GROWERTALKS

Growers Talk Business

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Waste & Opportunity

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Do you know your company’s waste percentage of sales? Most growers don’t—and that’s the problem.

At a recent strategic planning session with our leadership team, one key outcome was to reduce waste. Discussing tactical approaches, we realized waste isn’t a single loss, but impacts multiple expense lines, which I refer to as “the three times factor.”

I looked up the meaning of waste and these words stuck with me: To consume to no avail or profit to squander. The thought of squandering should make us think of the incredible wasted opportunity and the dollars attached, which could have been used to optimize or reduce waste.

Charlie Hall presented to our leadership team using his “Your Market Metrics”—interesting data that clearly showed we have real opportunity in waste reduction.

Let’s consider waste in its magnitude, ways to measure it and the opportunity it presents.

The real cost of waste isn’t just a single loss; it’s a three times hit because every wasted plant carries the full cost of facilities, inputs and labor with zero return. Break down your cost structure:

- Facilities (greenhouse operating, financing, maintenance): 35%-plus
- Inputs (plants, pots, soil, etc.): 35%
- Labor plus expected profit: Remaining 30%

Every dollar of waste eats into all three categories simultaneously.

Magnitude: How big is the problem?
I confess we truly don’t know the size of waste in our business. Before pay for scan (PFS), using our tracked data and adding my intuition, we’re between 4% to 7%. Adding our PFS shrink and waste could total 15% to 20%. This is alarming. Put into perspective: For every 10 acres of greenhouse, we dump (waste) 1.5 to 2 acres, with not one dollar of return for our effort.

Measuring: Why it’s harder than it sounds

In production, after years of tracking greenhouse dump, I feel we're 50% accurate at best. You might say it's simple: Track total planted vs. what was sold and you have it. I agree. However, complexity and depth of assortment make simple things impossible in a large operation.

This challenge required brainstorming to get the many spokes in our systems working together. We had to find a high-level, true-or-false approach to determine what root challenges drive the waste. Looking at our sales waste driven by PFS results is relatively easy, as we have excellent data of ship vs. sales. Sales shrink (waste) is often an outcome of how hard you're driving sales growth or the execution success at retail.

Our solution is called "OTIFOS." We take our weekly detailed sales plan and compare it to our weekly detailed inventory, allowing a true/false read on three checkpoints:

- On Time—matches the specific week of the sales plan
- In Full—matches the exact number in detail per the plan
- On Specification—matches the product spec detail

(Credit to Martin Van Os, COO, for coining this acronym.)

A "false" result on any of these pinpoints exactly where the breakdown occurred—whether in planning or growing—so you can make targeted process adjustments instead of guessing. The beauty is identifying the opportunity dollars.

The opportunity

The fun part of deep-diving into waste is the opportunity! Because waste carries that three times cost multiplier, cutting waste in half doesn't just save a **little—it can boost profit by 2% to 10% of sales, using the exact same effort you're already putting in.**

Bottom line

Industry peers: Waste happens through any process or product not translating to value/dollars. Let's get a grip on our waste—it's far cheaper than building greenhouses. **GT**

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