

# Fruit and Vegetable Production

## Lesson 1: Managing Financial Resources

### Competency/Objective

Explain the importance of financial planning in fruit and vegetable production.

### Study Questions

1. **Why is financial planning important in fruit and vegetable production?**
2. **What is the importance of setting goals for financial planning?**
3. **What are the three steps in financial planning?**

### References and Materials

1. *Fruit and Vegetable Production Unit for Plant Science Core Curriculum* (Student Reference). University of Missouri-Columbia: Instructional Materials Laboratory, 2006.
2. Figures/Transparency Masters
3. Activity Sheet  
AS 1.1 Distinguishing Between Receipts and Expenditures
4. Supplies

Record book receipt and expenditure pages to accompany activity sheet

## Teaching Procedures

### A. Introduction

Growing fruits and vegetables can be a very rewarding experience. However, risks are involved. As with any new business, it is important to have a plan before investing time, money, and energy.

### B. Motivation

Ask students if they have ever been to a farmers' market. Have them list items that are sold at farmers' markets. Ask the students if they have ever tried to start a business of their own. What are the rewards of having your own business? What are the drawbacks? When the students have compiled a list, ask what level of finances needs to be available and what they need to know to become a vendor at a farmers' market.

### C. Assignment

The instructor should assign the unit-level performance-based assessment activity at the beginning of the unit. Students will work toward completing the activity as they progress through the unit lessons. The assessment activity will be due at the completion of the unit.

### D. Supervised Study

Lead students in collecting the information needed to answer and discuss the study questions. The instructor may choose to work on one study question at a time or have students consider all the study questions before the discussion. Another option is to have students work in a cooperative learning environment by forming groups and assigning different study questions to each group.

### E. Discussion

Lead students in a discussion of the study questions. Supplement students' responses and information with additional materials when needed.

#### **1. Why is financial planning important in fruit and vegetable production?**

Financial planning should be done ahead of time to ensure adequate funds or secure additional finances, if needed.

- a. Financial planning is the process of defining goals and developing and implementing a plan to finance the goals.
- b. Financial planning is essential in fruit and vegetable production.
  - i. There is a limited period of income because of the limited growing season.
  - ii. Planning will help ensure finances will last throughout the year.
  - iii. Planning promotes critical thinking regarding planting times and varieties of crops.

### **2. What is the importance of setting goals for financial planning?**

Setting goals is an important step in determining where the grower wants to be at the end of the season or year.

- a. A goal is a statement of what an individual wants to accomplish both personally and financially.
- b. Goal setting is important in fruit and vegetable production.
  - i. Because products are highly perishable, careful planning is needed to ensure that they are saleable.
  - ii. Labor is a major expense, and labor requirements vary depending on the type of operation. Determining labor needs and costs is an important part of setting goals and making a financial plan.

### **3. What are the three steps in financial planning?**

Each step in financial planning allows the grower to accurately assess the current situation and plan for the future.

- a. Step one: Record a projection of income and expenses.
  - i. Income is money the business will receive.
    1. Income (receipts) may be received weekly, every two weeks, monthly, or even once or twice a year.
    2. Use the receipts pages in a record book to show the income that is received, where it came from, and the date it was received.
    3. Gross income is the total amount of money the business takes in before any deductions are made.
    4. Net income is the money the business has after expenses and deductions, such as taxes and Social Security, have been taken out.
  - ii. An expense is money that is spent to obtain a goal or purpose.
    1. Use the expenditures pages in a record book to keep track of how much money is spent and where it is going.
    2. Fixed (ownership) costs are paid regularly, regardless of the amount of sales the business makes.

