Financial Planning for Vegetable Growers

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Presented at the ACORN Conference, Friday, March 11, 2011

The slideshow was not provided for these notes, however, much of this information can be found in more detail in Crop Planning for Organic Vegetable Growers, $22 through ACORN. Inquire at admin@acornorganic.org or by calling 1-866-322-2676.

Introduction: Daniel Brisebois

Financial planning–what do you think I'm going to talk about … ?
Responses from Group included:

- COP
- Grants for new growers
- Business Planning over time
- Diversified money making
- increasing profit margins
- how to pay yourself
- financial sharing within your group (splitting profits)
- Start-up and capital costs
- inventive ways of coming up with capital

The story of Ferme Cooperative Tourne-Sol:

- Certified organic farm cooperative
- Comprised of 5 friends who met at McGill University and worked on different farms 2-5 years before deciding to work for themselves
- The property: 45 mins west of Montreal, we're in our 7th year and we still rent our 12 acres of land–6 are in crop and 3 in full year long-fallow, the rest is buildings etc. 1in 3 rotation.
- Grow: full range of veggies, cut flowers, seedlings, herbal teas and culinary herbs, starting to do livestock, hogs and chickens–mostly for ourselves, and we grow seed. We harvest all by hand.
- Markets: sell seeds at seedy Saturdays and Farmers Markets, and we have an online seed catalogue. 40% of crop is sold through Farmers Market (FM); we start to go mid-April with seeds and transplants until December. We like a couple months of break. We also do 260 share CSA–pick up on farm, and in Montreal.
- Equipment: 2 tractors, weeding is done by hand hoes, but we're on the verge of the next scale (mechanized)

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Overview of Presentation
Set your financial goals
Develop a market plan
Record harvest and sales
Analyze crop profitability:
Table 1.1
Table 1.2
Table 2.1
Table 2.2
Table 2.3
Tourne-Sol start-up budget

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Very few people choose farming for money, a lot of us choose farming for the lifestyle. If you can't meet financial needs, it is compromising the quality of life: money affects quality of life. Financial planning is about your quality of life.

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Financial Goals: First, you must actually know what your goals are and often people don't start off with this. These ideas are from the Holistic Management Financial Planning. Salary: net earnings, profit etc.

- Plan your salary: You need to know how much the farm has to generate to support itself and you. Example of young couple in farming ready to grow their own operation: they would like to make $5500/person, together $11,000/year total.
    - You should be making about 50% of your gross sales. For a new grower, if the salary is $11,000 that means farm income will be $22,000
- Plan your farm income: $22,000
- Plan your expenses: $11,000. If you target what you want to make, you know what you will be able to spend. Keep track of your expenses. Keep separate bank accounts for yourself and farm, it's easier to hold that money and keep track of everything.

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Guidelines
New Farmers = 5-10,000 gross sales/person (if you've never done this it's a stretch)
Top farmers = 40,000 gross sales/person in the field (this is for vegetables)
(these numbers are independent of acreage)

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STEP 2
Develop a marketing plan

- distribution methods
- product list
- prices
- weekly sales projections
- weekly harvest targets

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Various Market examples:

- Community Supported Agriculture (CSA)
- Benefits: you decide your shares and thus your sales
- As opposed to a FM where you bring your veggies and hope people buy them
- Over the weeks at FM your sales balance out, and hopefully you can start to predict what scale of sales for each crop, but its not always steady and certain weekends don't work and toss things off.
- The other potential markets are wholesale and restaurants–they can give you volumes of sales of one crop for example

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CSA

- # of weeks for CSA boxes … market–usually it's between 16-20 weeks. If it's too many weeks, you have the challenge of early spring–too late is a storage issue. It's best not to overcommit in the first year especially.

- Weekly value is usually between $15-$40 (base it on your farmers market sales). The higher you go, the more crop has to go in your basket of diverse crops. It can be stressful to have a big share.

- New CSA farmers can handle 5-20 shares/person. Keep in mind that CSA logistics can catch you off guard!
- Experienced CSA farmers can handle 30-75 shares/person depending on whether or not they are mechanized, or if they are trying to reach other markets
- Distribution outlets: Advice to new farmers: don't tackle too many at once–choose one focus and, if necessary, one secondary drop-off, csa and fm as your main markets can be mutually beneficial (Farmers' market can act as a CSA pick-up location too). Remember that your delivery truck can only handle so much produce.

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Example of new young farmers:
Gross sales are: 10,000/17 weeks
Average $589/week sales at Farmers' Market
$12000

$352/share for 16 weeks at 22$/week
35 shares a year

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CSA: Tourne-Sol farm tacks on an administration fee
Their share also includes an $18 Equiterre fee as Equiterre coordinates a CSA network, where they publish a Farm map and promote their member CSAs, including a lot of help for new farmers with training and workshops.

