

# Pivoting your Farm Production and Marketing Plan During COVID-19

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This webinar is delivered  
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# Understanding Risk



Every business activity has inherent risk



The current crisis amplifies some risks, but may also cause us to ignore others



Businesses that were in a weak position going in may not survive



Being able to anticipate risk and plan for it is a very strong asset.

Don't say "That'll never happen" . . . Because it will  
Instead ask, "If this happens, how can we respond?"



Ignoring risk is irresponsible.



Embracing risk and planning helps reduce stress and puts you in a stronger position.



# What risks are we accounting for?

## Immediate risks:

- Loss or disruption of marketing channels (restaurants, markets, etc.)
- Difficult to plan for the rest of the season
- Disruptions to cash flow
- Potential for higher operating costs and/or lower revenue per market outlet

## Longer-term risks:

- High likelihood of an economic depression
- Longer periods of instability and subsequent waves of infections
- Less disposable income and lower consumer confidence
- Lack of storage capacity for storage crops




# Review Risks Regularly

Has anything new emerged?

How could this impact our business?

What changes can we make to adapt?

The background is a close-up, slightly blurred image of a pen writing on a document. The pen is dark and is in the process of writing a large, bold checkmark. The document has some faint numbers and lines visible, including '2.5' on the left and '2.47' on the right. The overall tone is professional and focused on data or planning.

# Know Your Numbers, Evaluate Your Crops

Planning to reduce risk



# What do you know about your crops?

If you already do Cost of Production Analysis, you should have a good understanding of your crops' margins

- Which crops provide you with the best profit potential?

If not, take time to determine your most profitable crops

- These are not necessarily your highest-revenue crops
- Some crops are popular, but also have high production costs (labour, fertility, packaging)

Use Enterprise Budgets to support your crop evaluation

- E.g. KPU's Institute for Sustainable Food Systems has a set of Enterprise Budgets based on actual farms in the Lower Mainland.

# Popularity vs Profitability



- Popular does not equal profitable
- Each crop is going to have its own cost of production
- How much does it cost me to grow this crop?

*When you can answer this question, you can make strategic decisions about what to sell, and at what price.*





# Production Costs vs. Marketing Costs

- What does it cost to produce a crop?
- What does it cost to market a crop?

*Differentiating between production costs and marketing costs allows you to see them as separate enterprises, and from there you can make strategic decisions about where and under what circumstances you market your products.*



# Big Picture Analysis

Step 1: Add up costs (including your labour and a profit goal) for the entire operation

Step 2: Divide by acreage, beds or bed feet

Step 3: Divide by yield of a particular crop for that same unit of growing space







## Big Picture Analysis: Steps 1 and 2

Step 1: \$250,000

Step 2: 39,568 bed feet

$\$250,000 / 39,568 = \$6.31$

Costs per bed foot across  
entire operation: \$6.31



### Step 3:

- In 2019, 7810 pounds of carrots harvested.
- Grown over 2100 bed feet.
- Yield per bed foot was 3.72 pounds.

## Big-Picture Analysis, Step 3: Carrots





Not bad!

We expect each bed foot to generate \$6.31

On average the price received was \$2.50/lb.

At 3.72lbs per bed foot, Carrots generated \$9.30/bed foot.

If we divide \$6.31 by our yield of 3.72lbs/bed foot, we learn that \$1.69 is our minimum price for this product.

# Setting prices

- Use your Cost of Production as a “Basement Price”
- Basement Price might be your wholesale price
- Add a 50% mark-up for Direct-to-Consumer sales





# Use Your Numbers to Make Decisions



**If you have crops that clearly lose money,  
either cut them now or determine what  
price you need to charge**



**Which crops pose a higher risk?**

Are there crops that consistently underperform?  
Do you depend on one or two key customers to buy  
crops . . . and those customers aren't operating?



**Are there areas where you can reduce  
costs?**

Fertilizer vs compost  
Mechanical harvest vs manual harvest  
Cost of marketing yourself vs reduced price for  
wholesaling

Where is your  
time best spent?

Consider your marketing costs and options

## PRODUCT PRICING STRUCTURE & INDUSTRY MARGINS



### MARGINS & MARK UPS



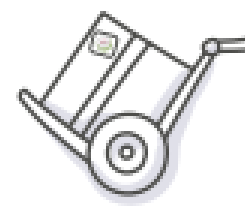
#### PRODUCT COSTS

The total cost for you to manufacturer one unit of product. Generally includes raw materials, packaging, and labeling.



