Veggie Compass Profit Management
Purposeful Record Keeping

Possible Profitability Topics:
- Yield: Variety selection, Fertility, Irrigation, Pest management
- Tools, Eq: Transplanter, cultivators, harvest aids
- Post harvest tools and efficiency
- Season extension
- Labor: Hiring, training
- Marketing: Are direct markets really more profitable than wholesale?

Reality
- Farming can bring intense pleasure and satisfaction but it is also really hard!
- Returns are almost always modest (especially when calculating your hourly wage)
- Returns can be extremely variable from year to year (unless you are a CSA farm with a stable membership / high member return rate)
- Unless you keep good financial records, you will not know if you are profitable!
- Unless you keep detailed records, you will not know if your different crops and markets are profitable

Why Does Everyone Hate Record Keeping?
- No one gets into farming because they like record keeping!
- Most of the time, we do record keeping to satisfy others:
  - Taxes
  - Health inspectors
  - Organic inspectors
  - Food safety inspectors
  - Bankers
- We need to not forget to both keep, AND USE, records the can improve our decision-making and help us meet our goals as farm business owners

I don’t want to be that guy...

Old Mc Donald Had A Farm, E. I. L.
Trust Me, I'm An AGRICULTURAL ECONOMIST

Reality Curve

Rude Awakening
On Track
Pit of Dispair
Somewhat Hopeful...

Time →
Purpose Driven Record Keeping

- Budgets: Projected vs Actual
- Cash Flow Budgets
- Detailed Planting Records
- Detailed Sales Records
  - By crop
  - By product
  - By market
- Sales per square foot or acre
- Detailed harvest amounts
- Yield per square foot or acre
- Costs of production
- Benchmark comparisons

Important Questions for Growers

What are the most profitable crops on your farm?
Do you know the least profitable?
What are the most profitable markets in which you sell?
Do you know the cost to produce each item you sell?
Are there crops that are profitable in one market channel but not in another?
Do you know how good your yields are or how they compare with “an average benchmark?”

On what are these answers based?

Some growers don’t have any answers!
What other growers say?
Gut instinct?
SWAG-ing?
Back of the envelope (or napkin) calculations?
Actual data from the farm?

Fresh Market Vegetable Farms

- Realities:
  - Diversified vegetable farms grow lots of crops
  - Diversified vegetable farms often have several marketing outlets
  - In addition to some shared overhead and direct costs, crops and markets each have their own unique costs
  - Prices usually vary from market to market
  - Many growers keep imperfect, incomplete records
  - Labor, the biggest expense on a vegetable farm, is the most difficult in terms of record-keeping
  - As a result, many growers do not know what crops on their farms are the most profitable or have a good sense whether their pricing is adequately covering the cost of production for each crop
- Enter Veggie Compass:
  - A spreadsheet tool to help diversified vegetable growers determine costs of production and profitability by crop and by market.

Inputs Outputs

- Farm expenses
- Farm sales for all crops
- Growing area of each crop
- Crop specific expenses
- # of plants in greenhouse
- Total greenhouse labor hours
- Labor hours by crop - field growing, harvest & packing
- Not Crop Specific (NCS) hours
- The cost of a crop up to harvest
- Total cost of a crop through harvest & packing
- Cost to produce each crop in $/lb (your "break-even" price)
- Total labor costs by crop
- Gross margin and net profit by market channel

veggiecompass.com
### Step 1: Expense Input Page

This page is used to input various expenses associated with farm operations. Each column represents a different expense category such as seed, labor, fuel, etc. The rows correspond to different expense items within each category. The values entered in this page will be used to calculate the total expenses for the farm.

### Step 2: Sales Input Page

The sales input page allows for the entry of sales data on various products. Each column represents a different product category, and the rows correspond to different sales items. The values entered here will be used to calculate the total sales revenue for the farm.

### Step 3: Production Input Page

This page is used to input production data. It includes columns for crops/products, seed, greenhouse, field, and processing. The rows correspond to different production items. This data is essential for calculating the cost of production.

### Output: Cost of Production

The output page for cost of production calculates the total cost of production based on the inputs from the expense and production input pages. It breaks down the costs into different categories such as seed, greenhouse, and field.

### Output: Sales and Profit

The sales and profit output page shows the calculated sales revenue along with the profit margin. It breaks down sales revenue by different categories and includes profit margins for each product.

