GROWERTALKS

Growers Talk Business

6/25/2012

Hanging Baskets: Free Space or Not So Free?

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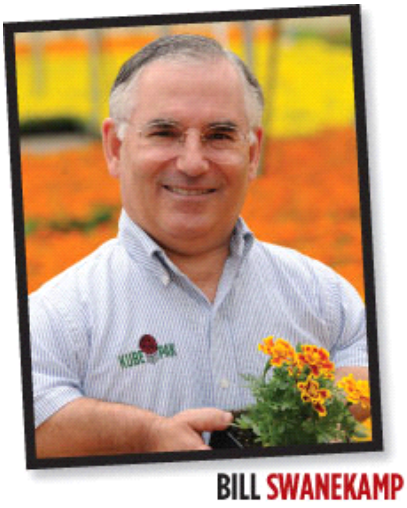

In my last article I wrote about the concept of space utilization and how it impacts overhead calculation. The bottom line? Overhead can only be applied to growing plants and not empty greenhouse space. As a result, if you only use your greenhouse space 50% of the year, then your cost per square foot per week is doubled.

Another area that causes confusion regarding overhead is how it applies to hanging baskets. There are two schools of thought in this area: 1) The idea that since the hanging baskets do not take up any floor space of the greenhouse they should not have overhead applied to them since the space is essentially free; 2) Or that overhead should be applied to hanging baskets based on either the area of the pot or the area that the growing plant takes up.

Let's take a look at point one first. Is it true that since a hanging basket is not sitting on the floor of the greenhouse it does not add to the costs of production and, therefore, no overhead should be applied to it? Well, we all know that growing hanging baskets are not free. We have to hang them, water them, pinch them, spray them, select them for shipping, sleeve them, invoice them and deliver them. Amen to them!

Obviously, in addition to the direct cost of the plant, pot and media, a hanging basket is not a cost-free item to produce. This means they're adding to our production costs and, therefore, should share our overhead costs. Now part of the reason why some growers don't apply overhead to hanging baskets is because they don't include the space used by them in the total amount of growing space. To illustrate: if you have a greenhouse with 100,000 sq. ft. of floor space, then the amount of space used by the hanging baskets in the air should be added to the 100,000 sq. ft. of floor space to come up with a new total of growing area.

This now leads us to our second point in discussing differing schools of thought. How much space should be allocated to a hanging basket growing in the air? Some think that the amount of space a basket takes up when it's fully grown is what should be used for this calculation. So in other words, if a 10-in. hanging basket

takes up
2 sq. ft. when it’s fully grown, then the amount of space used for calculating overhead is 4 sq. ft. (2 X 2 = 4)

On the surface this seems to make sense, but it’s always best to take the theory and apply it to an actual situation. Another way to determine how much space to allocate to one hanging basket is to use the actual outside diameter of the hanging basket. For example, a 10-in. hanging basket pot has an outside diameter of around 12 in. If you square this area it would be 12 in. X 12 in. = 1 sq. ft. Right away you can see that the amount of space allocated to a basket in these two examples is a difference of 4. See the chart that illustrates these differences.

The numbers speak for themselves. If you apply overhead to a basket based on the actual spaced used by the grown plant, none of the plants in the above example make a profit. This, of course, is not true and would mislead someone into charging more for a basket then the market will bear. On the other hand, if you use the diameter of the pot as the basis for your space, then the amount of overhead charged to each basket is reasonable and allows for a profit. So when you do your costing for baskets, keep in mind the space overhead is not free and overhead has to be applied to those plants. **GT**

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