#### DISTRIBUTOR PRICE

The price you to sell your product to the distributor for. Generally manufacturers retain a 30%-50% margin.



#### WHOLESALE PRICE

The price the distributors sell your product to retailers or restaurants. Generally distributor profit margins are 20%-33%.



#### RETAIL PRICE

The price on the shelf. Generally retail profit margins are 33%-55%.



# PRICING YOUR PRODUCT THROUGH THE VALUE CHAIN



CHOOSE A METHOD



WORK UP  
FROM PRODUCT COST

\$1.00

YOUR PRODUCT COST



\$1.67

PRICE TO DISTRIBUTOR

40% Margin:  $\$1.00 / (1 - .60) = \$1.67$



\$2.31

PRICE TO RETAILER

28% Margin:  $\$1.67 / (1 - .28) = \$2.31$



\$3.85

PRICE TO CONSUMER

40% Margin:  $\$2.31 / (1 - .60) = \$3.85$

THE RETAIL PRICE

WORK DOWN  
FROM TARGET SHELF PRICE

\$4.00

YOUR TARGET RETAIL PRICE



\$2.40

PRICE TO RETAILER

40% Retail Margin:  $\$4.00 \times (1 - .40) = \$2.40$



\$1.73

PRICE TO DISTRIBUTOR

28% Wholesale Margin:  $\$2.40 \times (1 - .28) = \$1.73$



\$1.04

YOUR PRODUCTION COST

Your 40% Margin:  $\$1.73 \times (1 - .60) = \$1.04$

YOUR COST OF GOODS

Understand  
how your  
pricing fits  
your marketing  
options

# Which crops are “luxury” items or highly perishable?



Crops with high price points or that have a short shelf life might be more challenging

**Flowers** – short shelf life, subject to event cancellations, less disposable income

**High-end salad greens** – often a lucrative crop for farms, but challenging if sales are to restaurants or demand a high price point



Consider whether there will be the same market for these items this year



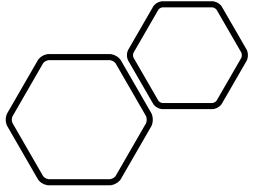
Can you mitigate these risks by pre-arranging sales or adjusting crop plans? Veggies added to the flower crop plan? Working to move product through partnerships with other farms?



# Key investments?

- Consider whether there are tools or equipment you can invest in that will reduce operating costs and/or increase your efficiency
- Tools in the field that decrease harvest time
- Capacity that extends the shelf life of a product



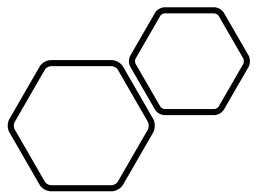


# What Storage Capacity Do You Have?

You might mitigate risk by being able to store product

- Can you grow items that can be stored into the winter and achieve higher prices?
- Do other farms have excess storage capacity they would like to rent out?
- If you have perishable items like berries, do you have freezer capacity?
- Are there any sensitive crops that aren't worth the risk?
- A shipping container and coolbot might be a basic investment that supports your ability to extend sales periods.





# Labour requirements

Can some of your crops be managed more easily with key investments in equipment to reduce reliance on labour?

Identify your key labour requirements – which crops are entirely dependent on labour availability? Think about transplanting, weeding, irrigation, harvest, sales

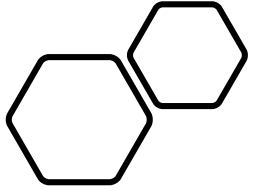


# Pivoting your marketing

Consider your market outlets







# Reorienting Marketing



EVERYONE IS TRYING TO ASSESS WHAT WILL WORK –  
AND PEOPLE NEED TO EAT, SO FARMS ARE IN A  
STRONGER POSITION



IF YOU SOLD TO RESTAURANTS, REMEMBER THAT THEY  
ARE HAVING TO REINVENT THEIR SERVICES: MANY  
OFFERING PANTRY PACKAGES, ESSENTIAL INGREDIENTS,  
TAKE-OUT OPTIONS. CAN YOU WORK WITH THEM ON  
THIS?



