



# Peer to Peer Learning Michigan Good Food Fund

May 13, 2020

# Demand for Local Food High



# Distribution Has Changed



# New Ideas

- Aggregating with neighbors/friends
  - Mass Food Delivery <https://massfooddelivery.com>
  - Sunderland Farm Collaborative  
<https://sunderlandfarmcollaborative.localfoodmarketplace.com>
- Set-up online order
  - Delivery
  - Pick-up at the farm
- Launching a CSA
- Partner with restaurant clients to offer “grocery shopping”

# What are your assets?

- Network
  - How can you complement each other with products or capacity?
- Delivery vehicle
- Farm-stand
- Website
- Customer base

# Scenario Planning - Process

 Detail

Detail your options.

 Review

Review your historical costs:

- what will change and what will stay the same

 Research

Research what new costs you'll have

 Compare

Compare the different scenarios

 Test

What if your assumptions are wrong?

 Decide

Decide which option makes the most sense

# Step 1: Detail Scenarios

- You had been selling your product mostly to restaurants. Now that most are closed, or reducing service, you're considering new sales channels. One option is to open an online store; the other option is to sell to an aggregator to sell for you.
  - If you have an online store, you need to build the sales infrastructure
  - If you sell to the aggregator, they want a 30% discount.

# Step 2: Review Historicals

- What will change?
- Revenue – how much do you think you can sell?
- Cost of Production
  - do you need to adjust your product mix?
- Selling Costs
  - What will be eliminated? What will be new?
- Overhead
  - Do you need new infrastructure?

# 3. Research New Costs

Get comfortable making assumptions



# Step 3: Make Assumptions

	Online Store	Aggregator
Selling Price	\$100,000	\$70,000
Cost of Production	\$30,000	\$30,000
Selling Costs	<u>Onetime</u> Website - \$3,000 Ongoing – 2.9%	
Selling Labor	<ul style="list-style-type: none"> <li>• Download orders</li> <li>• Aggregate Orders</li> <li>• Update system with availability</li> </ul>	<ul style="list-style-type: none"> <li>• Download Orders</li> <li>• <del>Aggregate Orders</del></li> <li>• Update system with availability</li> </ul>
	8 hours per week	3 hours per week

# Step 4 – Compare Options

## Online

- Revenue: \$100,000
- Total Expenses:
  - \$48,540
- Gross Profit: \$48,540

Profit per selling hour: \$292

## Aggregator

- Revenue: \$70,000
- Total Expenses:
  - \$40,990
- Gross Profit: \$29,010

Profit per selling hour: \$440

# Murphy's Law



Anything that can go wrong, will go wrong.



# 5. Test Assumptions

- Aggregator wants a 40% discount
- Website actually costs \$5,000
- Online sales take 12 hours per week
- Change product mix, production costs go up
- What else?

# Step 5 – Test Assupmtions

## Online

- Revenue: \$100,000
- Total Expenses:
  - \$59,860
- Gross Profit: \$40,140

Profit per selling hour: \$152

## Aggregator

- Revenue: \$60,000
- Total Expenses:
  - \$50,990
- Gross Profit: \$9,010

Profit per selling hour: \$137

# Excel helps

	Online	Aggregator	Discount
<b>Revenue</b>	\$ 100,000	\$ 60,000	60%
Cost of Production	50%	83%	
Cost of Product	\$ 50,000	\$ 50,000	
<u>Selling Hour</u>			
# of Weeks	22	22	
Hours per week	12	3	
Total Hours	264	66	
Total Selling Labor	\$ 3,960	\$ 990	
<u>Selling costs</u>			
Website	\$ 3,000		
Square Fee	2.90%		
Total Expenses	\$ 59,860	\$ 50,990	
Gross Profit	\$ 40,140	\$ 9,010	
<b>Profit Per Hour</b>	<b>152.05</b>	<b>136.52</b>	

## 6. Decide

Would you sell online or to an aggregator? Why?

# In Summary

- Establish goals, priorities and values
- Define the situation
- Evaluate options
- Choose the best course of action
  - *Based on what you know now!*
- As you get more information, reevaluate

# Additional Resources

If you're thinking about selling online, there are a lot of options. Here are resources to help you get started:

- Take your food-business online webinar: <https://www.youtube.com/watch?v=5wl9SWWC1j4>
- Move Your Farm Store Online Facebook Group: <https://www.facebook.com/groups/onlinefarmstore/>

You might be exploring multiple options and trying to think about which is best for you. Here are resources to help you think through options and map out the numbers.

- Scenario Planning Webinar: <https://thefarmersoffice.com/courses/scenario-planning-2/>
- Getting Back to Basics: <https://thefarmersoffice.com/back2basics/>
- Creating Excel Templates: <https://thefarmersoffice.com/courses/excel-for-farmers-live/>

*To access the webinars on The Farmers Office, you'll need to register for "All- Access" membership. Get one month free by using the discount code **FFN-P2P***

On a good day, farming can be stressful. Now especially, it's important to take care of your mental health. Here are some ways you can care for yourself and be better equipped (mentally) to deal with all of the challenges.

- <https://www.stevens.edu/news/coping-age-coronavirus>
- <https://afsp.org/story/taking-care-of-your-mental-health-in-the-face-of-uncertainty>

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