



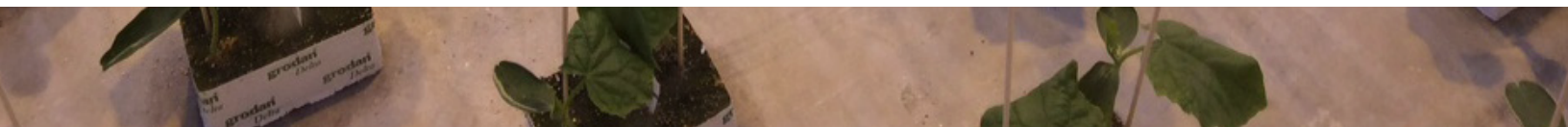
Beverly Greenhouses

One in a series of profiles for the
Friends of the Greenbelt Foundation



Possibility grows here.

Supporting the long-term viability of farming within the Ontario Greenbelt is a primary objective of the Friends of the Greenbelt Foundation. This profile of Beverly Greenhouses is one of a series capturing the business practices and management skills of successful and innovative Greenbelt farmers.





Beverly Greenhouses

Introduction

Brothers Jan and Dale VanderHout co-own Beverly Greenhouses Limited, a greenhouse cucumber producing farm located near Waterdown, City of Hamilton. They are the third generation in the family business started by their grandfather 55 years ago. The farm encompasses 230 acres, with 22 acres of greenhouses, 60 acres of field crops, 10 acres that are rented out, and the balance in wetlands and environmentally sensitive areas.

Through gradual growth and crop transition, the business evolved from a small tomato production facility to today's large greenhouse, producing exclusively cucumbers for the past 36 years. The key drivers for that transition were the benefits that accrue from specialization: one set of equipment, a restricted carton inventory, and one set of farming know-how. This focus on a single commodity is standard practice in Ontario's greenhouse vegetable industry today.

The VanderHouts have greenhouses at two farm locations. Crops are staggered and planted in three intervals, with three to four turnovers per year, thus leveling labour demands and achieving more consistent production. To address declining margins in the sector, management has maintained a strategy of growth and a focus on cost competitiveness.

Jan and Dale jointly manage the farm, although Jan is the President. The brothers' father, while still active in the business, is not involved in day-to-day management. All of Jan's and Dale's children work on the farm as soon as they are capable. Jan has 22-year-old twin sons, one not intending to farm, the other finishing a business degree prior to joining the farm full-time.

Company Aspirations

The VanderHouts share the dual business goals of many farmers: the opportunity to generate a living and the benefits of a positive family and living environment. Dale and Jan were born into the business and continue to farm because it is in their blood.

Successes

The VanderHouts rate their business as very successful financially and attribute that to passion, hard work, and aptitude for what they do – managing margins and keeping costs down. They are passionate about reinvestment and capital growth, rejecting the alternative strategy of shareholder withdrawals.

Along with the pride of producing food, they have some “non-business” sources of pride.

- Providing local employment, both for young workers and for families striving to be self-sufficient
- Publicly promoting agriculture and what they do
- Finding solutions to societal and environmental problems that were thought to be unachievable. An example is water saving recirculation within the greenhouse. The VanderHouts explain: “Nobody was doing this 15 years ago because it was widely believed to not be possible. We proved them wrong. Being part of that bigger group of growers and working towards solutions like that is satisfying. Our objective is not to leave here in 20 years and have everything contaminated – this is our sustenance.”

Current Challenges

Sustaining their growth is important to the VanderHouts and their short term plans include a further seven acres of cucumbers.

Should they be successful in attaining an alternative energy contract, their plans to develop a large natural gas co-generation plant will proceed to the implementation stage quickly, demanding a great deal of their attention.

Determining the future ownership and management of the business will be critical as they incorporate the next generation into Beverly Greenhouses. They will be starting succession planning, and will give this matter more focus in the near future.



Strategic Focus and Decision-Making

In many respects the VanderHouts manage their business the old fashioned way, employing prudence, caution, and sound debt management. Conservative growth and capital retention are important to them and they guard information about their financial performance closely. Jan and Dale manage their respective areas of expertise autonomously, with major decisions discussed within a larger group of family members, consultants, and advisors.

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Beverly Greenhouses has neither a documented strategic plan nor business plan, although long term direction is a constant topic of discussion.

They hold the philosophy that if you are not moving forward and growing, your business has a limited future. The greenhouses grew incrementally over the last 55 years in relatively small stages, which suited

their business and the available technology of those decades. But growth has accelerated recently; they built a seven acre addition three years ago and plan to add another seven acres. If the VanderHouts were developing a greenfield operation in 2015 employing the latest technology, they would need to start with 10-20 acres of greenhouses to capture the necessary benefits of scale.

Production is limited to greenhouse cucumbers, and the crop is marketed as a commodity to a wholesaler. They do no value-added activity or direct-to-consumer marketing. The simplicity of this business model is a strength because in addition to the benefits of scale they can focus on doing what they do well. The owners avoid multiple inventories of packaging and they require only a single line of equipment, which contributes to their profitability. Unlike the risk mitigation that most field crop producers practice through the planting of a number of crops, it is common practice in the Ontario greenhouse vegetable industry to pursue the benefits of specialization. That approach has worked well for the VanderHouts.