PEOPLE ARE EATING AT HOME MORE AND WILL BE  
AWAY LESS OVER THE SUMMER – THEY ARE LOOKING  
FOR FOOD TO USE

# Restaurant markets

## Pros

- Many are offering take-out and grocery options
- Maintain contact with clients during the crisis

## Cons

- Some restaurants won't reopen
- Regardless of current efforts, sales to restaurants will be lower

# Community Shared Agriculture

## Pros

- Pre-paid, guaranteed sale
- More people staying at home this summer
- Supportive customer base
- Ability for multiple farms to work together
- Organizations like FarmFolkCityFolk promoting the model

## Cons

- Requires organizational skills and logistics to do well
- People signing up for a service they don't fully understand (panic buying or misaligned expectations)
- Requires experience and skill to produce enough product each week



# Farmers Markets

## Pros

- Established markets will draw a steady customer base
- Take the product you have – no minimum amounts required
- Online pre-order options through [LocalLine.ca](https://www.localline.ca)

## Cons

- Difficult to anticipate sales
- Potentially fewer customers able to go through (or who decide not to come back/wait in line)

# Online Sales

## Pros

- Allow for planned harvests and distribution
- Physical distancing while still allowing customized orders

## Cons

- Requires a network to publicize your offerings
- Online sales are not a magic solution – require logistics planning – treat it like any other market

# Selling to Grocery Stores

## Pros

- Ability to form relationships with local merchants
- Larger orders to retailers who can make significant sales
- Green grocers looking for unique products (e.g. from a local grower)

## Cons

- Larger retailers may require GAP certification
- Orders may fluctuate
- Orders may depend on price
- Consistent supply necessary



# Marketing Best Practices



Be clear about your market channels when communicating with customers – don't make continuous exceptions that end of eating up your time and energy



Do a dry run of any new marketing option: ask friends and family to try ordering, practice printing out order sheets, ensure payment options are properly integrated



Determine what works best for you and that appeals to your customers. Remember to price for what you are offering: customer orders and delivery take time and resources



Don't use box programs as a way of dumping product

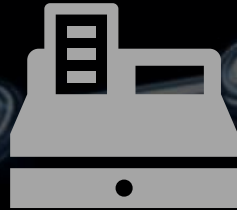


Ask for help – share ideas with colleagues, get feedback from friends and family

# Think through your transaction process



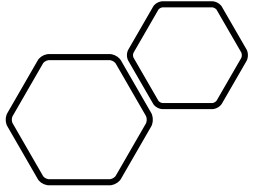
Do you need new supplies?  
Bags, sanitation supplies, etc.



Are you prepared for non-  
cash transactions?



How many orders can you  
realistically pre-pack?



# Hybridize your offerings

## Online orders of pre-determined boxes

- CSA element: pre-determined box contents
- Could be listed for pick-up at farmers markets
- Adjust numbers of boxes available based on what you have available

## Collaborate with other farms

- You don't have to do this alone
- Can another farm use its CSA waitlist to support moving product for other farms?
- Can you collaborate with others . . . A sprout grower, a veggie grower, a mushroom grower, a fruit grower and a flower grower can put together a weekly box.



# Build Your Business



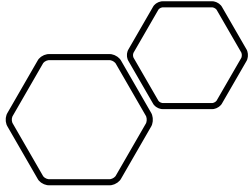
Use this as an opportunity to build your business – consider whether your efforts now will help you beyond this crisis



Building an ecommerce presence will benefit you over the long term. Consider the LocalLine.ca option via your Farmers Market

A 3D rendering of a red puzzle piece standing out from a grey puzzle background. The red piece is in the center, slightly raised, and has the text "Accessing support" written on it in white. The grey pieces are arranged in a grid around it, with some pieces missing, creating a sense of a puzzle being solved or a path being cleared.

Accessing support



# Using Financing Wisely During a Crisis

General advice is to use debt to acquire revenue-generating assets, not to cover operating costs

Emergency financing options should be considered carefully: don't take on emergency debt unless:

Your business was previously profitable

You have reasonable prospects to be profitable on the other end of this crisis

You would otherwise have to lay people off (or avoid hiring) or delay capital investments that will be detrimental to your ability to operate

# Emergency lending



Canadian Emergency Business Account is available to help cover operating costs



You must have reported payroll costs in 2019 of between \$20,000 and \$1.5-million



Loans up to \$40,000 available through your business' primary financial institution



25% of the loan (up to \$10,000) will be forgiven if remaining 75% is repaid by 31 December 2022



# Other lending



Farm Credit Canada has conventional lending options for lines of credit and equipment financing.



FCC lending is subject to the usual due diligence requirements.



If you have existing FCC financing, you are able to request payment deferrals during this time.

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# Resources

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- List your CSA with FarmFolkCityFolk
- Growing for Market magazine is publishing regular COVID-19 coping and strategizing articles:  
<https://www.growingformarket.com/>
- Young Agrarians has a comprehensive resource page with business resources, including a new overview of setting up ecommerce options  
<https://youngagrarians.org/tools/business/>