

**Administrative and overhead** are those expenses which usually cannot be assigned to any particular production activity, yet must be covered in order to remain in business. This category included travel, property insurance, telephone, electric power, advertising, property taxes, rent, and other cash expenses. Administrative and overhead expenses averaged 9.3% (\$50 thousand) of total costs for Central Florida nurseries, and 13.0% (\$181 thousand) for South Florida. Larger firms in South Florida had a slightly higher share of overhead costs (14.0%), while large firms in Central Florida had a lower share (7.9%). Small firms in both regions also had below-average overhead cost shares: 9.0% in Central Florida, 12.0% in South Florida.

**Total cash costs**--included all categories discussed above. Total cash costs averaged \$452 thousand for Central Florida nurseries, and \$1.134 million for South Florida firms. These amounts represented 84.6% and 81.3% of total costs, respectively. Large firms in both regions had a slightly greater percentage of cash costs to total costs: 86.7% for Central Florida, 82.5% for South Florida. On the other hand, small nurseries had lower share of total cash costs: 77.2% for Central Florida, 77.9% for South Florida.

**Non-cash costs**--included depreciation on fixed assets (buildings, equipment), decreases in supply inventories, and an interest charge on capital owned to reflect the opportunity cost of assets used. These costs averaged \$50 thousand for Central Florida nurseries, and \$261 thousand for South Florida firms. The largest share of these costs was for interest: 10.4% of total costs for Central Florida, and 13.7% for South Florida. Depreciation represented 4.7% and 5.1% of total costs, respectively.

### Cost Efficiency

Cost efficiency can be assessed in terms of costs per unit area of production space (per square foot), or costs per unit of revenue (sales and production).

#### Cost Per Square Foot of Growing Space

Square foot costs are a useful measure for estimating individual plant growing costs or comparing cost efficiency of different types of production systems. Total costs per square foot averaged \$5.39 for Central Florida nurseries, and \$1.17 for South Florida firms (Figure 10). Central Florida's large firms had below-average costs per square foot (\$5.11) and small firms were substantially below average (\$4.61). In South Florida, large firms also had below-

average cost per square foot (\$1.04), but small firms had above-average costs (\$1.41). Highest costs per square foot averaged \$9.89 in Central Florida and \$4.82 in South Florida, while lowest costs averaged \$3.57 and \$.77, respectively. The most profitable firms had total costs per square foot of \$8.57 in Central Florida and \$2.35 in South Florida, both far above-average, but below the highest rates.

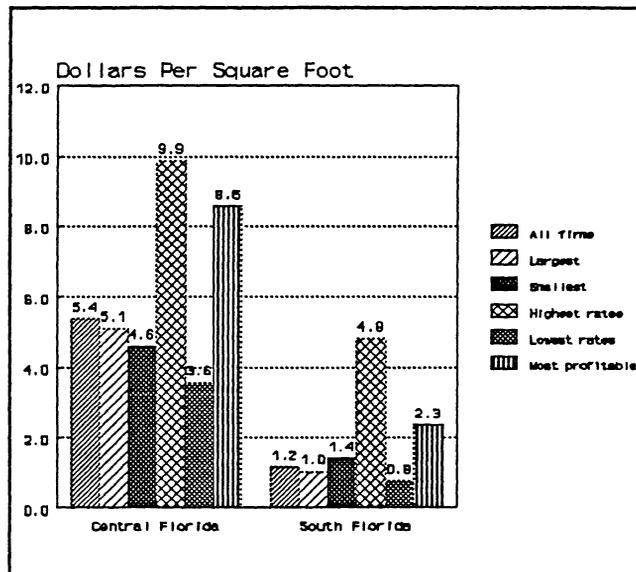


Figure 10--Costs per square foot of total growing space.

#### Costs Per Sq.Ft. of Propagating & Finishing Space

Cost per square foot on the basis of propagating and finishing space only (excluding stock plant space) is a more narrow measure of costs for salable products, and are associated with higher cost levels. The general pattern of results for this measure parallel those for costs per square foot of total growing area. However, South Florida firms had proportionately higher costs on this basis versus total growing area (\$1.85 vs. \$1.17), than did Central Florida nurseries (\$6.15 vs. \$5.39) because of their greater share of total growing area dedicated to stock plant space.

#### Costs Per Dollar Value of Production

Cost per unit of revenue is a direct measure of long-term profitability. As shown in Figure 11, total costs averaged \$1.13 per dollar value of production, or 113% of revenue for the Central Florida nurseries, and 109% for South Florida firms. Thus, average total costs for both regions exceeded the breakeven cost level of \$1.00 per dollar value of production. However, this deficit did not really represent a "loss", but merely a failure to meet the interest cost