

West-Wide Conference

Sheridan, Wyoming

September 24 - 26, 2002

Exploring Agricultural Diversification Options

PROCEEDINGS

\$25.00

PROJECT PARTNERS:

- **Sonoran Institute**
- **University of Wyoming Cooperative Extension Service**
- **USDA Natural Resources Conservation Service**
- **Wyoming Business Council**
- **Wyoming Department of Agriculture**
- **Wyoming Rural Development Council**
- **Wyoming Small Business Development Center**

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Western Region Sustainable Agriculture Research and Education*

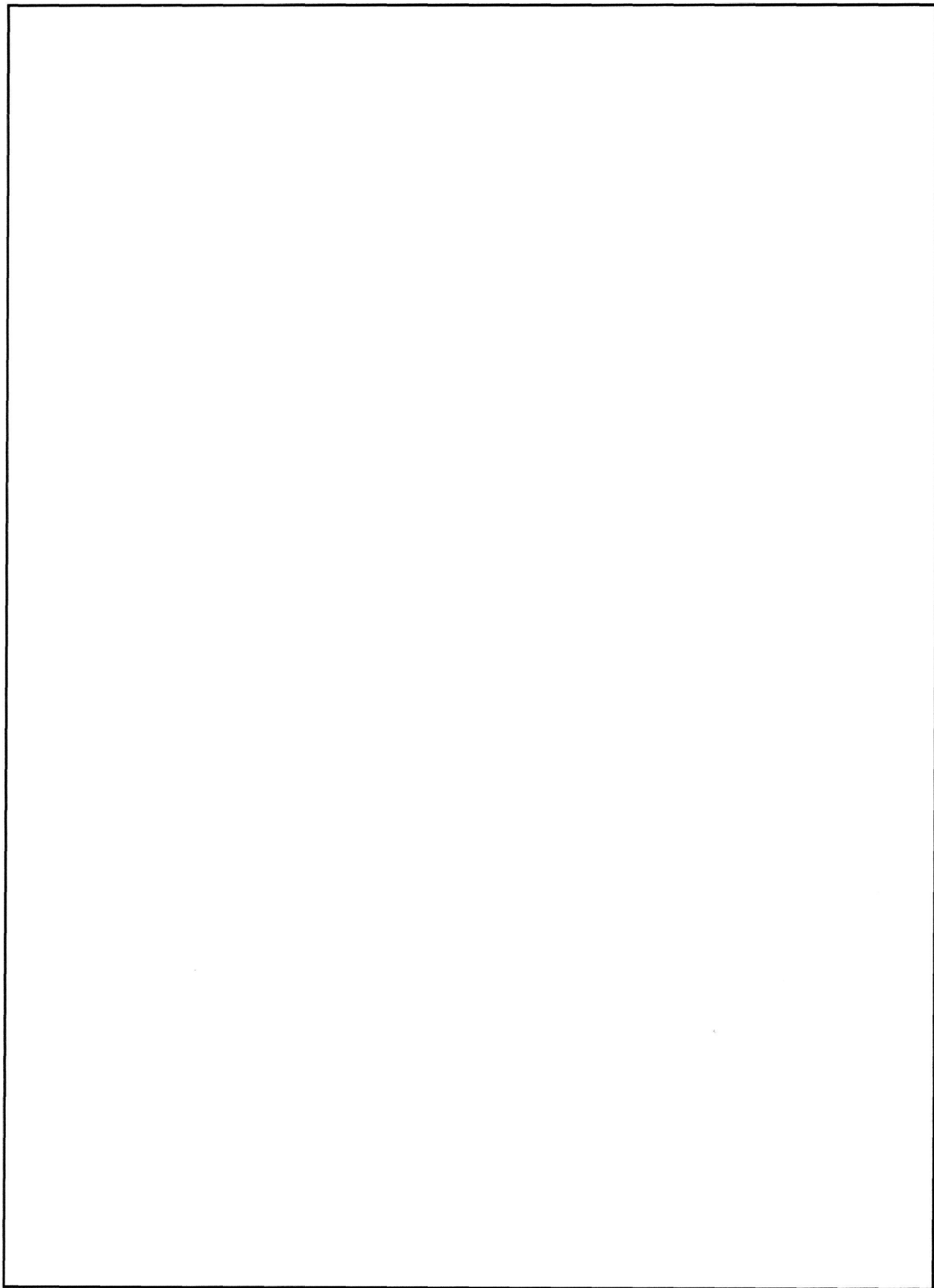


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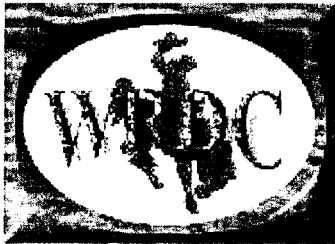
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Small Business
Special Committee on Aging

September 23, 2002

National Conference on Agricultural Diversity
Wyoming Business Council
214 West 15th Street
Cheyenne, Wyoming 82002

Dear Friends:

Welcome to Wyoming! I only wish I could join you for the opening of the National Conference on Agricultural Diversity. Although I can not be with you in Sheridan, I will be with you in spirit for what is certain to be an interesting and informative event. I know you will enjoy Sheridan, which is a beautiful place to be at this time of year.

We take agriculture very seriously in Wyoming. It is one of the pillars of my state's economy. That is why it is featured so prominently on our state seal. Here in Wyoming, we know full well that if we are to keep our agriculture industry strong and steady we must be constantly on the watch for ways to address the problems currently faced by Wyoming's producers - with an eye toward heading off the trouble that might be brewing on the horizon.

As a former small businessman myself, I understand the importance of taking care of your customers today and ensuring a market for your products tomorrow. That means keeping up with the latest changes on every level of your industry. That is why this conference is so important.

The Agricultural Diversity Conference will give you a chance to explore the dramatic changes in your industry and the use of diversification to address them. That will include agri-tourism, alternative crops, organic agriculture and niche marketing.

There will be a great deal of information shared at this conference and I know it will have a ripple effect throughout the industry. Diana joins in sending our best wishes to all of you for an enjoyable and productive Conference. This will be a good chance to make new friends and renew old friendships. Good luck!

Sincerely,


Michael B. Enzi
United States Senator
MBE:clo

Authors of Proceeding Summaries

Kirby Berger
Sara Campbell

Kirby Berger is a first year graduate student at the University of Wyoming. He received his bachelor's degree in Agricultural Business in 2002. He is planning to graduate with his master's degree in Agriculture Business in the spring of 2003. Kirby grew up on a family ranch in Saratoga, Wyoming. He enjoys hunting, fishing and many other outdoor activities. He is also very involved in rodeo. He was a member of the University of Wyoming rodeo club during his four years of undergraduate work. After graduation, his plans are still vague. Marketing, sales and management in the agriculture industry are all possible career choices.

Sara Campbell is a first year graduate student at the University of Wyoming in Agriculture Economics. She graduated in 2001 with a bachelor's degree from UW. She is the fourth generation to work on the family ranch in Northern Natrona County. She is a graduate from Kaycee High School. Sara hopes to continue her involvement in agriculture after graduation.

Americans with Disabilities Act

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OPENING DAY

September 24, 2002

Introductory Remarks

Ron Micheli

A major issue in rural communities today is that small towns are slowly dying. This is one of the main concerns of the conference. Recently, the school board in Albin, Wyoming voted on to close its school. This is not just a threat to rural Wyoming, but it is indicative of what is happening to small communities all around the country.

There are new challenges facing rural America and they need to be realized. Agricultural producers must find new and more productive ways of doing business. Diversification and changing some of the ways that operations are run are the two most essential strategies of dealing with the threat on Wyoming's and the nation's rural lifestyle.

This does not mean that tradition should be abandoned. If tradition is lost, then several other things are lost along with it. These include the loss of family values and traditions. Another is the loss of ties to the land. These are all things that are essential to American heritage. America needs these things, especially during recent events that the country has been going through. In order to keep tradition and values alive, current issues will have to be dealt with in a different way.

The issues surrounding public land in Wyoming are very apparent. Since 75 percent of livestock operations in the state have some public land incorporated into them, it is an issue that affects the majority. Livestock is an extremely important contributor to Wyoming agriculture. A new way of dealing with public land issues is needed to ensure the use of public land for agricultural purposes in years to come.

Food is no longer the fastest growing aspect of agriculture. Now recreation is. There are endless opportunities to producers who diversify into recreation and other enterprises. It is a known fact that consumers will pay more for organically grown food than the traditionally grown food that is available on the market. These opportunities must be realized and taken advantage of to sustain rural America as we know it.

There are also other opportunities that many people take for granted. Some people living in rural America do not realize the beautiful place they have in which to live and work. Sometimes they are too overcome with their problems and obstacles to see the true pleasures of their lifestyle. By getting above these problems, the positive reasons for living in rural America can be seen.

Summary provided by Kirby Berger.

Biography

Ron is a fourth generation rancher from Ft. Bridger, Wyoming, where he has ranched for 24 years. He was appointed Director of Agriculture by Governor Jim Geringer on February 1, 1995. He received his Bachelor of Science degree from the University of Wyoming College of Agriculture. Mr. Micheli served 16 years in Wyoming's House of

Representatives, and held numerous leadership positions. In 1991, Mr. Micheli was honored as the “Outstanding Agriculturalist” in Wyoming by the University of Wyoming’s Ag Honoraria, Gamma Sigma Delta. He and his wife, Patty, have eight children.

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Overview of Agricultural Enterprise Diversification

Dr. Larry Butler
Dr. Ed Mahoney

Dr. Butler presented a wheel describing the types of farm and ranch revenue diversification enterprises. The different types are: value-added to existing products, nontraditional crops, new marketing and distribution, farm and ranch recreation and tourism, adaptive re-use of existing buildings, rent the farm or ranch out for the weekend, contracting out services, and expertise, consulting and education. Dr. Butler describes an agripreneur as a person who organizes, operates, and assumes the risk for diversification of an established or new enterprise (farm, ranch, processing, retail, and restaurant) associated with or derived from the growth, processing or value-added function of an agriculture or ranching product, service or experience.

The reasons to start a farm/ranch revenue diversification enterprise include: more efficient use of resources, use and development of expertise, family involvement, reduce the one-product risk- weather, markets, competition; different income and cash flows, cross-marketing of farm/ranch products, new market development, new farmers and ranchers, encouragement and support of stewardship.

Dr. Butler stressed that you can always start small. Begin as a supplement to your agriculture business, eventually you can convert to a larger scale if you like the business. There is a high profit potential if you start big, but there is also a high initial investment. Make sure you complete a business plan.

Dr. Ed Mahoney summarized the speech and began with some conclusions about farm/ranch diversification. Dr. Mahoney researches these topics at Michigan State University. These conclusions are: We know it is working, but we don't know scientifically; support from government, universities, farm/ranch organizations is minimal and insufficient; it takes a unique combination of farm/ranch skills and entrepreneurial skills; many diversified enterprises are still supply-oriented, not enough are market centered; it is not about lower prices, it is about value; successful operators say that it is as much about lifestyle as it is financial; the markets are growing toward more diversified ranches and farms; and finally, it requires a significant paradigm shift. This paradigm shift is described as: from wholesale marketing to direct marketing, from price-takers to price-makers, from more efficient production to a greater concern for return on investment, from market vulnerability to market creation, from dependency to entrepreneurship, from plowing straight lines to working between the rows.

Some barriers to increasing ranch and farm diversification are: awareness, perceived risk, market focus and foundation, small business (start-up) assistance, knowledge and perception of bankers, research support, support of agriculture agencies and organizations, and regulatory barriers.

Value added ranch and farm diversification needs: to have revenues greater than costs, fill a real customer need, farm and ranch income, community development, sustainable

ranches and farms, educate the public, stewardship of resources, and quality of life to the farmers, customers and the community.

Diversification occurs on three axes. Horizontal integration is the new agriculture and ranch enterprises. Vertical integration is adding value to an existing product. The third area of diversification includes the type and extent of marketing. The successful entrepreneurs show a combination of all three areas.

The feasibility of a ranch and farm diversification enterprise involves the following: marketing feasibility, financial feasibility, technical feasibility, personal and family feasibility, regulatory feasibility and compatibility with the farm or ranch.

Dr. Mahoney is currently launching a national study on diversification programs. He will try to identify if they are making money through annual surveys, customer panels and special issue studies. He stresses that no single model is right for everyone. You just need a successful business plan.

Summary provided by Sara Campbell.

Biography

Dr. Butler is the Director of the USDA Grazing Lands Technology Institute headquartered in Fort Worth, Texas. He has more than 28 years experience in helping ranchers and farmers with conservation and diverse business enterprises. He is responsible for developing and transferring grazing lands technology to the Natural Resources Conservation Service nationwide. Previous positions include: Regional Rangeland Specialist for 13 western states; Rangeland Economist; Wildlife Biologist; Field Office District Conservationist. Dr. Butler's outside interests include owning and operating the Rafter B Christmas Tree Farm. He is an "after-dinner speaker" and cowboy poet.

Dr. Ed Mahoney is a Professor and Extension Specialist at Michigan State University. Mahoney was recently awarded the 2001 Mayor's Cup for the Michigan Boating Industries Association for outstanding contribution to the recreational boating industry. Mahoney's research over the past 15 years has been directed toward registered boat demographics, boater use patterns and marine industry economic impact studies. Other interests include value-added aquaculture and rural tourism.

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Incorporating Agri-education and Agri-tainment into your Farming Operation

Darren Schmall

Ten years ago Darren Schmall came up with an idea to help educate children about agriculture. The Pizza Farm is the result of this effort. A circular piece of farmland was divided up into slices. Each slice represents an ingredient in pizza: wheat, tomatoes, garlic, mushrooms, olives, garlic, dairy cows for cheese, and pigs for pepperoni.

Schoolchildren, tourists and the public come and visit the pizza farm to learn about agriculture. The kids get to feed and pet animals, plant seeds, look at drip irrigation, and play in the dirt. At the end of the tour they are fed pizza, sponsored by Pizza Hut. The pizza farm is less than one-half acre in size, but they tour 25-30,000 children per year. A large-scale operation is not needed to generate income.

There are other activities the farm provides: wagon rides; a pumpkin patch in the fall; a corn maze in conjunction with Fresno State University; a country store providing refreshments, snacks and souvenirs; birthday parties; fundraising functions; and family reunions.

The farm always tries to include the media. They send their own press releases to the local paper. Their activities benefit the community and media attention is good, free advertising. Politicians also love to come out and be seen with kids and animals. Media usually follows politicians, so this is another source of free advertising. They try to be in the paper at least once per month.

Mr. Schmall also attends trade shows and enters contests to let people know about their operation. They have won national awards for their new ideas.

Mr. Schmall advises all agriculture people to take a good look at what their operation could provide. Many agriculturists do not realize how interesting their lifestyle is to other people. These people are willing to pay to come out and see how you work, to hear your family stories, and try their hand at the agriculture life. Not everyone can do the same thing, but nearly every place has a unique resource that they could find a way to make a profit. Offer or build something the public will come and pay to do, find out what the market is interested in.

A representation of what you do is adequate. A small-scale version can be just as interesting. Make sure parking lots are big enough. Always think about liability. The Pizza Farm is located away from Mr. Schmall's family farm. Visitors are not around the tractors and combines, fuel, etc.

Agriculture is a theme park already, we don't have to worry about expensive building costs; we already have it on our operations. The Pizza Farm is a great example of diversification for an agriculture operation.

Summary provided by Sara Campbell.

Biography

Darren is from Madera, California, where he developed a circular “pizza farm,” or farm divided into “slices” where each ingredient of pizza is grown on the operation. His passion for agriculture comes from his out-of-the-box approach to increasing farm profits. Schmall’s pizza farm was originally opened as a community service project, with the main focus on education of children about the importance of agriculture and how everyone is affected by the production of goods. He has spoken about agri-tainment, agri-education, and agri-tourism to many businesses, conventions, chambers and service clubs over the last 10 years.

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Legal Considerations in Establishing a Diversified Operation

Dr. Alan Schroeder

“Everything should be made as simple as possible, but no simpler.” Anonymous

Background

“There is no use trying,” said Alice; “one can’t believe impossible things.”

“I dare say you haven’t had much practice,” said the Queen. “When I was your age, I always did it for half an hour a day. Why, sometimes I’ve believed as many as six impossible things before breakfast.” Lewis Carroll

Brainstorming #1:

What type(s) of alternative agricultural enterprise are you considering?

Debriefing: As this conference illustrates, establishing any business requires:

- A dream.
- A clear set of goals.
- An assessment (does it make sense?).
- An implementation plan.
- A plan for monitoring and adjustments.
- A transformation (succession) plan.

As part of this process, an understanding of the “law” is necessary to:

- Assess a new enterprise’s feasibility.
- Implement the plan (i.e., meet legal requirements, minimize legal exposures, provide for orderly management).
- Transform the business.

Brainstorming #2:

What are the key legal issues for your alternative agricultural enterprise?

Debriefing Brainstorming #2:

Legal liability

- Tort (“A violation of a duty imposed by general law or otherwise upon all persons...” Black’s Law Dictionary, 1489 (6th ed. 1990)). A duty of care owed to others (clients, nonclients, employees, etc.)
- Contractual
 - Rights and duties to customers (e.g., performance, warranties).
 - Rights and duties regarding suppliers (e.g., inputs, services, etc.).
 - Rights and duties regarding property (e.g., do the lease, covenants in your deed, etc. allow you to engage in this activity?).

Permitting and Regulation:

(Richard D. Gibson, "Legal Structure Rules & Regulations for Direct Marketing Enterprises," Direct Farm Marketing and Tourism Handbook (University of Arizona Cooperative Extension Service, 1995).

Does your operation satisfy:

- Local laws (e.g., zoning, health, licensing)?
- State laws (e.g., weights & measures, organic labeling, environmental, state highway department, state revenue department, employment, food safety, other licensing)?
- National laws (e.g., environmental, employment, food safety, perishable agricultural commodities, IRS, patenting)?

How should you deal with inspectors?

Taxation:

- Sales.
- Property.
- Employment.
- Income.
- Other.

Other:

- Organizational (e.g., choice of business forms, management, property "owned" by the business).
- Financial (e.g., methods of obtaining financing for the new enterprise).

Objectives of this Presentation

Focus on legal liability (tort) exposures of alternative agricultural enterprises.

- Adopt a "risk management" approach.
- Identify exposures.
- Brainstorm risk management tools that can be applied to lessen or transfer these exposures.
- Describe potential members of a risk management team.

Provide several check-lists covering:

- Degree of care required of ranch recreation providers, based upon types of services provided and entrants' status.
- Several risk management tactics to minimize liability.
- Implementation of a risk management plan.

But what about the other legal issues we identified?

- Several are discussed in other sessions:
 - Permitting and Regulations.

- Insurance.
- The risk management team should be able to address many of the other issues identified earlier.

What is a Risk Management Approach?

Some beginning definitions:

“Risk”

1: possibility of loss or injury: PERIL 2: a dangerous element or factor 3 a: the chance of loss or the perils to the subject matter of an insurance contract; also: the degree of probability of such loss b: a person or thing that is a specified hazard to an insurer... c: an insurance hazard from a specified cause or source...

Webster’s Ninth New Collegiate Dictionary, 1018 (1984).

“Risk management” is:

- Planning for the negative consequences of any decision, process, or action.
- Identification, measurement, and treatment of property, liability, and personal pure-risk [risks not intentionally caused] exposures.

Risk management is a seven step process.

- Step 1: Establishing risk goals for the enterprise.
- Step 2: Identification.
- Step 3: Measurement.
- Step 4: Exploring alternative risk management tools.
- Step 5: Implementation.
- Step 6: Monitoring, evaluation, and updating.
- Step 7: Taking responsibility.

Implementing a Risk Management Approach

- Legal liability risks are only one type of risk a new enterprise faces. Others include:
 - Financial risk.
 - Personnel risk.
 - Other?

What are your preferences towards risk?

- What risks are you willing to take on?
- What risks are you not willing to accept?
- How might your family (your employees) answer these same questions?
- What do these answers tell you?

Several Rules-of-Thumb. Focus on legal risks that:

- Will close your business down.

- Are significant (where probability of harm is high and/or damages are potentially large).
- Generate bad publicity (e.g., who might be harmed; nature of the harm).
- Can be easily corrected.

Step 2: Identification.

- Illustration: Ranch Recreation Enterprises (Table 1).
 - Nature of the business.
 - Free access; no services.
 - Free access; paid services.
 - Fee access; no services.
 - Fee access; paid services.
- What services are provided?
 - None.
 - Maps.
 - Transportation.
 - Housing.
 - Meals.
 - Outfitting.
 - Other.
- Potential legal liability exposures: (Examples)
 - Contractual (e.g., does your outfitting contract guarantee an animal; does your ranch recreation agreement promise a “gentle” horse)?
 - Tort (e.g., what is your liability for injuries suffered by entrants to your property)?
 - Regulatory (e.g., are you required to obtain an outfitting permit if your guests take your horses on federal lands; have you obtained the proper permits for services provided by your ranch recreation business)?
 - Summary of Tort Liability: Table 1.
- Legal Liability and Direct Marketing:

A consumer may believe that pesticide residue on fruits or vegetables made him sick. A U-pick customer or delivery person may break a leg on your property and believe it's your fault. An employee may be injured on the job or your dog might bite a neighbor. Or, while driving your truck to town, your employee may hit a pedestrian.

From “How Growers Can Reduce Liability Risk,” Direct Farm Marketing and Tourism Handbook, 13 (University of Arizona Cooperative Extension, 1995) (inside quotation marks removed).

- Legal liability and food processing:
 - Regulatory (e.g., does the implementation plan satisfy health, environmental, employment, other requirements)?

- Contractual (e.g., do the services/goods satisfy performance, warranty requirements)?
- Tort (e.g., negligence, violation of statutory duties)?

Step 3: Measurement.

