



Figure 15--Leverage factor. Expresses ratio between total assets and net worth. Higher values indicate greater potential returns on net worth, but also greater financial risk.

Since leverage is always greater than or equal to one, return on net worth is always greater than or equal to the absolute value of rate of return on capital. Return on net worth averaged minus 1.4 percent for Central Florida firms and 9.3 percent for South Florida nurseries. Large firms had returns on net worth averaging 1.4% in Central Florida and minus 0.4% in South Florida, while small firms had minus 37.7% and minus 1.2%, respectively. The most profitable firms had returns on net worth averaging 52.1% in Central Florida and 42.3% in South Florida.

SUMMARY

Key Factors Relating to Profitability

Characteristics of the most profitable nurseries in each region are summarized in Table 4, by comparison to the overall averages. Differences between groups are presented as percentages reflecting the deviation of the most profitable firms from the industry averages. Also, qualitative descriptors of this relationship are given, with deviations of 0% to 19% labeled as "normal," 20% to 49% as "high" or "low," and 50% or greater as "very high" or "very low." Most profitable firms in both regions had very high space productivity (production/sq ft) and space costs (total costs/sq ft), and high labor productivity (production/person).

Inventory turnover and managed capital turnover were high and very high, respectively, for profitable firms in Central Florida, but low and normal, respectively for South Florida firms. On the other hand, capital managed per person and capital managed per person acre were high and very high for profitable South Florida firms, but low and normal for Central Florida firms. Space/Labor intensity was above average for both regions, as indicated by low or very low growing area per person. Costs per dollar value of production for profitable firms in both regions were low for labor, other production costs, and overhead. Supply costs were also low for South Florida firms, and non-cash costs were low for Central Florida nurseries. Overall financial position of profitable firms in Central Florida was more leveraged than average, as indicated by a low ratio of total assets to total liabilities, but profitable firms in South Florida were high on this measure.

CONCLUDING COMMENTS

Nearly all indicators showed a decline in the business performance of Central and South Florida foliage nurseries in 1989 from the previous year. The decline in profitability was probably due to generally lower product price levels, higher costs, and increased competition, rather than a change in productivity or efficiency of resources in the industry. However, lower returns to investments will probably curtail growth in the industry, and perhaps bring about some reduction in production capacity, eventually reducing competition, balancing supply and demand, and restoring profitability to normal levels.

The Florida Nursery Business Analysis Program

This program is a service of the University of Florida, provided on a strictly confidential basis, and is free of charge. Besides this program for foliage nurseries, other programs exist for woody ornamental container nurseries, field nurseries, and flowering plant nurseries. Nursery managers interested in participating may contact the authors or an IFAS agent in a local county extension office. Nursery operators who authorize a commercial accounting firm to supply the data required for the program can participate with a minimum of effort on their part.