

Commodity Spotlight



Photo courtesy of USDA NCRS

Holiday Sales Look Bright for Christmas Trees & Poinsettias

Christmas tree sales depend not only on consumer holiday budgets, but also on competition from artificial trees. In 1989, sales of real Christmas trees and artificial trees were equal. Since then, purchases of artificial trees have steadily climbed. By 2000, the share of real Christmas trees had fallen to 39 percent as artificial trees reached 61 percent. Demand for real Christmas trees is also sensitive to tree prices, which have inched up over the past 6 years. However, since the housing market—residential construction and home resales—was strong in 2002 despite slower consumer spending, modest gains in Christmas tree sales are anticipated.

The holiday season's sales of real Christmas trees are expected to be at least 32 million trees, slightly larger than in 2000, but below 1999's 35 million. At estimated retail prices ranging from \$4.30 to \$7.80 per foot, or an average \$36 per tree, total retail sales will be close to \$1.2 billion in 2002. These sales are up from \$1.1 billion in 2000 and \$900 million in 1998.

Poinsettia sales are expected to continue growing, up to \$260 million at wholesale in 2002 from \$256 million in 2001, a 2-percent rise. While poinsettia sales equal only a quarter of Christmas tree sales, the quantity sold has grown steadily over the

past decade. The number of Christmas trees sold, in contrast, has seen a gradual decline after reaching 35 million trees sold in 1999 and 37 million in 1995.

Poinsettia consumption patterns are much less dependent on price or competing ornamental plants. In recent years, many mass marketers have increasingly used poinsettias as loss leaders—selling them at or below cost to attract customers into

their stores. Poinsettias, like Christmas trees decked with trimmings and lights, decorate store windows and displays. As the first items customers usually notice in stores, poinsettias in effect advertise themselves. Thus, demand for poinsettias is very much related to where and how they are displayed.

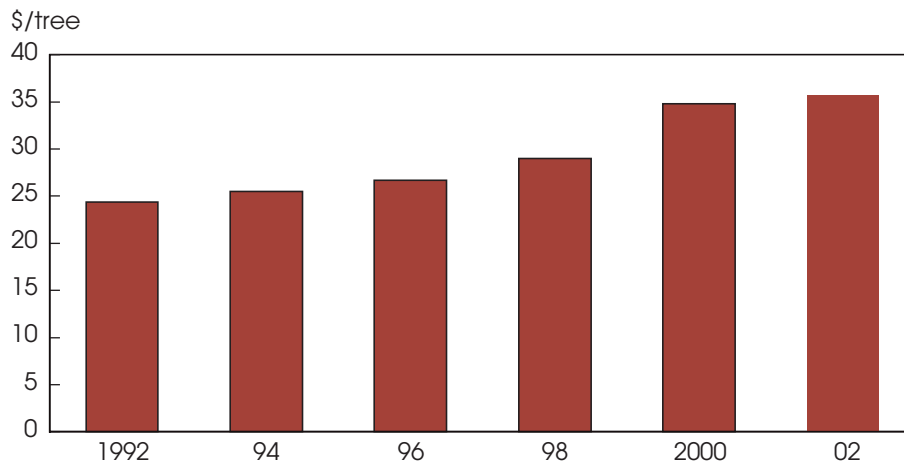
Christmas Trees A-Plenty

Natural Christmas trees are grown and sold in all 50 states, with the bulk of production located in the northern half of the country. Most commercial Christmas trees begin life from seed in a nursery. Two-year old seedlings are then replanted in tree farms. Sold commercially since 1850 in the U.S., Christmas trees originally were cut from evergreen forests. Christmas tree farming started only in the 1950s as demand grew. The top-producing states by sales rank in 2000 were Oregon, North Carolina, Michigan, Pennsylvania, and Washington.

The three major Christmas tree species are all conifers—fir, spruce, and pine. The best selling varieties are the noble, Douglas, Fraser, and grand firs, blue spruce, and scotch and white pines. Recent trends show increasing demand for firs over pine trees, as well as more spruce and exotic fir trees at the higher price range. These trees are considered more attractive and look fresh longer.

An average 2,000-2,100 trees are planted per acre on as many as 1 million acres in

Christmas Tree Prices Growing Steadily



Source: National Christmas Tree Association.
Economic Research Service, USDA

the U.S. The more than 15,000 tree farms in North America (U.S. and Canada) employ about 100,000 full- and part-time workers. Annual tree harvests range from 1,000-1,500 per acre. It takes 5-12 years before trees are ready for harvest, depending on tree species, geographic location, and weather conditions during growth. The average growing time from seedlings is 7 years. More than 70 million seedlings are planted each year, at least 2 new seedlings for every harvested tree.

About 25 percent of consumers who purchase real trees do so at a Christmas tree farm, 25 percent buy trees from a retail lot, and 30 percent buy from chain stores and nonprofit groups (Boy Scouts, churches, and other fundraisers). Internet and mail orders number about 300,000. Of the approximately 108 million U.S. households, 30 percent are expected to buy a natural tree, about 50 percent have or will purchase an artificial tree, and 20 percent have no trees. Artificial trees normally cost more than a natural tree, but can be disassembled, stored, and reused. The higher-priced artificial trees are increasingly natural-looking and lifelike, and are fireproof. Some newer models already come with built-in lights ("pre-lit" or "pre-lit"). Since most artificial trees are manufactured in China, Taiwan, or Hong Kong, fewer natural Christmas trees sold means more imports.