- Selected sources of information.
 - Industry publications.
 - Insurance companies.
 - Information from an existing business.
 - Health records.
 - Production records.
 - Financial records.
 - Legal records.
 - Insurance records.
- Brainstorming #3: Managing by walking about.
 - Have you/family member worked at a similar enterprise?
 - If we were to walk around a similar enterprise and talk to its employees, what would we learn about the present and future risks (probability/impact) faced by the business?

Step 4: Exploring alternative legal risk management strategies.

- Potential Strategies (Table 2):
 - Avoidance: Used for high-valued risks.
 - Assumption: Used for frequent, low-valued risks.
 - Prevention: Lessening the probability of injury.
 - Reduction: Lessening the severity of any injury that may result.
 - Transfer: Using insurance, disclaimers, or other document to pass the risk of loss to other.
- Examples of Legal Risk Transfer: Releases.
 - Illustration, Street v. Darwin Ranch, Inc., 75 F.Supp. 2d 1296, 1298 fn. 4 (D. Wyo. 1999):

I, for myself, my heirs, successors, executors and subrogors, hereby KNOWINGLY AND INTENTIONALLY WAIVE AND RELEASE, INDEMNIFY AND HOLD HARMLESS DARWIN RANCH, INC., its owners, agents and employees, from and against any and all claims, actions, causes of action, liabilities, suits, expenses (including reasonable attorney's fees) and NEGLIGENCE of any kind or nature, whether foreseen or unforeseen, arising directly or indirectly out of any damage, loss, injury, paralysis, or death to me or my property as a result of my participation in the recreational activities on a ranch and in a wilderness environment in mountainous terrain, whether such damage, loss, injury, paralysis or death results from NEGLIGENCE of Darwin Ranch, Inc., or

its owners, agents, or employees, or from some other cause. I AGREE that neither I, or anyone acting on my behalf, will make a claim against, sue or otherwise maintain action of any kind against Darwin Ranch, Inc. as a result of any injury, paralysis or death to me.

- Releases (waivers) are enforceable but are not favored and are often strictly scrutinized by courts. Check with your attorney to determine how releases are treated in your state.
- The Wyoming Supreme Court has said recreational releases are enforceable unless contrary to “public policy” Schutkowski v. Carey, 725 P.2d (Wyo. 1986).
- Factors considered:
 - Does a public duty exist?
 - Nature of service performed?
 - Whether contract was fairly entered into?
 - Whether intent was clear and unambiguous?
- Other factors examined:
 - Was gross negligence involved?
 - Was it part of the contract?
- Other cases:
 - Release signed by horse rider valid in claim alleging negligence by dude ranch. Street v. Darwin Ranch, Inc., 75 F.Supp. 2nd 1296 (D. Wyo. 1999).
 - Indemnification provision in release (agreement of guest to cover any damages owed to another family member by river trips company) held void as against public policy. Madsen v. Wyoming River Trips, Inc., 31 F.Supp. 1321 (D.Wyo. 1999).
 - Ski waiver and indemnification provision, signed by minor’s parent, held void as against public policy. Cooper v. Aspen Skiing Company, ___ P.3d ___, 2002 WL 1358723 (Colo. Sup. Ct. 2002).
- Hypothetical: A ranch recreation enterprise includes in all its brochures a "waiver of liability" statement. It does not, however, require guests to sign this form. Would this statement be effective if an injured guest sued because:
 - Food served was tainted with e coli?
 - Trail boss gets into fight with guest and strikes her?
 - Horse supplied by the ranch throws guest?
- Risk avoidance and State Statutory Provisions.
 - Table 3: selected statutory provisions modifying legal liability exposures for alternative agricultural enterprises.

- For example, Wyoming's Recreational Use Statute, Wyo. Stat. 34-19-101 to 106, provides:
 - Limits landowner's liability (34-19-103)
 - (a) Except as specifically recognized by or provided in W.S. 34-19-105, an owner of land who either directly or indirectly invites or permits without charge any person to use the land for recreational purposes or a lessee of state lands does not thereby:**
 - (i) Extend any assurance that the premises are safe for any purpose;
 - (ii) Confer upon the person using the land the legal status of an invitee or licensee to whom a duty of care is owed;
 - (iii) Assume responsibility for or incur liability for any injury to person or property caused by an act of omission of the person using the land.

- But this statute has no effect on liability (34-19-105)
 - (i) For willful or malicious failure to guard or warn against a dangerous condition, use, structure, or activity:**
 - (ii) For injury suffered in any case where the owner of land charges the persons who enter or go on the land for recreational purposes, except that in the case of land leased to the state or a subdivision of this state, any consideration received by the owner for the lease shall not be deemed a charge within the meaning of this section.**

- Similarly, Wyoming's Recreational Safety Statute, Wyo. Stat 1-1-121 to 123, establishes
 - Specific immunity for recreational providers: (1-1-123, Assumption of risk):
 - (a) Any person who takes part in any sport or recreational opportunity assumes the inherent risks in that sport or recreational opportunity, whether those risks are known or unknown, and is legally responsible for any and all damage, injury or death to himself or other persons or property that results from the inherent risks in that sport or recreational opportunity.**
 - (b) A provider of any sport or recreational opportunity is not required to eliminate, alter or control the inherent risks within the particular sport or recreational opportunity.**
 - (c) Actions based upon negligence of the provider wherein the damage, injury or death is not the result of an inherent risk of the sport or recreational opportunity shall be preserved pursuant to W.S. 1-1-109.**

- Is the activity protected by this statute-selected definitions:
 - (i) "Inherent risk" with regard to any ... recreational opportunity means those dangers or conditions which are characteristic of, intrinsic to, or an integral part of any sport or recreational opportunity;

- (ii) "Provider" means any person or governmental entity which for profit or otherwise, offers or conducts ... recreational opportunity. This act does not apply to a cause of action based upon the design or manufacture of sport or recreational equipment or products or safety equipment used incidental to or required by the sport or recreational opportunity;
- (iii) "Sport or recreational opportunity" means commonly understood sporting activities including ...swimming,... dude ranching, nordic or alpine skiing, mountain climbing, river floating, hunting, fishing, backcountry trips, horseback riding and any other equine activity, snowmobiling and similar recreational opportunities;
- (iv) "Equine activity" means:
 - (A) Equine shows, fairs, competitions, performances or parades that involve any or all breeds of equines;
 - (B) Any of the equine disciplines;
 - (C) Equine training or teaching activities, or both;
 - (D) Boarding equines;
 - (E) Riding, inspecting or evaluating an equine belonging to another, whether or not the owner has received some monetary consideration or other thing of value for the use of the equine or is permitting a prospective purchaser of the equine to ride, inspect or evaluate the equine;
 - (F) Rides, trips, hunts or other equine activities of any type however informal or impromptu;
 - (G) Day use rental riding, riding associated with a dude ranch or riding associated with outfitted pack trips; and
 - (H) Placing or replacing horseshoes on an equine.

- Did the injury result from an activity's "inherent risk" (court cases)?
 - This act bars recovery for "inherent risks" only, not for all risks. Walters v. Grand Teton Crest Outfitters, Inc., 804 F. Supp. 1442 (D. Wyo. 1992).
 - Operator failed to produce any evidence that bumping heads with another passenger is an inherent risk in river rafting. Madsen v. Wyoming River Trips, Inc., 31 F. Supp. 2d 1321 (D. Wyo. 1999).
 - Whether the risk of being thrown was an inherent risk of riding a mule, in light of proffered evidence that the mule in question was likely to throw a rider, is a question of fact. Walters v. Grand Teton Crest Outfitters, Inc., 804 F. Supp. 1442 (D. Wyo. 1992).
 - Wyoming Recreation Safety Act does not establish public policy creating a public duty for equine providers. Street v. Darwin Ranch, Inc., 75 F. Supp. 2d 1296 (D. Wyo. 1999).
- Risk Transfer and Insurance. ("Examining Insurance Needs is Essential to Marketing," in Direct Farm Marketing and Tourism Handbook (University of Arizona Cooperative Extension, 1995)).
- Types of Insurance.
 - Product liability insurance.

- Premise liability insurance.
- Employer's liability insurance (workers' compensation).
- Physical damage (property) insurance.
- Key questions.
 - Does your current insurance cover:
 - This activity?
 - This person?
 - This property?
 - These damages (e.g., deductibles, intentional acts)?
 - Where can you obtain insurance for this alternative agricultural enterprise?

Steps 5-7: Implementing, Monitoring & Taking Responsibility.

- First, determine whether you and your family are interested in managing the risks faced by your family business.
 - Personal commitment?
 - Time commitment?
- Second, establish your risk management team:
 - Yourself.
 - Your family.
 - Your attorney.
 - Your insurance agent.
 - Your financial advisor.
 - Others?
- Third, carry-out and monitor your risk management plan (Table 4).
 - Assign responsibility.
 - Establish deadlines.
 - Keep records.
 - Evaluate.
- Fourth, make sure your solution doesn't create new problems.
 - Do you know what you are doing: "Out of the frying pan and into the fire."
 - KISS: Don't use a bazooka to kill a fly.
 - Don't accept a solution you can't abide: "How can cattle drive or only steers?"
 - Don't accept a solution your family can't abide: "It's hard being an eagle when you are surrounded by turkeys."

References Cited

- "Examining Insurance Needs is Essential to Marketing," in Direct Farm Marketing and Tourism Handbook (University of Arizona Cooperative Extension Service, 1995).

- Gibson, Richard D., “Legal Structure Rules & Regulations for Direct Marketing Enterprises,” in Id.
- “How Growers Can Reduce Liability Risk,” in Id.
- Schroeder, Alan & Rich Olson, “Minimizing Agricultural Landholder Liability from Recreational Use of Private Lands” (B1114, University of Wyoming, College of Agriculture, Cooperative Extension, July 2002).

Table 1: Care Required of Ranch Recreation Providers, Based Upon Types of Service Provided and Entrants' Status.

Error! Reference source not found.Nature of Service	Unapproved Access Only	Approved Access Only	Approved Access Plus Meals and Housing	Approved Access Plus Rental of Personal Property
Type of Access	Trespasser	Licensee or Business Invitee	Business Invitee	Licensee or Business Invitee
Standard of Care	May not willfully or wantonly harm. Special duties if trespasser is a child who is attracted to a dangerous artificial condition on the land.	Reasonable care. Special duties may be created if the landholder specifically warrants the safety of the land.	Reasonable care. Compliance with health and safety regulations. Special duties may be created as a result of contractual or common law duties owed guests by innkeepers.	Reasonable care in the maintenance, selection, or instructions given regarding personal property rented. Special duties may be created if provider expressly or impliedly warrants (promises) to the guests that the personal property rented is safe or fit for the particular purpose it is to be used.
Examples of Liability Exposures	Spring gun, placed in vacant building, injured a trespasser. Trespassing child injured when climbs on a poorly arranged hay stack.	Permitting camping (without warning) in an area which the landholder knows is subject to flash flooding.	Guest becomes sick after drinking unpasteurized milk or due to failure to properly vent cabin heater. Guest's room is broken into and jewelry stolen.	Rental of a horse with a known tendency to bite.
Additional Comments	Trespassers are also obligated to exercise reasonable care. Landholders are not liable to trespassing children for injuries caused by natural conditions.	Entrants are obligated to exercise reasonable care. Landholders are not liable to entrants for injuries caused by apparent hazards.	Guest are obligated to exercise reasonable care. Innkeeper liability for stolen property is subject to statutory exemption.	Borrower is obligated to exercise reasonable care in using rented personal property.

Source: Schroeder, Alan & Rich Olson, "Minimizing Agricultural Landholder Liability from Recreational Use of Private Lands" (B1114, University of Wyoming, College of Agriculture, Cooperative Extension, July 2002).

Table 2: Illustration of Several Risk Management Tactics to Minimize Liability.

Activity	Type of Technique	Person(s) Involved	Effect on Liability Exposure	Activity/Possible Use by Reader or Customer
--Lock Buildings. --Gates on Private Roads.	Avoidance	Employer/Employee(s)	Eliminate liability exposure by eliminating access. May not be effective if exceptions are made so that a pattern of admittance is shown or proof that landholder knew of trespassers prior to engaging in hazardous activity.	
--Inspection Program. --Employee Screening Program. -- Maintenance Program. --Use Checklists to Warn Guests of Dangers and Instruct Them on Proper Equipment and Its Use. --Maintain Records on Accidents Identifying Causes, Responses, and Measures Undertaken.	Reduce the Probability of Injury.	Employer/Employee(s) Use of Safety Specialist	Reduce/eliminate liability exposure by lessening likelihood that injury will occur. Well documented screening, maintenance, and training program can evidence that business has exercised due care. BE CAUTIOUS. Record of recurring but not corrected problems would evidence failure to exercise due care.	
--First Aid Training and Equipment.	Reduce Amount of Possible Claim.	Employer/Employee(s) Use of Safety Specialist	Reduce liability exposure by lessening the size of claim that would occur if an accident takes place.	
--Purchase of Insurance.	Transfer.	Landholder/Insurance Company	Transfer risk to Insurance Company Insured may also take advantage of additional services provided by Insurance Company including safety inspections. May be ineffective if not all necessary lands, employees, or activities are covered.	
--Releases or Accident Waivers.	Transfer.	Landholder/Entrants/ Attorney	Transfer risk of loss to entrant. Releases may be ineffective if improperly drawn, if they attempt to waive statutory duties or intentional or grossly negligent acts, or if entrant did not clearly intent to waive this particular risk.	
--Adopt Business Form (e.g., cor-	Transfer.	Landholder/Attorney	Transfer of liability to separate legal entity. Transfer proves only limited protection to landholders if all of their assets are given to the legal entity, if	

poration, limited liability company) that limits owner's liability to value of contribution to the business.			landholders retain liability for injuries caused by the land they control, or the landholder--acting as an employee of the entity--causes the injury.	
--"Lease" Recreational Rights to Outfitter(s) or Guide(s).	Transfer	Landholder/Out-fitter/ Attorney	Transfer liability risk for negligence in provision of services to outfitter(s)/guide(s). Landholder retains liability for actionable injuries on lands under his/her control.	

Source: Id.

Table 3: Selected State Statutes Limiting the Liability of Alternative Agricultural Enterprises

Activity/Region	New England & Middle Atlantic	South Atlantic	South Central	North Central	Mountain	West
State Recreational Use Statutes (Appendix 1)	Me. Rev. Stat. Ann. tit.14, § 159-A (West 1997) Mass. Gen. Laws Ann. ch. 21 § 17C (West 1994) N.H. Rev. Stat. Ann. § 212.34 (1989) N.J. Stat. Ann. §§ 2A:42A-2 et seq. (West 1987 & Supp. 1998) N.Y. Gen. Oblig. Law § 9-103 Pa. Stat. Ann. tit. 68 § 477-1 et seq. (West 1994)) R.I. Gen. Laws §§ 32-6-1 et seq. (1994 & Supp. 1997 Vt. Stat. Ann. tit. 12 § 5791, 5795 (Supp. 1998)	Ala. Code §§ 35-15-20 et seq. (1991) Conn. Gen. Stat. Ann. §§ 52-557f et seq. (West 1991) Del. Code Ann. Tit. 7 §§ 5901 et seq. (1991) Fla. Stat. Ann. § 375.251 (Harrison 1988 & Supp. 1997) Ga. Code Ann. § 27-3-1 (1984); §§ 51-3-1 et seq. (1982) Ky. Rev. Stat. Ann. §§ 150.645, 411.190 (Banks-Baldwin 1994); 1998 Ky. H.B. 717 Md. Code Ann., Nat. Res. §§ 5-1101 et seq. (1997) Miss. Code Ann. §§ 89-2-1 et seq. (1991) N.C. Gen. Stat. §§ 38A-1 et seq. (1997) S.C. Code Ann. §§ 27-3-10 et seq. (Law. Co-op 1991) Va. Code Ann. § 29.1-509 (Michie 1997) W. Va. Code §§ 19-25-1 et seq. (1997)	Ark. Stat. Ann. §§ 18-11-301 et seq. (Michie 1987 & Supp. 1997) La. Rev. Stat. Ann. §§ 9:2791, 9:2795 (West 1997) Okla. Stat. Ann. tit. 2 § 1301 et seq. (West 1993), tit. 76, §§ 5, 11 (West 1995) Tenn. Code Ann. §§ 70-7-101 et seq. (1995) Tex. Civ. Prac. & Rem. Code Ann. §§ 75.001 et seq. (West 1997 & Supp. 1998)	Ill. Comp. Stat. Ann. 65/1 et seq. (West 1993) Ind. Code Ann. §§ 14-22-10-2 et seq. (Michie 1995 & Supp. 1998) Iowa Code Ann. §§ 461C.1 et seq. (West 1997) Kans. Stat. Ann. §§ 58-3201 et seq. (1994 & Supp. 1996) Mich. Comp. Laws Ann. § 324.73301 (West Supp. 1998) Minn. Stat. Ann. §§ 604A.20 et seq. (West Supp. 1998) Mo. Ann. Stat. §§ 537.345 et seq. (West 1988) Neb. Rev. Stat. §§ 37-729 et seq. (1998) N.D. Cent. Code §§ 53-08-01 et seq. (1989 & Supp. 1997) Ohio Rev. Code Ann. §§ 1533.18 et seq. (Banks-Baldwin 1996) S.D. Codified Laws Ann. §§20-9-12 et seq. (1995) Wis. Stat. Ann. §§ 895.52, 895.525 (West 1997), 1997 Wis. Act 242	Ariz. Rev. Stat. Ann. § 33-1551 (West Supp. 1997), 1998 Ariz. Sess. Laws 22 Colo. Rev. Stat. Ann. §§ 33-41-101 et seq. (West 1998) Idaho Code § 36-1604 (1994) Mont. Code Ann. §§ 70-16-301 et seq. (1997) Nev. Rev. Stat. § 41.510 (1997) N.M. Stat. Ann. § 17-4-7 (Michie 1995) Utah Code Ann. §§ 57-14-1 et seq. (Supp. 1998) Wyo. Stat. §§ 34-19-101 et seq. (Michie 1997)	Alaska Stat § 09.65.200 (1996) Cal. Civ. Code §§ 846, 846.1 (West Supp. 1998) Haw. Rev. Stat. §§ 520-1 et seq. (Michie 1993 & Supp. 1997) Or. Rev. Stat. §§ 105.670 et seq. (1990 & Supp. 1996) Wash. Rev. Code Ann. §§ 4.24.200 et seq. (West 1988 & Supp. 1998)

<p>State Equine Liability Statutes (Appendix 2)</p>	<p>Conn. Gen. Stat. Ann. § 52-557p (West Supp. 1998) Del. Code Ann. tit., 10, §§ 8140 (Supp. 1996) Me. Rev. Stat. Ann. tit. 7, §§ 4101 et seq. (West Supp. 1997) Mass. Gen. Laws Ann. ch. 128, § 2D (Supp. 1998) 1998 N.H. Laws 24, 1998 N.H. H.B. 793 N.J. Stat. Ann. §§ 5:15-1 et seq. (West Supp. 1998) R.I. Gen. Law §§ 4-21-1 et seq. (Supp. 1997) Vt. Stat. Ann. tit. 12, § 1039 (Supp. 1998)</p>	<p>Ala. Code § 6-5-337 (1993) Fla. Stat. Ann. §§ 773.01 et seq. (Harrison 1994 & Supp. 1997) Ga. Code Ann. §§ 4-12-1 et seq. (1995) Miss. Code Ann. §§ 95-11-1 et seq. (1994) N.C. Gen. Stat. §§ 99E-1 et seq. (1997) S.C. Code Ann. §§ 47-9-710 (Law. Co-op Supp. 1997) Va. Code Ann. §§ 3-1-796.130 et seq. (Michie 1994) W. Va. Code §§ 20-4-1 et seq. (1996)</p>	<p>Ark. Code Ann. §§ 16-120-201 et seq. (Michie Supp. 1997) La. Rev. Stat. Ann. § 9:2795 (West 1997) Tenn. Code Ann. §§ 44-20-101 et seq. (1993) Tex. Civ. Prac. & Rem. Code Ann. §§ 87.001 et seq. (West 1997)-</p>	<p>Ill. Comp. Stat. Ann. 47/1 et seq. (West Supp. 1998) Ind. Code Ann. §§ 34-6-240 et seq., 34-6-2-69, 34-6-2-95, 34-31-5-1 et seq. (Michie 1998) Iowa Code Ann. §§ 673.1 et seq. (West 1998) Kan. Stat. Ann §§ 60-4001 et seq. (1994) Mich Comp. Laws §§ 691.1661 et seq. (West Supp. 1998) Minn. Stat. Ann. § 604A.12 (West Supp. 1998) Mo. Ann. Stat. § 537.325 (West Supp. 1998) Neb. Rev. Stat. § 25-21,249 et seq. (Supp. 1997) N.D. Cent. Code §§ 53-10-01 et seq. (Supp. 1997) Ohio Rev. Code Ann. § 2305.321 (Banks-Baldwin Supp. 1998) S.D. Codified Laws Ann. §§ 42-11-1 (Michie Supp. 1998) Wis. Stat. Ann. § 895.481 (West 1997)</p>	<p>Ariz. Rev. Stat. § 12-553 (1998), 1998 Ariz. Sess. Laws 193 Colo Rev. Stat. Ann. § 13-21-119 (West 1997) Idaho Code §§ 6-1801 (1998) Mont. Code Ann. §§ 27-1-725 et seq. (1997) N.M. Stat. Ann. §§ 42-13-1 et seq. (1998) Utah Code Ann. §§ 78-27b-101 et seq. (1996) Wyo. Stat. §§ 1-1-21 et. Seq. (Michie 1997)</p>	<p>Haw. Rev. Stat. Ann. §§ 66B-1 et seq. (Michie 1995) Or. Rev. Code §§ 30.687 et seq. (Supp. 1997) Wash. Rev. Code Ann. §§4.24.530 et seq. (West Supp. 1998)</p>
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<p>Pick-Your-Own Statutes (Appendix 3)</p>	<p>Mass. Gen. Laws Ann. ch. 128 § 2E (Supp. 1998) N.H. Rev. Stat. Ann. § 508:14 (1997) N.J. Stat. Ann. § 10 (West Supp. 1998) Pa. Cons. Stat. Ann. tit. 42, § 8339 (West Supp. 1998)</p>		<p>Ark. Stat. Ann. §§ 18-60-107 (Michie Supp. 1997)</p>	<p>Mich. Comp. Laws Ann. § 324.73301(4) (West Supp. 1998) Ohio Rev. Code Ann. § 901.52 (Banks-Baldwin Supp. 1998)</p>		
<p>Sport Responsibility Statutes for Skiing (Appendix 4)</p>	<p>Me. Rev. Stat. Ann. tit. 32, §§ 1501 et seq. (West Supp. 1997) Mass. Gen. Laws Ann. ch. 143, §§ 71H et seq. (West 1991 & Supp. 1998) N.H. Rev. Stat. Ann. §§ 225-A:1 et seq. (1989) N.J. Stat. Ann. §§ 5:13-1 et seq. (West 1996) N.Y. Gen. Oblig. Law §§ 18-101 et seq. (McKinney 1989 & Supp. 1998) N.Y. Labor Law §§ 865 et seq. (McKinney 1988) Pa. Cons. Stat. Ann. tit. 42, § 7102 (West 1982) & Supp. 1998) R.I. Gen. Laws §§ 41-8-1 et seq. (1997) Vt. Stat. Ann. tit. §§ 1036 et seq. (Spp. 1998)</p>	<p>N.C. Gen. Stat. §§ 99C-1 et seq. (1997) Tenn. Code Ann. §§ 68-114-101 et seq. (1996) W.Va. Code §§ 20-3A-1 et seq. (1996)</p>		<p>Mich. Comp. Laws §§ 408.321 et seq. (West 1985 Supp. 1998) N.D. Cent. Code §§ 53-09-01 et seq. (1989 & Supp. 1997) Ohio Rev. Code Ann. §§ 4169.01 et seq. (Baldwin 1994 & Supp. 1998)</p>	<p>Colo. Rev. Stat. §§ 33-44-101 (West 1998) Idaho Code §§ 6-1101 et seq. (1998) Mont. Code Ann. §§ 23-2-731 et seq. (1997) Nev. Rev. Stat. §§ 455A.010 et seq. (1997) N.M. Stat. Ann. §§ 24-15-1 et seq. (Michie 1994) Utah Code Ann. §§ 78-27-51 et seq. (1996) Wyo. Stat. §§ 1-1-121 et seq. (Michie 1997)</p>	<p>Alaska Stat. §§ 05.45.010 et seq. (1996) Or. Rev. Stat. §§ 30.970 (1988) Wash. Rev. Code Ann. §§ 70-117.010 et seq. (West 1992)</p>