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Prices and formats for product
These vary from one market to the other: examine the prices that other people are charging and notice what other farmers are growing. There is a distinct Price/profit relationship and people will pay more if you have top-notch quality. Don't be afraid to charge enough to make your profit.
Before you market your product, think about the format, about how you are going to sell it (for example: by lb., quarts, pint, volume/weight, bunches), this can make all the difference in your profit margin!

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[Examples of vegetable units]

In the Ottawa area, people are selling carrots for 5$, while in the Maritimes generally the price is $2.50. These prices differ all across the country so it's important to compare yourself to other farmers.

Things to consider about how you harvest the products and how you can make a record and profit of selling them in certain units:

- Weighed bunch or general bunch? Ex. ~5 carrots or 2 lbs.?
- Bagged lettuce or head lettuce?
- Size of bag or weight of bag
- Etc. Etc.

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[Example of completed CSA basket chart for each week, as shown in the example table displayed below]
Weekly CSA Share Content

Crop	Unit	Value	02 July	09 July	16 July	23 July	30 July	06 Aug	Total Units
Carrots	Bunch	2.5		1	1	1	1	2	5
Beets	Bunch	3.00	1	1	1	1	1		5
Weekly Share Value ($)			0	5.5	5.5	5.5	5.5	5	

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[Example of completed Weekly Market Sales chart for each week, as shown in example table displayed below]

Weekly Market Sales

Crop	Unit	Value	02 July	09 July	16 July	23 July	20 July	Total Units	Total $
Carrot	Bunch	$2.50		40	40	40	40	16	$400

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Turn your sales projections from the CSA and FM into a harvest target for each week [sample table included below]:

Weekly harvest targets

Crop	Unit	02 July	09 July	16 July	23 July	30 July	06 Aug	Total Units
Carrot	Bunch	$2.50		40	40	40	40	16

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CSA Basket contents
Snapshot

Brisebois suggests that you look at the dollar value of your shares, if you're giving too many veggies, you could be using your time at something else … they use FM prices for to determine their share value, trying to give CSA members between 10-15 % more than FM value.

Another thing that happens is that shares are smaller at first as the season begins and there is not as much to harvest. Tourne-Sol recommends having a full share from the beginning, keeping the shares the same size throughout the season. He recommends this for several reasons, one being that if you deliver your food, you need to be able to predict how much space it's going to take up in your vehicle. If you have larger shares, you may need an extra vehicle to transport the larger share–which is not cost-effective. If you keep it consistent, you generally know how much space you need.

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Weekly market sales
Try to set the price same amounts for the season (i.e. don't fluctuate your prices based on availability).

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Difference between a CSA and FM?
With a CSA, you have to provide 7-12 items per share (and not weird stuff–only some new items) and have to provide diversity over the full season. FM, on the

other hand, can be more flexible: if you don't want to grow peas and beans you don't have too. With FM sales it's not as necessary to be catering to shares as customers

Marketing plan summary:

- Choose your distribution outlets carefully with the lifestyle you want in mind
- Create sales projection chart
- From you sales projection chart, compile weekly harvest targets
- Build your crop plan (in Crop Planning Book–for sale through ACORN for $22)
- Field planting schedule
- Crop maps
- Greenhouse planting schedule
- Seed order
- Field operation calendar

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When it comes time to harvest, it's important to keep up your actual harvest records.

Harvest Record Sheet–by week (Sample)

Crop	Variety	Unit	Bed	Mon+Tues	Bed	Wed+Thurs	Bed	Friday
Carrot	Danvers	Bu	4	25	6	30	4	30

Bed = record where/what field did it come from and how many beds do you have. It can be good to keep track of varieties as well–this helps if there is ever problem with certain crops and to help you keep a plan and keep track of them separately.

We have one sheet like this [the table above] for every week of the year. Blank sheets are printed in winter, so they're ready to fill out in the spring. We put them all in a harvest binder we keep in strategic locations (the Greenhouse harvest record is in the greenhouse). The less you have to keep track of, the more likely it's going to get done. If you have employees, explain why and what to your employees, so they understand and keep up the records themselves. Each sheet should have a big "notes" category on the sheets.

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Keep market sales record for every week, include main crops you're going to sell–don't care too much about the variety for market sales …

Market record sample

Market Record Sheet Date:_____ Market:_____ Total $

Sold:_____							
Crop	Unit	Price	Planned Harvest	Actual Harvest	End	Sold	Notes

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CSA Record Sheet Date:_____ Market:_____ Total $ Sold:_____						
Planned Harvest	Actual Harvest	Item No.	Crop	Unit	Price	Notes
20	22	1a	Carrot	Bunches	2.5	
10	12	1b	Parsnips	Bunches	2.5	
30	33	2	Beet	Bunches	3.00	

Give options for your CSA share: either carrots or parsnips (1a or 1b)

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Compile Harvest records
This is what you will use as a basis for your profitability analysis:

