

TIPS FOR TRACKING COSTS OF PRODUCTION

Over the course of the 2016 season, 30 organic farms in Vermont, New Hampshire, and Massachusetts tracked and analyzed their crop-specific costs of production. This factsheet presents lessons learned from their successes (and failures) in tracking the data needed to perform cost of production analysis.



Ever wonder how much it actually costs to produce that case of lettuce, bag of carrots, or flat of tomatoes? Is the price you receive enough to cover all business expenses so you can keep some profit for yourself?

By tracking your costs of production, you will discover your farm's profit centers and can use that information to increase the overall profitability of your farm. You will be able to compare crop profitability side-by-side, determining which enterprises are worth it and which ones are not pulling their own weight.

HERE ARE A FEW TIPS AND TRICKS TO HELP YOU TRACK DATA AS YOU EMBARK ON COST OF PRODUCTION ANALYSIS:

1. Start Small

Keeping track of data in the midst of peak farming season can be challenging. Start with tracking only one or two crops; don't worry about all your other enterprises yet. There is no need to account for every hour of every week of every person on your farm. Just jot down notes on paper or an electronic device when working on the 1 or 2 selected crops or choose one day a week to track data. Make this tracking time a priority and remember that even just getting a snapshot of the workflow is valuable. Keep your notes until you are ready to build a crop budget after the crop's harvest.

"Some crops that seem intuitively like we are making money on are actually not that much better and sometimes worse than others that seem more onerous. And some aspects of a crop production that seem onerous actually don't cost that much."

- 2016 Farmer Participant

2. Focus on Rates

Rates for picking salad greens, washing, and then bagging are usually constant throughout the season. You don't have to track all 22 plantings of salad greens; just track the rates 2-3 times to verify the average rate. These rates can be used to build the Crop Budget. Post a list of rates that you need to verify, such as "number of cases harvested per hour" in your pack house to help the process.

"It was surprising to learn how cheap it is to run the tractor and other equipment versus paying an employee."

- 2016 Farmer Participant





"It was really helpful to do some of the baseline data collection and discover the hidden costs that are involved just to go to the farmers market or do a delivery route."

- 2016 Farmer Participant

3. Involve Your Workers

As farm manager, you have enough to keep track of. By explaining how and why to track cost of production data to your employees, you can delegate much of the data tracking to them. Employees usually love being part of working ON the business, not just IN the business.

4. Use Technology Where Appropriate

Your phone may be your new best friend as you work towards greater efficiency and profitability. Most phones come equipped with a stopwatch and note taking ability. Even better, use BeetClock, a low priced app that automatically integrates your notes into a Cost of Production workbook. If you do not have a way to digitize your data, be sure to keep several devoted clipboards in the appropriate places (farm truck, greenhouse, wash station, etc.), and a folder to put hand written notes.

5. Don't Be Intimidated by the Workbook

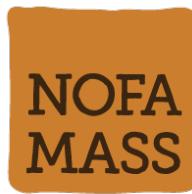
The Cost of Production Workbook available from NOFA provides spreadsheets where you can record all your data and view automatically calculated results. You can do this in the winter when you have more time. While there are lots of tabs along the bottom of the workbook, the info is presented in an easy to follow, step by step format. Start at the Intro and proceed from there. A couple hours of your time will reap long term benefits.



"Surprising that in some cases we do spend our time wisely while there are some endeavors we may entirely give up on because they do not make financial sense."

- 2016 Farmer Participant

This project is a collaboration of:



This project was designed to help farmers strategically increase the profitability of their farm businesses. To learn more, download our cost of production workbook, or request technical assistance in calculating your own crop-specific cost of production, visit www.nofavt.org or contact Jen Miller, (802) 434-4122, jen@nofavt.org.

Produced with funding from the Vermont Specialty Crop Block Grant Program.