Selected Other State Sport Responsibility Statutes (Appendix 5)		Ga. Code Ann. § 27-4- 280 et seq (Supp. 1998) (fishing) W.Va. Code §§ 20-3B-1 et seq. (1996) (whitewater rafting)		Mich. Comp. Laws Ann. § 691.1544 (West Supp. 1998) (sport shooting) S.D. Codified Laws Ann. § 2- 20A-21 (1998) (snowmobiling)	Idaho Code §§ 6-1201 et seq. (1998) (outfitters and guides) Mont. Code Ann. §§ 23-2- 651 et seq. (1997) (snowmobiling) Utah Code Ann. §§ 47-3-1 et seq. (Supp. 1998) (sport shooting)	
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Source: Terrence J. Centner, *Tort Liability for Sports and Recreational Activities: Expanding Statutory Immunity for Protected Classes and Activities*, 26 J. LEGIS. 1 (2000)

Table 4: Implementation Checklist.

Activities/Questions	Access Only	Access Plus Food	Access Plus Housing	Access Plus Rental of Personal Property
IDENTIFYING AND EVALUATING POTENTIAL EXPOSURES <ul style="list-style-type: none"> ▪ What recreational activities will be permitted? 				
<ul style="list-style-type: none"> ▪ What is the likelihood of injury for each? 				
<ul style="list-style-type: none"> ▪ What is the magnitude (\$) of injury for each? 				
<ul style="list-style-type: none"> ▪ What legal duties does the ranch recreation enterprise have? 				
<ul style="list-style-type: none"> ▪ What legal duties does the customer have? 				
SELECTION OF AN APPROPRIATE RISK MANAGEMENT STRATEGY <ul style="list-style-type: none"> ▪ What particular tactic(s) can be adopted to minimize this legal risk? 				
<ul style="list-style-type: none"> ▪ What is the cost of this tactic(s)? 				
<ul style="list-style-type: none"> ▪ What remaining legal risk exists if this tactic(s) is adopted? 				
IMPLEMENTATION, REVIEW AND REVISION OF THE RISK MANAGEMENT STRATEGY <ul style="list-style-type: none"> ▪ Who will be responsible for implementing this tactic(s)? When? 				
<ul style="list-style-type: none"> ▪ What specific actions must be undertaken to implement this tactic(s)? How will implementation be established in case of a court action? 				
<ul style="list-style-type: none"> ▪ How will the effectiveness of this tactic(s) be measured? How will it be demonstrated in a case of a court action? 				
<ul style="list-style-type: none"> ▪ How frequently will this tactic be reviewed, revised, or updated? 				

* Readers and their customers should prepare a separate check list to evaluate each tactic (avoidance, risk prevention or reduction)

Biography

Dr. Schroeder has been an associate professor in the Department of Agriculture and Applied Economics at the University of Wyoming since 1986. His areas of expertise include natural resource economics, agricultural law and mediation and conflict resolution.

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Determining the Feasibility of an Agricultural Enterprise

John Hewlett

I. Enterprises:

A. Working Definition

An activity or process engaged in by a business which has some element of risk and uncertainty and which generates one or more saleable products.

B. Interpreting the Definition

1. Enterprise activities are “what we do” with operation resources in order to generate dollars of return.
2. Some products are developed in stages. For example production of a finished steer, ready for slaughter in the US could move through the following stages:
 - Steer calf
 - Grass-fat yearling
 - Feedlot finished steer.

C. Enterprises are a means to an end, not the end itself.

D. Goals ARE the End.

E. Goal Costs Can Help Show Progress Toward Those Ends

II. Enterprises and Competitive Advantage

A. Discovering and capitalizing on your competitive advantage is essential to reaching strategic goals

B. “. . . grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm’s cost of creating it.”

C. Arises essentially from either:

- Low cost positioning of products/ services
- Differentiation (Michael E. Porter, Competitive Advantage- Creating and Sustaining Superior Performance).

III. Alternative Enterprises

A. Why Diversify?

- Spread price risks on inputs/ products
- Reduce weather or other environmental risks
- Reduce legal risks
- Better use existing resources or to involve more family members
- Increase cash flow/ income.

B. What Does It Mean?

1. Production of non- traditional products, including:
 - Alternative crops or livestock
 - Providing services, recreation experiences, or tourism

- Alternative systems, e. g. organic, CSA, etc.
 - Direct sales of products. Alternative crops or livestock Alternative crops or livestock. (Bison, Exotics, Goats, Pastured poultry, Hemp, Canola, Seed crops).
2. Providing services, recreation experiences, or tourism.
 - Bed and breakfast
 - Ranch tours
 - Chuck wagon meals
 - Wagon/ sleigh rides
 - Camping
 - Biking/ hiking/ ski trails
 - Ranch vacations.
 3. Alternative systems
 - Organic herbs
 - No- till farming practices
 - Grass fed beef
 - U- pick
 - Grass dairy
 - Wood/ forestry products
 - Low/ no input farming/ ranching.
 4. Direct sales of products
 - Coop- ownership of crop/ livestock
 - Big game hunting
 - Breeding & training hunting dogs
 - Native seed production
 - Value added products (Soap, Dried flowers, Seed packets, Ranch-raised meatloaf).

IV. Enterprises: Other Considerations.

A. Components of an Enterprise Assessment (1)

1. Economic Analysis
 - Income
 - Operating costs
 - Allocated overhead costs
 - Return over costs
 - Consider Alternatives and Expected Returns
2. Resource Performance
 - Basic resources
 - Livestock/wildlife resources
 - Human resources
 - Financial resources
3. SWOT Analysis
 - Strengths
 - Weaknesses

- Opportunities
 - Threats
- B. Enterprise Assessment
1. Economic Analysis
 2. Income
 3. Expenses (Operating, Allocated Overhead)
 4. Returns Over Costs
- C. Assess the Risks Involved
1. RISK: The probability of an event occurring that can impact your:
 - Current profit level
 - Financial situation (equity position)
 - Satisfaction and well-being.
 2. Sources of Risk
 - Production - yield/ quality variability
 - Marketing - changes in price/ external conditions
 - Financial - variability in debt/ equity capital and ability to meet cash demands
 - Legal - responsibilities for contracts, statutory compliance, tort liability, and business structure
 - Human - managing people and estate transfers
 3. Risk Management
 - The use of time, financial, and other resources to effectively manage risks so that goals can be achieved.
 - Relationship of risk and profit
 - High risk = High potential profit
 - Low risk = Low potential profit
 4. Risk Management Worksheet / Sources of Risk:
 - Market/ Price Risk
 - Production Risks
 - Human Resource Risks
 - Legal Risks
 - Financial Resource Risks
 5. Example: WIRE RISK MANAGEMENT WORKSHEET / Sources of Risk
 - Market/ Price Risk: Current/ Potential Risks From This Source: and Methods/ Plans for Addressing These Risks:
 - Production Risks: Current/ Potential Risks From This Source: and Methods/ Plans for Addressing These Risks:
 - Legal Risks: Current/ Potential Risks From This Source: and Methods/ Plans for Addressing These Risks:
 - Financial Resource Risk: Current/ Potential Risks From This Source: Methods/ Plans for Addressing These Risks:
 - SWOT Analysis : Strengths Weaknesses Opportunities Threats
 6. Risk Management Strategies
 - Diversification (Reduce the odds, Transfer risk)

- Technology (Mitigate impact, Avoid risks)
 - Must fit your circumstances
 - Address the current business environment
 - Integrate management of: Production, Marketing, Financial, Legal, Human risk.
7. Diversification to Manage Risk
- Objective: Maximize net return while reducing income variability.

V. **Planning the Transition**

- A. Transition planning must consider:
1. Feasibility
 2. Startup costs
 3. Additional credit needs
 4. Cash flow requirements
 5. Financial risk consequences.
- B. Competitive Strategies
1. Competitive Advantage by Competitive Scope
- C. Contingency Plans

VI. **Enterprise Feasibility**

- A. The objective of enterprise diversification and risk management strategies is not to eliminate risk.
- B. Risk Management is taking the right risks to maximize profit while reducing income variability and meeting strategic goals.
- C. Western Risk Management Library
1. 677 Articles
 2. 42 Categories
 3. 167,445 hits in 2001
 4. <http://agecon.uwyo.edu/RiskMgt/Default.htm>
- D. Risk and Resilience in Agriculture
1. 7 Chapters
 2. 5 Sources of risk
 3. 34 Articles
 4. <http://agecon.uwyo.edu/RnRinAg/Default.htm>
- E. Managing for Today's Cattle Market and Beyond
1. 36 Articles in 6 Sections
 2. 29 Authors, 16 states
 3. National/ Regional awards
 4. <http://agecon.uwyo.edu/Marketing/MngTCMkt/Default.htm>
- F. Integrated Management
1. <http://agecon.uwyo.edu/WIRE>
- G. eRural Families
1. <http://eRuralFamilies.org>

Biography

John Hewlett is a Farm/Ranch Management Specialist at the University of Wyoming and Coordinator of the Wyoming Western Integrated Resource Education (WIRE) program, as well as assists in Regional WIRE efforts. He grew up in Washington State, where he worked eight years (four as foreman) on a large stocker-cattle/crop operation. John holds a B.S. degree in Agricultural Business from Montana State University and a M.S. degree in Agricultural Economics from Oregon State University. He came to the University of Wyoming, Department of Agricultural and Applied Economics in 1987. Since then he has been involved in a number of state and regional extension programs. John's current extension interests include integrated management, enterprise budgeting, financial analysis, agricultural recordkeeping, and applications of technology in agricultural.

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Financing Opportunities for a Diversified Ranching or Farming Operation

Ryan Fieldgrove

I. Principles of Entrepreneurial Finance

A. Cash

Make sure you have enough cash. Nothing is more frustrating than to not have enough money to finish a project stage due to the lack of cash.

It also makes investors skeptical when an entrepreneur asks for more money.

B. Time

Usually time is of the essence. Cash now is preferable to cash later.

C. Less risky cash is preferred to more risky cash

Loans from individuals at lower interest and unsecured in nature with liberal payment obligations are better than higher rates and abundant security. It ties up all your options.

II. Determining Capital Requirements

A. How Much Money ???

A thorough business plan should specifically address the capital required and defines the sources targeted. It will also pinpoint when it is needed.

B. Several “what if” scenarios should be included along with a variety of cash flow and ENTERPRISE cash flows that specifically explain the enterprise discussed and the different cash flow scenarios.

For example, if you are raising alfalfa hay and selling honey you should define specific income and expense categories for each enterprise. This will detail which enterprise is the most profitable.

III. Critical Fund-Raising Variables

A. Performance to date

Do you have a track record?

B. Perceived risk

What appear to be your risks to outsiders?

C. Industry

Is your industry volatile, dependent on political policy, regulated, highly technical or known?

D. What is the upside?

What is happening right now with the current trend? What has happened in the past?

E. Future

What is your targeted growth rate? Can you handle this?

F. Exit strategy

How can you get out and how easy can you do it? Will you lose your shirt? What about the investors? What do they have to lose?

G. Stage of development

Have you proven your product? Have you made a sale? What is the scale?

H. Rate of return

How does your rate of return compare to other investments similar in nature?

I. Amount of capital required

Thousands, Tens of Thousands, Hundreds of Thousands, Millions

Can you run with the Big Dogs?

IV. Sources of Capital

A. Equity

Piece of the pie.

B. Debt

Promissory note
FSA
SBA
FHA

C. Free Money

Grants
Incentive Payments
Volume discounts

D. Obtaining Equity Capital: Issues to Consider

1. Three central issues:

Does the venture need outside equity capital?
Do the founder's want outside equity capital?
Who should invest?
Remember: "Better to have a small piece of a watermelon than a whole raisin."

2. Look for sources of equity capital that provide value in addition to cash

Contacts
Business savvy – "Been there, done that"
Specific expertise
Credibility

3. Sources of Equity Capital: Bootstrapping

Bootstrapping – how can we minimize our need for capital?
How can we do more with less?
Vendor credit
Accounts receivable
Reduce overhead
Money in exchange for future services

4. "Love Money"

Characteristics:
Very Common
Start-up Capital
Advantages:
Best deal
Usually unsecured
Repayment postponable
Disadvantages:
Interference a possibility

Limited – small amounts
Possibly family problems

5. “Venture” Capital (Angels)

Characteristics:

Usually successful entrepreneurs
Personal chemistry very important
Hard to find

Advantages:

Great mentors
Source of introductions
Unsecured financing

Disadvantages:

They are human
May insist on control

6. “Seed” Venture Capital

Characteristics:

Seeks great growth potential
Often technology oriented
Mentorship intensive (or should be)

Advantages:

Mentoring critical
Financing unsecured
Usually professional

Disadvantages:

Money controls
Limited availability in Alberta

7. “Expansion” Venture Capital

Characteristics:

Minority investors
Most venture capital investors
Growth oriented
Investee due diligence important

Advantages:

Unsecured (usually)
Some mentorship
Minority investor
Don't interfere day-to-day
Long term orientation

Disadvantages:

Long time deciding
Strings
Limited foul weather tolerance

8. Banks

Characteristics:

Are not in the business of taking equity-type risks

Advantages:

No dilution

Flexible

Don't interfere (when the sun shines)

Disadvantages:

Repayable on demand

Personal guarantees

Limited tolerance

Unseen, unmet executioner

9. Leasing

Characteristics:

Lessor retains ownership

Lessee has use of asset

Two types – operating and capital leases

Advantages:

Best if low tax lessee; high tax lessor

Free up equity

No down payment

Fixed interest rate

Fully deductible

Disadvantages:

May be costly form of debt

Don't build up equity

May be viewed as a loan by Revenue Canada

10. Factoring

Characteristics:

Factor purchases A/R on either a recourse or nonrecourse basis

Advantages:

Turn A/R into cash

Higher ratios than bank

May be nonrecourse

No credit risk

Disadvantages:

High cost

Not very common

11. Operating Partners

Characteristics:

Understand product and market

Mentors

Due diligence important

Advantages:

- Clout
- Introduction to markets
- Captive markets
- Deep pockets
- Exit strategy

Disadvantages:

- “Champion” can leave
- Policy can change
- Bureaucracy
- May require control

V. Business Structure

A. Size and Scale

Differences in scope attract different investors.

B. Motives and Goals

Who is in control? What are the goals? Wealthy owners, high returns, happy employees, benefit to communities?

C. Ability to raise money

Some investors only deal with corporate structures others target individuals.

D. Liability

How are you protected? How is the collateral protected?

E. Taxes

What are the intentions for tax burdens? Does the company pay up or do you?

F. Types

1. Sole Proprietorships
2. Partnerships
3. Corporations
4. Cooperatives
5. Joint Ventures

VI. Be Prepared

When searching for an investor, it is important to be very well prepared. A business plan should be very clear with defined objectives and goals. A credit request should accompany the business plan outlining the request. Be “Poised to Pounce.”

Source of Information:

Types of Capital and Capital Providers: A Roadmap
By Robert Ironside

Biography

Ryan Fieldgrove is a fourth generation cattle and sheep rancher. He is the first generation to work off the ranch for supplemental income. He graduated from the University of Wyoming with a Bachelor of Science in Ag Economics. He works as an ag loan officer and deals heavily with FSA loans.

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Special Considerations for Women in Business

Deb Farris

Ms. Farris discussed the many options available to women interested in owning their own business. Deb works for the Small Business Administration (SBA), which provides many different services. A brief explanation of each service was given.

The SBA program is an outreach for women and minorities. It is not a direct loan service. They help candidates receive a loan from a bank. A prequalification program is offered for women, minorities, veterans and rural residents. An intermediary helps you with the loan, and then takes it directly to the SBA. The SBA, upon approval, takes it to the bank. The SBA does not need collateral to guarantee a loan. Character and credit will also be considered. This is a good option for many women. Deb notes that many women don't want to take out a loan, but would rather use savings or a credit card. This can result in cash flow problems. It is a good idea to get the loan in the beginning.

The SBA funds the Women's Business Center, located in Laramie, Wyoming. Microloans are available; they have a lower interest rate, more flexible payment terms, and possibly no down payment. They offer free and confidential help with taxes, assistance with business plans, internet sales, and training sessions.

Wyoming Business Development Centers are located throughout the state. They offer free and confidential business counseling, training and outreach, Next level classes, and business and marketing plan advice.

SBA also funds the Small Business Innovative Research. This is a grant program for new business ideas. The Business Information Center in Casper, Wyoming, has many different resources for business owners: books, videos and software. Women's Business Roundtables is a conference held monthly that participants decide on the topic, and then a speaker comes in to discuss this topic. Women can call in and hear the discussion. Other sources Deb noted were www.countmein.org, a national loan fund for women and www.womenbiz.gov, for women wanting to sell products/services to the government.

Deb stated that, contrary to the title of the speech, there are really no special considerations for women in business. Women are subject to the same interest rate and the same terms for a loan as anyone else. However, there are programs to help women get to where they want with a business.

Summary provided by Sara Campbell.

Biography

Debra “Deb” Farris is an Economic Development Specialist and Women Business Ownership Representative for the U.S. Small Business Administration (SBA) Wyoming District Office. Deb was instrumental in initiating the women’s business roundtable meetings across the state and is an active advocate for women assisting prospective and existing business owners throughout Wyoming.

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Fundamentals of Marketing

Dr. Ed Mahoney

A marketing cooperative (co-op) can be a key component in making a successful ranch/farm diversification project. The co-op must fit the needs of the diversification enterprise. There are several key components to marketing that have been proven successful. It is also important to realize that it is not just enough to sell to customers, a bond must be formed in order to keep business running and expanding. This along with a new marketing mix is required for a successful marketing co-op.

Before starting or even joining a marketing co-op, it is important to make sure that the objectives of the co-op are consistent with the objectives of the potential enterprise that the ranch/farm producer plans to pursue. There also must be a real market for the enterprise, not a perceived market. This means that there are people who will not only enjoy what the activity has to offer, but they will also pay for it.

Good marketing models share several key components. The first is to identify a specific target market based on individual's needs, expectations, and lifestyles. The marketing model must be able to grow and harvest markets at the same time. It must be business and community focused and future oriented. Finally, the marketing must have measurable objectives that promote disciplined thinking.

Owners of the new enterprise must work to make a bond with customers. There are a number of steps that make a customer into a friend and eventually an advocate of the company. As owners and employees go through these bonding steps, they are essentially being marketing representatives for the company. When the customers leave with a good experience, they become positive advocates to the enterprise and market by word of mouth. Word of mouth can be a very effective market tool when it works to the advantage of the business.

Marketing can have several different objectives. One obvious objective is to increase customer base. Another is to work with the existing customer base to build a solid foundation to contribute to the overall business plan. Getting existing customers to come back more often and spend more money can be just as profitable as increasing customer numbers.

The old marketing mix that included the four P's (Product, price, place and promotion) is no longer effective. Today's marketing mix must take into account the ranch/farm objectives and create a perception that the customer expects. The mix must target specific market preferences. Current image and positioning must be established and finally, the idea of community tourism must be included.

There are several things that a marketing cooperative must accomplish to be beneficial to the diversification enterprise. First, it must support the existing ranch/farm operation and has to benefit the common good of all the enterprises that make up the co-op. There must be a common theme or message that is aimed at the specific target market. The co-op

must be able to aid in the sustainability of natural resources and the local community. It must also have a solid market.

A market consists of people who are capable and interested in the product that the enterprise has to offer. The product must be reasonably accessible and the perceived value of the customer must exceed the perceived cost in order to have a successful market. Once a market is established, successful market strategy can ensue.

