

EXTENSION EDUCATOR



Cowlitz County

WASHINGTON STATE UNIVERSITY
EXTENSION

COWLITZ COUNTY

March 2019

WSU Extension

Cowlitz County

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Longview, WA 98632



A COUPLE OF IDEAS FOR THE NEW YEAR

Target Inventory Levels- Small

Improvements Yield BIG Results

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Mark Your Calendars

Free Gardening Workshop
March 16th and 17th, 2019

Plant Sale and Tomatopalooza
May 18th, 2019

How will I know when my garden soil is
dry enough for planting?

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FREE Gardening Workshops

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Plant Sale and Tomatopalooza

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A COUPLE OF IDEAS FOR THE NEW YEAR

Target Inventory Levels — Small Improvements Yield BIG Results

TARGETING YOUR INVENTORY LEVELS

We've just finished the busiest time of the fiscal year for most small businesses – the 4th quarter often accounts for well over half of all financial activity which is exciting and risky at the same time.

One of the most impactful challenges for business that carry inventory is *HOW MUCH INVENTORY SHOULD I CARRY?*

I have seen rather remarkable ways business owners have managed their inventory levels; everything from “fill the shelf/bin/rack/display/warehouse” type approach to carrying one display and one on the shelf strategies. Neither based on economics or cash flow.

Let me offer a simple yet powerful method for ‘targeting’ your inventory levels on a regular basis. Please keep in mind that when you look at your inventory, I want you to see \$\$\$\$s that have been invested to have ‘stuff’ that you must:

- ⇒ pay for
- ⇒ finance
- ⇒ store
- ⇒ count
- ⇒ clean
- ⇒ protect
- ⇒ move
- ⇒ rotate
- ⇒ insure
- ⇒ and generally, deal with for as long as it sits in your facility.



Inventory represents CASH that you have tied up in STUFF that can't be used for other things (profit/debt reduction/payroll/marketing etc.). Don't misunderstand, inventory is vital and necessary AND the optimal inventory levels can make or break your profitability.

Here is a straightforward method for targeting the inventory levels you want based on see through and actual results:

Here's how it works:

- ◆ For each department (product line or other collection of inventories), **convert the turnover rate into months of supply:**

A COUPLE OF IDEAS FOR THE NEW YEAR

*Target Inventory Levels — Small Improvements Yield BIG Results
(Cont.)*

REMINDER: To calculate the number of inventory turns in a year take the Cost of Goods Sold (COGS) for the year; divide the COGS by the average inventory

$$\text{TURNOVER (Turns)} = (\text{COGS}) / \text{Average Inventory}$$

Example: 4 turns divided into 12 months in a year equals 3 "months of supply of inventory @retail" [One Turns Worth]

- ♦ **Add up "one turn's worth" of sales.**

Continuing our example; at 4 turns — add up your expected sales volume for the upcoming 3 months: April + May + June for that department.

That represents the "one turn's worth" of inventory (at retail price) that you need to have on hand on **March 31st**. (we want to plan and target the inventory level we want for next 3 months – this will drive promotions and ordering to achieve the inventory level we are striving to have on hand.

- ♦ **Repeat for each department.** *Now you have a targeted inventory level in retail value dollars for March 31st for each department.*
- ♦ **Total it up.** *Compare that target with your inventory on hand (retail price) right now, plus all on-orders, minus realistic projected sales.*

And now, the **critical test**:

- ♦ **Are you on track** to hit the quarter end inventory target for March 31st? [Make sure you repeat this process as part of your planning for each quarter]
- ♦ Are there some **adjustments you need to make?** Like markdowns? Or canceling or delaying orders?

This simple 5 step process will enable you to have a much better grasp of where your money is – related to tying it up in inventory; and will allow you to plan with much more confidence throughout the year.

GETTING BIG PROFIT GAINS THROUGH SMALL IMPROVEMENTS

I will show a simple example of what an incremental approach to improvement might do for your business. Please keep in mind that these actions are not mutually exclusive, and the combining power of implementing more than one improvement is amazing.

Let's start with a simple set of goals:

Increase prices 1%
Increase volume sold 1%
Reduce direct costs 1%
Reduce overhead costs 1%

A COUPLE OF IDEAS FOR THE NEW YEAR

*Target Inventory Levels — Small Improvements Yield BIG Results
(Cont.)*

Don't laugh, although these goals seem ridiculously easy, how many businesses have implemented even one of them? What if you focused on doing them all simultaneously? Well, here is an example of what just a 1+1-1-1 program of profit improvement steps can achieve.

