



Beyond the Numbers

FOOD BUSINESS DECISION MAKING SERIES: BUYING OR LEASING A FOOD HUB TRUCK

“The most important figures that one needs for management are unknown or unknowable.”¹

When considering whether to buy or lease a truck for your food hub, you can consult numerous financial analysis tools to help you make your decision. An especially good tool, was developed by Farm Credit and highlighted by the Wallace Center.² Financial analysis is always important, and failing to do due diligence on the numbers is a mistake that most food hub managers cannot afford to make. However, the real knowledge about the effects that buying or leasing trucks will have on your business is not always quantifiable. In fact, the most important aspects of the decision will likely have no objective measurement.

What Is the Real Cost of Managing Trucks?

Most food hubs in the United States are within their first few years of operations.³ Many are small and do not have a large staff to work with. For better or worse, this is the nature of start-up organizations, whether for-profits or nonprofits. More than likely, staff will be stretched thin, and each new task that is added to a small staff's duties will dilute the amount of time and focus each person has

available to manage business tasks. For any small business, taking on activities that will require time and focus should warrant some serious thought. So, what kind of nonfinancial liabilities are you taking on when you decide to buy or lease a truck?

The Iowa Food Hub Experience

The Iowa Food Hub had the opportunity to buy a truck in late 2013 as part of a strategy to diversify and expand its operations. Although the truck did help them increase sales and grow the business, managers at the hub found that there were significantly more issues with managing trucks than simply the financial aspects of buying or leasing.

A major issue was that it is the owner's responsibility to make sure the truck is properly maintained. This seems obvious, but the next time your small staff is under the gun during produce season and the truck dies, you'll be on the hook not only for repair costs but also to coordinate mechanics and replacement trucks and to handle customer calls and more. Customer service, along with your sanity, is going to suffer.

The real question is this: While you were bogged down by managing truck repairs and driving back and forth from the mechanic, how much could you have grown your food hub business? The answer is unmeasurable, but experience at the Iowa Food Hub shows that where we focus efforts, results

¹ Deming, W. E. (1982). *Out of the crisis* (p. 121). Cambridge, MA: Massachusetts Institute of Technology, Center for Advanced Engineering Study.

² Farbman, J. (with Derryck, D., Matteson, G., & Shiflett, A.). (2014). *Ins-TRUCK-tion manual: Lease, buy, or other?* Retrieved from ngfn.org/resources/ngfn-cluster-calls/instruction-manual

³ Author(s): Jill Hardy, Dr. Michael Hamm, Rich Pirog, Dr. John Fisk, Jeff Farbman, Micaela Fischer Date: May 11, 2016



follow. When we are bogged down on side projects or truck issues, we don't get the same results, and our customer base suffers. If a truck is necessary for your food hub, it is important to consider options that will take less people time so that your staff can focus on the necessary tasks of running a distribution business. From this perspective, leasing and hiring out trucking services will allow employees to focus more effectively on sales, customer service, grower management, and overall business growth.

Conclusion

Time and focus for you and your staff are some of your business's most crucial resources. The thinner your employees are spread, the less creativity, attention to detail, and overall performance you can get out of them. When you consider taking on trucks for distribution, take care to analyze the nonfinancial liabilities you would also be taking on: managing maintenance, drivers, licensing, and other issues. It is likely that after you consider those liabilities, third-party trucking or leasing will be a better bet than outright ownership.

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