



The Nursery Papers

ESSENTIAL INFORMATION FOR AUSTRALIAN PROFESSIONAL NURSERY OPERATORS

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Benchmark study highlights labour and management shortfalls

Australian nurseries are underperforming against their US counterparts in the areas of labour costs and management record keeping for performance analysis, according to a preliminary benchmarking study of 22 selected nurseries.

While generally highlighting the similarity in cost structures between nurseries in the two countries, the study suggests Australian operators should “continually address the issues of automation, incentives, training programs and other practical ideas for reducing labour inputs”.

It also says managers could benefit from the use of more specific indicators, such as sales per employee and sales per m² of growing area, to address both financial and operating performance.

US comparison

The study found that the largest annual expense for all Australian nurseries was labour whereas US nurseries on average paid more for direct materials and supplies (see graphs). This may be due to the fact that US firms tend to buy most of their cuttings and seedlings from other suppliers while many Australian nurseries produce their own, according to the report’s authors.

Rent and depreciation on buildings and heating was higher for US nurseries because of the greater tendency towards greenhouse production in northern US.

Benchmarking

The report says: “Average sales per employee for all Australian nurseries were \$64,464. US data showed the typical net sales per employee for all US nurseries to be \$US55,089.

There was a very wide spread of values for average sales per square metre of growing area within each of the nursery groups. For example, sales per square metre for potted colour nurseries ranged from \$135 to \$250 with an average of \$177. The averages were \$113 (range \$64 - \$202) for bedding plants and \$45 for general container plants (\$19 - \$80).”

Management performance indicators

The report says: “The financial objectives of most of the nursery managers surveyed were expressed in general terms and few managers stated that they had adopted quantitative targets or goals. Typical business objectives, as stated by the managers were to:

- increase annual turnover and profit
- operate a financially successful; business
- increase market share
- increase profit per unit of sales
- maintain or exceed budget

- accumulate ‘money in the bank’
- keep going.

Managers need to use a range of more specific performance indicators which are relevant to the nursery industry. Indicators should be established for the industry which would address both financial and operating performance. The use of employee and space productivity measures in particular, needs to be encouraged in the industry, as well as the traditional financial tools for monitoring performance.

The Greenhouse Operating Performance Report (1994) provides a list of performance indicators which could be further developed by the Australian Industry. Some of these indicators are as follows:

Profitability

- Net profit before tax to total sales
- Net profit before tax to total assets
- Net profit before tax to net worth
- Owners’ salaries and sales to total sales

Productivity

Inventory

- Inventory turnover
- Gross margin return on inventory

Personnel

- Net sales per employee
- Gross margins per employee
- Payroll as a % of gross margin

Space

- Sales per square metre
- Gross margins per square metre

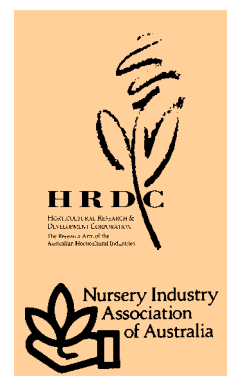
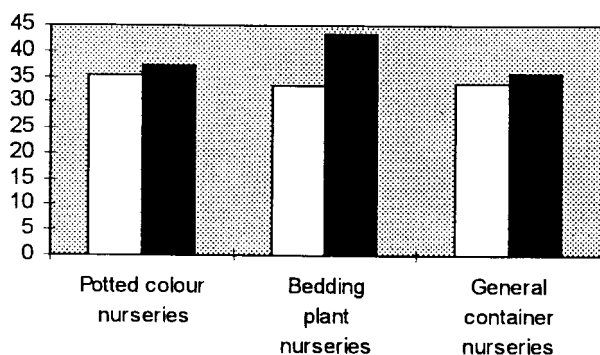


Table 1. Annual expenses (as % of sales) for US and Australian nurseries.

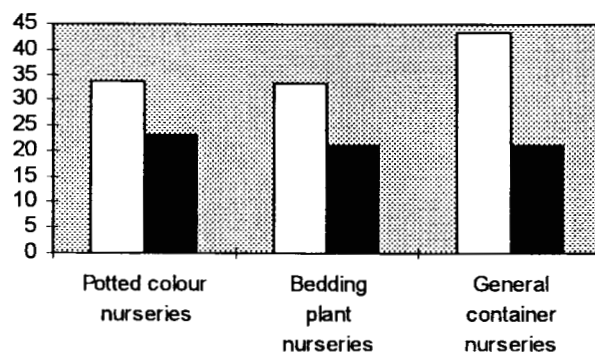
Expense item	Potted colour nurseries		Bedding plant nurseries		General container nurseries	
	Australian	US	Australian	US	Australian	US
Labour*	37.3	35.4	43.4	33.2	35.8	33.5
Heating	4.8	4.9	1.5	3.9	0.8	2.7
Direct materials & supplies**	23.2	33.6	21.2	33.4	21.1	43.4
Rent & deprec. on buildings & equip	3.1	7.2	3.7	5.3	4.3	4.4
General maintenance & repair	1.9	3.0	1.5	2.8	2.4	1.5
Insurance	0.6	2.4	0.9	1.5	1.1	1.4
Office/administration	1.2	0.9	2.3	1.0	0.9	0.7
Other utilities (phone, power, etc)	1.4	1.7	1.4	1.7	1.4	1.2
Rates (property and bank charges)	1.9	ns	0.3	ns	1.3	ns
Auto/truck (fuel, maint./repair, etc)	1.3	1.5	2.1	2.0	3.1	1.3
Other freight charges on outgoing sales	6.7	ns	1.0	ns	4.5	ns
Interest on loans and bank overdraft	2.0	1.9	2.5	1.7	1.7	1.2
Advertising and promotions	0.9	0.7	0.5	1.1	1.3	1.2
Other items	4.5	3.9	3.9	5.0	5.0	6.5
Total expenses	90.4	96.4	85.9	92.1	84.4	99.4
Sales less expenses	9.6	2.8	14.1	8.0	15.6	0.6

* Labour expenses included wages, salaries, and on-costs such as payroll tax, Workcover, superannuation.

** Direct materials and supplies include pots and containers, plant materials and seeds, soil/growing media, fertilisers, pesticides and fungicides, labels/stakes, freight in.



Graph 1: Labour costs as a % of sales for different nursery types in the US and Australia.



Graph 2: Direct materials and supplies as a % of sales for different nursery types in the US and Australia.

□ US ■ Australia

Further reading

Business profiles for Australian nurseries (1996) R.G. Brumfield and P.F. McSweeney, University of Melbourne HRDC Report NY542.

Greenhouse operating performance report 1994, Professional Plant Growers Association, Michigan.

Benchmarking self-help manual (1995) Australian Government Publishing Service, Canberra.

Acknowledgments

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