Expanding Your Crop Enterprises

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SPEAKERS
Christa Hartsook, Joe Hannan

Christa Hartsook 00:15
Hello, and welcome to the small farms podcast, a prediction of the small farms program at Iowa State University Extension and Outreach. Our podcast covers the opportunities and challenges associated with rural life. In this episode, I visit with Joe Hannan, commercial horticulture specialist for Iowa State University Extension and Outreach on the potential for expanding your crop enterprises from your farm. I'm Christa Hartsook, small farms program coordinator. And we hope you enjoy the show. Joe, welcome. Thanks for being back.

Joe Hannan 00:47
Yeah, Christa. Always good to be here on this wonderful fall windy morning.

Christa Hartsook 00:52
Yes, we have definitely entered the fall season, Joe. And so for a lot of people, it's kind of a good time to take a step back and evaluate what went well, then maybe what didn't over this growing season and kind of do some planning for next.

Joe Hannan 01:06
Yeah, you know, fall is always good to spend time thinking about, again, what went well, what didn't go well. So you can start thinking about what you need to adjust for next year. It's also a really good time to start thinking about what can you add or build on to your business going forward? You know, farmers are always looking at what additional crops what additional offerings can they have on their farm. And I think that's a good idea to always be looking at possible options for diversifying your business, whether it be from a expanding your cash flow outside your normal season, maybe it's because you want to open yourself up for whole farm revenue insurance. But there are some key points to always keep in mind when you're looking at new crop offerings. And really, I look at it from, you know, three, the three points that look at
are what does this new crop look like and do for you from your business planning standpoint? How does this affect your marketing and your cash flow? And then finally, really that nitty gritty of how do you add a new crop enterprise without breaking the bank? How do you keep your costs in check when doing so?

Christa Hartsook 02:10
Sure. So let's kind of dive into that. Joe, from a business standpoint, what do we really need to think about there when we're looking at some of these new crop systems that we could add and thinking about how that might work for our farm?

Joe Hannan 02:23
Yeah, so I was looking at it from a very basic standpoint of, is there a market for this crop already? Or is it something that you will have to spend time and effort to develop this new mark? You know, there are some crops that you can grow, and I can guarantee that you will sell? And then there are some that I can hardly even give away? You know, the old joke about the only time you lock your car doors during the summer in a small town is during zucchini harvest. Kind of rings a bell?

Christa Hartsook 02:53
Yes.

Joe Hannan 02:54
In fact, there's a running joke on Facebook this summer with some of my friends and growers about doing zucchini and dash where they dropped to zucchini on doors and run. So So yeah, be realistic about is this crop something that you're actually going to be able to sell or not?

Christa Hartsook 03:10
Yeah, I think it's kind of one of those questions that you and I get a lot, you know, what is the market availability for this potential crop? And it's always my first question back to them is what have you done in terms of determining that?

Joe Hannan 03:23
Yeah. And you know, it's not to say that you can't develop a market on your own. But if it's something that is a hot item that people want, ready to guarantee you, you can find a home for it. So on a same line, or a thought or similar line of thought, is the crop that you want to grow something that's already commonly grown in the state or do we already grow it in Iowa? If not, why don't we grow it here? There likely is a very good reason why we're not growing it here. So don't assume you're the first person to want to try it.
Joe Hannan 03:59
Which means investigate has something changed that now allows us to grow this crop here. Are there new cultivars is a new technology that opens us up for growing of crop here a perfect example of a success story of this is growing grapes, you know, used to grow grapes in the state of Iowa and then with the onset of commercial ag 24D that grapes are sensitive to. The grape industry really died out across the state was farming industry changed. We switched over to using glyphosate new cold hardy cultivars were developed people were able to start growing grapes here again so it's something that we had grown something that one away and then something that we're able to bring back and reestablish. So just because we don't grow here doesn't mean you can't grow it but sometimes it really does. Peaches, sweet cherries, number of times we've had people want to grow bananas or oranges in a greenhouse, you know, there's just not going to be a profit potential there. Yep. So be realistic about can we and grow it in the state of Iowa and if not, is there some way around? Sure, so then I always take a step back, let the excitement of a new crop pass, let things kind of simmer down and relax a little bit, take a step back to evaluate. This new crop, be honest about what the yields are, what the cost of putting this crop is, what the actual potential sale prices, and don't look at the sale price of that year one or year two of a new market outlet, look at what that sale price will be five to 10 years down the road when the market matures and establishes, that's really what the price you should be looking at. Okay, so a great example of what we look out there as with hemp, and with hops onto the common crops that we're talking about right now, not looking at the price one or two years down the road, which is likely going to be much higher than say that price when the industry starts to mature. Sure, we're also going to be really cognizant of when you're starting out with a new crop, the yields that you're getting may not be the yields that are in the textbooks or in extension publications, they may be significantly lower as you learn how to grow that new crop that you're adding to your farm enterprise.

