

Total cash costs--included all categories discussed above. Total cash costs averaged \$384.3 thousand for container nurseries and \$325.1 thousand for field firms. These amounts represented 77.6% and 68.2% of total costs, respectively. Large firms had a slightly greater percentage of cash costs to total costs: 78.4% for container, 74.2% for field. Small nurseries had a lower share of total cash costs: 72.9% for container, 61.0% for field

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 \$110.7 thousand for container nurseries and \$151.3 thousand for field firms. The largest share of these costs was for interest: 18.5% of total costs for container firms and 28.8% for field nurseries. Depreciation represented 3.9% and 3.0% 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 \$1.15 for container nurseries and \$0.23 for field firms (Figure 10). Large container firms had slightly below average costs per square foot (\$1.11) and small firms were substantially above average (\$1.63). Among field firms, both large and small had above average costs per square foot (\$0.48, and \$0.30, respectively). Highest costs per square foot averaged \$2.26 for container nurseries and \$0.72 for field firms, while lowest costs averaged \$0.81 and \$0.12, respectively. The most profitable firms had total costs per square foot of \$0.99 for container nurseries, and \$0.43 for field firms.

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 \$1.26 per dollar value of production, or 126% of revenue for the container nurseries, and 102% for field firms. Thus, average total costs for both groups exceeded the breakeven cost level of \$1.00 per dollar value of production. However, this

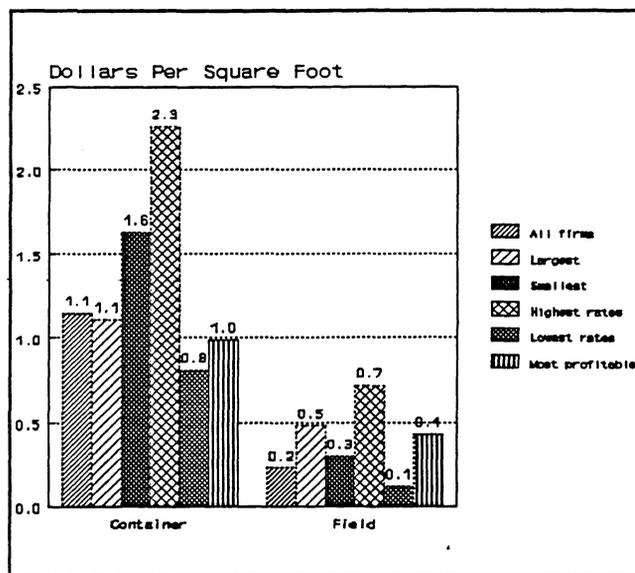


Figure 10--Costs per square foot of total growing.

deficit did not really represent a "loss," but merely a failure to meet the interest cost allowance for a 12 percent return on capital investment. Large and small container firms, and small field firms were also above the break-even cost level (Figure 11). Large field nurseries were below the break-even level with total costs 78% of value of production. The most profitable firms had total costs averaging 83% of total value of production for container firms, and 79% for field nurseries. Further details on these results are given in Appendix Tables 6a and 6b.

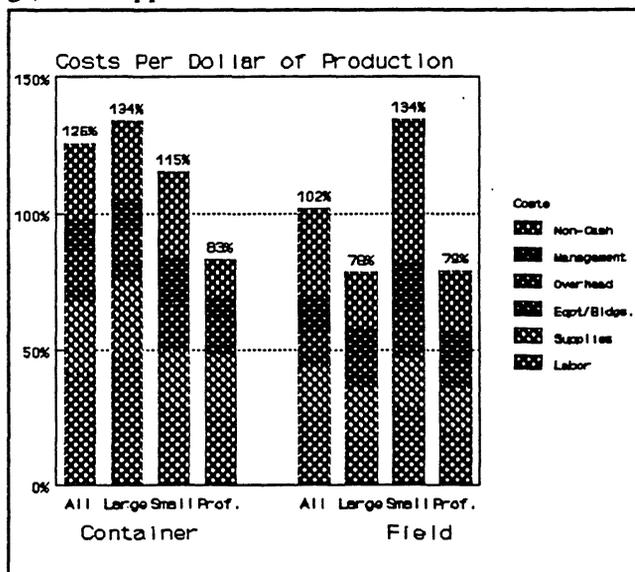


Figure 11--Cost per dollar value of production (sales plus inventory change).