

GROWERTALKS

Growers Talk Production

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The Process of Production Planning

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Every summer we crunch the numbers and let data help us with our annual production planning. I'm sure that this process looks different for everyone, but this is the process that we've converged upon after several years of iterations.

As with all data endeavors, it's critical to have reliable information in a format that's accessible for manipulation. This means consistent product names (or identifiers) and ways to group products (i.e. by finish size, sales channel or customer segment). In an ideal case, you have data connections to your sales and production software that enables easy syncing without data exports and cleaning. In our case, we use ODBC connectors to tie directly into our MySQL databases via Excel, but there are much more advanced tools available for those in the know.

After we have these data links in place to consolidate sales and production data from our databases, we use pivot tables and macros to do some extremely basic data analyses. More advanced tools like PowerBI allow for more interactive reports, but sometimes a quick and dirty solution ends up sticking around even when better options are available—time is a limited resource!

In terms of production planning itself though, we use the past five years of data to look for trends. The first several years we used one to three years of data, but it's too hard to de-couple production trends from sales trends. Did we sell more because we produced more or did we produce more because we sold more? If we consistently sell out of a product year after year, then it's obvious that the ceiling for market demand has yet to be reached. One metric we use to measure this is average inventory quantity divided by trailing 12-month (TTM) sales.

As we all know, though, just producing and selling a product isn't the entire battle—we have to make money while doing it. For this we also analyze annual scrap for each product over the past five years to look at scrap trends. Each winter we analyze our pricing and make consistent efforts to improve product-specific costing. This costing data, combined with overhead allocation (based on space utilization and crop cycle times), allows us to make internally informed pricing decisions.

Our internally decided price needs to align with the invisible hand of the markets too, though! Sometimes this process reveals the reason why some products are in such high sales demand ... often times a mistake in cost accounting leads to artificially deflated pricing, and as a result, our customers take advantage of the inadvertent deal. The reverse is also true, but worse. Selling plants for less than it costs to produce hurts, but not nearly as bad as throwing plants away without any revenue.

This entire process takes a team. It cannot only be the accountants or just the growers or the IPM people or the general manager. Some people love spreadsheets; others love plants. But when the right people are in the room, this becomes a critical business posture analysis that enables a data-driven plan to be put into place.

A plan without execution is folly, so please don't waste this time and effort by not following through. **GT**

Brian Groves is the second generation at Panoramic Farm. His background in engineering has proved beneficial as Panoramic recently added a greenhouse division to the existing nursery operations. Brian's main responsibilities are designing and overseeing expansion projects, implementing new technologies and process/IT improvements.