Summary provided by Kirby Berger.

Biography

Dr. Ed Mahoney is a Professor and Extension Specialist at Michigan State University. Mahoney was recently awarded the 2001 Mayor's Cup for the Michigan Boating Industries Association for outstanding contribution to the recreational boating industry. Mahoney's research over the past 15 years has been directed toward registered boat demographics, boater use patterns and marine industry economic impact studies. Other interests include value-added aquaculture and rural tourism.

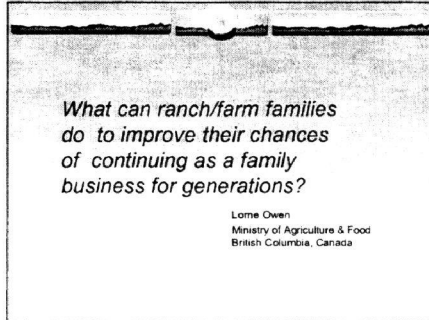
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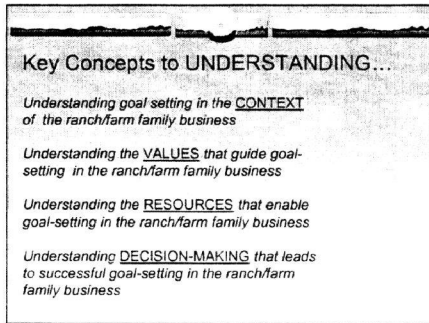
Establishing Goals / Identifying Family Values

Dr. Randy Weigel

Slide 1



Slide 2



A growing, multi-dimensional, diversified business requires organized and pro-active handling of complexities:

- * consumer demands
- * free-trade
- * non-family employees
- * multi-generational teams
- * succession
- * other

Slide 3

*"The absence of communication is NOT an option".
Communication is the KEY to all successful family ranch/farm activity!*

Effectiveness of operating today's ranch/farm business comes through open consultation with the entire team.
"That is fine for you to say, but we don't talk about business things, it's too 'touchy feely'."

Even though difficult, you must continually communicate. Especially if long periods have passed without discussion of important family business issues.

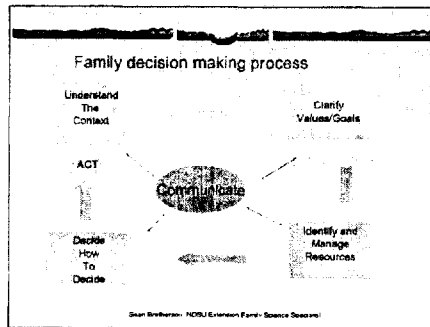
Slide 4

The family business requires a team approach and if you are serious about keeping the operation going, making it a family affair, making improvements and having plans to deal with important issues, you must develop and maintain effective, respectful team interaction.

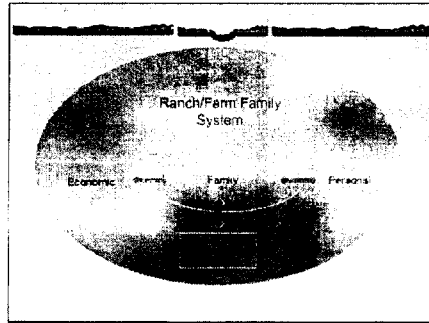
If you are part of a family ranch/farm business team, you don't have the luxury of disassociation. If you don't want to talk or listen—then you must remove yourself from the team.

"A farm or ranch family divided will eventually fail!"

Slide 5



Slide 6



ECONOMIC – The family and operation are linked economically. Economic decisions/goals impact the family system, e.g., purchase of a \$120,000 combine, taking an off-the-farm job, starting a new enterprise.

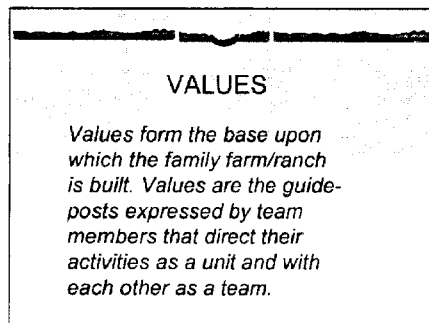
SOCIAL – Social life and family life are tied to the rhythm and fabric of the farm/ranch. Spending time together (or not), in-law relations, even marriage can be tied to the flow of the operation.

PERSONAL – One's sense of identity is often tied to the land and the operation. Witness the emotions of individual producers who must sell off livestock during drought conditions.

“Economists view family operations as a business venture and all decisions must be made from that standpoint. Ag. Families view their operation as a personal venture and make decisions from that standpoint.”

John Reeve, Queensland, Australia

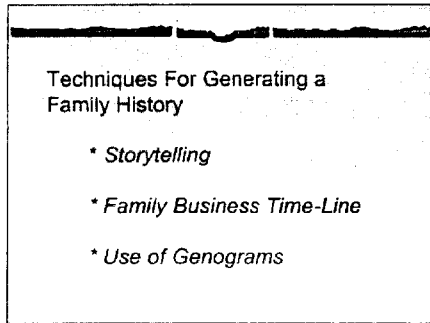
Slide 7



To establish and reach goals for the family, it is important to understand family values. Decisions we make, how we use our time, things we spend money on, are influenced by our values.

Most successful farm businesses have a clear path the generations have traveled to get to where they are today. A written history helps document this. This written history is especially useful for new members of the family and with non-family employees.

Slide 8



A great starting point for writing a family/business history is to spend an evening telling stories. As the events are retold and the feelings that accompanied the events are recounted, someone should take notes. Old family photographs can trigger memories and foster curiosity, especially in the younger generation.

(Use the word file, **Write Your Family History**, as a way of raising important points about the ranch/farm family.)

A family history can be depicted in a number of ways. It can be shown as a timeline with events spaced out along a horizontal line. Positive happenings can be illustrated as lines going above the horizontal line (the more positive the event, the higher the peak of the line). Negative or unhappy events can be drawn as lines going below the neutral line. Start the family's timeline with a significant event and proceed to the present moment.

Another method of diagramming the family history is to construct a genogram. A genogram uses symbols and words to depict a family's history and significant events. A genogram shows the names and ages of family members; date of birth, marriage, separation, divorce, death, etc.; residences, illnesses, changes in life plans and other major events in the family's history. It also shows the nature of relationships – whether they were close, distant or painful. Ideally, a genogram will depict a minimum of three generations. Use symbols that are applicable to your family.

Slide 9

Management Values of Farmers & Ranchers

- *Dedicated Producer*
- *Flexible Strategist*
- *Resource Steward*

Management styles of ranchers/farmers will influence how they address the challenges of today's agriculture. The management values combine goals with management styles. It is an orientation toward ranching/farming which is set in the context of family, community, and economic constraints. This orientation can be business directed or lifestyle directed.

Research on management values has identified three styles that impacts decision making:

Dedicated Producer – thrives on farm work and achieving a quality product.

Flexible Strategist – believes that marketing is the key element in success of the operation.

Resource Steward – desires an operation that is environmentally sensitive and one on which family and lifestyle can be enjoyed.

(Download the file, **Management Styles of Farmers and Ranchers** which is a self-assessment and interpretation of management values of ranchers/farmers.)

Slide 10

"What do each of us value in terms of":

• Teamwork	• Money
• Power	• Size of Operation
• Recognition	• Amount of Work
• Family	• Recreation

In a meeting with your family team, discuss what each member values in terms of several pre-determined areas important to your operation. If it is of little sense to work as a family team unless an acceptable level of agreement and acceptance around values exists. In fact it is dangerous to physical health and relationships if people working together in the farm business have deep divisions along value lines. In situations where individuals working together have differing values around important issues, these differences need to be recognized and action must be taken to resolve them.

The farm/ranch needs group values which govern how it operates; individual values and business values are needed to mesh for strong relationships and a successful operation.

Slide 11

Personal Goals

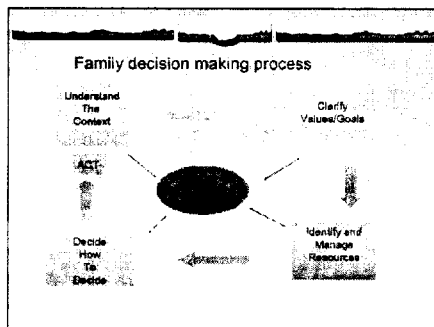
The personal goals of family members may be the single most important factor influencing the direction that the business takes.

Having a clear understanding of our own as well as other family members' goals is critical to the success of the family operation. If the goals of different members of a family are in conflict, problems arise. Families need to discuss their individual goals and then determine how these goals can be made to fit with the business goals. Discussing goals can be difficult, especially for families not accustomed to talking about dreams, hopes, and aspirations. A good starting point is for each family member to list the things he or she wants to achieve. There are three different types of goals to consider: goals for myself, for my family (or social), for the operation. (The file, **A Goal-Setting Worksheet**, can get you started.)

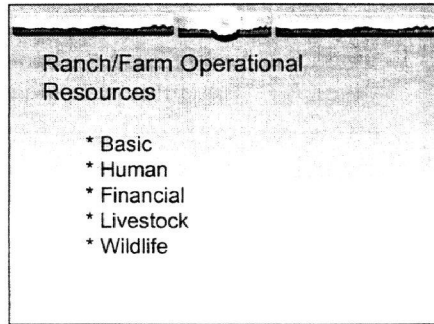
You won't come up with complete answers to the worksheet. This is a starting point only. Look at the goals. Do any of the goals for your family or personal life conflict with the goals for the business?

The next step is to discuss these goals with others in the family. See where the goals coincide with others and see where they diverge. The impact these will have on the day-to-day operations and the long-term values need to be considered.

Slide 12



Slide 13

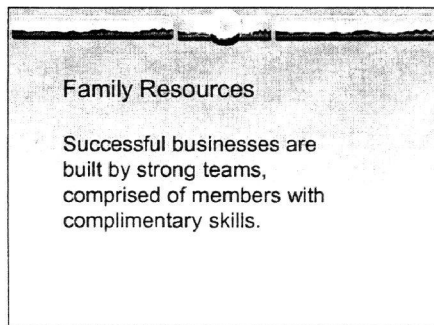


It is not enough to simply identify goals, they must be acted on.

The ranch/farm family needs to identify and evaluate the operational, family, and personal resources available to help the family reach their goals.

Land, labor and capital make up the operational resources. The Western Integrated Resource Education process identifies five operational resources—basic, human, financial, livestock, and wildlife. The ranch/farm family needs to look at the operation, “what does your operation provide that could be used to your competitive advantage?”

Slide 14

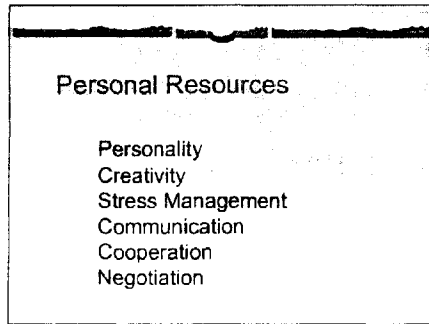


Today’s ranch/farm operation is serious business. To succeed, seven tasks need to be carried out with excellence:

1. Vision and planning
2. Organization and administration
3. Production and maintenance
4. Sales management and customer relations
5. Advertising and public relations
6. Financial management
7. Regulatory compliance.

Realistically, one person can only handle one or two of these tasks. Study each family member to understand their strengths and interests, looking for gaps or overlaps. (The files, **Draw Your Own Chart** and **Build a Successful Team** can help in this task.)

Slide 15



An agriculturist may possess superior livestock, fertile land and adequate financial. But if the rancher/farmer does not effectively manage his or her own physical, mental, and emotional well-being (personal resources), it may not matter how productive the operation.

Personal resources in ranch/farm families center on PERSONNEL MANAGEMENT and PERSONAL MANAGEMENT.

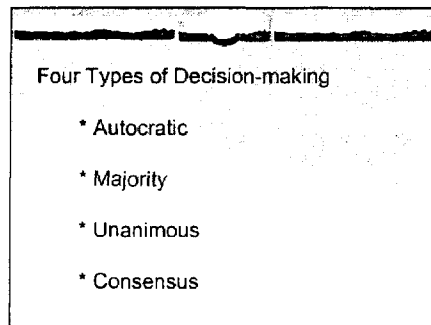
Personnel management focuses on staffing, hiring, training, motivating, and supervising employees.

Personal management focuses on how the rancher/farmer interacts with family members, employees, businesses and agencies, an even society in general.

(For a detailed discussion of **The Human Side of Human Resource Management in Ranch/Farm Operations** go to:

<http://agecon/RiskMgt/HumanRisk/HUMANDEFAULT.htm>)

Slide 16



After identifying values, setting goals, and evaluating resources; it's time to act. Good decision-making paves the road to sound management, and how the members make those decisions is one of the vital keys to family farm/ranch business survival.

Four types of decision making styles are possible in ranch/farm families:

AUTOCRATIC – One person makes the decision with or without consulting others.

Used in the military and patriarchal organizations. Suited to emergencies.

MAJORITY – The democratic approach means the 51% carries the decision. Used in businesses with shareholder and directors, and in politics.

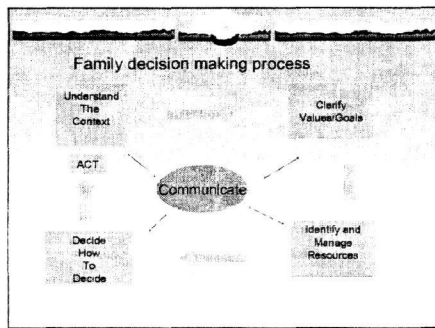
UNANIMOUS – Requires that everyone must agree with the decision. Used in some partnerships and in critical decisions such as disposal of family assets.

CONSENSUS – Requires that most everyone agree. Each person speaks about his or her concerns. An attempt is made to reconcile the concerns with the majority. In

the end, everyone may not agree entirely with the decision, but will support it anyway.

(Use the worksheet, **How Are Decisions Made in Ranch/Farm Business?** Are changes in decision-making needed in your operation? The answers to the worksheet questions will demonstrate where and how a team can engage in more effective decision-making.

Slide 17



Slide 18

A Will to Succeed:

A powerful desire to overcome obstacles is the impetus to survive and prosper in family farming/ranching. Many farm or ranch difficulties can be linked to a lack of will. Without an internal conviction to make a best effort, any business venture takes a progressive decline. With a will comes no guarantee of success. But an absence of commitment is a near 100% indicator of eventual failure.

Peter Reese, Successful Farming, June, 2002

Biography

Dr. Randy Weigel is an associate professor and human development specialist with the Department of Family & Consumer Sciences at the University of Wyoming. His extension of appointment covers program planning, distance education, human resource management in ranch families and educational leadership.

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Insurance Requirements for an Alternative Enterprise

Dave Bell

The outdoor recreation industry in Wyoming can hold many opportunities. The Wyoming Recreation Safety Act is responsible for this industry's existence. As an owner/operator in a recreational enterprise in Wyoming, there are two specific types of waivers that can be signed by clients. Signing waiver requirements along with accurate record keeping is helpful in avoiding a lawsuit from an accident in an outdoor recreation activity. There are several different types of insurance policies with many options as well. It is important to know what the policies offer and what they do not.

The Wyoming Recreation Safety Act was established to limit liability to operators involved in recreational activities. It states that clients involved in these activities are taking a risk and that an accident is not the fault of the operator unless negligence on the part of the operator is apparent. Without this legislation, there would be too much risk involved in running an outdoor recreational enterprise.

A waiver should be signed by all clients to inform them of the risks involved in participating in certain outdoor activities. One type of waiver is the Absolute Liability Waiver. By signing, this type of waiver forces clients to forfeit all rights to sue in case of an accident if they choose to sign. Some clients refuse to sign this waiver. An alternative is the Visitors Acknowledgement Risk Form (VAR). The VAR is very affective but it does not limit the client's rights as much as the Absolute Liability Waiver. The VAR is required by many national and state parks in Wyoming for guides and outfitters.

Besides waivers, another very important procedure is accurate record keeping. If an accident does occur, many lawsuits can be avoided by filling out a standard Accident Report Form and a Witness Statement. These forms along with the waivers should be kept on record at least as long as the time period for the Statute of Limitations.

Insurance policies must be put together and understood carefully when considering an outdoor recreational venture. One option to avoid is the liability deductible included in some policies. This requires the holder to pay a fee every time an accident is reported and must be investigated. Medical Payments Coverage is a necessity in any policy. This is money available for medical expenses as the result of an accident. Contractual Liability Coverage is another important feature that comes in different types. Full Contractual Liability Coverage is the only coverage that is acceptable for outdoor recreational insurance requirements. There are two endorsements that should be avoided. The Classification Endorsement limits coverage to only those activities specifically mentioned at the time the policy was written. The Guided Activities Endorsement does not cover instances when a client is not under the supervision of the guide. The bottom line is that it is very important to read and understand what the insurance policy covers, and what it may not.

Good public relations can also be helpful in avoiding a lawsuit. If a client is hurt, proper care and concern can go a long way in avoiding any future problems. Keeping clients

informed of the policies and waivers is helpful and can be done by sending clients a copy of the waiver before they show up to participate in the outdoor activity.

Summary provided by Kirby Berger.

Biography

Dave Bell is Manager of Tegeler and Associates in Pinedale, Wyoming, from January, 1994 to Present. He is a commercial insurance agent, specializing in commercial insurance of all types including hard-to-place risks. He currently has over 2,000 clients. Dave graduated with a Bachelor of Science degree in Journalism and minors in Business and Political Science from the University of South Dakota in 1974. He has completed twelve years at the University of Colorado and Chamber of Commerce of the United States Institutes for Organizational Management, including four years of post graduate seminar.

Contact Information

Dave Bell
Tegeler and Associates
Box 829
Pinedale, WY 82941
307-367-2154

Permitting and Regulatory Requirements

Paul Howard

Regulation as a result of diversification was Mr. Howard's main topic. Historically, agriculture has been exempt from many regulations (i.e. minimum wage, worker's compensation). As many agriculture people are trying to increase income and diversify their operation, they should pay special attention to new requirements.

The first action is to consult with your attorney. An attorney can help you determine the new rules for your operation. You should make sure liability for your second operation does not tie to your primary operation – agriculture. Thus, the agriculture operation will not be lost if a lawsuit is brought against the secondary operation.

Mr. Howard provided some different examples of new regulatory schemes. Employee law will change if you fall under a new classification by hiring more workers. Worker's compensation, minimum wage, and the Fair Labor Standards Act may affect your new business.

A vehicle used to transport guests and/or products will be considered a commercial vehicle, rather than just agriculture. New permits may be required. Your business may not be eligible for the state fuel-tax reductions offered exclusively to agriculture producers.

A campground will be subject to a lodging tax. Goods sold will be subject to a higher sales tax rate than agriculture goods. Septic systems and water quality will come under new regulation if people are staying on your land. Water rights in Wyoming are permitted for a specific beneficial use. If you change this use, you have to apply for a new permit through the state.

In general, Mr. Howard believes that Wyoming regulators are business friendly. Agriculture producers will have to deal with them if they are thinking about diversification. There are other sources, including the Small Business Development Centers and cooperative extension agents to help with new businesses.

Summary provided by Sara Campbell.

Biography


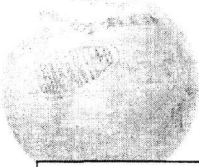
Mr. Paul Howard received a Masters Degree in both Economics and in Public Administration. Mr. Howard has worked as a biology consultant. He has extensive knowledge in permitting and licensing. He currently works for the Wyoming Business Council providing business permitting and licensing information.

Contact Information

**Paul Howard
Business Permit Program Manager
Wyoming Business Council
214 W. 15th St.
Cheyenne, WY 82002
307-777-2843**

Understanding U.S. Export Programs

Robert Tse

West Wide Conference

Sheridan, Wyoming
September 25, 2002

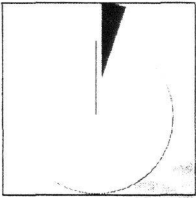
Foreign Agricultural Service

U.S. Agriculture: Global Perspective *... Already Export Oriented*

- In 2000, Food and Agriculture Exports:
 - Reached \$51.6 billion
 - Supported 800,000 jobs (2000)
 - Accounted for 24% of farm cash receipts
 - 1/3 of U.S. Acreage Exported
- 96% of Consumers Live Outside the U.S.

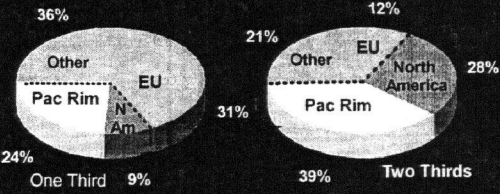
Reality Check

- ◆ 96-Percent of Consumers Live Outside the U.S.
- ◆ Only 5-Percent of U.S. Food Companies Are Exporting



Quarter Century Global Trends ✓

Markets for U.S. Agricultural Exports
Shift To Pacific Rim and North America

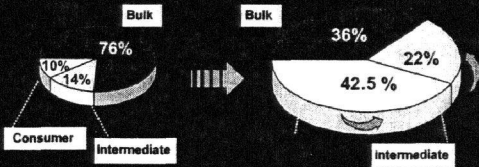


1975 U.S. Agricultural Exports 2000
\$21.8 Billion \$51.6 Billion

USDA Foreign Agricultural Service

Quarter Century Global Trends ✓

Composition of Exports Diversifies
Consumer Foods Grow to Largest Share of Export Pie
Record Level Set in 2000



1975 U.S. Agricultural Exports 2000
\$21.8 Billion \$51.6 Billion

USDA Foreign Agricultural Service

FAS Export Services



FAS Export Services at Your Fingertips

- ✓ Trade Shows
- ✓ Trade Leads
- ✓ Export Promotion Programs
- ✓ Market Reports
- ✓ Subscription Magazines and Newsletters
- ✓ Technical Assistance
- ✓ Export Credit Assistance
- ✓ On Line Information Access via Internet
- <http://www.fas.usda.gov>

Web Site



<http://www.fas.usda.gov>

Exporter Assistance

<http://www.fas.usda.gov/exporter.html>

Export Assistance Programs & Services



Foreign Country Import Requirements



- ◆ Technical Requirements--food additives, labels, pesticide residues, and food sanitation
- ◆ Tariff Rates and Import Quotas

Export Assistance Programs & Services

- ◆ Trade Leads
- ◆ Buyer Alert
- ◆ Foreign Buyer List
- ◆ U.S. Supplier List



Trade Policy

- ◆ Food Safety Regulations and Barriers
- ◆ Multilateral Trade Policy Affairs
- ◆ Import Policies and Trade Analysis

Agricultural Trade Offices



Export Financing and Insurance

- ◆ Export Credit Guarantee Program (GSM-102)
- ◆ Intermediate Export Credit Guarantee Program (GSM-103)
- ◆ Dairy Export Incentive Program
- ◆ Supplier Credit Guarantee Program (SCGP)
- ◆ Facility Guarantee Program (FGP)
- ◆ Export Enhancement Program (EEP)



GSM-102 Export Credit Guarantee Program

Increasing Agricultural Exports through Transaction Insurance

Credit Export Guarantee Tools

- Encourage U.S. financial institutions or exporters to help finance export sales to areas where they may not generally extend credit.
- Facilitate exports to areas where credit is necessary to maintain U.S. agricultural export which are facing unfair competition or develop new markets for U.S. suppliers.

