



Figure 8--Capital managed per acre of growing area.

Costs of Production

The significance of managing production costs has become heightened by increased competition in the foliage industry, with falling prices for products forcing producers to find new ways to cut costs. Many managers do not clearly understand that costs include not only cash outlays, but also non-cash costs and allowances such as depreciation and interest, which must be covered for the business to remain viable over the long run.

Costs by Expense Category

Costs were grouped into the following categories: management's compensation, wages and salaries, production supplies, other production costs, administrative and overhead, and non-cash costs. Table 2 summarizes dollar amounts for each cost category, and Figures 9a and 9b give percentage shares of the total for each category, in order to compare costs among groups differing in average size. Further details on all itemized expenses are given in Appendix Tables 5a and 5b.

Management's Compensation or Time Value-- averaged \$46 thousand for all Central Florida nurseries, and \$69 thousand for South Florida firms. These amounts represented 8.6% and 4.9% of total costs, respectively. Large and small firms differed appreciably in the dollar amounts and percentages of total costs for management's compensation. Large firms compensated management an average of \$80 thousand (7.1%) in Central Florida, and \$153 thousand (3.3%) in South Florida. Average

compensation for management in small firms was \$25 thousand in both regions, but this represented a greater share of total costs for Central Florida firms (17%) than for South Florida firms (14%).

Employees' wages and payroll costs is the single largest cost category for the labor-intensive foliage industry. In addition to wages and salaries, this category included benefits, social security, workman's compensation insurance, health insurance, bonuses, and other payroll costs. Average labor expenses were 32.8% of total costs (\$176 thousand) for Central Florida nurseries, and 28.7% (\$400 thousand for South Florida firms (Table 2). Large firms in Central Florida spent a greater percentage of total costs on employees (38.9%) than did large South Florida firms (30.7%). Small firms in both regions spent a smaller share of expenses on employees (18.0% and 21.8%, respectively) because a lesser share of work was performed by hired labor.

Production supplies--includes expenses for plants and seeds, containers, production heating fuel, peat and soil, fertilizer and lime, pesticides and chemicals, packaging and shipping materials, and other production supplies. Expenses for supplies represented a nearly equal share of total costs for the two regions, 30.0% (\$161 thousand) for Central Florida firms, and 30.9% (\$431 thousand) for South Florida firms. Large nurseries in Central Florida spent 29.5% (\$331 thousand) of total costs on supplies, and those in South Florida spent 30.5% (\$1.409 million). Small nurseries spent 29.1% (\$43 thousand) in Central Florida, and 25.8% (\$45 thousand) in South Florida. The largest single item within this category was plants and seeds, representing 11.8% of total costs for Central Florida and 11.3% for South Florida.

Other production costs--were facility repairs/maintenance and equipment operating costs. These costs averaged 3.8% (\$20 thousand) of total costs for Central Florida nurseries, and 3.9% (\$54 thousand) for South Florida firms. Large and small firms in both regions had virtually the same share of total costs for this category (3.4% to 4.0%).