. Only one-fifth of the firms received Market News reports; most believed Market News was of more value to retailers than wholesalers.

Factors Influencing Organizational Change in Terminal Wholesale Markets

Most terminal wholesalers indicated that market conditions are not favorable for the entry of new wholesalers. More than half the respondents believed that there were no incentives for starting a wholesale floral business in their market. A few thought there were some incentives for starting a floral business, listing profit motive, satisfying work, enjoyment of flowers, and enjoyment of hard work. Most reasons for starting a wholesale floral business seemed more like psychological than business incentives.

Many terminal wholesale florists in the four markets indicated that there were difinite problems in starting a wholesale business. The response with the greatest frequency was long hours and large capital investments. Large capital investments are directly related to the fact that 90 or more percent of sales are made on credit. Approximately 95 percent of terminal market wholesalers responded that there was one or more problems that discourage starting a wholesale flower business. Among those named were: Long and irregular hours, high capital investment to extend credit, labor problems, low return on investment, transportation and supply problems, increase in direct shipments by grower to retailer, lack of knowledge about wholesaling, no need for more wholesalers, too much paper work, demand uncertain and spasmodic, low benefits, and not a glamor type business in educational circles.

Exit and Entry

Results indicate that only two new wholesale florist operations were started in the four markets over the last 5 years. One firm was started and failed in Atlanta and one was started in Washington. In the previous 5-year period (1960-65), one firm was established in Washington and three in Dallas-Fort Worth. All other firms in the South are 20 to 50 years old; the medium age of firms in the region is 30 years. There appear to be few barriers to entry into the floral wholesaling business. However, increased capital requirements and lower prospective rates of return are not conducive to investment of large amounts of new capital in this segment of the floral industry.

Trends in Market Structure

Floral wholesaling in some of the markets is changing. In Baltimore and Washington, a majority of the firms interviewed indicated that the trend is away from the traditional terminal market. In Atlanta and Dallas-Fort Worth, firms indicated the reverse situation, probably because of differences in location of firms in the individual markets. The firms that believed a change was taking place are mostly located in one central location. In the two market areas that believed no change was taking place, the firms are fairly well dispersed throughout the city. The two major reasons given for believing a change was taking place were: (1) increased direct shipments from growers to retailers and (2) movement of existing firms to the suburbs to better serve their customers.

Most wholesalers believed that the demand for terminal wholesalers and their services will always exist. Opinions differed concerning the location of the flower market. About half the wholesalers in the region believed there would be no change in location, while others believed the wholesale markets would move out of the central city.

About 50 percent of the floral wholesalers anticipated no change in the number of wholesalers in the market area in the next 10 years. Another 25 percent, mostly in Dallas-Fort Worth, thought that the number of terminal wholesalers in the market would increase in the future. The response was inconclusive as to whether the size and volume of the firms would increase in the near future. Overall, the southern floral wholesalers in the study indicated that the number of firms in their markets would not change in the next 10 years, and most interviews displayed optimism that most firm sizes in the markets would increase in the near future. A few were of the opinion that some firms would merge with established chains upon retirement of the present owner-managers.

Suggested Industrywide Service Improvements

Terminal wholesale florists contacted in this study differed widely on what total services the industry should offer to improve the business for everyone.

Among suggestions proposed by wholesalers to improve the floral business were to: handle only quality merchandise, merchandize floral products, especially through industrywide advertising programs, improve communications among all segments of the industry, and improve cooperation among wholesalers and also between wholesalers and other segments of the industry.

Since the retailer has direct contact with the ultimate consumer of floral products, the wholesalers believe he has the best opportunity for improving the potential for selling more flowers. Most suggestions directed at retailers related in one way or another to improved merchandising or business techniques. Some were to: merchandise flowers properly, handle only "good" quality flowers, promote cash and carry, charge in relation to services related to each sale--one price for cash and carry, another for delivered, and a third for arranged and delivered, ensure that price reflects supply and demand, hire competent and interested help, and adopt sound business procedures.

More than two-thirds of the terminal wholesalers believed that the growers' most important contribution to improve the cut flower business would be to improve quality. The next most important need expressed was for improved communications between grower, wholesaler, and retailer. Other suggestions called on growers to: ensure uniform grades, know production costs and operate more efficiently, produce novelty items and pot plants to supplement the need of the wholesalers--don't try to compete with the bread and butter producers, prepackage items, send what is ordered, and cut flowers at proper stage of development.

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE, $300

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE

U.S.MAIL