GSM-102 Program Development

- ◆ Country/Regional Approval (Program Announcement)
- ◆ Considerations in Development
 - Eligible Foreign Banks
 - Eligible Commodities
 - Market Development

GSM-102 Eligible Commodities

- ◆ US agricultural commodities entirely produced in the US; or
- ◆ A product of an agricultural commodity:
 - Determined to be high value, and
 - 90 or more by weight (excluding water and packaging) entirely produced in the US

For example, canned fruit, peanut butter and processed meat

**GSM-102
Program Design**

- ◆ CCC covers risk of foreign bank default
- ◆ Credit is extended by US bank/exporter and secured by foreign buyer's bank
- ◆ Foreign bank must open an Irrevocable Letter of Credit (L/C) in \$US
- ◆ CCC provides credit terms coverage of 6 months to 3 years from date of export

**GSM-102
Program Design**

- ◆ Guarantees 98% of the principal (including freight)
 - ➔ Portion of interest (55% of T-bill rate)
 - ➔ 95% of principal for non-interest bearing L/C (maximum 1 year term)
- ◆ Exporter pays an exposure guarantee fee
 - ➔ 15.3 cents to 66.3 cents per \$100 of coverage

**GSM-102
Who can participate?**

- ◆ CCC must approve
 - ➔ US Exporter
 - ➔ US Bank
 - ➔ Foreign Bank
- ◆ No approval for
 - ➔ Importers

**GSM-102 Program Design
(Interest Rates)**

- ◆ Negotiated between foreign and US bank
- ◆ Typically LIBOR plus a fraction

LIBOR Interest Rate

- ◆ LIBOR stands for the London Interbank Offered Rate and is the rate of interest at which banks borrow funds from other banks, in marketable size, in the London interbank market

**GSM-102 Process
(Approval and Guarantee)**

- ◆ Determine if CCC coverage is available for country and product of interest
- ◆ Identify approved US and foreign banks
- ◆ Exporter and importer enter into credit sales transaction
- ◆ Exporter applies to CCC for a payment guarantee and pays fee

**GSM-102 Process
(Letter of Credit)**

- ◆ Foreign bank opens Letter of Credit (L/C) in favor of the exporter
- ◆ US banks confirms or advises L/C
- ◆ Exporter ships the products
- ◆ Exporter assigns guarantee to US bank; submits export documents
- ◆ Exporter submits evidence of export

**GSM-102 Process
(Payment)**

- ◆ U.S. bank pays the exporter
- ◆ Foreign bank pays the US bank (principal and interest)
- ◆ Importer pays the foreign bank

**GSM-102 Process
(Default)**

- ◆ US bank notifies CCC within 10 days, if a payment is overdue
- ◆ US bank files claim with CCC within 6 months, if payment not received
- ◆ CCC reviews claim documents and pays US bank immediately (if documents are correct)
- ◆ CCC attempts to collect from foreign bank
- ◆ CCC shares any monies recovered with the US bank on a pro-rata basis



**Supplier Credit Guarantee
Program (SCGP)**

SHARING IMPORTER RISK

**Supplier Credit Guarantee
Program (Description)**

- ◆ Supports direct buyer and US exporter trading on short-term, open accounts.
- ◆ Covers consumer-ready and bulk agricultural commodities.
- ◆ An alternative to L/C transactions
 - importer signs \$US Promissory Note.
 - Assignable by exporter to US bank.

*Helping Buyers and
Sellers Achieve
Their Financial Goals!*

**Supplier Credit Guarantee
Program (Design)**

- ◆ Covers 65% of sale (including freight)
- ◆ Guarantees credit up to 180 days
- ◆ No interest coverage
- ◆ Exporter Guarantee Fee
 - 45 cents per \$100 (90 days or less)
 - 90 cents per \$100 (>90 to 180 days)

**Supplier Credit Guarantee
Program (Design - cont.)**

Why a 65% Guarantee? - Risk Sharing

- ◆ USDA shares risk with US exporter;
- ◆ No routine credit analysis of importers;
- ◆ In most cases, US exporter has developed a trading relationship with the importer

**Supplier Credit Guarantee
Program (Benefits)**

IMPORTER

- ◆ Increased buying power!
 - Access to quality US products
- ◆ Improved Credit Terms!
 - Lower interest rates;
 - Longer tenor
(30 60 90 180 days)
- ◆ Eliminates cost and delays of L/C's.

**Supplier Credit Guarantee
Program (Benefits)**

EXPORTER

- ◆ Entry to new markets
- ◆ Leverage (improve) risk exposure.
 - \$35,000 Credit line becomes \$100,000!
- ◆ Be more competitive -
- by offering competitive rates.
- ◆ Eliminates cost & delays of L/C's.

**Supplier Credit Guarantee
Program (Participants)**

- ◆ Approved US exporters;
- ◆ Approved US banks;
- ◆ Importers do not need approval.



Facility Guarantee Program

A Capital Goods and Service
Export Credit Guarantee Program

FGP General Description

- Mandated by Congress in the 1996 Farm Bill;
- Provides payment guarantees for the sale of capital goods and services for the establishment or improvement of agriculture-related facilities in emerging markets;
- FGP payment guarantees will be approved only where the CCC determines such facilities will primarily promote U.S. agricultural export.

Emerging Markets

- Emerging markets are countries that the Secretary of Agriculture determines:
 - (1) are taking steps toward a market-oriented economy through the food, agriculture, or rural business sectors of the economy of the country; and
 - (2) have the potential to provide a viable and significant market for United States commodities or products of the United States agricultural commodities.

Structure of FGP Payment Guarantee

- CCC guarantees the risk of nonpayment by foreign banks;
- Requires minimum cash payment to exporter representing 15% of contract value;
- Covers repayment terms up to 8 years with semi-annual installments on principal and interest - depending on country category;

Structure of FGP Payment Guarantee (cont.)

- 95% coverage of the principal amount and about 70% of the interest exposure; and
- CCC will provide coverage for the value of eligible foreign components and services if less than 50% of the contract value.

Eligible Foreign Components and Services

- Eligible Foreign Components - foreign produced components that are value-added in the U.S.;
- Eligible Foreign Services - foreign freight, marine insurance and approved freight services.

EXPORT CREDIT GUARANTEES

PROGRAM	INSTRUMENT	PRODUCT COVERED	COVERAGE	LENGTH OF COVERAGE
GSM 102	Letter of Credit	Agricultural Commodities	98% Principal About 80% Interest	Up to 3 Years
GSM 103	Letter of Credit	Agricultural Commodities	98% Principal About 70% Interest	Up to 7 Years
SUPPLIERS CREDIT	Promissory Note Issued by Imports	Agricultural Commodities	65% Principal; No Interest Coverage	Up to 180 Days
FACILITIES GUARANTEE	Letter of Credit	Facilities, Equipment, Goods or Services	95% principal approx. 70% Interest	Up to 8 Years

Market Access Program



Market Access Program

- ◆ The Market Access Program (MAP), helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products.
- ◆ The MAP encourages the development, maintenance, and expansion of commercial export markets for agricultural commodities. Activities financed include consumer promotions, market research, technical assistance, and trade servicing.

Market Access Program

- ◆ Funding for the MAP program will rise from \$100 million in FY 2002 progressively up to \$200 million by FY 2006.
- ◆ For all funding above \$90 million:
 - (1) Past program participants, as well as new participants, will receive equal consideration for projects
 - (2) Proposals for activities in emerging markets, as well as all other markets, will be given equal consideration

Market Access Program

- ◆ The MAP applications undergo a competitive review process based on criteria specified in the *Federal Register* announcement. Funds are awarded to applicants that demonstrate effective performance based on a clear, long-term strategic plan. FAS sets a program funding level and signs a program agreement with each participant.

Market Access Program

- ◆ Participants must keep an itemized list of expenses incurred during the program year and submit them to FAS for reimbursement. Expenses are subject to audits and participants are held accountable for maintaining proper documentation.

Market Access Program: Branded

- ◆ **BRANDED PROGRAM:** Agricultural cooperatives and small companies can receive assistance under the branded program. To conduct branded product promotion activities, individual companies must provide at least 50 percent of funding.
- ◆ MAP regulations limit the promotion of branded products in a single country to no more than five years

Market Access Program: Generic

- ◆ **GENERIC PROGRAM:** For generic promotion activities, trade associations and others must meet a minimum 10-percent match requirement. Participants are required to certify that federal funds used under the program supplement -- and not replace -- private sector funds..

Market Access Program: TO APPLY

- ◆ Contact a trade association that represents your specific product.
- ◆ If no trade association exists, contact one of the four State regional trade groups: Eastern US Agricultural & Food Export Council (EUSAFEC), Mid-America International Agri-Trade Council (MIATCO), Southern US Trade Association (SUSTA), and Western US Agricultural Trade Association (WUSATA).

Market Access Program: TO APPLY

- ◆ If you are a non-profit U.S. agricultural trade organization, a U.S. agricultural cooperative, or a State agency, you may apply during the application period which is announced each year in the Federal Register

Market Access Program: FOR MORE INFORMATION

- ◆ Contact the USDA-FAS Marketing Operations Staff
AG Box 1042
1400 Independence Avenue
Washington, DC 20250-1042
Phone: (202) 720-4327
Internet:
<http://www.fas.usda.gov/mos/programs/mapprog.html>.

Emerging Markets Program

- ◆ The Emerging Markets Program provides funding for technical assistance activities that promote, enhance or expand the export of U.S. agricultural commodities to overseas emerging markets. Technical assistance is defined quite broadly, and includes such activities as feasibility studies, market research, sectorial assessments, orientation visits, specialized training, business workshops, and the like. The emphasis of the program is market development, both long-term and short-term.

Emerging Markets Program ...Definition of Emerging Market Countries

- ◆ There is not a set list of countries.
- ◆ The most important criteria is the World's Bank's income threshold for upper middle income countries. Because this figure varies from year to year, we have not cemented in a list of countries.

Emerging Markets Program

- ◆ How much money is available under the Program?
- ◆ The Program has \$10 million authorized annually from the funds of the Commodity Credit Corporation. This amount is available automatically every fiscal year from now through the term of the current Farm Bill (fiscal year 2007).

Emerging Markets Program: ... Eligible Organizations

- The Program is available to both private and government organizations in agriculture.
- ◆ All private U.S. agricultural organizations--non-profit, for-profit, trade associations, universities, consultant groups (under certain conditions), etc.--may apply to the Program. Private organizations must be able to justify a need for financial assistance, which means that, as a general rule, the Program is intended for small- to medium-sized firms.

Emerging Markets Program ... Eligible Organizations

- ◆ State departments of agriculture are also eligible but are considered private sector for purposes of the application process.
- ◆ Government is defined as federal. Other agencies outside of USDA may apply if the objectives of an intended project match up well with the Program's legislative mandate.

Emerging Markets Program Minimum requirements

- ◆ 1. *Cost-share* - Amount of funding U.S. private organizations are willing to commit from their own resources along with those of the Program to seek export business in an emerging market.
- ◆ No proposal will be considered without the element of cost-sharing, regardless of the underlying value of a proposal Cost-sharing is not needed for government proposals, but it is required from private organizations who are party to a joint government/private proposal.

Emerging Markets Program Minimum requirements

- ◆ 2. *Justification for Federal Funding*
- ◆ 3. *Market Analysis and Statement of Specific Benefit(s) to U.S. Exports*

Emerging Markets Program ... Priority Subjects

- ◆ -- Marketing and distribution of value-added products, including new products or uses;
- ◆ -- Studies of food distribution channels in emerging markets, including infrastructure impediments to U.S. exports;
- ◆ -- Projects that specifically address various constraints to U.S. exports, including food safety/sanitary and phytosanitary issues and other non-tariff barriers

Emerging Markets Program ... Priority Subjects

- ◆ -- Assessments and follow up activities designed to improve country-wide food and business systems, to reduce trade barriers, and to increase prospects for U.S. trade and investment in emerging markets
- ◆ -- Projects that help foreign governments to collect and use market information and to develop free trade policies that benefit American exporters as well as the target country or countries (*this is usually more appropriate for government agencies to address*)

**Emerging Markets Program
... Priority Subjects**

◆-- *Short-term training in agriculture and agribusiness trade, including retail training, that will benefit U.S. exporters, e.g., seminars and training at trade shows designed to expand the potential for U.S. agricultural exports by focusing on the trading system.*

**Emerging Markets Program
... Contact**

**Marketing Operations Staff - EMP
Foreign Agricultural Service
Room 4932 South Building
U.S. Department of Agriculture
Washington, D.C. 20250-1042
Phone: (202) 720-4327
Fax: (202) 720-9361**

**Technical Assistance for
Specialty Crops **NEW****

- **Congress Establishes New Technical Assistance for Specialty Crops Program in Farm Bill**
- **Funding:** \$2 million annually
- **For:** Activities and initiatives aimed at overcoming phytosanitary and other related technical barriers to U.S. exports of specialty crops.

**Technical Assistance for
Specialty Crops: What is It?**

- ◆ Grant Program to address sanitary, phytosanitary, or related technical barrier that prohibit or threaten the export of U.S. specialty crops
- ◆ The TASC program is intended to benefit the represented industry rather than a specific company or brand. This program is administered by FAS

**Technical Assistance for Specialty
Crops: ...Eligible Activities**

- | | |
|--|--|
| <ul style="list-style-type: none"> • Sanitary, phytosanitary, or technical barriers to export of specialty crops. Examples • Initial pre-clearance programs • Export protocol and work plan support • Seminars and workshops | <ul style="list-style-type: none"> • Study tours • Field surveys • Development of pest lists • Pest and disease research • Database development • Reasonable logistical and administrative support, and travel and per diem expenses |
|--|--|

**Technical Assistance for Specialty
Crops: ... Project Guidelines**

- **Funding cap.** Maximum \$250,000.
- **Length of activities.** Maximum three years
- **Target countries.** Proposals may target all export markets, including single countries or reasonable regional groupings of countries.
- **Multiple proposals.** Applicants may submit multiple proposals, but no TASC participant may have more than three approved projects underway at any given time.

**Technical Assistance for Specialty
Crops: ... Contact for Information**

◆ **Director, Marketing Operations Staff**
Foreign Agricultural Service
Room 4932-S
Stop 1042
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250-1042
Telephone: (202) 720-4327

Contact

Outreach & Export Assistance Office
USDA/FAS
1400 Independence Ave. SW, Stop 1002
Washington, DC 20250-1002
Phone: (202) 720-7420
Fax: (202) 205-9728
Email: tapo@fas.usda.gov

Biography

Mr. Robert Tse works for the Foreign Agricultural Service, USDA, Office of Outreach. He is responsible for liaison with Western US for FAS. Mr. Tse works with the state agriculture departments on US Ag Trade/Exports. He also works with state legislators on economic benefits of exports to state economy. Mr. Tse is a former analyst for global consumer food markets where he analyzed global food trends. He has been at FAS for the past 10 years. He received a “Secretary’s Honor Award” for USDA Long Term Agricultural Trade Strategy submitted to Congress. Robert Tse received his Bachelors Degree from Brown University and his Masters Degree from Purdue in Agricultural Economics as well as received his JD from Boston College Law School.

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Advantages of Forming a Marketing Cooperative

Scott Zimmerman

Marketing cooperatives (co-ops) can be very effective in today's economy through individuals pooling resources to achieve a common goal. They are different than they have been in the past. There is a new generation of co-ops that are formed around today's issues. These co-ops are based on a specific economic need and can have a variety of different goals in mind. Many opportunities and benefits accompany the new generation marketing co-ops. A successful co-op can be formed by following specific steps and being very flexible to the unique needs of that particular co-op.

Today's agricultural industry must realize some special considerations in forming a co-op that were not as evident several years ago. Foreign currency/policy issues and global trade issues must be taken into account because of agricultures expanding foreign and global markets. Market restructuring is also an important issue that must be considered in today's economy.

Co-ops are formed based on an economic need of some kind. These needs include bargaining and market power that can be achieved by a group much easier than by an individual. Creating something that is not currently available is another common reason for starting a co-op. The goals of the co-ops can also include cost reduction and market expansion.

There are several differences in the new generation co-ops. One such difference is the up front liquidity investment that is required for members. These co-ops are often closed or limited to certain individuals. Marketing agreements by members to deliver a specified amount of the choice commodity is a major difference. Members are stockholders in the company, but the amount of stock per producer is also limited.

Benefits and opportunities of the new generation co-ops include the ability of the producer to capture more returns on their product and spread the risks out so there is less impact on individuals. Keeping activities local, in order to aid rural economies, is a very important benefit of the marketing co-op.

There are three main steps to organizing a co-op. The first is an organizational meeting. The purpose of the meeting is to define the problem that the co-op is designed to solve, form a committee that will steer operations, and make sure there is enough interest to follow through. The second step is to find or hire someone to conduct a feasibility study. This step is very important to define major obstacles and opportunities to determine whether the co-op is going to be feasible and accomplish its goals. The third step is to hold a meeting with the potential member and present the feasibility study to them. This will ultimately decide if it is what the members want so they will invest the necessary capital.

The success of many co-ops has been keeping members informed, so no one is unaware or unsure of where the co-op is heading. It is very important to note that every co-op is

different; from the product in common to the individual personalities of the members in the co-op. A successful co-op idea cannot be copied and expected to work for something unrelated. Finally, a co-op is only successful when it is market driven. Without good marketing, the co-op will fail. Co-ops are a great way to come up with a new marketing strategy for an existing product. Success comes from power in numbers.

Summary provided by Kirby Berger.

Biography

Scott Zimmerman is a Cooperative Specialist at the Rocky Mountain Farmers Union Coop Development Center. He has been a member of the RMFU for 19 years. He received his AA degree from Laramie County Community College and is current president of the Pine Bluffs Chamber of Commerce.

Contact Information

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Rocky Mountain Farmers Union
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Pine Bluffs, WY 82082
307-245-9347

Linking with your Local Community

Lynn Jensen

Community development is a big part of starting a business enterprise or project. Local communities have many things to offer to assist in such a venture. There are also responsibilities to the community in return for its help. It is always important to remember that community interaction means dealing with many different people.

There are several programs that are available to aid in funding for new businesses. These programs can be on a local level or come from a nationwide government program. An example of one type of program is a re-lending program. These are done through non-profit organizations that receive money, and in turn, lend to people who qualify for the loans.

Tax Incremental Finance (TIF) Districts is another program that can provide funding to various projects. Money from this is received after the area of the project is evaluated. TIF is a good way to get tax money back to aid in the development of a project.

Starting a project or business often requires that a feasibility study be done to determine if it will be profitable or not. Funding for feasibility studies is often hard to find because there is little or nothing to show for it. A feasibility study tells someone who is thinking about a business whether or not there is a good opportunity involved in pursuing the business. The study provides no financial returns. However, there are certain programs available that will pay for a feasibility study.

Besides money, there are many other things a local community can offer. These include, job training opportunities, recruitment of a workforce, contacts for community support, and several others.

Additional information on funding programs and qualifications for this funding can be obtained by contacting state and local congressmen. Receiving funding often requires the writing of a grant. This step is very important and should have a lot of emphasis put on it. Finding someone who has had considerable grant writing experience, even a professional grant writer, will go a long way in ensuring the success of the enterprise.

The flip side of strong community development is the responsibilities of anyone wanting to start a business. Again, community development means dealing with people. It is important for a business entrepreneur to act professionally and present information on a professional level. The project must be explained thoroughly to the local community. Communication is a key element in the success of a new business. A substantial amount of money can be put into a project, but without community support, that money can be wasted if other people decide the project should be shut down.

Credibility is an important thing to establish. A community will gladly support a good citizen who has been an asset and will continue to be an asset to the community. However, it has often been observed that if a citizen is successful, but is a detriment to

society, the community will try to sabotage, rather than support, the business of that citizen.

Success comes from changing with the times. Rural communities are just starting to learn how to tap the value of their available resources. Good community development is invaluable to establishing and sustaining a profitable business venture.

Summary by Kirby Berger.

Biography

Lynn D. Jensen was named State Director of the USDA Rural Development by the Bush Administration. Mr. Jensen grew up near Lake Preston, South Dakota where he took over the family farm. He farms corn, soybeans, edible beans, other small grains and raises hogs. Mr. Jensen is a diversified farmer, has sanctioned his land into organic, conventional, biotech and precision crops. Mr. Jensen and his wife, Jodi, have two children.

Contact Information

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South Dakota State Director
USDA Rural Development
200 4th St. SW
Huron, SD 57350
605-352-1100

CLOSING DAY

September 26, 2002

Pros and Cons of Developing an Organic Enterprise

Lew Grant

The organic market is a fast-growing market, even if it is small. It only makes up 2 percent of the total agriculture market. The food expenditures and consumption has increased one to two percent in the whole agriculture market. Organic markets have grown by 20 percent in the last several years. It is one segment of the food industry that is growing rapidly. Five years ago, supermarkets wanted organics, but the product wasn't there. There is still a larger demand than supply for organics.