+1+1-1-1=45 Profit improvement calculator						
1 Your Figures					Ratio	per \$100
	Sales	250000				100.0
	Cost of Sales	175000			0.7	70.0
	Gross Profit	75000				30.0
	Total Overheads	62500			0.25	25.0
	Net Profit	12500				5.0
2 What If		% change				
	Increase Price	1.0%				
	Increase Volume	1.0%				
	Reduce Direct Costs	1.0%				
	Reduce Overheads	1.0%				
3 Your New results - (all other things being equal)						
	Sales	255000				100.0
	Cost of Sales	175000			0.686	68.6
	Gross Profit	80000				31.4
	Total Overheads	61875			0.243	24.3
	Net Profit	18125				7.1
	Increase in profit	5625	45%			
Calculations						
Sales	Original	250000				
	Price Increase	2500				
	Volume Increase	2500				
				255000		
Direct Costs	Original	175000				
	Reduction in cost	-1750.00				
	Volume Increase	1750.00				
				175000		
Overheads	Original	62500				
	Reduction in cost	-625				
				61875		

A COUPLE OF IDEAS FOR THE NEW YEAR

Target Inventory Levels — Small Improvements Yield BIG Results (Cont.)

As you can see in the sample, the results can be much more meaningful than you might imagine. The way the combination of small improvements works is like the concept of compound interest.

No matter your industry or market, the math works the same way. Try it...you will become a fan!

Go ahead and do the calculations with your own figures for your own business. This is powerful and easy to implement TODAY!

For planning purposes, just take your most recent quarterly financial results and see what they would have looked like if you had implemented the 1+1-1-1 approach. What would your 1+1-1-1 = ??
10%/15%/22%/45%?? More?

If you want help looking at your own situation email me and we will schedule time to review your own situation and develop some projections and a plan.

HAPPY NEW YEAR!!



This article was prepared by Jerry Petrick, Certified Business Advisor, MBA with the Small Business Development Center (SBDC). Jerry provides no-cost, confidential business advisory services by appointment. He can be reached via email: jerry.petrick@wsbdc.org

How will I know when my garden soil is dry enough for planting?

It only takes a few days of sunny weather to inspire most gardeners to get out and begin working the soil. In most cases however, soils throughout our coastal area are still too wet to work----especially when they have a high clay content. Our persistent rainfall this time of year tends to keep soils saturated with water. Its really best for your garden's long term health to resist the urge to work the soil when it's still wet. Whether you are using a tiller or a garden spade, working wet soil can badly compact it, and the negative effect can last for years.

You can easily turn a well drained soil into a poorly drained soil by cultivating or tilling the soil when it is wet. Working in wet soil causes compaction, which occurs when the large air spaces or pores between soil particles are collapsed. Without large pore space, water penetration becomes very slow. In addition, soil tilled too wet usually dries into hard clods, making preparation of a good seed bed difficult.

Sandy soils tend to dry fairly rapidly, allowing you to begin preparing your garden early in the season. Even so, you should not work sandy soils when they are wet. If your soil contains even moderate amounts of clay, it is even more critical to wait for the right moisture content before tilling. Clay soils, because they are composed of smaller-sized particles, have a greater tendency to compact than sandy soils.



To determine if your garden's soil is dry enough to work, dig a trowel full of soil and squeeze it in your hand. Soils that crumbles through your fingers when squeezed is ready to garden. However, if the soil forms a muddy ball, give it a few more days to dry and then sample again later.

Once you've determined that the soil is dry enough to work, be sure to not over till. Rototilling until the soil is pulverized into a fine dust damages the soil structure. Till the soil just enough to break any surface compaction and incorporate compost. Adding a good soil amendment such as compost will help improve soil structure. If the compost has been sitting on the soil surface as a mulch it has actually been insulating the soil from warming up. Mixing the compost into the soil will speed up the warming process allowing you to plant earlier.

How will I know when my garden soil is dry enough for planting? (Cont.)

Myths About Planting New Trees

A myth that continues to be promoted during planting is to minimize disturbance to the root ball. Although gentle handling of roots is good advice when planting vegetable and flower transplants, woody ornamentals including trees and shrubs usually benefit from root pruning. Roots respond to pruning in much the same way as top growth. Pruning stimulates new growth. Containerized plants often have a mass of circling roots that if not corrected at planting time become serious problems and may eventually cause the plant to die. Circling roots need to be pruned to avoid the risk of root strangulation. Roots that are excessively long or misshapen, will respond by generating new, flexible roots which will help plants establish in the landscape.