Christa Hartsook 06:06
Yeah, that's a good point.

Joe Hannan 06:07
Yeah. So just be cognizant of the first couple years prices might be really high, but your yields might be significantly reduced.

Christa Hartsook 06:14
Sure. So Joe, if we're really jumping in and looking at this from a marketing or a cash flow basis, or the combination of the two, we've already got the truck leaving the farm, what do we need to think of in terms of, you know, adding additional products to that truck?
Yeah, Christa so when I look at adding an enterprise, you can look at any in an enterprise that is going to be going out at the same time as your primary crops. So basically, you're just adding something on to the truck as it goes out. You've already got that sunk cost on the truck going out to the restaurant, a grocery store, or farmers market, or whatever your deal is. The other side to look at that is, Are you or can you look at cash flow outside of your main season? There's pros and cons to both there. So if you look at what can you already put on the truck, or what can you add on to the truck as it's going out the door? There's some things you got to you have to look at their Do you have the capacity to take on additional harvest during your busiest time of the season? Do you have enough labor? Will you need to hire in more labor in order to deal with this auxiliary crop? And that's probably going to be one your main sticking points if you're trying to add a crop on to your main crop season. But it's more than just adding on labor? How are you going to match up your harvest? Are you going to be able to harvest your main crop one day and your auxiliary new crop another day? Are you going to be able to harvest one in the morning and then one in the afternoon? Will this new crop use the same post harvest equipment? Do you have cooler space for this new crop? Yep, there's a lot of different things that kind of play in effect there. So if you look at the alternative to that is looking at cashflow outside of your main crop season, basically trying to collect some cash, early season late season or you know, whatever is outside of that main season. So the harvest during your main season crop is when you're going to be at your busiest the planting, the growing of that main season crop is likely going to be less labor intensive than the actual harvest. So you have some additional opportunity to use some labor time for harvest on some sort of exhilarate crop around there. So where that comes into play, or where there's value there is that now you can add more of a stable employment for your employees over a longer period of time. And what I found there as if I can have a stable employment period over a long period of time is that I can typically find better quality employees and what I mean there is employees that are more likely to show up, show up consistently, they do a better job, they work a little bit harder than somebody that you may be hiring for just four to six weeks during your primary crop harvest season. Right? Not always the case. But there's been cases where I find it beneficial to have that wider season event. The downside here of having cash flow outside of your normal main season is now that you have additional sunk cost on sales, marketing delivery expenses for this new add on crop because that truck isn't going out the door already now you've got additional costs to incur with that new crop. So adding that new crop may not be as profitable as adding something that's going on to the truck already during your main crop season. So that kind of follow makes sense there.