Addressing the risks of specialization is one of the factors behind an existing Beverly bid to develop an energy co-generation plant in conjunction with the greenhouse operation. The plant would be natural gas fueled with the electricity sold into the provincial grid, and generator heat transferred to the greenhouses. Their income will be more diversified and there will be reduced energy costs for the greenhouses. The carbon dioxide generated in the energy plant will enhance the greenhouse environment, thereby increasing productivity. In a digression from food production, the potential to invest in commercial property has also been explored as a means to leverage capital and increase revenue.

Large indoor production facilities like theirs can appear more industrial than agricultural to those not knowledgeable about greenhouse vegetable production and to municipal governments seeking to maximize tax revenues. When considering adding value to their crop or introducing complimentary packaging on-site, they have opted against that approach: “The city or municipality takes an entirely different look at an operation crossing that line between agriculture and commercial business. Unfortunately, you can’t compete with the big companies unless you can do it as part of your farming operation at those lower agricultural tax rates.”

Best Management Practices

Marketing

Beverly Greenhouses is minimally involved in the marketing of their cucumbers, handing that responsibility over to a wholesaler broker. Their production expansions have been based on a thorough assessment of market growth and would not have been undertaken without prospects of high market demand. Most of their product is marketed in Canada, whereas in the Ontario greenhouse industry the majority of product is generally exported to the United States. Food safety is an increasingly demanding market requirement, and as a result, Beverly Greenhouses' cucumbers are produced in accordance with formal food safety and traceability programs.

The VanderHouts, by virtue of their innovative, biological pest control regimes, may have a product differentiation opportunity in markets that appreciate reduced pesticide use, but that potential has not yet been pursued. They note, "Greenhouse vegetables are commoditized so a marketing opportunity has to be hot, not just lukewarm, in order to differentiate a product."

Financial Management

Beverly's growth has been based on the financial management principles of strict cost control, access to generous capital, manageable debt levels, and rainy day savings. While others may favour maximized leveraging of equity to finance growth, the VanderHouts are pleased with the results from their approach. "The Canadian dollar in the 60 cent range (1990s) was a significant contributor to the success of this export-oriented sector. The growers who took that windfall and reinvested it are the ones still here today." While the VanderHouts focus internally on their finances they have virtually no benchmarking or comparing of financial information with peers within the greenhouse community. "Close to the chest" describes the level of data sharing within the sector.

Production Management

The greenhouse industry in Ontario is regarded as a model in terms of technological advancement and Beverly Greenhouses is on par with the rest of the industry. They describe themselves as "pretty aggressive", at the same time being cautious to only incorporate the new technology which makes sense for the business.

- Ensuring adequate sources of high quality water has been a focus in this business and Beverly has adopted advanced water recycling technology for both cost and environmental reasons.
- New high technology cucumber sealing, packaging, and palletizing equipment has reduced labour costs, generating an early return on the capital investment. At a rate of 19-20,000 cucumbers an hour, the packing line is highly efficient.
- Biological pest control is employed to control a variety of detrimental insects. Orius is a bug that feeds on thrips, and parasitic wasps control whiteflies. Bug lights eliminate damaging moths.
- The recent introduction of seedling production within the operation provides more control over this critical stage of production and reduces the possibility of pest infestations carried with purchased seedling plants.

Human Resource Management

Jan and Dale employ the same strategies of respect for employees and empowerment practiced on many successful farm operations. There is too much going on day-to-day for management to control, and giving workers responsibility also increases commitment and job satisfaction. They stress that finding a competent employee to empower can sometimes be difficult and cite their desire to recruit a lead in biological pest control as a particularly perplexing issue.

Jan is especially proud of how the company has helped many students finance their education and how employment in their greenhouses has instilled a work ethic that will benefit former staff in future endeavours. He has the testimonials from former employees to prove how they valued their Beverly Greenhouses experience.

The VanderHout brothers consider succession planning an ongoing necessity: "You need a plan when you're farming with your brother." Jan and Dale have several children and they are confident that one or more of them will be their successors. At their relatively young ages the brothers have not been pressured to devote a lot of time to succession.

Risk Management

Beverly Greenhouses' financial risks are mitigated through participation in government-funded agricultural programs: AgriStability, AgriInvest, and Self Directed Risk Management. To protect against the catastrophic impacts of a major disease or pest outbreak, a complete market collapse, or a natural disaster, they carry business interruption insurance.

Outside Advisors and Support

Jan and Dale source information on trends and opportunities from peer growers, suppliers, and publications, and through Jan's participation on various industry association boards: the Ontario Greenhouse Alliance, Ontario Greenhouse Vegetable Growers, and Ontario Fruit and Vegetable Growers.

Beverly Greenhouses operates within a corporate structure established on the advice of accountants and lawyers.

The business has taken advantage of Growing Forward 2 funding and would entertain using Greenbelt Fund or other non-government assistance.





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