Crop	Variety	Bed	Bed length	Date	Date	Date	Date	Total	Unit
Carrot	Danvers	3	6	# of units	# of units	# of units	# of units	Total # of units	Bunches

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Compile Sales records

Crop	Variety	Bed	Bed length	Date	Date	Date	Date	Total $	Unit
Carrot	Danvers	3	6	50	50	50	50	Total $	Bunches

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Analyze crop profitability
What makes a crop profitable? (suggestions from group):
Popularity
Selling the whole crop
Sell it for more than it costs to produce: cost/profit ratio
Higher retail

Dollars/acre
Dollars/labour
Input costs
Market saturation
Appropriateness to your farm … and what you like to grow
Crop Riskiness

According to Brisebois, it comes down to:
Space and Time: The space the crop takes to grow and how much time it takes to harvest in the field

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Profitability in space

- set target
- calculate yield
- calculate profitability

Space: it's worth it to think about how you can get modular blocks of similar sizes in your farm
Bed: what a tractor can straddle.
Bedfoot: how many plants in 1 foot long across a bed?
And therefore, how many of each plant can you fit in a bed?

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A. Profitability in Space
    1. Set profitability targets
    Gross Sales($) / Growing Space (acres) = Target $/acre
    Target ($/acre) * Bed Width (ft) / 43 560 (sq. ft./ac) = $/bedft

    2. Calculate Yields
    Qty harvested / (bed length harvested (bedft) = yield (qty/bedft)

    3. Calculate Profitability
    Yield (unit/bedft) * $/unit = $/bedft

Crops that are generally

- Very profitable in space: bunched herbs and bunched greens;
- Profitable in space: bunched roots and lettuce
- Less profitable in space: beans, peas, broccoli and potatoes

B. Profitability in Time
    1. Set profitability targets
    Gross Sales ($) / harvest time (hr.) = Target $/hr.
    Harvest time = approximately 400 hours per person per year

2. Calculate profitability
   Units harvested (includes washing!) * $/unit / harvest time (hr.) = $/hr.

Notes:
- this calculation includes washing and prep
- decreasing harvest time is where you can make a profit
- two bottlenecks: harvest time and weeding in organic farming: requires better technique and can make you more money

Crops that are generally
- Very profitable in time: bunched herbs, bunched greens, and lettuce heads'
- Profitable in time: bunched roots, broccoli and cabbage
- Less Profitable in time: beans and peas

C. Compare Crop Profitability
- What crops are profitable in space and time
- What crops are profitable in space or time?
- What crops are NOT profitable in space or time?

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Sample scenario:
Harvest 45 lbs. of peas
From 20 bedft
What is your yield? (decide what your unit will be first!)

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Calculate profitability:
How much will you charge/unit of peas?

*The Variability is the price, if you charge more, it can make a big difference, but sometimes to achieve this, it's not raising by your price, but by adjusting your unit.

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3 types of profitability in space
1. potential: plan what you're going to plant
2. harvest: what did you actually grow?
3. sold: doesn't matter how much you grow, you have to sell it, if you don't sell it all, the profitability will decrease …

Distribution of annual work on a small-scale vegetable farm
20% crop establishment
20% crop maintenance
20% harvest and post-harvest
20% marketing

Exercise:
Profitability in space: figure out what the answer will be in $/bedfoot
- Sugar Snap Pole Peas: 55 pounds harvested from 100 bedft
- Broccoli 40 heads harvested from 25 bedft

- Cilantro 50 bunches harvested from 10 bedft

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A year on the farm:
the only place that you're generating money is while you're marketing. In 20% of your time, you have to harvest 100% of your revenue

2000 hours/person = 400 harvest hours per person

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Would you grow?

- Peas? 8$/lb. 5 $67

Reasons to grow peas: Brings people to table; popular; loss leader; first early crop available; kids; probably less weeding for peas; people buy more lbs. of peas!; if it's an early crop, you can replant that bed; at some point, the market gets saturated; provides shade for other crops;

- Broccoli: $3.50/lb. 5.60 $140
- Cilantro: $2.50 12.50 $250

A lot of the herbs have similarly high prices and can be planted in the same bed for example if they don't sell a lot of them

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Set time limits for market sales: 1-hour harvest can set constraints that don't compromise on the more profitable crops

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Tourne Sol Start-up Budgets

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Cool Bot: tricks air conditioner to cool off to a lower temperature
Invest in things that make your product high quality (you can weed without a machine, but you can't cool things off without a cooler. Really think about where you put money initially!

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In our first year it was 4 acres, now we're at 6 acres. We've chosen to pay our apprentices: 10$/hour for 40 hrs. /week.

Expenses: a lot of these will remain constant (like van costs): expenses have stayed the same, so if we're making more money on the land, and using the same infrastructure to sell the crops, we're making a lot more profit.

QUESTIONS:

Advice to new growers: start small and get bigger (or stay the same). Likewise for any new ventures on your farm.

Thank you!