

ANY NEW YEAR RESOLUTIONS?

REVISE THE BUSINESS PLAN!

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People don't plan to fail; they fail to plan!

Although most agribusinesses, including ornamental and floriculture nursery operations, have prepared business plans to facilitate establishment and operations of the business initially, many of those plans are now collecting dust, if they can be found at all.

Let's exit the 20th century with some revitalized plans that address the contemporary concerns and issues of today's production

technology, consumer marketing, regulatory environment, and economic conditions. Although strategic plans are long-term, multi-year in coverage, what are some things to do in the short-term, within the next several months that might improve your firm's profitability and performance?

A rational planning decision is to be more performance-oriented through both efficiency and effectiveness. Many businesses in the "green" industry realize those areas of comparative advantage that each may have. Comparative advantage relates to the ability to out-hustle, out-produce via such measures as more salable plants per square foot of bed and bench space, larger caliper per annual growth, less fertilizer per plant, lower death or market loss, etc. However, the real performance test is in acquiring competitive advantage in which dollars and cents become the increment of measure, such as annualized sales per square foot, total costs per plant sold, contribution to overhead per greenhouse or nursery block, net returns per employee, etc. Competitive advantage ultimately encompasses trying to cut costs to run more efficiently without jeopardizing performance effectiveness.

Most businesses do try to cut costs. After all, many firm's cannot raise prices (or so they perceive to remain market competitive), at least not much, so they must look for ways to control and hold down expenses and boost productivity. So here are some ideas (perhaps new year resolutions?!) worthy of consideration.

- *Cross-train employees* so they can successfully perform more than one job. Maybe just basic training of the essentials should be provided, as well, rather than giving employees brief instructions or assuming that the new hire knows what to do, how to do it, and when to do it. Employees can be your greatest asset or your worst liability.

- *Encourage longer production runs.* Suggest to buyers a longer season plant or broader product mix— not just flats or trays of bedding plants, but hanging baskets with a mix of blooming bulbs, flowering annuals, and flowing ferns. This cuts costs and makes profits for both the grower and the customer.

- *Re-engineer products.* This is not just a matter of finding new shapes, forms, sizes or colors, or new varieties, or ..., but can mean reducing the choices offered or growing a multi-pack of complementary plant materials. Reducing choices can reduce costs and risk.

- *Shed marginal operations.* Concentrate on what you can do best that is most profitable for you. Just because the neighboring greenhouse operation grows a particular plant does not mean you should nor does it mean that the neighbor even does it profitably. If it doesn't add to the bottom line, don't do it (at least the way you have been doing it).

- *Get ready for slower times.* If you won't be able to utilize the full greenhouse (at least 75% of capacity full-time), consider outsourcing or subcontracting production with someone else who likewise isn't at full capacity utilization—a win-win for both. Note, a reciprocal agreement (you growing for another grower) also works favorably at minimizing your fixed or overhead costs.

- *Sell service, not just plants.* Services offered as a bundled good make price hikes easier with less customer reluctance to buy. Adding a decorating consultation to interiorscaping, or any landscaping design, or a garden proposal is an example.

- *Refinance debt.* Current favorable terms (low interest rates, fixed terms, distant maturing dates) help on the liabilities, even improve the leverage position.

- *Join a buying group.* Not to be confused with a cooperative, a buying group gives grower-wholesalers less need to be a full-line producer (each grows only the best selling 20%; divide remaining 80% of needs among the buying group and order from each other at cost plus a percentage to cover the risk). Gives each grower more buying clout and attention from inputs suppliers.

As you are making and/or revising plans for 1999 and beyond, here are some "budding" outlook forecasts:

- Production costs as a percent of net sales will likely be down a bit over the next 12 - 15 months, mainly because of demand driven competition (mostly pull from consumer) and lower energy prices (and lower petroleum prices that affect nearly everything plastic).

- Fertilizer and pesticide (ag chemicals) prices down slightly (price rationing a somewhat excess supply), although electricity costs about steady.

- Seeds and bulbs being offered at discount prices, but must ask for the deals, which can include cheap credit or financing as a buying incentive.

- Interest rates on operating loans are edging down fractionally throughout the winter months.

- Machinery, equipment and facilities/structures (all those fixed assets) continue to be offered with dealer incentives—might pay to swallow brand loyalty. Sell or trade-in unproductive assets (unused, out-dated, technically inefficient, needing repair, etc.) to improve both comparative and competitive advantage of your ornamental and floriculture nursery.

Management in a greenhouse or nursery involves more than watering the daffodils; it includes managing people, resources, risk and money to survive and thrive into the 21st century.