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3. The major areas of fixed costs are rent, insurance, depreciation, taxes, interest, and repair.
  4. Examples of fixed costs in fruit and vegetable production are rent, land insurance, repair of structures, and interest on principal.
  5. Variable (operating) costs change according to the production level and amount of use.
  6. The major categories of variable costs include labor (salaries), fertilizer, chemicals, seeds/plants, gasoline and oil, inventory, supplies, advertising, utilities, telephone bills, and principal payment.
  7. Examples of variable costs in fruit and vegetable production are labor (both seasonal and full-time), fertilizer, growing media and chemicals, water, electricity, and advertising.
- b. Step two: Make a list of wants and needs.
    - i. Needs are items and expenses that are necessary for the survival of the business.
    - ii. Wants are items and expenses that are desired but not essential.
    - iii. Making a list of wants and needs helps set short-, intermediate-, and long-term goals.
  - c. Step three: Implement the financial plan.
    - i. Keep current and accurate records of all income and expenses.
    - ii. Monitor progress toward reaching the business goals.
    - iii. Adjust plans as needed to manage problems and reach goals.
    - iv. Adapting to changes builds understanding and confidence.

### F. Other Activities

1. Set goals for a fruit and/or vegetable production SAE.
2. Contact the local extension agent to find out about the average income generated from fruit and/or vegetable production.

### G. Conclusion

Financial planning is an integral part of a business and should be done to help establish goals and reach objectives. Receipts and expenditures should be recorded to keep accurate records of how much money is received and how much money is being spent. Always be sure to factor fixed and variable costs into the financial plan. As the financial plan is put into action, monitor business activity and adjust the plan as necessary to attain the established goals and objectives.

## H. Answers to Activity Sheet

### AS 1.1 Distinguishing Between Receipts and Expenditures

1. \$37.50      Expenditure
2. \$52.50      Receipt
3. \$300.00     Expenditure
4. \$600.00     Expenditure
5. \$360.00     Receipt
6. \$225.00     Receipt
7. \$25.00      Expenditure

Answers will vary on record book pages.

## I. Answers to Assessment

1. Financial planning is the process of defining goals and developing and implementing a plan to finance the goals.
2. Financial planning is very important in fruit and vegetable production because the products are highly perishable, which means marketing and selling time are limited. Students may also note that labor is a major expense that must be planned for, and planning promotes critical thinking about what crops to plant.
3. Gross income is the total amount of money the business takes in before any deductions are made.
4. Net income is the money the business has after expenses have been met and deductions, such as taxes and Social Security, have been taken out.
5. Students could list two of the following major areas of fixed expense.
  - A. Rent
  - B. Insurance
  - C. Depreciation
  - D. Taxes
  - E. Interest
  - F. RepairStudents could also list two of the examples related to fruit and vegetable production.
  - A. Rent
  - B. Land insurance
  - C. Repair of structures
  - D. Interest on principal

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6. Students could list two of the major categories of variable costs.

- A. Labor (salaries)
- B. Fertilizer
- C. Chemicals
- D. Seeds/plants
- E. Gasoline and oil
- F. Inventory
- G. Supplies
- H. Advertising
- I. Utilities
- J. Telephone bills
- K. Principal payment

Students could also list two of the examples related to fruit and vegetable production.

- A. Labor (both seasonal and full-time)
  - B. Fertilizer
  - C. Growing media and chemicals
  - D. Water
  - E. Electricity
  - F. Advertising
7. Wants are items and expenses that are desirable but not essential, and needs are items and expenses that are necessary for the survival of the business.
8. Implement the financial plan.





## Unit I: Fruit and Vegetable Production

AS 1.1

### Lesson 1: Managing Financial Resources

Name: \_\_\_\_\_

#### Distinguishing Between Receipts and Expenditures

**Objective:** Distinguish between receipts and expenditures in fruit and vegetable production.

**Directions:** Work in small groups. Figure the total amount for each item. Then separate the list below into receipts and expenditures. With the receipts and expenditures record book pages provided, place each item on the appropriate page and complete the receipts and expenditures pages.

Item	Description	Amount	Total Amount
1. Seeds	25 packets	\$1.50 a packet	
2. Blueberries	15 lbs	\$3.50/lb	
3. Labor	2 students @ 30 hrs/each	\$5.00/hr	
4. Rent	3 months	\$200/month	
5. Corn	15 dozen ears	\$2.00/ear	
6. Cucumbers	450	\$0.50 each	
7. Pruners	2 pair	\$12.50	

Receipts	Expenditures

