



## **Out of the woods: Overcoming financial hard times**

### **FCC Knowledge Podcast: Talking Farm and Food**

#### PODCAST TRANSCRIPT

Interviewer: Marty Seymour (MS)

Guest: Todd Baker (TB)

MS: From FCC, it's the FCC Knowledge Podcast, a show that features real Canadian producers, real stories, and real good conversation about the business of farming. I'm your host, Marty Seymour.

TB: At that time, we were probably selling close to or around \$1 million worth of trees. Suddenly, half of our sales disappeared. It just suddenly overnight became worthless.

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MS: Join us as we continue to highlight the real experience of farm business entrepreneurs and the lessons we can learn and apply to our own lives and operations. Today, we're talking to Todd Baker, a tree nursery farmer from Ontario. Todd and his operation are no stranger to adversity. We'll hear about some of the highs and lows his operation has gone through, and what they did to survive some of those toughest moments in business. We'll also draw on Todd's experience and expertise as a consultant and a farmer. We talk about why tech adoption and digitization represent such an important opportunity in agriculture. And lastly, we're going to round out our chat by hitting on some of the key points on communication as a leader. Stay tuned for some great stuff.

All right Todd, I kick off every one of these podcasts with the same two questions. Where are you this very minute, and what's the price of land in your area?

TB: I am sitting in my basement library. And the price of land, the median or average, \$15,700, I think, was the last time I looked a month ago.

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MS: \$15,000? Oh wow, we've got to talk about that.

TB: And about \$18,000 was the high.

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MS: Todd's business, Baker's Nursery, is located near Bayfield, Ontario.

So, I'm a westerner. Orientate me relative to, say, London, Guelph.

TB: From Guelph, it's about two hours west. When I was a university student, I could make it in 1 hour and 36 minutes, but we won't go there.

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MS: On Mom and Dad's gas.

TB: Yeah, Henry's 24-hour self-serve.

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MS: All right, Todd. You've got a pretty interesting business. You're in the tree business. Tell us what that means for people that don't understand your industry.

TB: I think, as a farmer, I'm in the business of growing plants for money. Which is the same thing that you could apply to almost every cash crop or field production farmer that I know of, and a lot of greenhouse farmers. But growing plants for money is what I do. The plants I happen to grow are woody ornamentals, trees, shrubs, and some ornamental grasses.

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M: Okay, well I think it's such a succinct statement you made, and makes it so clear about sort of what you're up to. Who's your customer, then? Because this is a non-traditional ag market.

TB: The customers that we happen to focus on are other professional plant producers. We start the plants from scratch, and then we grow them to a certain size, and they're sold to another nursery or grower. And they sell them to the next stage in the market which could be a retailer, a municipality, or a landscape commercial installer.

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MS: So, there's another part of you that our listeners might be interested in. You do some consulting, and you help other people in this space. What's that look like for you?

TB: The consulting is a relatively recent addition. I had, in my past, a period where I was a build person for a global horticulture supply company. And I met and learned a great deal, I spent five years travelling and visiting nurseries and greenhouses every second week all over North America and Europe. And I was looking at ways to grow our business. And one of the things we do in our business is pre-book. That means if someone doesn't buy it, you don't produce it. It's a novel concept in agriculture.

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MS: There's some brilliance in that. Yes, tell me more, tell me more.

TB: But the flipside of that is when people don't order enough, you don't have enough revenue. And at that point in time, a couple of years ago, I would describe my nursery business which I run cooperatively with my wife. Our nursery is relatively small, small to mid-size. And at the time, I would say our business was really good at making one-and-a-half income, but we were both there. So, I decided, through some advice from a friend, to add consulting on a part-time basis to bring in that other half-income. And I found that it was exciting and enjoyable and rewarding, and I can do it. So, that's been going on at the same time.

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MS: So, this is the background about you I'm a little bit unclear on. Was your family in this business before you got there?

TB: No. Well, in a limited way. My parents had actually owned a garden centre.

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MS: In the '70s, Todd's parents owned and operated a retail farm and garden centre that did really well. A customer of theirs walked in the door one day and said they wanted to sell the farm. Todd's parents bought that poultry farm and sold the garden centre. They started planting plants in the field and selling them at the door. So, pulling weeds in the nursery was Todd's intro into the industry.

TB: I decided at some point in my teenage years that I liked trees better than chickens, and never looked back from there.

