

Controlling Costs at Kingfisher Nursery®

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INTRODUCTION

Whenever there is a problem on a nursery there are a number of ways of dealing with it. There are as many solutions as there are growers, but the main thing is to identify the problem and focus on it. Financial matters are no exception.

Most of us come into growing because of our interest in plants and their cultivation. The most successful growers nowadays maintain good plant health and nursery hygiene, while monitoring closely for the first signs of trouble. Everything is grown to schedule to get the best from prevailing seasonal weather conditions. They have the knowledge and equipment to take the best course of action before major problems occur; hence the final crop is of good quality, and hopefully it will sell.

If we put the same degree of focus into financial care that we put into crop care, there is potential to make savings. The worst costs are those created by unforeseen events and lack of uniformity. With careful planning these can be avoided.

This paper will focus on the approach that we use at Kingfisher Nursery, not because this is necessarily the best or only way but because we have reaped rewards and we hope the same approach will work for others.

RECORD KEEPING

The first stage in the process is to record existing costs. Much of the information will be available from the accounts. Materials costs will show up on invoices from suppliers. General services such as heat, power, telephones, etc. will be harder to allocate but at least records exist. Labour costs are often the most difficult to apportion unless the timesheets have been well designed and they are completed accurately.

At Kingfisher Nursery the wage bill is almost half of the total expenses, so it is important to allocate these costs accurately. The timesheets that we now use have evolved with input from the regular staff. If they appreciate the purpose of them they are more likely to fill them in accurately. The workers fill in time spent in each department, and the department managers split that into the different crops and pot sizes on a weekly worksheet. The challenge of trying to allocate overheads can be difficult and sometimes arbitrary, but we have found that since we gave them more focus, overheads have reduced.

ANALYSIS

Having collected good information the second step is to analyse it and identify the areas you need to focus on. If you have several years' records, variations and trends should appear. By comparing the differences between the years of highest and lowest costs, it should be possible to discover the causes of excess cost and develop strategies to eliminate the causes. Just as with good crop care, the objective should not be to treat the symptoms but to remove the cause of the problem. Again it is good policy to involve your workforce, since they will know best the difference between what happens when things go well and what happens when things go wrong.

My experience is that our staff wants the nursery to succeed, and if they are involved in the problem solving, they try their best to make the solution work. The materials and equipment that seem best value to managers who purchase them may not always be reliable in operation and so can lead to nonconformities in outputs, wasted time, and disgruntled workers.

The areas most worthwhile to focus on are those that represent the greatest costs, because then even small percentage savings can be significant in cash terms; those with great variations from year to year; and those that are best described as “sore thumb” tasks — irritations rather than major problems but which can be fixed quickly and economically to demonstrate the benefit of change while allowing everyone to focus on more important areas.

MAKING CHANGES

The third stage is to decide on the changes that are going to be made. Whether it is new equipment to be purchased and installed or different techniques to be employed, it is vital that a clear specification is written. Everyone involved should understand and be happy with how the change will work and what it is intended to achieve. We have written method statements for all key tasks. This ensures that we have consistency throughout the production process, which should ensure consistency of end product and a predictable cost. Incorporated in these method statements are target production rates.

Stage four is to implement the changes, and stage five is to monitor performance as the changes take effect. Actual costs can be recorded and compared to budget figures. Comparisons to previous years' costs can be interesting but may be misleading because your policy changes may move costs from one month to another — so comparing costs to a modified budget will be more relevant than comparing to the previous year's figures. An example would be putting more work into early stages of a plant to reduce work at later stages. The overall cost will be less but the running cost total will start off higher.

Things that go to plan should be noted for repeating in future, any modifications needed should be recorded and possible improvements developed. Obviously any failures need to be investigated and corrected as quickly as possible.

As the system progresses, the recording system may evolve to measure areas that you identify as important. Recording can become another time-consuming cost if it is allowed to snowball, so always consider the most cost-effective way to collect and store data. Try to keep the budget plan simple so that comparison is easy. Only analyse in depth if problems are apparent.

Of course this is not really the final stage since the whole cycle repeats with recording, identifying, planning, implementation, and monitoring, crop after crop, year after year.

INVESTMENT DECISIONS

When we examine our costs, we usually find there are several areas for potential savings and various options available. Where possible we aim to plan for the long term and install systems that will require little maintenance; otherwise we can create more costs than we save. However it is important to consider the payback time on any investments that we make, both in terms of time and money spent. Mechanisation to reduce labour costs is an obvious example of where there are systems

available to reduce labour inputs for most nursery tasks, but unless the volumes that we put through a machine are sufficient it will not pay us back before it needs replacing. If we can install cheap, simple equipment with a short payback time it will generate profits to buy more equipment in the future. Such things as proximity switches to control compost flow or laser levels for sand bed grading are relatively cheap and pay for themselves in the first year of use.

On-nursery “travelling” is always a cost with potential for reduction. We have a reasonable nursery layout with good concrete roadways and paths but we identified that the forklifts often travelled empty after taking empty trolleys out or when going to collect full trolleys later in the day. It was obvious that trolley parks at strategic places would overcome this waste but we would need several to do any good and they would only be used for a few days each year while the crop in that area was harvested. The cost of concrete and the reduction in cropping area all year round would not be paid back by the travelling cost saved. The solution we adopted was to buy strong rubber mats to lie on the ends of beds as the first plants are lifted. These serve as temporary trolley parks and are moved around the nursery as the harvest progresses.

DESPATCH COSTS

Growers, machinery manufacturers, and work-study consultants have developed production systems over the years to the point where great efficiencies are possible. Despatch systems have been less easy to mechanise, as they tend to involve more variable factors and greater urgency. We have found we can make cost savings by identifying and eliminating some of these variables.

Attention to detail in the early stages can produce more even crops, making grading easier and reducing wastage. Each batch of propagation and potting is done in alphabetical order, making it easier to find specific cultivars at harvest time. By clever programming we aim to group all plants for autumn sales together and spring sales together to save travelling time and distance. Since the spring is the most hectic season, we grow those plants nearest to the despatch area. Large batches of plants are collected from around the nursery on quiet days and brought to the despatch area so that small, complicated orders can be collated quickly and easily on busy days. Large orders are collated directly from the growing beds. Good record keeping and analysis has helped us to identify which method is appropriate for each given situation.

CONCLUSION

As plant production becomes ever more competitive, growers need to be able to forecast costs accurately before they can set prices. Otherwise they risk being uncompetitive or unprofitable.