

GROWERTALKS

Growers Talk Business

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Forecasting: An Ever-Evolving Business Plan

Susie Raker



SUSIE RAKER

At Raker-Roberta's Young Plants, as summer fades into fall, we start to put one forecast to bed and begin the process of finalizing the upcoming financial forecast. Forecasting is a continuous process. It never really starts and it never really stops. Yes, it all has to do with the fiscal year of the business, but as certain items become more clear and other items change, so does the forecast. It is never concrete.

Forecasting is one of the most important tools for running our business. It helps align the key functions—sales, production, finance, facilities, information systems, human resources. Everyone in those core functions has something to contribute to the forecasting process.

We've been refining our financial forecasting process for many years and have it down to a precise science. That doesn't make it an easy or quick process. Forecasting (trying to predict what the upcoming year is going to look like from a financial perspective) takes many complex variables and whittles them down to a final number of predicted profitability.

Forecasting is not only a tool, but also a plan our entire management works with for the year. If one thing in that plan changes, the team adapts the plan and continues to move forward. For business owners and operators, an accurate forecasting process can make the difference between a great year and a not-so-great year.

The most difficult part of forecasting is no one ever knows what the upcoming year is going to look like. Uncertainty is the perpetual shadow over forecasting. Whether it's unpredictable weather patterns, fluctuating market demands or unforeseen global events, uncertainty can derail even the best-laid plans. Our businesses are ecosystems influenced by both internal and external variables, making it essential to pay constant attention to those items and think about how they'll affect business. Items we pay close attention to at Raker-Roberta's that can have considerable impact on our forecast are:

- Extreme weather (polar vortexes, heat waves, droughts, heavy winds)
- Fuel prices that affect heating costs and transportation
- Economic and political conditions
- Global and domestic supply chains

■ Labor and regulation pressures; wage pressure; labor competition from new businesses in the area; local, state and federal legislation of all kinds

If an item we're monitoring reaches a point where it'll have a significant impact on our forecast, we identify the item, adjust the forecast, see the damage and adjust the plan accordingly to keep us on track.

Understanding market potential involves analyzing trends—consumer, customer, regional. It involves identifying emerging markets and the needs of those markets. We do this a variety of ways, including consuming data from our trial gardens, speaking with breeders, brokers, sales reps and customers. Information from attending trade shows and reading articles in industry publications are also valuable information-gathering areas.

Greenhouse businesses must tap into this data to predict which crops will be in demand, tailoring their cultivation strategies accordingly. However, this is no small feat given the rapid pace at which consumer preferences can shift. Doing this work helps to determine a portion of the revenue piece of the forecast. What volume increase are we going to see? Can we increase prices? How much price increase will consumers tolerate? What sales will we see from a new product line we're introducing to the market?

Accurately predicting revenue hinges on understanding pricing strategies and cost structures. Pricing is influenced by myriad factors, including production costs, competitor pricing and customer willingness to pay. Having a dynamic pricing model that can adapt to market changes, ensuring competitiveness while protecting margins is essential.

Knowing your key customers and their needs is vital for targeted marketing and sales efforts. Each customer comes with a set of unique needs and purchasing behaviors. Building strong relationships with key customers can provide valuable insights into future demand, aiding more accurate forecasting.

Historical data serves as the backbone of forecasting, offering insights into past trends and behaviors. Yet, an over-reliance on history can be misleading. Markets evolve and what worked yesterday might not work tomorrow. Striking the balance—using historical data as a guide rather than a rulebook, supplementing it with real-time analytics and forward-looking indicators—has been successful for us.

Maintaining healthy profit margins involves meticulous planning and execution. Greenhouse businesses must forecast not just revenues, but also costs, weighing them against each other to ensure profitability. This includes anticipating seasonal variations, managing labor costs and optimizing resource use to minimize waste. An interesting thing we've been seeing over the last couple of springs is customers are purchasing less, but are purchasing higher-value items. We're seeing higher profitability while producing less volume. This is a great place to be, if the trend holds.

In conclusion, navigating the complexities of forecasting requires a blend of traditional knowledge and modern thinking. By addressing the challenges of uncertainty, market potential, historical data and economic factors, business managers can develop more accurate and resilient forecasting models. Maintain a forward-looking perspective is the key to thriving in the dynamic horticultural industry. Involve your team in the process of forecasting. If they help build the plan, they'll help make sure the plan succeeds. **GT**

Susie Raker is Vice President of Raker-Roberta's in Litchfield, Michigan.