

# BUSINESS ANALYSIS OF WOODY ORNAMENTAL CONTAINER AND FIELD NURSERIES IN FLORIDA, 1989

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## INTRODUCTION

This report presents information on sales, costs, returns and production efficiency for 49 wholesale woody ornamental nurseries in Florida for 1989. These results are part of the University of Florida's ongoing Nursery Business Analysis Program. This information is intended for:

- 1) Nursery managers--to use physical and economic measures for evaluating the efficiency of individual nurseries and for making more informed management decisions;
- 2) Allied trades professionals--to estimate input requirements and revenue potential for wholesale ornamental nurseries;
- 3) Industry investors--to have guidelines for average business performance;
- 4) Extension educators--to use for conducting educational programs with nursery operators;
- 5) Researchers--to support research activities for the ornamental horticulture industry.

## PROCEDURES

The information presented in this report is based on confidential production and accounting records provided by nursery operators who participated in the program voluntarily. This is not a statistically representative sample of firms, but is believed to be biased toward better-managed woody ornamental firms. Nursery operators who provided data received an analysis for their own operation, which contained similar information as presented in this report.

Data were collected for the 1989 fiscal year. In most cases this was for the calendar year January to December 1989. However, in a few cases data for fiscal years ending after July 1, 1988, and before July 1, 1990, were included as 1989 data.

The Nursery Business Analysis is a economic-oriented appraisal rather than a financial or tax accounting appraisal. As such, it attempts to provide an economic valuation for all resources and production activities, whether or not they have an actual monetary value for any particular firm. For example, in firms that did not report a salary for its

manager(s), an estimate of their time value was made based on their experience and other opportunities for income in order to provide an economic valuation for management, which is a critical input for any business. Similarly, an interest charge for the total owned capital investment was included as a non-cash cost, calculated at the rate of 12 percent per year, regardless of any interest expense paid by individual firms. This provided a comparable basis for interest costs across all firms.

Capital investments and leased capital assets were an important part of the analysis. In the case of sole proprietorships and closely held corporations (subchapter S, or "family" businesses), investments in land were valued at the original purchase price; investments in buildings, improvements, machinery, and equipment reflected their depreciated book value; and debt held by family members was not included among liabilities. In the case of regular corporations, land, buildings, and equipment were evaluated at current market value. The majority of firms were of the former type, so investments in land did not represent their current value, especially for older firms, because of the rapid increase in Florida land values.

Plant inventory was a critical element of the wholesale nursery business. Changes in plant inventory levels must be accounted for in conjunction with annual sales in order to assess total production of a firm. In this analysis, emphasis is placed upon "value of production," defined as sales plus change in plant inventory value, as a measure of productive capacity. Plant inventory was also included among owned capital investments as an average of year beginning and year end values reflecting wholesale prices, discounted in proportion to the percentage of completion. In the absence of detailed inventory records, plant inventory was evaluated at 50 to 75 percent of the finished wholesale value for all plants in production at the beginning and end of the year.

Records were separately compiled and analyzed for two different types of woody ornamental nursery production systems: container and field production. Container woody ornamental firms grow plants in nursery containers ("pots") ranging in size from 1 to

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