Another myth at planting time involves amending the soil in the planting hole to provide the ideal environment for root growth and plant establishment. Peat moss, compost, and livestock manure are often recommended as amendments to the soil used to backfill the planting hole. Although this may seem like a logical approach to insure successful plant establishment, soil amendments may well lead to poor plant growth. Roots are opportunists. They will grow well in the amended soil, but once they extend to the native soil, they may stop growing and remain confined to the planting hole with the amended soil. The result is a plant that has a very limited root system and is subject to drainage problems and blow-down. The bottom line is that soil for backfilling the planting hole should be the same soil that came out of the hole. It's best to mix the top soil and sub soil together. A sheet of plastic or canvas placed adjacent to the hole makes a convenient location for mixing, and it facilitates cleanup afterwards. Adding fertilizer, soil amendments, or root stimulants to the planting hole or backfill soil is not recommended. Most nursery-grown plants are well fertilized during production and seldom respond to fertilizing at planting except in the most infertile soils. If the native soil is very poor, WSU horticulturists recommend adding any soil amendments to the entire planting area, incorporating the amendment into the top 6 inches of soil, and then digging planting holes.



Free Gardening Workshops

March 16-17, 2019

Cowlitz County Expo Center—Fairgrounds

In conjunction with the Home and Garden Show

March 16 Home & Garden Show

9:30 a.m. Growing Vegetables, where to start!

WSU Master Gardener Billie Bevers will discuss what to do in your vegetable garden to plan and prepare it for planting. You will learn when to plant, how to start get an early start and what it takes to maintain healthy plants to get a great harvest.

11:00 a.m. Extending the Gardening Season

WSU Master Gardener Helen Redmond will talk about harvesting your garden and extending the growing season through the fall. She will discuss extending your garden season, seed saving, cover crops, and winter gardening. Learn how to continue raising vegetables throughout the fall.

12:00 p.m. Spice of Life (Growing Herbs)

WSU Master Gardener Terrie Phillips will show you how to plant, grow and harvest the most popular herbs that you can enjoy fresh from your own garden. What to do with herbs after harvest will be discussed such as in preserving, storage and easy usage of these flavorful plants.

1:00 p.m. How to Grow a Red Tomato

Is trying to grow red tomatoes frustrating to you? **WSU Master Gardener Alice Slusher** will discuss the tips he uses to produce a bountiful crop of red tomatoes. You will learn how to get your tomatoes off to get an early start and what it takes to produce a great harvest of tomatoes.

2:00 p.m. Attracting Beneficial Insects with Plants

A WSU Master Gardener Alice Slusher will discuss how to attract beneficial insects to your garden. By incorporating specific native plants into your landscape, you can encourage helpful insects and birds to visit your yard. Often it's the beneficial bugs that eliminate those bugs responsible for eating your plants.

Free Gardening Workshops

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March 17 Home & Garden Show

11:00 a.m. Tips to control moles

Sadly, all too many property owners know the frustration of having that vision of a beautiful lawn ruined by moles. **WSU Master Gardener Bryan Iverson** will talk about which techniques are the most effective in getting rid of moles. Bryan will discuss what works and what products fail to get results

12:00 p.m. Do-it-Yourself "Irrigation"

WSU Master Gardener Jerry Winchell will explain how to construct a simple and inexpensive sprinkler system that can be used for your vegetable garden, hanging baskets, porch plants and for other situations. Find out how to develop a sprinkler system that allows you the flexibility to reduce water use, save time, use less labor and control weeds.

1:00 p.m. Basics of Composting

WSU Master Gardener Tom Welch will teach how to effectively compost food wastes and garden material. Learn the different ways to compost and the advantages of each method. Find out how to prepare your garden for next year without spraying or tilling.

Workshops sponsored by
WSU Extension and WSU Cowlitz County Master Gardeners



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Reasonable accommodations will be made for persons with disabilities and special needs who contact the office at least two weeks prior to the event. Extension programs and employment are available to all without discrimination. Evidence of non-compliance may be reported through your local Extension office.

Cowlitz County Master Gardener Foundation

PLANT SALE & TOMATOPALOOZA



Expanded variety of vegetables,
herbs, garden plants and Master
Gardener-shared perennials,
RAFFLES-and much more!



Preview plant list and more info:
cowlitzcomg.com/plantsale/



Saturday

MAY 18

8 am - 4 pm