



AMERICAN SOD PRODUCERS ASSOCIATION

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ASPA'S SUMMER CONVENTION TO FEATURE EDUCATION, TOURS,
DEMONSTRATIONS...TORONTO, JULY 17-19

A half-day educational program will kick-off this year's Summer Convention and Field Days July 17 at The Prince Hotel, Toronto, Ontario, Canada. This will be the first time in recent years that a formal education session has been included in the Convention.

The traditional Farm Tour day will take place July 18, with the Demonstration Day being held July 19. A special tour for spouses will go to the downtown Toronto area while the Farm Tour is in progress.

In addition to the tours and educational program, ASPA will host an opening reception in the Exhibit Area the evening of July 17 and a continental breakfast the morning of July 18. The evening of the July 18 will be reserved for ASPA's Banquet, Entertainment and Dance.

Registration materials will be sent to all ASPA members and prospective members in the very near future, but plans should be made now to attend this special annual event.

MARK YOUR CALENDAR...JULY 17-19, TORONTO, ONTARIO
ASPA'S SUMMER CONVENTION!

FAMILY OWNERSHIP...THE TIES THAT BIND SOMETIMES BIND TOO MUCH...AVOIDING PROBLEMS

The vast majority of ASPA's members are incorporated operations, with many of them family owned and operated, with a desire to keep the farm in the family. Frequently, problems of management arise in this situation...problems that can be reduced, if not altogether eliminated.

According to Joan Sulzer, partner in the management consulting firm of Chinetti & Sulzer, conflicts often occur in family businesses when decisions must be made. There appears to be an almost direct relationship between the permanency of the decision in question and the level of conflict. The more permanent the decision, the greater the conflict.

Eliminating the "secrecy syndrome," is usually a first-step toward a positive solution. This requires the owners to share information necessary for each person to make informed business decisions, rather than "hiding" it to "protect the family." Usually however, this can only be done after everyone is willing to admit that a problem in fact exists and needs to be resolved.

Once the doors to information have been opened, the next step is to develop a sound and solid business plan, with all parties fully participating. The business plan should include clearly defined goals and objectives for the business, plus plans on how to achieve specific goals. When members of a family business develop and share job descriptions, performance appraisals, philosophical and strategic planning statements and periodically updated financial statements, everyone gains insights and the business improves.

The prospect of ownership succession is another of the likely issues to create family conflict. It is generally agreed that the best approach is a very open one...including all of the people who would be effected by any decision. Some suggest having an outside board of directors who would sound out differences with objective, yet interested opinions that could lead to positive solutions.

In order to implement a succession plan, it has often proven effective to bring younger members of the family into the decision process via informal "board" meetings, so they can learn more about the decision-making process and the reasons various decisions were made.

Family businesses and their successful ownership succession does not need to be a constant source of conflict, the single most effective deterrent is a simple one...communicate.

EQUATING LOAN INTEREST CHARGES TO REQUIRED SALES...
or, DETERMINING HOW MUCH THAT LOAN REALLY COSTS

Financial planning is important because it establishes a framework around which the individual activities of a sod farm can mesh coherently to achieve goals and objectives of the owner. Without such a framework, the owner or manager can find himself or herself spending the bulk of his/her time "firefighting", losing sight of the farm's long-term objectives.

Many experts believe that a good first step in financial planning, is understanding just what borrowed funds will cost a business. Naturally, the interest rate is usually stated as a certain percentage, but just how much will your farm actually have to increase its sales, in order to maintain its present profit levels?

If, for instance, your business must pay \$1 in interest costs, you will have to take in considerably more than that \$1 in additional sales if you hope to keep your bottom line profits at the same level as before the money was borrowed, and the interest costs were incurred. In other words, if your profits are only 1% of gross sales, then you have to increase sales by as much as \$10 to pay the \$1 interest cost.

Fortunately, calculating just how much more you have to sell, and how many additional dollars are required to break even with the interest cost of borrowing money involves only a simple formula. This common rule of thumb calls for dividing the interest cost by gross profits as a percentage of sales. To illustrate, suppose that your farm borrows \$100,000 at 10% interest rate, and you normally have gross profits that are 25% of net sales. The formula is:

Dollars charged as interest = Additional sales needed
Gross profits as a % of net sales

The figures put into this formula would look like this:

$$\frac{\$100,000 \times 10\%}{.25} = \frac{\$10,000}{.25} = \$40,000$$

Thus, \$40,000 additional sales would be needed each year, just to carry this loan.

The same computation could be used in a variety of other business decisions. It could be used when you consider adding another person to the payroll, acquiring more land, purchasing new equipment or fixtures, and adding buildings or improvements to the property.

EQUATING LOAN INTEREST (continued)

Obviously, it is a good formula to know and use, before making decisions on major purchases. With it, you will at least have an idea of how many more sales dollars you will have to generate, simply in order to maintain your present profit level.

(The preceeding article was prepared by Ted Thompson, Reddi-Green Turf Farms, Evans City, Pennsylvania. All ASPA members are encouraged to submit articles or suggest topics for pieces they would like to see in this publication. Send to ASPA, 4415 W. Harrison, Hillside, IL 60162)

GROSS PROFIT CALCULATION SIMPLIFIED WITH BANK OF MONTREAL SYSTEM

"Independent Business Review," the newsletter published by the Bank of Montreal, offers a simplified calculation for determining how effectively inventories are managed and the relationship to gross profit. Termed, "Gross Profit Return On Investment," (GPROI), it measures both the turnover and gross profit of the various items and relates directly to the return on assets.

To calculate your own GPROI, divide the annual gross profit by inventory times 100. For example:

Annual Gross Profit \$200,000 = GPROI of 200% = \$2.00
Inventory \$100,000

In other industries or businesses inventory control can be accomplished more easily than in the sod industry, but even here, it can be done. Pareto's Law says that 20% of a firm's products represent 80% of the sales and profits. For other businesses that means they must identify which items comprise the 20% and then cut back on the remaining 80%.

In the sod business, a corollary to Pareto's Law would say that 20% of your clients purchase 80% of your sod, therefore, to move inventory, concentrate your time, energy and advertising dollars on the 20% group to move more of your product.

INDUSTRIAL SITE AVAILABILITY PROVIDES SOLID PICTURE FOR FUTURE SOD SALES.

Although some communities may be facing a shortage of prime industrial sites for development, the latest U.S. government figures show there's an abundance of available land to meet demands well into the next century.

According to the figures, industrial and office-park space amounts to 1.6 million acres throughout the U.S., or 0.8% of the total land area of the continental U.S. Of this, 58% or 931,005 acres are available for development.