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**Example Values:**

**Expense Input Page:**
- Seed: $100
- Labor: $200
- Fuel: $50

**Sales Input Page:**
- Corn: $1000
- Wheat: $2000
- Soybean: $1500

**Production Input Page:**
- Corn Production: 1000 units
- Wheat Production: 2000 units
- Soybean Production: 1500 units

**Cost of Production:**
- Total Cost: $3000

**Sales and Profit:**
- Total Sales: $6500
- Profit Margin: 30%
### Output: Sales and Profit

#### Veggie Compass - Whole Farm Profit Management

<table>
<thead>
<tr>
<th>Crop / Product</th>
<th>Unit of Measure (lbs, bushels, etc.)</th>
<th>Sales Output</th>
<th>Whitewash</th>
<th>Egg</th>
<th>Egg, Average Price</th>
<th>Egg Cost (Retail per pound)</th>
<th>Egg Cost (Retail per Bushel)</th>
<th>Cost of Production</th>
<th>Total Labor Cost</th>
<th>Total Farm Cost</th>
<th>Total Net Profit</th>
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</table>

### Output: Enterprise Profit & Loss

#### Veggie Compass - Whole Farm Profit Management

<table>
<thead>
<tr>
<th>Crop / Product</th>
<th>Unit of Measure (lbs, bushels, etc.)</th>
<th>Farm Profit &amp; Loss by Market Channel</th>
<th>Individual Channel</th>
<th>Egg</th>
<th>Egg, Average Price</th>
<th>Egg Cost (Retail per pound)</th>
<th>Egg Cost (Retail per Bushel)</th>
<th>Cost of Production</th>
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### Veggie Compass gives you information to guide decisions to grow farm profits

Growers using Veggie Compass have...
- learned which of their crops are truly profitable
- learned which of their markets are most profitable
- identified whether their prices are really covering their costs or if they need to be adjusted (or costs reduced or crops dropped)
- adjusted cropping mixes and marketing to take advantage of profitable crops/markets and reduce losses after identifying crops/markets that are less profitable or net losers

### Recording Keeping Challenges

**Biggest Overall Expense?**
- **Labor**

**Most variable expense from crop to crop?**
- **Labor**

**Most critical factor for you as a business-owner?**
- **Labor**

**Hardest Expense to track?**
- **Labor**

### The Crux: Record Keeping

- Growers often start the season with good intentions
- As the season gets more intense, labor record keeping often is abandoned
- Keeping systems simple and easy helps
- Designating one or two people to be responsible helps
- Accountability helps!
BLRKPs: Best Labor Record Keeping Practices

For detailed crop-by-crop record keeping...
- Develop easy-to-use forms (paper or electronic)
- Get organized during the winter...not on-the-fly during the growing season
- Make it part of a routine (SOPs)
- Do it every day or twice a day...do not put it off till tomorrow.
- Require employees to do basic record keeping such as recording field activities, harvest amounts, and tracking time by crop
- If you simply can’t do it, find someone else who can and will.
- Use records to make changes!

BLRKPs: Best Labor Record Keeping Practices

If day-to-day detailed record keeping is just too difficult...
- Measure labor in pulses throughout the season
- Invite a friend who is interested in your farm to come and be the time keeper
- Develop a table with standard times for repeated tasks
- Take measurements at different times during the season to account for variability in workers, conditions, etc.

Crop Labor Estimating Worksheet

Many options...growers may need to experiment until they find out what works for them and their farm
- Log books (Examples: crop journal, mileage log)
- Calendar
- White board
- Time cards
- Spread sheets
- Computer software programs (smart forms)
- End-of-the-day interview method
- Apps on hand-held electronic devices

GOAL: Make record-keeping part of a routine; make it a habit

Record Keeping Tools

Use the Computer in Your Pocket!

- Voice recorder function
- Before and after photos
- Time Tracking Apps

Using Google Doc Forms for Labor Record Keeping

- Google Doc Forms provides an easy and flexible way to gather farm data
- Allows growers or employees to input data as it happens on a computer, tablet or smart phone with an internet connection
- Can also be used for many other purposes such as recording harvest data, as a field activity log, or to take orders from customers
- How-to video link at veggiecompasss.com
This is an example of how you can use Google Doc Forms for farm labor tracking. For more on this, see: http://youtu.be/6AXO9vnoJtE

Planning and Record Keeping Options

- Ag Squared
  - Multi-purpose tool for planning, organizing AND record-keeping
  - Requires subscription $100 to $300/year

- Tend
  - New suite of tools coming soon
Is the Juice Worth the Squeeze?
From a Survey of Organic Vegetable Farmers:
Farms that are satisfied with their current farm record keeping system tend to be very satisfied or satisfied with their profitability!