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MS: So, you had an interesting journey to Oregon. Tell me about that.

TB: Oregon is a mecca for nursery people. The state of Oregon has more nurseries than any other jurisdiction within North America. And this was in the late '80s. I was a young, very eager nursery guy, and I was making my first trip to visit Oregon. There was a particular nursery that I'd been buying plants from and they were over 2,000 acres. And at that point in my career I was on a mission. I wanted that. I wanted a giant nursery. So, we visited the place. We got there, and then we went into the office and I met the owner. It was this guy, he was white and pasty, because he never got outside, and he actually looked and felt unhappy. Up until that moment was, this is my ideal, this is where I want to go. And then I realized this guy wasn't having any fun. There was no

connection to what he was doing sitting there in his office, and the trees. So, I realized that I didn't want what I wanted.

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MS: I think it's super wise of you in your young age to see that and have the clarity to say, hmm, maybe that isn't the direction that I want my business to go. And let's fast forward a few years, then. So, now we're into '02 and you have an ash tree challenge. Tell me about that setback.

TB: Just to set the stage, the ash tree was, up until 2002 and 2003, a staple of nursery production. It was a plant that was very vigorous, it was easy to grow, it produced in a high yield. Hands down, my favourite crop because it was easy, and it made lots of money. And welcome to North America, the emerald ash borer.

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MS: The emerald ash borer is a pest with no known predators in North America. It landed somewhere in East Michigan first. When it was discovered in 2002 it was already well established there, and it was killing trees completely in the region. It spread from there. So, in short order it completely destroyed the market for the ash tree.

TB: Fall of 2002 was when it was discovered, and that's when the order cancellations started. At that time, we were probably selling close to or around \$1 million worth of trees. In that period, suddenly, half of our sales disappeared. And that put us into a financial tailspin unlike anything else. It just suddenly overnight became worthless. The trees that we were selling were generally three years old. So, that means that when we ran into the wall and no one would buy an ash tree, the crop we were selling was garbage, but so were all the plants that were coming down the pipe. And that means that you're in a trough for multiple years because I was missing that sale in 2003, but I was also missing it in '04, and '05 and '06. So, we didn't actually get recovery until '07.

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MS: After the break, Todd shares some of the things they did to help Baker's Nursery survive through to that '07 recovery. We also grill him a bit on the opportunities and barriers related to tech adoption across the industry, and his experiences with digitization and how it can help your business.

What do you tell those guys when there's pushback? Do you say, why do I crunch all that data when 70% of the outcome is out of my control?

TB: Well, you know, you've still got 30% to work with. How much of that do you want to give up? And if you only have 30% that you can manage, then you shouldn't give an inch on that 30%.

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MS: Speaking of digitization, this episode is brought to you by AgExpert Field. AgExpert gives you the details you need to make better business decisions. Manage your inventory, plan your crop rotation, profitability reporting, generating crop insurance records, does just about everything you need. Plus, with the mobile app, you can enter your data from anywhere, even offline. You can find out more and get started for free at [agexpert.ca](http://agexpert.ca).

TB: The way I describe that time is kind of like living in a box. And everywhere you turn, you're running into a wall because you're trying to keep everything together. You're trying to keep paying for everything, trying to keep people employed, trying to grow the other crops. Because our crops are very labour and input intensive. And so, I learned a lot of survival skills in that trough. Because we did survive, and we came out of it very strong in 2007.

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MS: I want to understand this better then. Because I know that in agriculture, misery loves company. And I think about parallels you've got. In '88, we had part of the country in a drought. In 2014, we had a frost. Every sector has been hit with something. We had hurricanes a couple of years ago on the East Coast. I think our listeners really want to know, how did you ...? You've got this high-value crop that basically goes to zero value. You got marginal support from an insurance program. And five years later you're talking about coming out the other side positively. What decisions did you make along the way that got you through that?

TB: It's actually some of the decisions we made before it happened. Inadvertently or maybe as a matter of course, we were not that highly leveraged. We had a pretty good balance of debt and equity, and we'd been expanding internally out of cash by propagating more plants and growing more plants. But we hadn't made big investments in machinery and/or facilities ahead of the problem. And then when the problem hit, of course, every dime that you spend, you're asking the question, do we absolutely need this?

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MS: What were some of the things you questioned?