Mr. Grant described three different types of agriculture. First, conventional agriculture uses many chemicals. For example, corn planted year after year needs more pesticides and chemicals to control the insects, diseases and weeds that thrive in the corn.

The second type of agriculture is sustainable agriculture. This type still uses chemicals, but gives great attention to land preservation and care in the process. This incorporates crop rotation, integrated pest management, and tillage practices to preserve the soil.

Organics, the third type, is the next step up. No synthetic chemicals are used, integrated pest management, and advanced soil practices are involved. Why should farmers consider organics? The customers are the reason. There is a customer base out there. Mr. Grant cited some national studies that say 30 percent of housewives do buy organic most of the time. Fifty percent of housewives buy organic part of the time. There is an excellent customer base. There are new guidelines for organic certification now that are national standards.

The pros for organic farming are: the market niche, demand for the market at this stage is bigger than supply, additional safety to customers and workers, conservation of working agriculture lands, and the satisfaction of growing organics.

Cons for organic farming include: more management is required, a smaller market, less technical information when there is a problem, and transition expenses. To be organically certified, land cannot have chemicals applied for three years.

Mr. Grant states the two main problems in organic agriculture are the same as any other agriculture operation. Weather and marketing affect both organic and conventional agriculture. Some other problems specific to organic are: soil fertility, pest control, and weed control. Soil fertility can be maintained and improved at equal or less cost than a traditional agriculture operation. Ninety percent of pest control occurs when you get away from growing a single crop. Integrated pest management can control most others. Mr. Grant explains how his farm controls weeds. They prepare the field for planting, and then instead of planting the crop they irrigate the field. The weeds start to grow, and then they go in and mechanically kill the weeds. After this they plant the crop.

Mr. Grant's farm sells to 100 different stores all over the country. They began their organic farm when his son wanted to come back after graduating from Colorado State

University. Mr. Grant sees many opportunities in Wyoming for growing organic crops and livestock.

Summary by Sara Campbell.

Biography

Mr. Lew Grant runs a large organic vegetable farm in northern Colorado with his son. It is 2500 acres which he has been farming for the past 50 years – full time since 1980. He is a retired professor from Colorado State University and is a member of County, State and National Agriculture Advisory Boards.

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An Overview of Value-Added Livestock Opportunities

Bob Rolston

Drive by the old Stockyards in Chicago, Denver, or Kansas City, and you can see by what is left of those once bustling livestock markets that cattle marketing has changed. A monument on a mound is all that remains of the pens in Kansas City. An events center/professional basketball arena occupy the grounds of the famous two story pens. In Denver, cattle are on display in the few remaining pens for two weeks in January during the world famous National Western Stock Show. I have not been able to locate the once famous Chicago Stock Yards.

And the evolution continues. Cattle marketing today differs greatly from cattle marketing 20 or 30 years ago. And over the next 10 to 20 years, changes will be even more dramatic.

Participants at all levels of the beef industry generally agree that the market must become more “value-based,” with the inevitable disagreements over what value-based pricing means and how to achieve it. Perhaps the most difficult question to answer, but perhaps the most basic point is – how do you define “value.”

Packers say they want carcasses of Choice quality grade, Yield Grade 2 to 3 weighing 750 pounds. However, in many formulas and grid pricing systems, quality grade gives way to dressing percentages and weight in the actual value of a load of cattle. Discounts for a YG4 carcass averages almost twice as much as those for Select Grade. And some weight discounts don't begin until carcasses reach 950 pounds. Do the math – select cattle bred for muscling rather than marbling, feed them to heavier weights – your returns have been substantially improved.

Since 1976 the US beef industry has lost 25 percent of its market share to competing proteins. A major contributor to this loss is the lack of consistency and quality in beef products due to commodity style marketing that dominates the industry. This declining market share has also affected the livelihood of beef producers due to the “trickle down effect.” Probably, this has left cow-calf producers the most vulnerable segment of the industry.

To counter the quality problem and the profitability issue, beef producers have banded together in an effort to produce a better product, more efficiently, at a greater profit, and for a price based on the products value. The vehicle being used is commonly referred to as a “Beef Marketing Alliance.”

Basically, a Beef Marketing Alliance is a cooperative arrangement between various sectors of the industry. Some, but not all, are branded beef programs.

In a sense, an alliance approximates the vertical integration structure that has brought a more consumer-friendly and efficient market to the pork and poultry industry. However, an alliance retains the independence of operators in each beef production segment.

Producers have the opportunity to retain ownership on all or part of their cattle and potentially gain greater rewards in a value based system.

Producers and feeders benefit by receiving added values for their feeders, stockers, and finished cattle.

Processors and retailers profit from being able to supply products that are consistently uniform and of premium quality. This concept is not much different than that of large retail outlets who buy directly from the manufacturer. (The supply and demand swings and the financial peaks and valleys are reduced for both the manufacturer and the retailer.)

Information is passed through the alliance so that the involved parties are all working toward providing a product that the consumer wants.

Price discovery starts with the fed cattle market. Almost all fed cattle are sold based on an average price. While good cattle will bring more than poorer cattle, because they have been sold on an average, the difference hasn't been enough to send a strong message to the producer.

Now, through value-based marketing, the idea is to change the system from one where quality cattle are purchased for a premium, and sold for what their quality indicates they are worth. Value-based marketing is a way of telling producers that some cattle are better than others, consequently they are worth more.

The value-based system isn't dominate yet. As alliances grow and attract more producers of quality cattle – all operating under a system of premiums and discounts based on individual animal quality, the overall quality of cattle in the U.S. will improve.

As increased numbers of these quality cattle come to market, the harder it becomes for producers selling commodity cattle to compete. Under the commodity system, quality cattle are mixed with poorer doing cattle. Value-based marketing will identify and sort off the better carcasses. The poorer ones will likewise be identified and devalued.

Alliance participants basically aim for specific quality targets set by the alliance which they are participating in, and are paid according to how their cattle measure up to those targets. Most alliances pay on a grid where base price is determined for the cash market. Cattle hitting the specified targets get that base price, those exceeding the target get more, and those not meeting those specifications are discounted.

There is an opportunity through alliances for large premiums, but the downside is that discounts are always bigger than premiums. In one particular grid, one animal grading Standard would erase the premiums on 7 Yield Grade 1 carcasses. Here is an actual example of how looks can be deceiving: A 1284 lb. black steer harvested during a Genetic Management Seminar was selected from a pen of put-together cattle of unknown background. He was a good looking, average feedlot market steer. The steer dressed

64.3 percent, had an adjusted back fat of 0.66 inches, rib eye area of 14.6 square inches, and a YG of 2.9, considered par on most grids. The carcass had enough marbling to grade Low Choice. Based on USDA quotes for that week, he'd bring \$103.52/cwt in the beef or \$66.40 live. But there was bad news. The carcass graded U.S. Standard on the rail.

If the steer had sold for cash live, he might have slipped through as Low Choice, or "no roll." Here is where the discounts kick in. If bought off the grid in carcass, the steer would automatically grade Standard and be discounted \$20/cwt for a carcass price of \$74.65/cwt. That's \$232.00 less than if he would have graded Choice.

A couple of tips to help minimize your risk when selling on the grid:

- Consider all the traits that could throw a carcass in the nonconforming category.
- Learn about grid pricing and how to determine carcass and live value for a grid.
- Produce more cattle within a narrower range of genetic differences.

Producers who feel they are raising higher quality cattle will usually be rewarded by participating in a value-based marketing program. Getting started may require some extra work on the part of the participants. Not every program is right for every producer. You must be willing to gather performance information, study this information, and then find the right value-based program. In most cases retained ownership financing is available through participating feedlots. If you have no data to study, a representative number of cattle from a herd could be committed to a program, and the data from these cattle could help determine the program to enter in to.

In closing I would like to suggest various ways to help position your operation for the 21st century.

- Plan: Determine how you will market your cattle. Find value-based marketing channels for the type of cattle that fit your operation. Plan your breeding and management decisions to meet carcass-quality goals.
- Form alliances: Align yourself with other cow-calf producers, seed stock operators, feed yards, packers and even retailers to supply quantities of a predictable product and increase your marketing power.
- Learn about your cattle: Retain ownership of at least some of your calves or participate in steer feeding trials. Keep individual progeny records.
- Improve your herd: Use feed yard performance records and carcass data to make genetic selections that improve the performance, predictability and carcass quality of your calves. Select for genetic traits that will improve production efficiency on your ranch.
- Embrace technology: Look for ways to make computers, electronic marketing, ultrasound or electronic identification work.
- Manage risk: Use futures, options or forward pricing to escape the boom-or-bust cycles of the cattle market.
- Practice beef quality assurance: Adhere diligently to the best available quality assurance guidelines. Document all your practices related to animal health, biosecurity, residue avoidance and beef quality.

Biography

Bob Rolston is a Wyoming native and 1959 graduate of the University of Wyoming College of Agriculture. Bob spent 30 years in association management for various cattle associations at state and national levels. For the past six years he has worked for Maverick Ranch Beef in Denver as a cattle buyer and coordinator of their value-based marketing program. Currently he is the Region V Vice President, Federation Division, for National Cattleman's Beef Association, Chairman of Colorado Beef Council and President Elect of the Colorado Livestock Association. He and his wife, Colleen, reside in the Denver, Colorado area.

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An Overview of Fee Hunting / Fishing Enterprises

Dr. Larry Butler

Ranch diversification can be effective in a number of ways. Fee hunting/fishing is a diversification strategy that is popular in many areas of the U.S. There are certain things that a ranch must have in order to create a successful fee hunting/fishing enterprise. There are different ways of going about a fee hunting/fishing operation.

Fee hunting is very common in some parts of the U.S. In Texas, people who want to hunt must either have a friend who owns land, or must pay someone to hunt. In some parts of the U.S., it is not socially acceptable to charge people to hunt. These places have simply not evolved enough to incorporate fee hunting into the mix. In some places, hunters are having trouble finding a place to hunt. Landowners are having trouble controlling access to their land, and trespassing is a big problem.

Often, fee hunters on the property can help keep unwanted hunters out. This is a positive reason for diversification into fee hunting. Some other benefits include increased revenue, financial risk reduction, distribution of cash flow, resource utilization, and employment of a family member for part of the year. Another thing fee hunting can do is reduce the number of nuisance calls received from people wanting to hunt for free.

Resources on the ranch must be evaluated before deciding how to diversify. The wildlife must be there during hunting season, as well as adequate water for fishing. Once the resources are outlined, they must be managed. Ranchers can have a direct effect on animal numbers. State agencies have an indirect effect through rules and regulations.

Once an enterprise is chosen, the approach must be carefully thought out. Some ranchers get paid to simply give hunters access. Some considerations must be made such as liability, repair, wear and tear, water development and various others. A guided operation with full room and board is the other extreme. There are substantially more costs to be considered with this.

Pricing comes down to what the rancher has the guts to ask for, and what people are will to pay for. Fees will vary with region, species to be hunted, and can vary from year to year.

Fee hunting and fishing is not the only way to get people to pay to come out to the ranch. Non-consumable activities such as bird/wildlife watching and taking pictures can be worth a lot. The landscape itself is worth a lot, and the enterprise is actually selling "western flavor."

It is very important to outline to fee hunters what their rights and boundaries are while on the landowner's property. Conflicts can arise often if the intent of the lease is not clearly understood by both parties. Some things to consider are payment, length of time, species to be hunted, termination policy, and other privileges and limitations.

A landowner can expect some enjoyable profits if steps are taken to reduce risk and potential problems in the fee hunting/fishing enterprise. Deer, elk, and buffalo, for example can generate very large profits. Quail hunting is getting to be very popular and is starting to surpass revenue for deer hunting leases. It is not uncommon to expect \$25 per acre for a quail hunting lease. Landowners could expect to receive as much as \$100-\$150 per day just for bird watching.

Profits come once ranchers learn to manage people and wildlife along with livestock.

Summary by Kirby Berger.

Biography

Dr. Butler is the Director of the USDA Grazing Lands Technology Institute headquartered in Fort Worth, Texas. He has more than 28 years experience in helping ranchers and farmers with conservation and diverse business enterprises. He is responsible for developing and transferring grazing lands technology to the Natural Resources Conservation Service nationwide. Previous positions include: Regional Rangeland Specialist for 13 western states; Rangeland Economist; Wildlife Biologist; Field Office District Conservationist. Dr. Butler's outside interests include owning and operating the Rafter B Christmas Tree Farm. He is an "After-Dinner speaker" and Cowboy Poet.

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An Overview of Ranch Recreation Opportunities

Ted Flynn

Working Ranch Vacations came about from Ted Flynn responding to the situation facing his ranch. This is the same way that it had been done in his family since the 1860s. They were able to keep the ranch in operation by taking the situation at that time into account and responding. The first enterprise was a horse ranch and they used the railroad to sell hay. Ted started a fee hunting business, and currently invites people to come along with him on his every day work activities.

The fee hunting started by allowing people to hunt for \$300 a piece, on 50,000 acres that they owned and/or leased. Now the operation is fully guided hunting, and the prices have increased. Advertisement is done on a website. A computer and a website are very important to do the marketing required for a business such as Working Ranch Vacations.

Montana High Country Cattle Drives is another enterprise that Ted is involved with. International participation has been very prominent and continues to grow on the cattle drives. The advertisement for this has been done with press releases that are sent to various newspapers throughout the country. It is free and it reaches a lot of people.

Working Ranch Vacations currently charges \$1,200 per person per week. The guests do whatever needs to be done. Ted insists on intermediate to advanced riders for the vacation. It is impossible to cater to everyone's needs. Intermediate to advanced riders fit best with the operation on Ted's ranch.

When starting a diversified operation, the first thing is to evaluate what the ranch has to offer. The ranch could have things such as harvestable or observable wildlife, unique historical aspects, or such things as a dinosaur dig. Even a ranch without mountains and trees can have something to offer. Wide open spaces are worth a lot.

Conservation easements are a good thing to look into. This is a good way to preserve the family farm/ranch. People just want to be out on the ranch and be like real cowboys. The idea of a working guest ranch is to sell the western way of life.

Marketing and pricing are not hard to figure out once an enterprise is chosen and pursued. The best thing to do is to look at operations that are up and going and are similar to the selected enterprise. Then, observe how those operations are marketing their product, and what price they are charging for their business.

Facilities for guests do not need to be very elaborate, but it is important that they be clean. It is a good idea to start with what is available and add on later. Overcapitalizing by spending thousands of dollars on expensive cabins can be a very costly mistake if the guest ranching does not work out. Guest ranching is not for everyone. The operators and employees must be people oriented and outgoing. A lot of personal freedom is given up when there are clients around 24 hours a day.

Additional costs include groceries, gas, and marketing costs. Several good horses are required for a guest ranch where people are going to be riding a lot. Working ranch vacations requires two horses for every guest. These horses must also be “bomb-proof” so that no one gets hurt.

Other guest ranches in operation will usually be more than happy to share their information. This business is typically not that competitive. When more people come in to the business, it does not make the piece of the pie smaller; it just makes the pie bigger.

Summary provided by Kirby Berger.

Biography

Mr. Ted Flynn is a fifth generation Montana rancher on the Pioneer Ranch in Southwest Montana. He was born in Townsend, Montana. Mr. Flynn attended Montana schools with a degree in History from the University of Montana as well as a degree in Ag Production and a Masters in Animal & Range Science from Montana State University. He spent eleven years as an Aircraft Maintenance Officer in the Air Force at a base in Okinawa and Montana Air National Guard in Great Falls, Montana. He spent 30 years operating and managing Flynn Ranch and recreational enterprises on Flynn Ranch.

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Developing Alternative Crops

Phil Hartman
Lew Grant

Alternative crops are a great option, if the producer can find a market niche for the crop they are growing. Mr. Grant grows cool weather vegetables (i.e. lettuce, cauliflower and spinach) in northern Colorado. Mr. Hartman has grown alfalfa seed, onions, and gourmet garlic near Worland, Wyoming. They both have found a niche market for their crops. Mr. Grant grows these alternative crops organically, which is another market niche he has discovered.

A positive aspect of alternative crops is the income potential. Corn and beans are not high value crops right now; however, alternative crops have great potential to earn more money. The costs are higher for producing alternative crops, but Mr. Grant stated that the income is 10 times than that for standard crops.

There also exists a good opportunity for value-added crops. The majority of these vegetables are grown in California. Wyoming and Colorado have an advantage of being closer to the markets, thus less shipping costs. Most of these markets are east of Wyoming and Colorado. If producers box and sell the crops to customers, they can charge a lower price than the California producers.

Alternative crops make better use of a small acreage. More income can be earned off the smaller farm if you consider alternatives. Diversification is also needed in growing alternative crops. Different crops do better than others, depending on the timing of the sale.

The negative aspects include: a larger investment is needed in alternative crops; more government regulations; adverse weather events damaging crops; more labor costs and regulations; marketing requirements; more management; and a possible lack of labor supply.

Due to the oversupply of conventional crops, every farmer can look at alternative crops as an option. Mr. Hartman stated that you should look at alternative crops when your business is at its strength, not when it is failing. You can then afford to look at different options, and have the alternative crop ready to go if other crops fail.

Research needs to be done by the individual farmer to determine what is right for the farm, for the producer, and for what market you want to enter.

Mr. Grant and Mr. Hartman both emphasized the great growing advantage Wyoming and Colorado producers have – the weather. The warm days and cool nights are great for the vegetables grown here. These vegetables have higher sugar content than vegetables grown in other climates. These two producers have received letters from housewives all over the nation saying the vegetables they ate were the best they had tasted. Low land

prices and almost free water is another advantage for Wyoming producers considering alternative crops.

Summary by Sara Campbell.

Biography

Mr. Phil Hartman grew up in the Basin, Wyoming, area and started farming in 1981. He began raising alfalfa seed in 1982 commercially. He was the first producer in Wyoming to import leaf cutter bees for pollination. Phil is an officer and active member in local organizations including the Wyoming Alfalfa Seed Growers Association and the Wyoming Gourmet Garlic Growers Association. He is married to Sheri and has two sons.

Mr. Lew Grant runs a large organic vegetable farm in northern Colorado with his son. It is 2500 acres which he has been farming for the past 50 years – full time since 1980. He is a retired professor from Colorado State University and is a member of County, State and National Agriculture Advisory Boards.

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Establishing an Alternative Livestock Enterprise

Dr. John Woiwode

Raising fish is an alternative livestock enterprise for people in Wyoming. Currently, Wyoming imports all fish into the state, worth \$15 million. It will take innovation, but it is possible.

To produce fish you need water. The best source is a spring. This will provide consistent temperature and quality and is free flowing. A well is the second-best option. This will have the same consistent temperature and quality, but there are energy costs. Surface water sources are the third option. These are least desirable for aquatic life.

Fish are a cold-blooded species. Every fish has an optimum temperature for growth. You must determine the temperature for your source, then look at a candidate species list and determine the best fish for that temperature. For example, catfish live in 83 degree water, while rainbow trout need 59 degree water. Build your business plan around the fish that best suits your water.

The most fish produced in the United States is in Mississippi. They raise catfish and are very successful. They have a warm water aquifer that is ideal for this species. Idaho produces 80 percent of the trout in the country. One valley in Idaho, 29 miles long, produces these fish. They have captured the water from the Snake River aquifer that flows out the side of a mountain. This water is at the best temperature for trout. North Dakota also raises fish. They have built recirculation systems that maintain water temperature and water quality. This option is much more labor intensive and capital intensive. They market their fish out-of-state and ship them with live-haul trucks. Thus, they do not have the costs of processing the fish.

In Wyoming, if you can capture spring water, the Idaho model may work. Creativity is needed to build the systems. The North Dakota model may also work if it is properly planned. A third option is raising saline water species, which is being tried in other states. Raising shrimp may work in the brackish water found in Wyoming.

Sheridan College is currently in the process of building a process plant for fish. This may give Wyoming people the ability to process their fish and give the customers what they want. The other states are producing large volume, which Wyoming will have a hard time competing with. The best option is to look for the niche markets.

Summary by Sara Campbell.

Aquaculture in Wyoming

What is Possible
What could be Profitable

Dr. John G. Woivode
AquaMatrix International, Inc.

U.S. Seafood Consumption

- 15 pounds per person per year
- In Wyoming, with a population of 500,000, that is 7,500,000 pounds of fish per year.
- Wyoming produces virtually Zero pounds of fish per year. Our fisheries consumption is imported into the State from U.S. and abroad.
- The value of seafood imported into Wyoming is estimated at \$15,000,000
- The U.S. Imports \$3.5 Billion in fisheries products per year, increasing at 5-7% per year.

Water

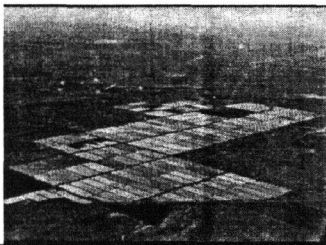
- Spring
- Well
- Surface

Temperature

Optimum Temperature
for Growth, Health

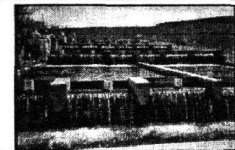
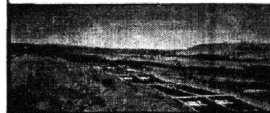
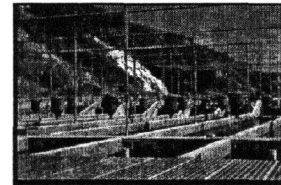
U.S. Catfish Industry

- Over 600 million lbs produced / year
- 80% in Mississippi. Why??
 - Water
 - Soil
 - Temperature



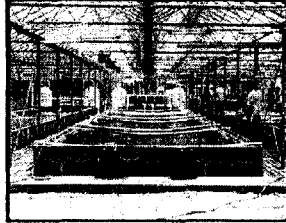
U.S. Trout Industry

- Over 55 million pounds produced per year
- 80% in Idaho. Why??
 - Water
 - Lay of Land
 - Temperature



Wyoming??