In 2000, the average wholesale price of real Christmas trees sold by U.S. producers was \$16, half the retail price. Of the 32 million trees sold that year, 2.5 million were imported from Canada, the bulk of which were Douglas firs. Real tree imports from other countries are negligible. The average cost of Canadian Christmas trees was \$10 per tree in 2000 and 2001. Since the Canadian dollar's exchange rate is still low relative to the U.S. dollar, the market share of Christmas trees from Canada should continue rising. The import value of Canadian Christmas trees exceeded \$26 million in 2001, up from \$17 million in 1993, but still less than 3 percent of U.S. production.

Christmas tree retail prices are expected to average \$36 per tree in 2002, up from \$35 in 2000. This compares with \$29 per tree in 1998 and \$25 in 1994. Christmas tree prices have roughly matched con-

Number of Christmas Trees Sold Levels Off While Poinsettias Rise

	1992	1994	1996	1998	2000	2002
Sales value						
			\$ million			
Real Christmas trees	838.0	842.2	845.8	933.8	1,113.6	1,150.4
Poinsettias, in pots ¹	193.5	207.6	215.2	224.4	246.3	260.0
Quantity sold						
			Million			
Real Christmas trees	34.4	33.0	31.7	32.2	32.0	32.3
Poinsettias, in pots ¹	55.6	57.9	59.7	61.9	66.4	68.0
Average price per tree/pot						
			\$			
Real Christmas trees	24.36	25.52	26.68	29.00	34.80	35.67
Poinsettias, in pots ²	3.48	3.59	3.61	3.63	3.71	3.82

2002 forecast. Christmas trees are retail value. Poinsettias are wholesale value.

1. Wholesale value and quantity sold are from survey of growers with at least \$100,000 in floriculture sales. The growers are located in 36 states. 2. Average price per poinsettia pot is computed as wholesale sales value divided by quantity sold.

Sources: National Christmas Tree Association (realchristmastrees.org); Floriculture Crops, National Agricultural Statistics Service, USDA.

Economic Research Service, USDA

sumer price inflation from 1997 to 2000. Nevertheless prices of the most popular species increased 8-10 percent per year during this period. Since 2000, increases in Christmas tree price have slowed due to competition from imported artificial trees and outdoor and indoor Christmas lights. The strong U.S. dollar, generally cheaper imports of natural trees from Canada, and current lackluster U.S. economic conditions, should keep downward pressure on prices of domestically grown Christmas trees.

Poinsettia Sales Point Upward

Native to Mexico and South America, poinsettias were named after the U.S. ambassador to Mexico (Joel Poinsett) who introduced the plant in the U.S. in 1825. Potted poinsettias are typically grown in greenhouses for the Christmas holiday market. Their leaves are predominantly red in color, although white, pink, and color combinations are gaining in popularity. While most poinsettias are discarded after the holidays, they are also used as landscape shrubs, houseplants, and cut flowers. In their native habitat, poinsettias are perennial flowering shrubs that can grow to 10 feet in height.

Over 85 percent of potted poinsettia sales occur during the Christmas holiday season. Poinsettias are grown in all 50 states by about 1,750 growers, with California the top producer. U.S. production of potted poinsettias amounted to 67.4 million pots in 2001, which were worth \$256 million at wholesale. The average wholesale price of a 5-inch poinsettia pot was \$4.37 last year. Although the average wholesale price of

potted poinsettias increased by only 32 cents from 1992 to 2001—from \$3.48 to \$3.80 per pot—the number of pots sold jumped by 21 percent, from 55.5 million in 1992 to 67.4 million in 2001.

Over the past decade, the wholesale value of poinsettias expanded by more than 32 percent from \$194 million in 1992 to \$256 million in 2001. Sales per U.S. household in 2001 totaled \$2.40, the highest among major flowering plants in pots. Led by California, Western states purchased \$2.90 worth of poinsettias per household on average in 2001, more than the rest of the country. U.S. imports of poinsettias totaled 4.5 million pots last year, worth \$9.2 million. Like real Christmas trees, U.S. poinsettia imports came almost exclusively from Canada since only Canada is allowed to export finished plants or plants with soil to the U.S. While these imports are still a fraction of domestic production, the number of imported poinsettia pots has shot up by more than 200 percent since 1995.

Poinsettia growers' wholesale receipts in 2002 are projected to climb 2 percent to \$260 million. Christmas tree farmers are expected to net \$510 million at wholesale, up 3 percent from 2001. This represents a \$20 million gain—or 2.7 percent—from \$750 million in 2001. Considered against a slower projected growth pace for the rest of the nursery and greenhouse industry, Christmas tree and poinsettia growers may have a well-planted reason for holiday cheer. **AO**

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