TB: At the time, I had ... and I've always been a supporter of trade associations, and we were members of various ones. And we dropped some of those. We had a program where we were buying a new small tractor every year or leasing a new one and letting the other one go. We stopped those. So, anything that was a controllable monthly expense, we eliminated or altered or took very hard looks at everything.

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MS: This need to adjust to unexpected shrink in their business has made Todd extra aware of any expense that can take away flexibility.

TB: In 2003, we were very much of the mindset that you would buy something and own it. And so much of the things we're doing today are subscription-based, and you can't just get out easily. That's something that goes through the back of my mind every time I sign up for another subscription for \$10.00 or \$20.00 or \$50.00 a month, or whatever it is. And those subscriptions take away flexibility. If you have a 50% income shrink, how do you get out of your subscriptions?

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MS: So then, it feels to me like maybe on this one you're telling me two different versions of how you would approach it. In '02, your balance sheet's strong, so hey, that's great, everyone can celebrate that alongside with you. You make some decisions on the equipment side not to be flipping as much, and so I think that makes good sense as well. But then you fast forward, you go to, say, today's market, and you talk about subscription-based. Have you held onto your original philosophy? Or have you changed with the industry too and went to a subscription-based model?

TB: Well, on some items where they're only available as subscription. For instance, the inventory technology that we use for managing our crops are a monthly subscription. Because it's cloud-based. You cannot actually own it. A standalone inventory program is \$25,000 for one of the reasonable ones that I was looking at, that could be installed on a computer. And my subscription rate is \$200.00 a month U.S. So, I'm pretty happy at \$200.00 a month versus \$25,000.

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MS: So, would you think a lease on a piece of equipment would be, by definition, like a subscription? Or do you treat that different?

TB: In my mind, the iron is different. And here's part of the thinking. With the subscription, in this particular case, every single wireless device I can log in to the system. I can capture on a tablet, I can capture on a laptop, I can capture on a smart phone. And there's no limit to the number of simultaneous connections. So, somebody out in the field counting mother plants of grass can update the inventory in real time. So, their data can flow in from multiple sources all at the same time without limit. When you buy a piece of machinery, it's in one field, or in one place, at one time, so it lives in a different place in my mind. We just bought a brand new tractor for cultivating the grass. And I bought it outright because the amount of money that the tractor was saving us versus hand weed control, we'll pay for it in one-and-a-half seasons. So, it just made sense to just buy it.

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MS: That maybe segues really well to a couple of things I want to talk to you about. Let's talk about the adoption of technology, or I call the digitization. What's your thoughts on, in your sector, about technology adoption, and how well is it going? Yeah, let's start there.

TB: This leans into the consulting side. And this is the same problem that every production organization ... the first thing you have to know before you buy or subscribe to anything is what you actually want. The second thing you have to do is you have to systemize and organize and be able to repeat something on a consistent basis on paper or in some way. Maybe it's using Google Drive, or spreadsheets, or just simple online tools. But if you don't have the ability to organize and systemize and the discipline to keep that going, the software, or the shiny, fancy things aren't going to solve your problem. Because your behaviours and how you interact in your organization are the foundation of technology. And the more you want to use technology, the more organized and consistent you have to be, or you will fail.

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MS: In some circles I travel on, we talk about the digitization of records. And I say not farm records because I think through the whole value chain there's opportunity to digitize. Are you saying that your view of it isn't necessarily that, but it's more about what you do with the data that's important?

TB: Mining the data over a long term is where you're going to find value. So, if you're going to track the things you do, and I realize I might not be 100% answering your question, but this is what's coming out of my head. I want to know every year how many tons or pounds, whatever way you do it, of seed you planted on what day, and then be able to look back 15 years and compare. And that times every single crop step.

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MS: Todd's business first moved digitally to spreadsheets years ago. Then, five years ago they started using cloud-based spreadsheets and note apps with a tablet to track and update. In early 2020, they made the big leap and switched to a cloud-based inventory and order management system.

TB: In my business, we're keeping track of how many cuttings did we stick, how many days were they in the mist, when we took them out of the mist, and then, when they're transplanted. There's many steps in producing a plant. We try to track every time we touch them and every time there's a shrink. And we're building a data pool and a data set of, how many days does it take? What are our yields? Where do we lose plants? Because that allows us to make a much more accurate costing model. And not only does it allow the costing model, but it allows us to apply management. It's sort of like, why are we losing so many plants at this step? Is there something we can do to reduce these losses? And if you're not measuring certain things, you're not thinking about them, and you could be really missing out on opportunity. So, my concept now is we try to measure

everything. And the tools make it easy because every time we touch the plant you can log in, make the entry. My phone is in my pocket all the time, so is almost everyone's.