- Idaho model
- Mississippi model
- More creative?
- North Dakota model:
 - Tilapia, recirculating systems
 - live haul marketing



Opportunities for Production in Wyoming

- Ponds
- Springs
- Coal Bed Methane Water
- Recirculating Systems
- Saline/Brackish Water

Opportunities for Marketing from Wyoming

- Live Haul
- Value Added /Processing
- Restaurant, Luxury Niches
- International

Biography

Dr. John Woiwode is President of AquaMatrix International, Inc, a Wyoming based company founded in 1987 that provides fisheries/aquaculture technical services and expertise worldwide. His active participation in international fisheries development began over 25 years ago as a US Peace Corps Volunteer in the Philippines. His education includes a Bachelor of Science in Fisheries/Wildlife Resources and a Masters of Science in Fishery Resources from the University of Idaho and Ph.D. in Fisheries degree from the University of Minnesota. Dr. Woiwode has designed, constructed, operated and trained the management for aquaculture systems that have ranged from extensive pond to intensive thermal systems on numerous continents.

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Potential for Fee Hunting / Fishing

Ben Peterson
Ray Heaton

Ben Peterson:

Indian Meadows Ranch has had success by diversifying into fee hunting. The results that the ranch got are possible with any operation. The best thing to do is to start with something simple and go from there. The fee hunting enterprise is an entertainment business. Human interaction with hunters is important.

Indian Meadows Ranch runs 400 head of mother cows and grows corn and alfalfa. The reason for the initial diversification was for financial reasons. The books were not adding up and funds were short for an operating loan. The first thing that was done was the introduction of a buffalo herd which is now at 250 head. Alternative crops were also added to the mix.

The first group of hunters paid \$6,000 to lease the property. There were no costs incurred at this point. The net for the ranch increased 300 percent. Currently, the ranch takes 26 hunters paying \$4,000 each. The hunting at Indian Meadows is the cash cow. It is the only aspect of the ranch that gives price control.

There was considerable resistance to initially start the fee hunting enterprise at Indian Meadows. There had been bad experiences with hunters shooting signs and other things. It has since proven to be a successful venture. The possibilities are real. The most important thing to do is to start somewhere. The best way to start is by evaluating resource base. Determine what the operation offers the most of and go from there. There also needs to be a good market demand for the product being offered.

A good market niche is young, urban professionals who are family oriented. Offering non-hunting guests to come along for a small fee will gain additional revenue and will get the whole family involved in the hunting experience.

It is important to realize that the fee hunting business is focused on entertainment. People are not necessarily paying to fill their freezer with meat or bring a trophy head home. They are paying the premium to hunt on a ranch for the experience. This makes human interaction important. On Indian Meadows Ranch, the hunters are only in the field hunting for about five hours out of the day. The rest of the time is spent in the lodge talking and relaxing. This is a good time for the ranch outfitter to be around to talk with the hunters. Sharing a beer and working on improvements can make a big difference in their experience. Talking with them about their hunt can also enhance their experience.

No operation is too small or too far away to have potential for a good fee hunting operation. It is feasible for any operation that has something to offer.

Ray Heaton:

Color Country Outfitters is located in Southern Utah near Alton, Utah. It is a cow/calf operation that has been doing some fee hunting for about 15 years. It started when a hunter was trespassing on the ranch, and Ray invited him to dinner. The original fee charged was only \$500 per tag. The fee hunting on the ranch has since grown considerably.

In Utah, there is a program called a Cooperative Wildlife Management Unit (CWMU). It was previously known as a Posted Hunting Unit. The purpose of the CWMU is to help the landowner manage the wildlife for a share in the animals harvested. Commonly, landowners will take 80-90 percent of the tags, and allow 10-20 percent to go to the public as their share in the program. However, some go even as low as a 50-50 split with the public.

Today, Color Country Outfitters charges between \$11,000 and \$12,000 for a guided deer hunt. It is possible for them to charge this much because they have the wildlife to do it. The hunts have gone from a six-day to a five-day, one-on-one guided hunt. The other days of the week are for guides to take personal days off. The hunters typically come in on a Tuesday morning and stay until Saturday night. The cost of the hunt includes food and housing.

The reason that Color Country Outfitters has the wildlife and resources to be so profitable is simply location. However, steps have been taken to maintain the population and keep deer in the area. They reseed some pasture with alfalfa and clover. The ranch is very careful not to over-harvest big bucks. They currently take about 20 hunters per year at \$12,000 per hunter. This works better for them than to take 50 hunters and charge \$3,000 per hunter. Taking fewer hunters and charging more money will keep deer numbers up and costs down.

The ranch has elk as well, but elk hunting is not near as profitable as the deer hunting. The ranch tries to harvest as many elk as possible to help maintain the deer population.

Color Country Outfitters is a separate entity than the rest of the ranch. This is mainly for liability reasons. There is a long waiting list for people to come hunt, so advertising is not necessary.

Summaries provided by Kirby Berger.

Biography

Ben Peterson is a fourth generation farmer and rancher. He and his father own and operate a 6,000 acre farm and ranch and a recreational business called Indian Meadows Hunting and Fishing Club located in Morgan County Colorado along the South Platte River. Indian Meadows is a limited membership club that offers waterfowl, upland bird and big game hunting. Ben is the president of the Morgan Conservation District Board of Directors.

Ray Heaton is a fourth generation cattle rancher from Alton, Utah. He operates about 800 mother cows, and has turned into a feeder operation during the last few years. He also grows 160 acres of hay. He started a hunting/recreation service on his ranch approximately 10 years ago, called Color Country Outfitters. Color Country Outfitters has specialized in quality mule deer hunting for years. Their goal is to have the highest quality free ranging deer hunts in the country.

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www.colorcountryoutfitting.com

Ranch Recreation from a Producer's Perspective

Pachy Burns
Kris Johnson

Pachy Burns:

Ms. Burns owns and operates a sheep ranch in Montana. She bought the ranch in the early 1980s. She had little experience in ranching and was single with two young daughters. Starting out she did many things wrong, but has learned from her mistakes and continues the operation.

Ms. Burns diversified her operation to educate people for the future of agriculture, not for economic reasons. She began Jam to Lamb. This is an opportunity for women to walk a day in her boots and to find out what agriculture is all about. She invites the women out to attend "sheep camp." They may come for the shearing season, lambing season, or the branding and docking season. The women help with all the activities. Ms. Burns fixed up a bunkhouse with wool blankets and sheepskins. A cookhouse is the main gathering place for the women. Ms. Burns has meals ready ahead of time, freezes them, and then puts them in the oven to cook when needed.

Ms. Burns believes now is the time to invite people on board with agriculture. We are all necessary in keeping agriculture alive. We have a responsibility to educate the "milk-carton" society, to help them understand their important role in agriculture. Jam to Lamb allows people to take part in agriculture. She believes there are endless opportunities to reach out and involve people in agriculture.

Jam to Lamb is a hands-on educational experience. Ms. Burns only charges enough to cover the food expenses. She makes little profit on it, and if she does she puts it in a scholarship fund to allow a woman to come that is unable to pay. She believes that you could charge a higher price, because people do not mind paying for agriculture's richness of lifestyle. She feels her operation is successful because she offers something different that is creative, and she has started small and stayed simple.

Kris Johnson:

Ms. Johnson is from Laramie, Wyoming. She lives on her husband's family ranch. He is the fourth generation on the ranch. There are now three families on the ranch trying to make a living. Her daughter, sister-in-law and she have all held jobs off of the ranch. They decided they wanted to figure out a way for everyone to stay on the ranch. Resources they had to work around included: land, cattle, horses and tack, and kids to help out. They decided to offer horseback riding and wagon rides to the public.

In the beginning they did no advertising and charged \$15 per hour to ride. The business did not do well. Ms. Johnson attended a NxLevel class at the college in Laramie. She gained insight about the business world. The ranch started advertising outside the local market, where their target customers live. Rates were raised to \$25 per hour. Wedding

rides or any wagon ride in town costs \$500. The number of groups that are coming out to the ranch has increased greatly this year. Family reunions, corporations, and even football teams have come to the ranch. They are also offering horseback lessons, something the customers expressed a demand for.

Ms. Johnson is in her seventh year of business. They are presently at a crossroads. They must decide if they should stay in the business and invest a lot more money in it. It is very labor intensive. They are providing a unique experience and providing education in agriculture.

Summaries by Sara Campbell.

Biography

Pachy Burns attended the University of Wisconsin, transferred to Western State in Gunnison, Colorado taking post-grad courses in biology and botany. She went to Bonners Ferry, Idaho to assist in co-founding the Academy of the Rockies – an independent boarding school offering a 9-month program for 15 year old students. Ms. Burns migrated to Montana in 1980 and began a farming/ranching career. She has been actively involved with the Montana Wool Growers and is currently Chairman for the Montana Farm Bureau Sheep Committee, National Representative. She has traveled to remote areas of Russia representing the American Agriculture Industry for CFNA (Citizens Network for Foreign Affairs). She is also the Director with Montana Statewide Noxious Weed Awareness Campaign and has been grazing leafy spurge since 1986.

Kris Johnson is owner and partner of Prairie Rides LLC with her husband of 27 years, Jerry, and daughter Chariti Johnson. Jerry, his brother Orville, and their father, Vic, own the Johnson 99 LLC Ranch. It is a working cow-calf operation with 400 head of mother cows, 20 bulls and replacement livestock. To help make ends meet, Jerry and Kris, and their three kids decided to start a new venture using the resources they had available, almost 6,000 acres, horses, tack and equipment. Prairie Rides opened May 31, 1996 and has been doing business for 7 seasons now. Prairie Rides does horseback rides on the prairie (ranch style not head to tail like the others), mountain rides and group activities. Kris is president of Albany County Tourism Board, co-chair of Visitor Support committee of the Laramie Area Chamber of Commerce, a member of Kiwanis, member of Leadership Laramie 2002, member of Cowbelles, and along with Jerry, have a financial services business.

Contact Information

Pachy Burns
Jam to Lamb
P.O. Box 1510
Big Timber, MT 59011
406-932-4150

Kris Johnson
Johnson 99 Ranch
190 Sprague Lane
Laramie, WY 82070
307-745-5095

Providing Group Tours on Your Diversified Operation

Judy Steeneck

Ms. Steeneck organizes tours across the country for her clients. Her company, Centennial Travelers is based out of Fort Collins, Colorado. Twenty-five to 40 people are on each trip and their ages are usually over 55.

Ms. Steeneck plans many bus tours that go through Colorado, Wyoming and Montana. Her company would be interested in short stops provided for their clients, and feels there is an opportunity for ranches to provide them with this need. She is mainly looking for a place to stop the bus for a couple of hours, to let the people use the restroom, stretch and walk around, have lunch, and go on a short tour. Her thoughts included: a wagon ride, demonstration of branding, sheep shearing, rock hounding, a petting zoo with farm animals, and wildlife watching. The people are ready to get off the bus and do an activity. The older clients are also very interested in history and would enjoy hearing the history of a farm or ranch.

These activities need to be planned in advance and the price would be included in the bus tour package. The rancher/farmer would receive payment from the tour company. The tour company pays \$9-\$12 per person for lunch, plus the fee for providing an activity.

Ms. Steeneck gave some hints for getting into this business. Three tour operators to contact are: National Tourist Association, United States Tour Operators and the American Bus Association. Informing these companies of what you have to offer could help you get business. An interested person could also hold a "fam" tour. This allows the tour operators and other interested people to come out and see your operation. They will know then what they are offering their clients.

Ms. Steeneck stated she has many other contacts that could help an agriculture operation to get into this business. She believes there is good potential for agriculture people wanting to let bus tours visit your operation.

Summary by Sara Campbell.

Biography

Judy Steeneck was educated at Stanford University and has worked as a teacher. Through Centennial Travelers, she belongs to the National Tour Association, American Bus Association and Tour Colorado. She offers catalog tours as well as customized itineraries for travel clubs, bank groups, family groups, senior centers and inbound, special interest/conference groups. She offers fully-escorted, worry-free vacations designed and priced for seniors. Colorado railroads are her specialty.

Contact Information

Judy Steeneck
Centennial Travelers
P.O. Box 1416
Ft. Collins, CO 80522
970-484-4988
800-223-0675
www.centennialtravel.com

Potential for Value-Added Crops

Ryan Foxley
Harry O'Connor

Ryan Foxley:

Mr. Foxley farms 10 acres near Afton, Wyoming. He is a small-scale producer of organic cool weather vegetables and seed crop experimentation. He markets within a 75 mile radius of his farm. This includes Thayne, Alpine Junction and Jackson, Wyoming. His farm is at an elevation of 6,200 feet. On average it is one of the coldest regions in the United States.

Mr. Foxley saw a great opportunity in the Jackson market. This is the richest county per capita in the country with many five-star restaurants and resorts. He decided to grow organic vegetables to fit this market niche. He had to determine ways to overcome the growing challenges and wanted to get back to local production of produce. Horses and an Amish-made plow are used in the field, thus cutting costs to make a profit on the farm.

Lettuce is the staple crop on the farm. Salad greens are very popular with the restaurants and the grocery stores. A field of five varieties of lettuce and greens are chopped, blended together, pre-washed, and placed in a bag with Mr. Foxley's label. He sells three pound bags to restaurants and one-half pound bags to the grocery stores. The lettuce sells for \$3.00 per pound. The lettuce is very tender and the consumer does no chopping. Mr. Foxley also is growing two special crops for an Italian restaurant. He talked to the restaurant manager and asked what they wanted. He was able to fulfill the need of supplying these special plants.

Five greenhouses are placed on his farm growing cherry tomatoes, cucumbers and sunflowers. The greenhouses were built by Mr. Foxley with very cheap materials, to keep the cost down. He grows one-half acre of snow peas. The snow peas trellis up barley plants he has planted in the same field. This eliminates the need for steel posts. The barley is a good cover crop and increases the soil nutrients when plowed under. The fields are fertilized by the horses that plow them.

Mr. Foxley stated that to be in the value-added business you have to be a salesman. Don't be afraid to explain the uniqueness of your product. Just make sure you are always selling a quality product. Once you sell it, it will then sell itself if the people like it. Mr. Foxley's label is now known for its consistency and its quality.

Harry O'Connor:

Mr. O'Connor sells 30,000 tons of hay annually. He is based out of Riverton, Wyoming. He covers the nation with his market. He supplies hay to customers in many different states. He also makes "Itty Bitty" bales. These are smaller versions of a two-string hay bale that are sold to feed stores. In Wyoming, they sell for \$200/ton. The market has outstripped the supply for these small bales.

To find a niche market with value-added hay you have to be a salesperson. The markets do not magically appear, you have to find them. This takes a lot of time. Mr. O'Connor has been in the business for 30 years, so he has found suitable markets. Once you find them, you must have the supply to cover the customer base. You also have to be objective in what you are selling. Only the best, consistent, top-quality hay should be sold for the highest prices.

The Itty Bitty bales are very popular on the East Coast. The daily feeding is done by women, so the 45-50 pound bale sells very well. It is priced at \$18-22 per bale out of the feed store. Mr. O'Connor also specializes in dairy and feeder cattle. The Midwest is a great market for Wyoming. Any good quality grass hay or straight alfalfa from Wyoming will suit these feeders.

Mr. O'Connor's job requires a lot of time commitments and traveling to finish deals. He attends dairy expos in Wisconsin and travels to the East Coast. It requires good word-of-mouth and longevity to succeed in the markets. He also feels you should start any value-added options when you are at a position of strength.

Summaries provided by Sara Campbell.

Biography

Ryan Foxley grew up in Star Valley, Wyoming. He attended the University of Wyoming where he graduated with a degree in Elementary Education in 1994. Mr. Foxley taught elementary and high school music for eight years. He has been farming for four years and supplements his income by playing music professionally in Jackson Hole.

Mr. Harry O'Connor was born and raised in Wyoming. He owns and runs a company, O'Connor Trucking Inc., which started as a trucking company and has now evolved into a hay business moving 30,000 tons annually. The main products are dairy and feeder hay and the main markets are Wyoming, Iowa, Ohio, New York and Pennsylvania.

Contact Information

Ryan Foxley
Crow Creek Farm
375 Majestic Meadows
Afton, WY 83110
307-690-0847

Harry O'Connor
O'Connor Trucking
19 Creek Drive
Riverton, WY 82501
307-856-7856

Potential for Value-Added Livesock

Erwin Young
Alan Reed

Erwin Young:

The Young family produces tropical fish and raise alligators on their farm in the San Luis Valley in Colorado. An aquifer, with varying degrees of temperature dependent on how deep you drill, allows them to raise these unusual species. They are also in an isolated location, so they do not have to worry about diseases.

Tilapia fish are the Young's biggest production. There is strong government regulation and many imports that are hard to compete with. They have gone to niche marketing in nearby areas. They started producing so many fish that they needed an option to get rid of the waste and dead fish. After research, they decided on buying alligators. They found hatchlings to buy from Florida, started feeding them the waste and dead fish, and keep them in 89 degree water.

People were so interested in the alligators they started charging for access. It now costs \$6/adult and \$4/child to visit their farm. Last year they had 30,000 visitors. This has led to more profits. They also sell gator feed at a profit.

The Young's evaluated their resources to determine the best options, then decided on an action that also recycles the resources.

Alan Reed:

Mr. Reed owns a dairy in Idaho with urban sprawl surrounding it. People were starting to complain of odors, so the Reed family needed a way to deal with growing public discontent. They decided to open their farm up to these people so they could see the operation.

Chickens, pigs, goats and milk cows are available for children to pet and play with. By bringing these families out to the dairy, they can then sell their products to them directly. The best way to make profit is to provide more service to the public, making it more convenient for the customers. Bottling milk and delivering it to their doors is one way of providing an extra service. Making cheese and ice cream are two other ways the Reeds started doing.

Mr. Reed is always looking for alternative ways to bring cash in, or cut costs. For example, after much research he found a formula to replace cotton seed feed for his dairy cows. This new formula is one-half the price of cotton seed and produces the same results. Mr. Reed also developed potato ice cream. This ice cream is very healthy- no sugar, fat or artificial sweeteners. He invented a formula for non-fat cheese and has sold the formula to cheese factories.

Mr. Reed follows the hedgehog concept. Look at what you are passionate about, what you can be the best at, and what drives economic benefits. Combine all three, and that is what is best for you. Getting old thoughts out of the mind and bringing new ones in is challenging, but good. And remember, nothing is impossible!

Summaries by Sara Campbell.

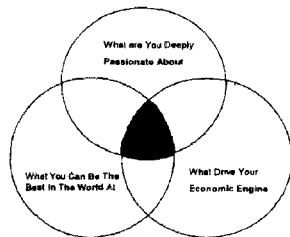
People Love Me



What We Did

- Cotton Seed Replacer
- Potato Ice Cream
- Non Fat Cheese

The Hedgehog Concept



“The problem is never how to get new, innovative thoughts into your mind, but how to get old ones out.”

— Dee Hock

Biography

Erwin Young began raising catfish and trout in Post, Texas in the mid-1960's. He acquired a fish called tilapia and started raising them as feeder fish for the other fish. Tilapia are a perch from Africa and reproduce frequently in great numbers. Not only did they make good food for the catfish and trout, but it so happened people like to eat them as well. Tilapia are the oldest known fish to be farm raised, as the Egyptians were growing them for food over 4,000 years ago. The Young's moved to Colorado in 1974 to raise tilapia commercially. They are a tropical cichlid, and die in the winter in Texas. So why Colorado? They deep aquifer provides geothermal water year-round. The Young's acquired their first alligators in 1987 to dispose of dead fish and filleted carcasses. Before they knew it, people were stopping by wanting to take a peak at the gators. Some of the original gators are know eleven feet long and weigh around 500 pounds. The Young's built greenhouses to grow more fish and use the waste to grow hydroponic plants. The Young's also have a fish farm that uses runoff water from the power plant in Lamar, Colorado. Their goal is to use all of the resources to their fullest potential. Any waste product is just another resource.

Alan L. Reed was born and raised on a farm in Idaho Falls, Idaho. His family raised potatoes, hay and grain. The family also owned a retail dairy operation where they milked the cows, then bottled the milk and sold it to the public. Alan spent all of his growing up years working primarily on the farm growing the crops. After college, Alan was asked to work at the dairy operation and run the business end of the company. A few years later the companies were divided and Alan has been in the dairy business ever since. He is the developer of "potato ice-cream" (ice-cream and yogurt products that are made using potato flakes). He also developed a nonfat cheese make procedure that is used to make a mozzarella type of cheese. Alan is married to his high school sweetheart and they have four children. He has served on the school board for the Idaho Falls District for eight years, the last four as chairman. He has been featured in People Magazine, Entrepreneur Magazine and many others. When asked if he is a food scientist he explains "I am more of a mad scientist." Besides inventing and creating new markets for his products is his passion for his work.

Contact Information

Erwin Young
Colorado Gators
9162 CR 9N
Mosca, CO 81146
719-378-2612

Alan Reed
Reed's Dairy, Inc.
2660 West Broadway
Idaho Falls, ID 83042
208-522-0123

Watchable Wildlife / Non-Consumptive Use

Linda Campbell

Nature tourism is a very large industry in Texas. Nature tourism is very broadly defined and includes activities such as: visiting parks, viewing wildlife, hunting/fishing, camping, and numerous other outdoor activities. Non-consumable use excludes things like hunting and fishing that take something from the land. Studies have shown that people in the United States are very tourism oriented. They are continually looking for outdoor vacations that many ranches have the potential to offer.

Wildlife watching is a popular outdoor activity in Texas. People who live in cities get a real thrill from seeing common wildlife that rural Americans take for granted. Game birds and deer are examples of wildlife that can be worth a lot simply for viewing as well as for hunting. Increased profits will be a direct result of providing a recreational opportunity on a ranch once a suitable enterprise is instated.

