

Ornamental Research News

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ECONOMICS

Charting a Course Into the 21st Century:
Financial Management Strategies for Environmental Horticultural Enterprises

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A New World Order

The 1990s will be recognized as a decade of unprecedented economic change. After 75 years of intense competition with the West, the centralized economies of middle and eastern Europe have collapsed. These countries are now struggling to develop a new social and economic system that will allow them to compete in the 21st century. The United States is also faced with tremendous challenges. In the past 40 years, the global economy has shifted from being primarily single-poled (centered around the U.S.) to a tri-poled structure built on Japan, the European Community (EEC), and the United States. To survive, even these large economies must be adaptable, but the transition may be most difficult for America which for years enjoyed unchallenged economic superiority.

Profound change has also affected Florida's nursery and greenhouse industry. Standard operating procedures employed two decades ago are less useful today. Nursery businesses are being squeezed on at least four fronts. First, prices continue to decline in real terms despite improvements in product quality and variety. Second, upward pressures on costs are stronger than ever, driven primarily by employee wage and benefits packages and the rising cost of production inputs. Third, the arsenal of chemical tools available to growers for controlling pests and diseases has shrunk due in large part to a heightened public concern for the environment and more stringent environmental regulations. Moreover, many alternative control agents are more expensive to purchase and less effective than those being replaced. Fourth, adequate financing has become increasingly difficult to obtain as the number of firms seeking assistance grows daily while lending institutions respond with more rigid lending requirements. To reduce the risk of loan default, many banks now seek three levels of financial assurance: proof of credit worthiness, a formal business plan that lays out clearly and concisely the future direction of the business, and a cash flow that shows repayment capacity. In the new world order, nursery businesses work harder and longer just to survive. The problem is, working harder and longer may not be enough.

Working Smarter: Charting a Path to Success

The University of Florida's Institute of Food & Agricultural Sciences (IFAS) recognizes the increasing pressures on nursery and greenhouse businesses. More than ever before we perceive the need to provide businesses with new strategies to address these growing economic challenges. Four management areas have been identified and are being addressed by IFAS faculty:

- 1) financial management,
- 2) business planning,
- 3) marketing, and
- 4) human resource management.

While all four management tools are vital to business success, the first two serve a very basic and practical function: nearly all businesses need financial management and business planning assistance and lending institutions increasingly demand them. Financial management provides a detailed profile of economic performance using several criteria. In simplest terms, it is a company's health checkup to assess business strengths, weaknesses, and general financial condition. This management tool provides information on a firm's current situation. However, businesses should also identify where they need to go, which is the primary purpose of business planning. A business plan utilizes the information generated from the financial management statements and charts a company's future direction. By definition then, a business plan cannot be a standardized cook book. Rather, each company's plans must be a unique strategy that satisfies its individual constraints and opportunities. Put together, these two management tools provide the detailed adjustments needed to make the business more profitable and efficient for today, and a comprehensive map to guide a business successfully toward tomorrow.

Moving Forward

Over the next few months these new management programs will be designed and developed for environmental horticultural enterprises. As a first step, a meeting was held recently with county extension faculty working in commercial ornamentals to obtain their views on the needs of Florida nursery businesses. The next step is to acquire the interest, input and support of the Florida Nurserymen & Growers Association (FNGA) at both the local and state levels. To accomplish this task, we would like to present a program at local chapter meetings around the state. Third, we suggest inviting various public and private lending institutions to these meetings to determine the types of information required in the loan assessment process. By bringing key players together to work toward a common goal, we should be solidly positioned to create a quality program.

We anticipate several features to the program. A pilot program will be initiated in two or three areas of the state. This will allow us to adjust and fine-tune the program before full-scale implementation. For efficiency and flexibility purposes, we will decentralize the process by placing county agents in charge of implementing the program in their areas. In this way, programs can be tailored to the special needs of local clientele. At least two tiers of financial service will be offered, a basic one for smaller firms and the other, a more comprehensive program for larger, more complex firms.

The county agents will send the data to the Central Florida Research & Education Center (CFREC) in Apopka for processing and analysis. All data will be treated confidentially. The University is currently hiring a full-time statistician, to be based at CFREC. Our primary responsibility will be to conduct the financial analysis from the tabulated data, generate reports and develop business plans for participating nurseries. Each nursery will receive a confidential and personalized statement of financial performance. A business plan will also be developed and reviewed with the owner and/or business manager. Data will be summarized into regional reports that will be published with the assistance of county agents. A statewide report, combining the regional information will also be published.

The purpose of this program is to assist businesses in the environmental horticultural industry. Success will ultimately hinge on how well we work together toward a common goal. It will require commitment and effort from all of us, but the end result can be a program of merit that stands out as an example of partnerships that work.

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Ornamental Research News - Chris Fooshee, Editor