I think it does and I think it really kind of goes back to to our initial point of making sure that whatever market outlet you are utilizing desires that particular crop that you're looking at,

yeah, you know one thing I do want to comment though, when you're adding some products outside of that regular cash flow season or just even adding a product in addition, whether it's going on the truck or whether it's outside of seasons and there's that you know, new crop or
going on the truck or whether it's outside or seasons and there's that you know, new crop on paper may not look quite, as profitable as it may be, there may be some intangible benefits there again, going back to the employees have stabilized over a longer period of time. But often adding a new crop or diversifying into two or three different stable crops in your business opens you up and allows you to get into things like whole farm revenue protection, so there may be some added value that isn't showing up necessarily on that accounting side of things.

Christa Hartsook 10:23
Yeah, and that's a really good point to make. Joe, for our listeners out there, that whole farm revenue really requires you to have those multiple crops.

Joe Hannan 10:31
Yeah, you really need to have at least three crops to get that price for a point for whole farm revenue. You can get it with two crops, I believe, but three, you see an advantage on your pricing. So there's again, some benefits to having that additional crop.

Christa Hartsook 10:46
Yep absolutely. Joe, there's kind of some other considerations that we need to really think about. If we are looking at adding a new cropping enterprise, you know, we might need all new tools or special equipment.

Joe Hannan 10:58
Yeah, and this really gets into when you're adding a new crop to your portfolio on your farm, managing the cost to keep the profitability of this new crop high, you know, looking at tools and equipment if you are adding in a new crop. And let's say you want to grow something that requires being grown on black plastic mulch, and you don't have a tractor tiller, already and you're not growing on plastic mulch, already, you've got a significant infrastructure cost plus you have a significant learning curve, just learning how to use and lay plastic mulch.

Christa Hartsook 11:30
Absolutely.

Joe Hannan 11:31
But another way to put that is if you're already growing on black plastic mulch, it's really easy. And it's fairly cheap to add some additional crops into that system at a fairly low cost of entry. So if you're growing melons, muskmelons and watermelons, well, can you add peppers, I mean, there'd be a crop that would grow on black plastic mulch, and it would be a great crop that could be going on the truck at the same time as the watermelons, muskmelons sure what
alternative there would be can you add some brassicas for that outside of normal harvest season for those melons in order to get a little bit of all season cash flow. So the brassicas would be going down as your watermelons muskmelons are coming into production and then vice versa, you could go into fall time period.

Christa Hartsook 12:15
Right?

Joe Hannan 12:15
So and you could even do something less exciting to galleys stick with that melons. Example If you're growing watermelons, muskmelons, maybe just add something some sort of specialty or gourmet melons, like honeydews or something like that in order to provide a little diversification, but yet still fit with you know, your truck and your primary market outlet.

Christa Hartsook 12:35
Absolutely good things to consider there.

Joe Hannan 12:37
Yeah.

Christa Hartsook 12:39
Let's talk about like pest management, things like that. That would be another consideration for us.

Joe Hannan 12:44
Yeah, you know, anytime you add a new crop you have new pests to deal with. Right, right. So ideally, you know, find something that will have similar pest issues as the other crops that you're already growing so that you don't need to create a whole new pest management program, you're able to use the sprayer that you already own. And you're already in, you're able to use the pest management tools, like insecticides, fungicides that you already are using on those other crops. Again, because you add a new sprayer, you have to start buying a bunch of different types of products that can add a lot of cost to that new enterprise. Absolutely. Just buying new insecticides and fungicides alone that don't match up with your other crop could be a couple of $1,000 Depending on the products and the acres that you're talking about. And then learning a new pest management program. There's a sharp learning curve and year one in year two, so you're likely to miss something. And then what that sprayer if you have to go back and recalibrate that sprayer to go from one crop to the other crop and keep changing it every time you go and spray something there's a lot of lost time doing that.
Christa Hartsook  13:52
Right, the time consideration there is a big one.

Joe Hannan  13:55
Yes. So finding something that fits and has a similar pest management program will save you a lot of time and effort and make it much more streamlined getting into that new crop enterprise.

Christa Hartsook  14:05
Sure. Joe, we talked a little bit about you know, harvest itself and post harvest handling in terms of cooler space. But really, it goes beyond just the cooler itself.

