



The plan before the plants

COMPETITOR ANALYSIS

FINANCIAL PLANNING

PRODUCT DESCRIPTION

PRODUCTION PLAN

MARKETING PLAN

TIMELINE

ADVERTISING

By Kym Pokorny

You've grown a beautiful, healthy crop, but plants are sitting in the field or greenhouse, or even worse, the dump pile. It could be that one important — maybe the most important — task has been ignored.

Production plans can make the difference between success and failure.

"One of biggest mistakes businesses make is being a good farmer, but not knowing how or who to sell to," said Art Anderson, general manager and chief operating officer for J. Frank Schmidt & Son. "The market is usually the last thing people think about."

Tom Fessler, operations manager at Woodburn Nursery & Azaleas, couldn't agree more.

"You have to have a market for what you grow, and have a number in mind for the sale price," he said. "You get in trouble if you have a \$5 plant and it costs \$4.75 to grow. You need to take a good, hard look. Is that an item you

want to grow? If you lose a few cents here and there, all of a sudden you're going backward, and that's not good."

To make money in a post-recession economy, a good production plan is vital

Plan early, research often

Too often, production plans are put into place when the business is losing money. To avoid that, do your homework, especially if you're new to the nursery industry.

The first thing you want to do, Anderson said, is to talk to other people in the business. Do as much reading as possible. Go to shows and events — anywhere where you'll be interacting. An effective plan relies on strong research.

"You cannot have too much information to make good decisions," he said decisively. "If there's a problem in calculations at the end of the year, you haven't made any money."

Historically, planning wasn't as critical. In the 1970s, '80s and early '90s,

demand was expanding, exceeding supply. Even when mistakes were made, good growers could sell most of what they produced.

There was always a market, Anderson said, and much of that was built in, because brokers handled 95 percent of the crop grown in Oregon and shipped out of state. It was an automatic marketing arm.

Now, brokers handle only 10 to 15 percent of product.

To counteract that, Fessler and his colleagues at Woodburn use sales history to help draw a road map to what the nursery will grow two to five years down the line, so that everyone in the company has an idea of what they need to do.

"Certainly, sales are the biggest input," he said. "We use that, but not exclusively. The production side is important, too. If a plant is difficult to produce, we may question whether to grow it or not. Production can overrule sales."

Even so, how many plants

▲ THE PLAN BEFORE THE PLANTS

you sell is the bottom line, said Barry Gregory, vice president of sales and marketing for Kraemer's Nursery in Mt. Angel. Those figures will help you make the right decisions.

"Have your production plan more sales-driven than production-driven," he said. "You don't always get to choose what you're going to grow. Some items have better margins than others. Try to maximize those."

And always keep changing trends in mind.

People can be fickle; what's hot today may not be popular in three to five years, the projection time for many large operations. Just because someone has a plant they think has value, that's just their opinion, said Allan Elliot, operations manager at Carlton Plants in Dayton.

"If a customer decides it's not for them, you can promote it all you want, and it still won't sell," he said.

On the other hand, if something takes off, it can happen fast. Gardeners can be thrilled to find new varieties that have more flowers or fruit, are disease resistant or dwarf versions for smaller yards. When a plant holds up well over a wide range of conditions, it can have tremendous value, Elliot said. That's when it's time to get it to market as quickly as possible.

Customer knowledge is key

You have to know your customers, and even then, choosing what to grow can be overwhelming.

The diversity of the industry is huge, Elliot said. For instance, if you are into growing foliage plants, there are hundreds if not thousands of varieties to choose from. Here again is where sales numbers come into the picture.

At Kraemer's, the pertinent staff sit down regularly to discuss what to grow. All the sales people do a forecast for their markets: What worked last year? What did they have too much of, or too little stock to keep up with demand? How many times did clients turn a product and what was the margin?

"Build your forecast around what's



To be profitable, growers are well advised to plan ahead and anticipate costs and margins before reaching the production stage. PHOTO BY CURT KIPP

working for your customers, and then build your production plan around that," said Gregory. "If you forecast correctly, that's the basis of your plan. After that, it becomes pretty easy to sell when the product is ready. If you miss your forecast, well, you've got problems."

Even a small operation needs to be aware of their market.

"Some people think it's simple," Fessler said, "but that's not true. In the past, people had five acres in the backyard and grew grafted spruce or arborvitae or something similar. Everybody who does that has to factor in that it takes water, fertilizer, pesticides, space. I encourage people to think of the whole process."

Preparing an effective plan

To get started on a plan, Anderson recommends asking a series of questions:

- What do you want to grow?
- Who is your market?
- How much money do you have to invest?

Other considerations include how much acreage it will take to grow your crop, whether there's water, and how much potential exists for loss from disease, weather or other reasons.

"For instance," he said, "say I want to grow a thousand of something. You have to take into account those factors. I may have to grow 1,500 to come out on top."

Losses are declining, however, as the recession wanes and demand ticks up. "It's still not like the old story of 'if you build it, (they) will come,'" Fessler said. "In the recession, we all tried to adjust, but there was so much supply that there was an influx of plant material on the market and no home for it."



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These days, there is more room to adjust your production plan by negotiating, according to Anderson. "If you've got a plant that takes \$5 to grow and only get \$4, you can drop it or go back to the customer and say, 'This isn't working. We need more money.' Three years ago, they would have said, 'Too bad.' But things are changing. In today's world, the customer would certainly talk to us."

For people just coming into the business, Anderson suggested they arm themselves with complete and accurate information so they can build an effective plan.

"Say I want to be a propagator and grow liners to other growers," he said. "I need to know who I'm growing for, who's out there that wants it. More importantly, who is my competition? How good are they? You need to be better or unique. If price is the driving factor, the business almost never makes it. There are too many chain stores."

Beyond that, Anderson comes down on the side of diversity when deciding on a plan. Rarely can you be successful producing just one product or a couple of liners. It's better to have a wider market. You'll have more success if you have diversity, particularly something uncommon, new or harder to grow that other people haven't been good at but you know how to do.

Don't forget the bigger picture, too. Production plans are part of business plans, which include financial parts that production plans may not consider. If you go in with a good production plan but are undercapitalized, for example, you're not going to make it.

"In my opinion," Anderson said, "no one can get into the business and stay in business without a production plan, except if you want to be a backyard hobby grower. If you want to become a money-making business, you must have a plan." ©

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