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## **ADDING CROP CONSULTING SERVICES TO YOUR BUSINESS**

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### **Introduction**

The increasing emphasis on production efficiency and environmental concerns has many farm suppliers considering offering crop management services to expand their businesses. While most agricultural suppliers have provided some agronomic services to customers, these services were often limited to soil fertility recommendations and investigating product performance or crop damage complaints. Adding a consulting service for hire is a major change of direction for many businesses and the transition can be difficult.

There are several advantages beyond the potential income to adding a crop consulting business. It can allow the business to bring in additional qualified personnel, improve it's image within the community and stabilize business cash flow.

If the consulting customers perceive the employees to be competent and the advice given in the customers best interest, the addition can significantly enhance the dealerships image. However, if the consultant is seen as promoting the farm supply business at the customers expense, a considerable backlash is likely. If the customers see the business as a stand alone enterprise the chance of a negative image is reduced. For example, having the "consultant" deliver crop chemicals could reduce the credibility. While it would be convenient to just put in one more desk in the central office, providing a private office for the consultant will allow space for maintaining records and privacy for counselling clients. If clients see the consultant providing soil sampling to others free of charge they will question paying for the "same" service. A clear distinction needs to be made between what services will be provided to support sales and what the consulting customer will receive.

### **Services Provided**

The amount and type of service can be customized to fit the needs of producers in the area. In Iowa most consultants offer one or more of the three general types of service discussed below.

**Full Service**--A complete package of services are provided. Weekly field visits are made during the growing season. Recommendations are made on soil fertility, pest management,

cultural practices, machinery calibration, variety selection, irrigation management and record keeping. The weekly contact encouraged by this type of service creates a close working relationship with the producer and this service is most common where production costs and risks are high.

Limited Service--Services are scaled back somewhat to reduce the cost to the client. This program has not been used on a large number of acres until recently. Consultants that offer this program in Iowa generally offer the same off-season recommendations but reduce the number of in-season field visits somewhat. The field visits are scheduled to coincide with important management decisions or expected pest outbreaks. The consultant is also on call to investigate problems the farmer may observe. In return for a greater involvement in the monitoring program the producer receives a price break. This can also be advantageous to the consultant as it reduces the labor needs at peak times.

Specific Services--Selected services of interest to the client are provided. For example, some consultants specialize in soil fertility management. Others provide only pest management recommendations. These programs are most common where there are specific production problems such as severe insect or disease pressure.

### Staffing

The structure of consulting organizations varies with the services offered, number of acres serviced and the abilities of the manager. A sample organizational chart that could provide full-service consulting on 16-18,000 acres is shown at right.

The consulting manager reports directly to the general business manager and is a critical part of the organization. The consulting manager must be technically capable, have good organizational skills and be able to deal effectively with people. The manager should review all field reports and make any recommendations required. He is also responsible for the training and day-to-day activities of the scouts. Keeping current on new information and technology is another important activity and a



Figure 1. Sample Organizational Chart

significant amount of time needs to be allocated to training. The bulk of the client contact will be with the manager and these contacts often determine if the client will be retained. Regular briefing with other employees can be beneficial to both the consulting and sales businesses.

Scouts can be hired locally on an hourly basis for as long as needed. Hiring scouts to make many of the field visits and soil sampling increases the number of the acres that can be handled by one full-time person. Some scouts can soil sampling and preliminary field work start in March and fall sampling may continue into December. Shorter term employees can be brought on as field monitoring activities pick up in April and they continue into September.

### **Travel**

An important consideration is whether to supply vehicles or have scouts provide vehicle and pay mileage. While it is normal for the business to own all vehicles used, the second option has merit as the vehicle would likely be used only during the summer and would sit idle the rest of the year. Large concentrations of fields in the same area makes it feasible to use motorcycles or ATV's to get to the field quickly and efficiently.

### **Liability**

In today's legal climate, liability is a concern to all businesses. In many instances the product will be furnished by the supply business and the consultant will advise on the use, so a less than desirable outcome will reflect badly on the business. Liability insurance is highly suggested as one lawsuit could devastate the entire business. Even unsuccessful lawsuits are expensive, tie up personnel and reflect badly on the business.

Proper management can reduce the likelihood of lawsuits greatly. This starts with the client recruiting process. The client needs to understand from the beginning that you will provide the best information and recommendations possible, but the final decision is always his. It also needs to be made clear that results cannot be guaranteed as weather and other factors often affect the outcome. When counselling producers on management decisions, all outcomes need to be discussed. Getting involved early in equipment calibration and working hard to detect potential problems before a loss occurs is important. Detailed and accurate field reports are also important in dealing with unsatisfied clients and substantiating recommendations.

A contract should be drawn up that outlines the responsibilities of both the consultant and the client as well as the payment schedule.

## **Recruiting and Retaining Clients**

It is important for the business to retain clients from year to year. Replacing a client and building a new relationship takes a good deal of time. Thus retaining clients from year to year is of utmost importance. Clear and informative field reports are the very important for client satisfaction. A good report presents the most important information quickly. It also helps the producer prepare for problems. Records are very important to document your effect on the farm operation and to justify the clients continued involvement.

## **Expenses and Returns**

Budgeting for a crop consulting enterprise can be very challenging. Accurately projecting the number of acres is difficult. Government programs impact greatly on the number of acres clients may have. Approximately one-half of the costs in a sample budget would be considered fixed costs and reducing the volume of operation would increase the breakeven cost significantly. Reducing the number of acres covered to 15,000 acres in the example budgets would increase the breakeven cost by \$0.15 per acre.

The example assumes that most of acres would be within 20 miles of the headquarters and that each client enrolls 4-500 acres. Servicing a larger geographic area or reducing number of acres per client will increase costs.

Debt collection is often more difficult in service industries. Bad debt expense can be reduced and client ill will reduced by a split program. Many consultants collect 1/3 at contract signing, 1/3 at planting and 1/3 at harvest. Some also offer a discount for full prepayment at contract signing.

## Rainy Day Crop Consulting-Sample Budget

|                         |            |             |
|-------------------------|------------|-------------|
| Staff                   |            |             |
| Manager                 |            | \$25,000.00 |
| Scouts                  | 4160 hrs.  | \$20,800.00 |
| Secretary               | 10 hrs wk. | \$3,120.00  |
| Travel                  |            |             |
| Manager                 |            | \$5,250.00  |
| Scouts                  |            | \$8,400.00  |
| Office Overhead         |            |             |
| insurance, office, etc. |            |             |
| 7% of direct costs      |            | \$4,379.90  |
| Equipment               |            |             |
| \$4000 prorated 5 yrs.  |            | \$800.00    |
| Total Yearly Expenses   |            | \$67,749.90 |
|                         |            |             |
| Breakeven cost/acre*    |            |             |
| Based on 16,000 acres   |            | \$4.23      |

\*as costs for soil and forage sample analysis vary greatly they are not included in the costs and should be added to total expenses or assigned to the individual producer.