Joe Hannan  14:16
Yeah, so adding a new crop we did again talk about cooler space, but really look looks at or shouldn't be looking at does the new crop that you have have similar post harvest handling practices. Are you able to use the same planters? Are you able to use the same harvesting equipment, wagons, tractors, harvest lugs, or harvest bins does this new crop able to use the existing wash line that you already have? Does the new crop store at the same temperature and humidity as your primary crop? Again, you want to make sure that it's going to fit with the system that you already have in place.

Christa Hartsook  14:54
Absolutely.

Joe Hannan  14:55
Anytime you've got to go and add any of these new components to your system. It's done. There's costs there. But there's learning curve there even making it as simple as being able to use the same sanitizer in your wash water is going to be a benefit. And it's going to reduce the time and effort on your end for managing that new crop.

Christa Hartsook  15:13
Sure, there may potentially be some packaging advantages, Joe.

Joe Hannan  15:17
Yeah, on that same line as the post harvest handling, you know, if you're selecting a crop that uses the same packaging, A, that just means you're not, you're buying less different types of stuff that you have to stock and have on hand. But if you can buy packaging at a larger unit quantity, now you've got a larger discount for your bulk purchases, and therefore reducing some of your costs, you know, example would be here, if you're buying boxes for tomatoes, can you also use that same box for cucumbers or peppers or something like that, again, using the same packaging materials for several different crop options

Christa Hartsook  15:53
The two are a good point.

Joe Hannan  15:54
Yeah, going back to the melons, you know, you can use the same bins for watermelons, muskmelons love we add honeydew or some other specialty melon and it's all going to be the same bin same handling practices?

Christa Hartsook  16:04
Yeah, makes sense.

Joe Hannan  16:05
Keep it stupid, simple. When you're adding a new crop. I have thrown out a lot of new variables, or there's opportunities to mess it up and not and not having a profitable year with it.

Christa Hartsook  16:15
Right and then it defeats the entire purpose of you adding on the additional crop.

Joe Hannan  16:19
Exactly. Ultimately, you want to make some money on it.

Christa Hartsook  16:22
Right. Joe let's summarize everything that we've talked about.

Joe Hannan  16:25
Yeah. So when you're looking at a new crop, take a step back and look at the crop that you're
interested in be very realistic about the expected yields the labor commitment, income that you could potentially get from this new crop, is it suitable for your farm within your production practices, as well as just generally being able to grow it here in Iowa? You know, that's point number one. Sure to make sure this is going to fit within your production season primarily do you have the labor to deal with this new crop addition, especially if you're going to be harvesting this crop at the same time as your other primary crop, you do not want to risk your current markets by spending time and effort on this other new crop. And then finally, whatever this new crop that you're adding to your farm business, make sure that you're able to use the infrastructure that you're already have in place in order to manage the new expenses that you incur, in order to really get your greatest return on investment.

Christa Hartsook 17:21
Absolutely, Joe winter is a great time to maybe be able to go out and do some learning about some additional enterprises. We got a lot of conferences and grower meetings coming up this winter.

Joe Hannan 17:32
Yes, we do. We have now a Fruit and Vegetable Growers Association conference is coming up in the end of January here and Ankeney, we have the Great Plains growers conference down in St. Joseph, early January, the Michigan Great Lakes Expo is coming up in early December. So there's a lot of different options for learning. Oh and we have a high tunnel class coming up here November. I want to say fifth or something in Ames.

Christa Hartsook 17:59
Joe, thanks so much for being on today.

Joe Hannan 18:01
Yeah, of course, Krista and again, anybody that's looking at growing a new crop or add a new enterprise are always welcome to reach out to myself or any of my colleagues on campus here to help out talk through some of this.

Christa Hartsook 18:14
All right, that sounds great. Thanks, Joe.

Joe Hannan 18:16
Yep, take care Krista.
Christa Hartsook  18:17
You too.