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MS: So, what do you tell our listener that's on the other side that says, yeah, but 70% of my outcome is weather dependent. The classic weather objection that I would hear in, I'll just say, row crop sector where we're clearly relying on external weather. What do you tell those guys when there's pushback? Do you say, why do I crunch all that data when 70% of the outcome is out of my control?

TB: Well, you've still got 30% to work with. How much of that do you want to give up? If you only have 30% that you can manage, then you shouldn't give an inch on that 30%. That's how I look at it.

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MS: I think that's a great philosophy and such a succinct way to argue that point is, you still are in control of something, do the best you can within that. It makes great sense. So, then what do you think is getting in the way of tech adoption? There's different surveys I see out there that would say, parts of ag is on the front end of tech adoption, and part of our industry is not. And we would compare ourselves to other nations, definitely other sectors. Where do you think we're leading, and where do you think we're lagging?

TB: I don't have a cross-country kind of view, except to say this. One of the lessons I learned as a salesperson calling on many, many different businesses is that the stage of career matters. So, if I was a technology provider selling to Canadian agricultural producers, I think one of the challenges that I'd be trying to mitigate is the fact that a high percentage of the customers are in the sunset years of their career. So, I'm not saying that people who are older can't learn it. What I am saying is that we get tired. And what I noticed when I was a salesperson was that people who had been around for a long time and had solved many, many problems ... the cycle is like this. You start in a business, you get engaged, you're excited, you solve all kinds of problems, and then you relax. You're comfortable, things are moving along and it's great. And that solution you came up with 20 years for that, that still looks really good. I apply that thinking to myself all the time. Here I am driving in my old 2140 that was bought brand new in 1980 when I was 14 years old. That still looks like a new tractor to me. To my 25-year-old nephew, it's an old junker. So, if you are in that category of 50 and over, or 55 and over, you've solved all the problems, you're comfortable with how things are going. That, I think, in a nutshell is the biggest problem for adoption.

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MS: Yeah, that smacks you in the face like a V8, doesn't it? So, I can easily agree with that, and I know exactly what you're talking about. And I've done some interviews lately and we've been having this conversation about, maybe that's okay. That maybe my business

plan was to work to 55, and then enjoy the last, as you call the sunset years, running my business with more of the, you know, I'm going to buy it because I can. I'm going to do it because it's easier, not necessarily because it makes more money. I think that describes two different types of farms. Maybe as you said, maturity of farm businesses too, and where they're at in their business cycle.

TB: Yeah. And so, one of the things I like to say, and when I'm talking to people who are doing transition. And especially when I'm talking to younger producers, I start off with a statement I think everyone identifies with which is, it's really hard to live your grandfather or your father's dream. Because if you're going to step in there, you have to personalize it. You have to make the dream yours. And technology is a fantastic way to do that. And that's where I think the opportunities are the greatest.

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MS: Yeah, I think you said something there super interesting about using technology introduction to make it yours, to have that sense of identity for your footprint into the business. And if I look at the last hundred years of farming in Western Canada, there'd be lots of chapters of the next generation taking over and buying the newest piece of equipment in particular. That's probably been the easiest. And then we've got adoption of new practices is another one. We saw zero till. I'm sure your industry saw some major production practice changes.

TB: Yeah. And that's where the opportunity for engagement and fun is.

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MS: So, what's been Todd's biggest learning as a people manager, as a leader? Let's find out after this.

Ad: Hey, do you know what's new and improved? AgExpert Software. What's that? AgExpert? It's field and accounting software designed for Canadian agriculture. No, that sparkle sound. When I say AgExpert? Yeah, that. Well, AgExpert Field helps you manage your farm. And AgExpert Accounting is the accounting software in Canadian agriculture. But it's so new and improved, it still has that sparkle to it. M'hmm. Can I use it on my phone? Of course. It's built for modern agriculture. Try it for free at [agexpert.ca](http://agexpert.ca).