Production and Financial Benchmarks
• Benchmarking is comparing results (data)

UW Benchmarking Survey
• Goal is to get several hundred responses
• Survey is available nationwide but we are currently focusing on WI and neighboring states
• Grower in those states will be compensated $50 as a thank you for completing the survey and will receive a financial evaluation when we have enough responses
• Survey is strictly confidential
• Goal is to make this an on-going service so that benchmarks can be updated year-to-year.

UW Benchmarking Survey
Survey is on-line
A unique link is sent to you via email

tinyurl.com/veggiebenchmarksurveysignup

Direct Marketing
Often promoted as the best way for a small farms to market and sell their produce

Realities:
– Allows farmers to receive 100% of the consumer food dollar
– Affords opportunities for direct communication and feedback between farmer and consumer
– “Cutting out the middle man” brings additional roles, responsibilities and costs for the farmer
Pathways to Profitability

Sales – Expenses = Profit

Sales – Expenses = Profit

Sales – Expenses = Profit

Sales – Expenses = Profit

Cost of Selling at a Farmers Market

<table>
<thead>
<tr>
<th>Cost of Selling at Market</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200</td>
<td>Total</td>
</tr>
</tbody>
</table>

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<td>Farm Owner/Employee</td>
<td>$120</td>
</tr>
<tr>
<td>Market Employee</td>
<td>$80</td>
</tr>
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<td>Stall Fee</td>
<td>$100</td>
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Cost of Selling at a Farmers Market:

Cost of Selling at Market $350 Total
Farm Owner/Employee $120
Market Employee $80
Stall Fee $100
Fuel $50

Cost of Selling at Market:

Cost of Selling at Market $400 Total
Farm Owner/Employee $120
Market Employee $80
Stall Fee $100
Fuel $50
Market Gear Amortization $50

Cost of Selling at Market:

Cost of Selling at Market $400 Total
Farm Owner/Employee $120
Market Employee $80
Stall Fee $100
Fuel $50
Market Gear Amortization $50

Value Harvested $2,000 Sales $2,000 Percent of Goods Sold 100% Value Harvested $2,000
Uncaptured Labor @ 30% $0 $0 0%

Value Harvested $2,250 Sales $2,000 Percent of Goods Sold 89% Value Harvested $250
Uncaptured Labor @ 30% $75 $75 4%

(Waste Factor & Other Considerations)
### Cost of Selling at a Farmers Market: Waste Factor & Other Considerations

<table>
<thead>
<tr>
<th>Value Harvested</th>
<th>Sales</th>
<th>Percent of Goods Sold</th>
<th>Value Harvested Minus Sales</th>
<th>Uncaptured Labor @ 30%</th>
<th>Additional Cost of Sales (waste factor)</th>
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<td>0%</td>
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<td>4%</td>
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<tr>
<td>$2,500</td>
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<td>80%</td>
<td>$500</td>
<td>$150</td>
<td>8%</td>
</tr>
<tr>
<td>$2,750</td>
<td>$2,000</td>
<td>73%</td>
<td>$750</td>
<td>$225</td>
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### The Cost to Market and Sell for CSA

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>(a percentage unless sole reason for website is for CSA)</td>
</tr>
<tr>
<td>CSA Brochures</td>
<td></td>
</tr>
<tr>
<td>Unique CSA advertising</td>
<td></td>
</tr>
<tr>
<td>CSA member management</td>
<td></td>
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<tr>
<td>Transaction costs (?</td>
<td></td>
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<tr>
<td>Newsletters</td>
<td></td>
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<tr>
<td>Designated CSA Boxes/bags</td>
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<tr>
<td>Delivery</td>
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<tr>
<td>Farm events for members</td>
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<tr>
<td>Insurance</td>
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<tr>
<td>Additional production costs?</td>
<td></td>
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<tr>
<td>General overhead (a percent of total unless CSA only)</td>
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</table>

| TOTAL | |

### Does Wholesaling Make Sense?

- Don’t jump to conclusions about the profitability of different market options
- The answer requires taking a close look at your complete costs, especially marketing costs, and pricing
- Wholesaling does require a measure of scale and business professionalism that you need to plan for and deliver to potential wholesale buyers

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**IN THE ABSENCE OF INFORMATION, WE JUMP TO THE WORST CONCLUSIONS.**

- Mara Parnin

The possibilities are many...
Steps to a profitable, satisfying farm business

1. Start keeping records
2. Keep keeping records
3. Restart keeping records
4. Choose one of the above

And don’t forget to fill out John’s Benchmarking survey after keeping all those records

Contact Information
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608-265-3704