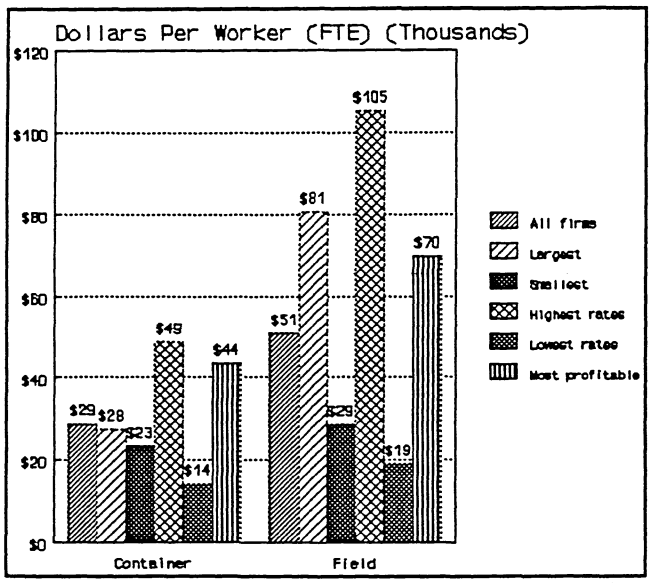

Figure 4--Labor productivity. Value of production per fulltime equivalent person (FTE, 2,080 man-hours per year).

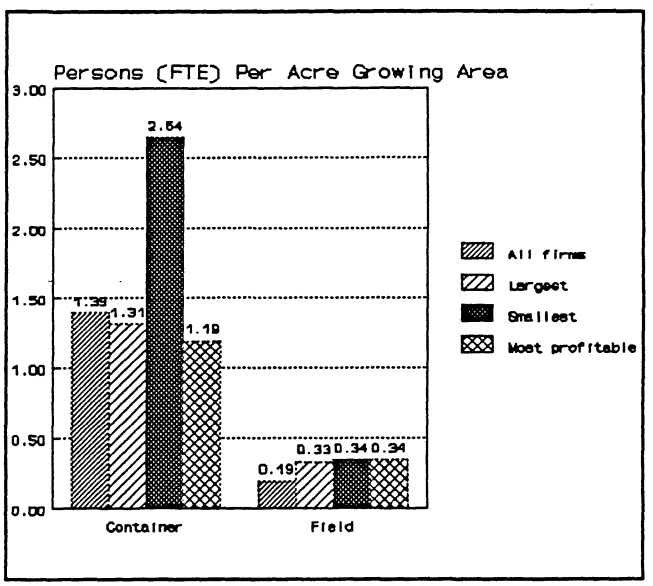

Figure 5--Labor intensity. Average full-time equivalent persons (FTE) per acre of growing area.

($43.6 thousand/FTE for container, $70.0 thousand/FTE for field), indicating the importance of labor productivity for profitable operations. Variation in labor productivity can result from differences in investment in labor saving capital items, labor management practices, or other practices affecting crop turnover.

Labor intensity was evaluated in terms of production area per person, or FTE persons per acre of growing area. Total growing space per full-time equivalent averaged 31.4 thousand square feet (0.72 acres) for container nurseries, 226.8 thousand square feet (5.2 acres) for field firms (Appendix Tables 3a and 3b). Expressed another way, Figure 5 shows the number of FTE persons per acre of growing space averaged 1.39 for container firms and 0.19 for field firms. Large container firms had slightly lower labor intensity (1.31 FTE/A), but small container firms had much higher labor intensity (2.64 FTE/A). Both large and small field nursery firms had above average labor intensity (0.33 and 0.34 FTE/A, respectively). Highly profitable container firms had slightly below average labor intensity (1.19 FTE/A), but profitable field firms were well above average (.34 FTE/A).

Capital Use

Capital Turnover is an indicator analogous to inventory turnover, except that it expresses the ratio of annual sales to value of owned capital. Results for this measure generally paralleled those for inventory turnover. As shown in Figure 6, capital turnover averaged 0.54 for container nurseries, and 0.30 for field firms. Thus, container firms had annual sales equal to about one half of capital owned, and field firms about one-third of capital owned. Large container firms had slightly above average capital turnover rates (0.57), and large field nurseries had significantly above average turnover (0.45). Small firms of both types had turnover rates (0.33 and 0.14) nearly as low as the lowest rates (0.30 and 0.17). Most profitable firms had inventory turnover rates (0.85 and 0.38) nearly as high as the highest rates (0.93 and 0.43).

In general, high capital turnover is desirable, indicating greater sales per dollar of investment. Problems that lower turnover rate include any of those already mentioned that lower production rate, and therefore lower sales volume for a given nursery investment. Low capital turnover is particularly common in new firms and in rapidly expanding firms. Excessive investments in land, labor-saving machinery and equipment also tend to lower captial turnover.

Capital Managed Per Person is an indicator for balancing of capital and labor resources, calculated as total capital managed divided by employment (FTE). As shown in Figure 7, capital managed per FTE was generally higher for field firms ($170.4 thousand/FTE)