



## Strategies to Control Rising Costs

*Simple steps can help reduce cost of production.*

Today's headline: Fuel surges to another record high and consumers are feeling the pinch. It's a common story seen and heard daily in the media as the cost of everyday products continues increasing to catch up with rising production costs.

The mulch industry is not exempt. In fact, your business is being affected on many fronts as the cost of transportation, processing, insurance, and inputs increases. The reduced availability of wood fiber is also making a significant impact.

"Raw product sourced from land-clearing operations has significantly reduced, due to the slowdown in housing starts," says Susan Krieg, strategic account manager for Colorbiotics. "This is forcing mulch processors to pay more for raw material or travel further to find available sources." Raw material sources are being impacted by the demand for wood fiber as a source of hog or boiler fuel to help offset the cost of producing electrical energy and ethanol. In the past, mulch producers would have traveled further to source raw materials — but given the significant increase in fuel costs, that's not an option today.

"Some mulch producers have been able to pass along a fuel surcharge for deliveries," says Krieg. "However, few producers can get a surcharge for the extra cost of fuel used in grinders and loaders to produce the product."

***Mulch operators are looking for ways to cut or better manage rising costs. Many are paying closer attention to efficiency and waste reduction. The following are strategies to help manage production costs:***

- Don't give product away. Pay more attention to accurately loading trucks for deliveries.
- One-pass grinding. Many producers are reducing costs by changing from a dual pass grinding operation to a single pass to make their final product. This requires the screens to be sized smaller. This reduces the output of the grinder, but allows an overall fuel savings per finished yard of mulch. Handling costs are also reduced as materials are handled once.
- Equipment calibration. Schedule a tech services audit and recalibrate your coloring system to ensure you're not using too much colorant to produce the desired end-product.
- Throttle sales. In light of scarce raw materials, many producers have raised prices to throttle sales of their product for the season. This will help ensure you are able to supply product all season to your loyal customers and will also increase your profit margin per yard of mulch sold.
- Inline equipment. Explore reorganizing your production process to look for inefficiencies and reduce potential handling costs.
- Go electric. When possible, look at upgrading to electrically powered equipment to help offset the high cost of fuel.
- Prepay for raw material. This will help lock in your raw material source and costs for the season.
- Inventory parts. Avoid next-day air charges for wear parts for grinders, colorant systems and conveyors by having parts on hand.
- Reduce overtime charges. Work to attain longer lead times from customers to avoid rush jobs and reduce labor costs.



- Increase sales price. Establish a higher price for your product with customers that require terms or are routinely late in paying.
- Offer a less expensive product. If your customer is not willing to pay for your higher-quality product, offer to provide a lower-quality product at their price point.
- Maximize freight costs. Conduct periodic checks of your coloring process to ensure you are utilizing as little water as possible. Lower water usage translates into less weight per yard and more yards or pallets per truckload.
- Implementing all of these strategies — or just a few — can help provide immediate and long-term cost savings to your business.