MS: Okay, let's shift gears a little bit. Obviously in a business like yours you've got some labour intensity. There's some seasonality to it. I want to talk about managing people and leadership. And maybe help us understand how big your staff complement is at your high season.

TB: Through the year there's a cycle of more and less staff. We start off in March with six or eight people, and that number will grow into June, July possibly to ten. And then it starts

tailoring off in August, September, four to five people. And this fall we're going to probably go back up to eight people until Christmas.

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MS: Before the ash tree event in 2003, Baker's Nursery employed approximately 34 staff at peak season. So, for our listeners that manage people, I think most of us would acknowledge communication is probably always the biggest challenge to managing people. And I joke with my team that if they would just read my mind, it would make me a way better communicator.

TB: Well, I have to echo your communication statement. We have an employee handbook, and it's short. It's not full of jargon or legalese. But it's designed to answer the questions that everyone has. It talks about showing up for work, it talks about personal and protective equipment. It talks about protecting yourself from sun and dehydration. It talks about if you want to borrow the pick-up truck. And everything in between. So, then comes communication when it comes to getting the job done that you want done. Now, knowing trees is not something that people ever run into on their way through life, and then they land at the nursery to work. A lot of the things we had to do are fairly detailed and appear fairly complex until you're initiated, and you have some experience.

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MS: Have you got a story to share about maybe where you were just out of sync with some of your people?

TB: There's a guy who worked for me for many years and he was a guy who had a full-time job, but he was on shift work, and he liked to make extra money. So, he was always available every second week for either mornings or afternoons, then I would have him do odd jobs. There was something I noticed with this particular individual. Every time I gave him a job, he would interpret it in a way that I didn't intend that once he explained it to me, I got how he got there. But I would give him a job and I would go away to do a different job, and I would come back and he would have done something different than I asked. And it became a running joke for me to see what I was going to get. And I laugh about it now. At the time it was a little frustrating. But that is, in a nutshell, the biggest challenge of conveying your intent with another individual to perform an action.

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MS: So, what technique have you adopted then to do that? I think everybody goes at it different. What has been your best practice on this clarity thing we're all seeking?

TB: What we're really ... we're not just talking about hey, go do that job. What we're really talking about is creating a framework so that the worker or workers realize what their role is, and how important it is. So, when I'm teaching people at the nursery how to do a particular job, not only am I showing them the how and the what, but I also explain to

them the why. Every single step that we do when we're growing plants has the potential to add or subtract or delete value.

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MS: So, if I heard you right, you're saying the 'why' has been the anchor piece for you. This is why we're doing it this way. That has driven the clarity of communication?

TB: That's the big driver. Trying to link all those pieces together so people understand.

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MS: Yeah, I'm just reflecting on this. I think some of this I see in my parenting. And when my kids ask me about, well, why should I do that, Dad? And I do the classic, because I said so, line. And now I see the breakdown in my effectiveness on this one. My last question for you is, you've had some quite highs and lows in your business. And if you look back on it, what advice would you give your 20-year-old self?

TB: I would tell my 20-year-old self to focus more on people. Because all the good things come from people. And when I was younger, I think I was a little more focused on the whats. The trees, the tractors, the farms, the toys. And the truth is, is that my success that I have now is because of the relationships that I've made with people. All the rest comes after that.

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MS: Yeah, I think that's wise beyond your years. If you just think about, we spend so much time in agriculture preaching, look at your numbers, measure and manage. And we sometimes forget the soft side which is, we really do gain our power through the people around us. And so, clearly, you've surrounded yourself with good people too.

TB: Thank you.

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MS: Today, we touched on managing financial turmoil and how one operation responded when things went bad. Todd's experience and expertise also taught us some other important lessons. Here's my top four. First up, consider your subscriptions. While they offer a good fit financially month to month, they do reduce your overall flexibility if money stops flowing in. Certain items like cloud-based softwares, they may make the most sense as a subscription. Second, adoption of new technology is a great way to make the farm business you take over your own. Going digital represents an opportunity in general, of course, but making the most out of your farm data over the long term and using it year over year for comparisons, that's the key to turning data into results. Next, the why is important. Maybe even more important than the what. As you coach and train folks on the things that you want them to do, just remember to anchor the 'what you're

teaching' with the why you're doing it, and how it fits into the bigger picture. And finally, don't forget the people. The stuff, it's important of course, but the people are what makes all the difference in your success.

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