There are several non-consumable activities that are becoming more popular all the time. Soft adventure is a phrase used to describe activities such as, camping, mountain biking, horseback riding, sightseeing, and picnicking. These soft adventure vacations are things that are typically family-oriented. Over half of Americans complain of vacation time poverty. Ranch vacations can cater to these people's needs by offering a lot of exciting things packed into a short amount of time.

The type of diversification chosen must take into account the demographics of the desired target customer. For example, bird watchers are much more gender balanced, unlike hunters who tend to be male dominant. Bird watchers are also older, have relatively large incomes, and tend to be highly educated. It is important to these people to learn something while on their vacation. They often like to learn about birds, but may be intrigued by other aspects of nature as well.

There are a few criteria to think about when choosing an appropriate enterprise to diversify into. The market must be carefully examined. One thing to consider is the profitability of the market. This means finding customers who are interested and are willing to pay. The people in this market also have to be reachable in order to gain them as customers. It is very important that the market and enterprise be compatible with the needs of the ranch or farm.

Tourism is on a steady rise in the United States, and so is demand for connecting with the outdoors. Often people just want to get away from the cities. The simple concept of wide open spaces is worth a lot to some people. Many of these people that have experienced recreation on farms or ranches have conservation ethics. These ethics come from people enjoying the outdoors and making a connection with the way people live in rural communities. It is important to have people that have experienced outdoor activities

on ranches and care about what they are there for. Non-consumable ranch recreation is a good way to preserve resources while increasing awareness of the importance of the rural way of life.

Summary provided by Kirby Berger.

Biography

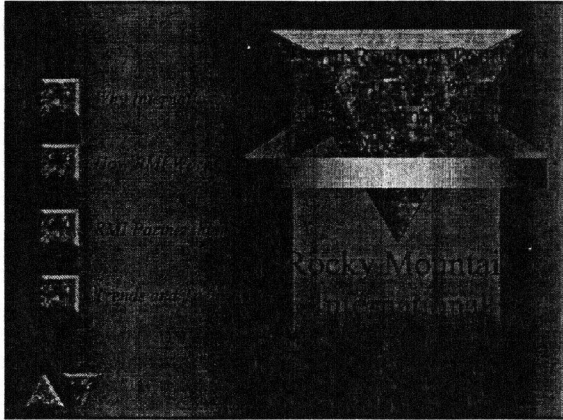
Ms. Linda Campbell is the Nature Tourism Coordinator for Wildlife Division, Texas Parks and Wildlife Department in Austin, Texas. She works with communities and landowners developing nature-based tourism enterprises. Ms. Campbell has a B.S. in Wildlife and Range Management from the University of Florida as well as a Masters in Range Science from Texas A&M.

Contact Information

Linda Campbell
Wildlife Diversity Branch
Texas Parks and Wildlife Department
4200 Smith School Rd.
Austin, TX 78744
512-389-4396

How to Incorporate International Tourism into your Operation

Susan Maxwell
Scott Balyo



Why Go International?

- ♦ International tourists spend five times as much time and five times as much money visiting the United States than domestic tourists.
 - Domestic: \$ 331.00
 - International: \$1,530.17

*1999, U.S. Dept. of Commerce
- ♦ Europeans have, on average, five weeks of government mandated vacation time plus up to 16 annual paid public holidays.

11/27/2002

Why Go International?

- ♦ International guests are predisposed to visit.
- ♦ International guests are more likely to visit during "shoulder" or off-peak seasons than domestic travelers.
- ♦ Many international guests are much more willing to visit "off-the-beaten-path" rural attractions or destinations than domestic visitors.

11/27/2002

Why Go International?

- ♦ International (overseas) visitation is a hedge against volatile domestic and Canadian market swings.
- ♦ Our "detriments" (lack of population, rural, access) can often times be viewed as benefits to a world seeking out green and open destinations.
- ♦ International guests enhance the visitor experience for domestic visitors and create additional perceived value.

11/27/2002

Why Europe?

▼ Legal Time Off Requirements:

- ▼ Austria : 30 Days
- ▼ UK : 22 Days
- ▼ France : 25 Days
- ▼ Germany : 24 Days
- ▼ Japan & US : 10 Days

11/27/2002

Top 20 Overseas Markets

Rank	Country	2001p(Millions)	Change(p)
1.	Japan*	5,208,000	7.9%
2.	United Kingdom	4,640,000	9.1%
3.	Germany	2,026,000	2.1%
4.	France / Benelux	1,410,000	7.6%
5.	Brazil	700,000	5.3%
6.	Italy	691,000	10.4%
7.	Venezuela	563,000	2%
8.	Netherlands	578,000	9.7%
9.	Argentina	516,000	0%
10.	South Korea	499,000	37.1%

*If Hawaii, Guam, and Southern California were removed from the totals, addition to mainland U.S. drops to just over 500,000
Source: Tourism Industries, U.S. International Trade Administration

11/27/2002

International Arrivals to USA (Millions)



Source: TOURISM INDUSTRIES, International Trade Administration, Secretaría de Turismo (Mexico), Statistics Canada

11/27/2002

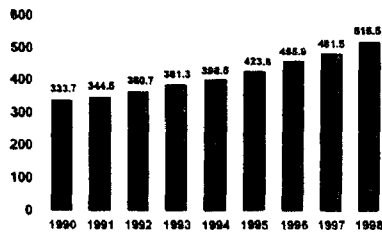
International Receipts in US\$ (Billions)



Source: TOURISM INDUSTRIES, International Trade Administration, Secretaría de Turismo (Mexico), Statistics Canada

11/27/2002

Travel Expenditures (Up 44% since 1990)



Source: TOURISM INDUSTRIES, International Trade Administration, Secretaría de Turismo (Mexico), Statistics Canada

11/27/2002

Why RMI?

Founded in 1990:

South Dakota & Wyoming in 1990;
Montana in 1991; Idaho in 1993;
Gateway Cities, independent North Dakota
program in 1997.

STRATEGIC GOALS:

- 1.) Market and promote Northern Rocky Mountain states/region as a legitimate international destination;

11/27/2002

Why RMI?

- 2.) Provide a cost-effective way for states without large tourism budgets to become major players in the international marketplace through pooling of limited funds and private sector partnerships;
- 3.) Provide a structure that allows individual states and entities to promote unique products.

11/27/2002

Why RMI?

- 4.) Provide overseas on-site offices and contract personnel in target markets to represent the region and implement a well-defined and accountable long-range marketing program;
- 5.) Implement programs that create opportunities for the private sector to do business and grow the tourism economy within the state and region.

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How We're Doing

"The Rockies states have come from little-known states to one of the most popular touring regions of the U.S.

Despite the lack of direct flights, South Dakota, Montana, Wyoming and Idaho have a high profile among Britons looking for driving holidays.

Main draws are the national parks and the 'cowboy experience...'

Adventure activities are cattle drives, camping and horse camps...

The 'lure of Real America' is very strong."

Travel Weekly (UK) September 17, 1997

11/27/2002

Current RMI Services

- ▼ Five Overseas Offices & Personnel
- ▼ Multi-Language Publications (trade & consumer)
- ▼ Multi-Language Websites
- ▼ Central European Fulfillment and Distribution
- ▼ Overseas Trade and Consumer Shows
- ▼ Familiarization Tours
- ▼ "Roundup" Marketplaces for Private Sector

11/27/2002

Current RMI Services

- ▼ TRIP Reports: On-Line Inventory and Statistics
- ▼ On-Line Databases
- ▼ Quarterly Newsletters & Annual Reports
- ▼ Corporate Sponsorships and Partnerships
- ▼ Travel Trade and Media Liaison
- ▼ Specialized Promotions and Events

11/27/2002

Benefits of RMI Cooperative Marketing in FY02:


State Contracts*	:	\$696,820
Gateway City Agreements	:	\$ 25,000
Airline Partnerships (in-kind)	:	\$ 42,000
Car Rental Partnerships (in-kind)	:	\$ 21,000
Accommodation Partnerships (in-kind)	:	\$ 43,000
Other Partnerships (in-kind)	:	\$ 34,500
RMI Publications	:	\$152,400
RMI-RealAmerica.com	:	\$ 42,000
Trade Shows, Roundups, Seminars	:	\$132,100
RMI Movie Promotions	:	\$ 45,000
Value of Regional Marketing Program	:	\$1,223,820

*State Investment: 5-13.5% of total program value

11/27/2002

FYO1 RMI Gateway Cities

- ▼ Denver, Colorado
- ▼ Minneapolis/St. Paul, Minnesota
- ▼ Salt Lake City, Utah
- ▼ Spokane, Washington



The Real America Gateway Cities
 1. Salt Lake City, Utah 2. Minneapolis, Minnesota 3. Denver, Colorado 4. Spokane, Washington

11/27/2002

FYO1 RMI Partners

- ▼ Yellowstone Park Lodges (Amfac)
- ▼ Glacier Park Inc.
- ▼ Rapid City CVB
- ▼ KOA Kampgrounds International
- ▼ Buffalo Bill's Cody Country
- ▼ United Airlines
- ▼ Northwest Airlines
- ▼ Boise Area CVB

11/27/2002

FY01 RMI Receptive Tour Operator

- ▼ Rocky Mountain Holiday Tours

11/27/2002

RMI Worldwide Offices

- ▼ **RMI-GERMANY:** Rita Hillé, Director German Market, Wiechmann Tourism Services, Scheidswaldstraße 73, D-60385 Frankfurt/OM Germany, Tel. 49-069-405-9573, Fax. 49-069-43-96-31, •E-Mail: rita@wiechmann.de
- ▼ **RMI-UK:** Claire Blacknell, Director UK Market, Office: 6 Tamarisk Close, Stubbington, Farnham, Hampshire, PO14 2SW UK, Tel. 44-1329-665111, Fax. 44-1329-667339, •E-Mail: rmi.uk@btinternet.com
- ▼ **RMI-FRANCE/BENELUX:** Barbara Jacobs, Director France/Benelux Market, BP 20 - Schaerbeek 6, 1030 Brussels, Belgium, Tel 322-0705-7897, Fax 322-0705-7936, •E-Mail: Barbara.jacobs@chello.be
- ▼ **RMI FRANCE OFFICE:** Hervé Duxin, France Office Manager, BP 377, EVREUX Cedex 27003, France; Tel. 332 032 260 393, Fax. 332 032 360 253, •Email: duxin@wildwestusa.com
- ▼ **RMI-ITALIA:** Dr. Olga Mazzoni, Mario Boveri, Directors; Thema Nuovi Mondì, Via Gherardini 2, 20145 Milano, Italy, Tel 39-0233105841, Fax. 39-0233105827, •Email:rockymountain@themasrl.it

11/27/2002

Wyoming Growth: +21%

Overnights offered by tour operators

Year	France/Benelux	German Market	UK Market	Italian Market
1996	150,000	400,000	250,000	100,000
1997	180,000	520,000	280,000	120,000
1998	200,000	450,000	300,000	130,000
1999	220,000	480,000	320,000	140,000
2000	240,000	500,000	340,000	150,000
2001	260,000	520,000	360,000	160,000

11/27/2002

Yellowstone Shows 20.8% International Visitation

Origin:

1.	German Market	20.8%*
2.	Canada	15.2%
3.	England	9.6%*
4.	Benelux Market	7.0%
5.	France	6.0%*
6.	Italy	5.4%*
7.	Korea	4.4%
8.	Japan	3.5%
9.	China	2.9%
10.	Israel	2.8%

* = RMI markets

Study conducted by National Park Service, 2001

11/27/2002

RMI Website

- ▼ Total redesign in 2002
- ▼ Includes 17 regional itineraries
- ▼ Includes 44 pages in each language
- ▼ Contains 2 databases (Tour Operator Directory, Airlines and Airports)
- ▼ 22 Banner Ads
- ▼ German, French, Italian mirror sites completed in 2001
- ▼ French and Italian stand-alone sites completed in 2001

11/27/2002

RMI RealAmerica Guide

- ▼ Total redesign in 2002
- ▼ 40,000 Ninety-Page-plus 4C Guides in English and German
- ▼ 72,000 16-page consumer editions in English, French, Italian, and German
- ▼ Distribution program in five countries to tour operators, travel agents, journalists, and consumers
- ▼ Primary regional response piece for fulfillment

11/27/2002

International Marketing 101: The Do's and Don'ts

•The Do's

- Define Your Objectives
- Analyze Your Tourism Product
- Identify Your Main Selling Points
- Analyze Your Economic Environment
- Establish Your Rates
- Target Your Markets
- Establish Personal Relationships
- Learn About The Market You Want To Enter
- Use Your Resources

11/27/2002

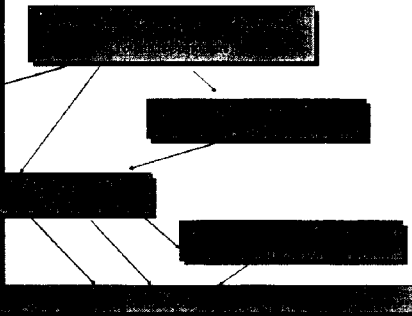
International Marketing 101: The Do's and Don'ts

• The Don'ts

- Don't Go Unprepared into Foreign Markets
- Don't Enter Foreign Markets Without A Long-Term Commitment
- Don't Be Adamant About What You Consider To Be Your Best Feature
- Don't Push A Product That Won't Sell
- Don't Make It Difficult To Sell Your Product
- Don't Panic If Nothing Happens

11/27/2002

How The Industry Works



11/27/2002

Pricing Your Product: *The Twenty Percent Solution*

There are two ways to price your product for the travel trade to include commissions. The first is to "back off" the commission from your published rack rate. The second, and most preferable, is to establish a rack rate with commission built in starting with your net rate.

1. Determine Your Net Rate \$100 Per Night (including overhead, print, promotion, profit)
2. Determine Commission Via Function
 $x = \text{rack rate} \quad x - .25x = .75x \quad x = \$100 \div .75$
 $\$100 \div .75 = 133.33$
3. Add In Taxes - 4% (Or Whatever) \$138.66 Per Night (Commissions should not be paid on tax)
4. Round Off in Your Favor \$139.00 *Is Your Rack Rate*

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Promoting Your Product

• Establish Credibility

- Relationship development is key to success.
- Using your networks is the key to relationship development: *RMI, state tourism, region, CVB*
- Build Trust
 - Reliability
 - Credibility
 - Knowledge of your business and other related businesses
- Comprehend liability of the tour operator
 - Greater value placed on vacations as a right
 - European Union rules/regulation are strict and enforceable
 - Full disclosure of rates with taxes and tips inclusive.

11/27/2002

Promoting Your Product

• Prepare for effective follow-up

- Perfect Business Cards received
- Ask when to follow-up? Immediate response may not be necessary
- Read leads and pick out pertinent ones to your business
- Attend RMI Roundups
- Host state and regional familiarization tours and use the opportunity to *sell your product*.

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Communicating

- **Faxes**
 - 011 gets the international operator
 - Verify city/country code, check the phone book for these codes
 - Acknowledge receipt of any fax received so they know you got it-even if you cannot immediately answer their question
- **E-Mail**
 - Acknowledge receipt-even if you cannot immediately answer their question
 - Look into getting auto response if you will be out of town, in the field, helping guests for any extended period of time

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Advertising

- **Images**
 - Invest in scenic slides to which you have full rights
 - Trade out w/professional photographer
 - 1st generation
 - Well captioned so you get the credit!
- **Advertisements - Real America Guide/State Travel Guide**
 - www.RMI-RealAmerica.com
 - Include E-mail, address w/country, fax and phone number
 - Avoid using 800 numbers unless they work from overseas and if so note in the copy
 - Avoid vanity numbers-No letters on phones overseas
- **Editorial**
 - Guide Books
 - Newspaper and Magazine Articles

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How To Get Involved

There is no "membership" fee thanks to your state.
 In Partnerships, destination associations or as individual product, here's how you can get involved in the State/ RMI International Marketing Program:

<u>Program</u>	<u>Date</u>	<u>Site</u>	<u>Cost/How</u>
<i>Real America Guide</i>	Aug. 1	N/A	\$1,200 up
<i>Website banner</i>	Aug. 1	N/A	\$500 up (contact RMI)
Bit	February 15-18	Milan	\$1,699
ITB-Berlin	Mar 7-11, 2003	Berlin, Germany	\$3,100
RMI Roundup	April	South Dakota 5 425	
Hosting Fam Tours	Annual	Your Place	Contact your state representative

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Biography

Susan Maxwell is the Director of Program Services for Rocky Mountain International. In this position, she is charged with support activities for RMI's offices in Germany and Italy, which includes coordination of international trade shows, seminars and workshops, and representation at those events. A Los Angeles, California native, Maxwell received a bachelor's degree in Political Science from California State University Fullerton and Master's Degree in Public Administration from California State University, Long Beach.

Scott Balyo is the Director of Marketing for RMI. He is responsible for support activities for RMI's offices in United Kingdom, France and the Benelux, working to promote the region to trade and media representatives. He also helps coordinate familiarization trips, trade shows, and conferences both in Europe and the U.S. Balyo has a B.A. in Journalism from Taylor University (Indiana) with a minor in Marketing. Before coming to RMI in the summer of 2002, Balyo owned and operated the Mackinaw Journal and Mackinaw Today (community and tourism newspapers) for four years in Mackinaw City, Michigan.

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Adding a Bed and Breakfast to your Farm or Ranch Enterprise

Barb Madsen

Bed and breakfast operations can compliment just about any existing farm or ranch operation. An important first step is to consider existing buildings that can be restored. Location is another important consideration. There are some state requirements for starting a bed and breakfast, as well as some insurance requirements. Marketing and pricing must be done carefully and will vary by operation.

A good start to a bed and breakfast operation is having spare rooms or extra buildings that can be restored and remodeled. TA Guest Ranch started by restoring its most likely building for a bed and breakfast, and then went from there.

Location is very important to the type of operation, as well as the success of the business. An operation that is going to have a bed and breakfast should be relatively accessible. If the ranch is located several miles out on a dirt road, it would be more fitting to have some type of a guest ranch. A guest ranch allows people to stay for more than one day and they only have to make the long drive once.

There is not very much that the state requires in order to start a bed and breakfast. If the operation averages less than eight people per day throughout the year, the applicant must get a ranch recreation application from the state. The Department of Health is contacted to come out and inspect the property. They will commonly inspect the kitchen, water, and other facilities. Fire alarms are not required, but are a good idea.

Insurance requirements are also not very extensive for a bed and breakfast operation. The buildings to be used should be covered in case of damage. Additional policies might be a good idea to cover people's injuries in the case of an accident. An example would be if someone slipped on the ice outside of the property and got hurt. These policies are usually fairly reasonable in price. A policy for one million dollars will only cost a few hundred dollars a year.

There are several options for marketing a bed and breakfast in the state, and most are inexpensive. The Wyoming Division of Travel and Tourism is a good place to start. The advertisement must be submitted in the fall in order to have the advertisement out in the spring. This will usually cost around \$100-150 per year. Any advertising through the state is free. Rack cards are done through the state and are distributed to various locations for no charge. The only cost would be the cost of printing the brochure. Some people offer bed and breakfast guides. These will often be an expensive form of advertising.

Pricing for a bed and breakfast varies with the region, quality of operation, and time of year. Prices should be somewhat consistent with other hotels in the area. People will pay a premium for the extra services and the atmosphere. They will not pay an outrageous premium, however. A common guideline would be to charge 10-20 percent more than local hotels that have the same quality rooms and facilities.

Every ranch has a story or characteristic that makes it unique. The TA Guest Ranch has the location of the Johnson County War that makes it unique. This characteristic is a good marketing tool for the ranch. The uniqueness of the bed and breakfast is what will set it apart from other operations and make it successful.

Summary provided by Kirby Berger.

Biography

Barb Madsen was born in Nebraska, and educated at the University of Colorado. She is currently working on her third career as a guest ranch operator. Her prior careers have included teaching school and working as an interior designer. With her family, she has owned the TA Guest Ranch for 11 years and has operated the Guest Ranch for six years.

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Closing Remarks

Ben Alexander

*"You work hard. You pay your bills. You make a decent living.
Those days are over."*

-- Ted Flynn, Flynn Ranch, Montana

*"The challenge is to capitalize on value while you operate a ranch,
not while you sell it."*

-- Gregg Simonds, Ensign Ranches, Utah

This has been a fabulous conference. We've heard from experts in a variety of fields, gone on field trips, and benefited from one another's wisdom in discussions. We now have a clearer understanding of what's not working, and prospects for what might work.

The message is clear: most small farming and ranching operations need to be diversified to survive, certainly to succeed. Even larger players are headed in this direction – or specializing in niches where it's possible to capture value.

In fact, the message is more dramatic than many people realize. In Wyoming, for example, farming and ranching is the only sector of the economy in long-term decline. In the last 30 years, farmer and ranch employment contracted by almost 1,700 jobs and now constitutes less than 4 percent of total employment in the state. (US Department of Commerce, Bureau of Economic Analysis, 2002)

The picture is even grimmer when looking at personal income. Farmers and ranchers in Wyoming today earn \$262 million less than they did 30 years ago. Gross receipts figures show impressive though-put but net earnings point out the lack real income. In 2000, less than one cent on the dollar in the state was earned by farmers and ranchers. (US Department of Commerce, Bureau of Economic Analysis, 2002)

Of course, there are traditional areas of diversification (e.g., livestock in combination with crops), but in recent years livestock and crop prices have *both* been lackluster. Over the last couple of days we've learned about new and developing markets (e.g., organic beef and bird watching) that indicate a growing dynamism.

What this means to me is that ranching is changing! In fact, it has always been changing, though it is easy to think of ranching as a relatively static activity. The way we lump ranching with other "old" west economic activities and subscribe to variations on cowboy mythology reinforces this stereotype.

What ranching will look like in the future is anyone's guess. I won't hazard a prediction, except to say this: successful ranchers of the future will treat their resources sustainably, and find new ways to add value to their products and services.

In order to do this, ranchers must become more than producers and take an interest in markets – in developing new markets, taking advantage of emerging markets, and aggressively marketing their products and services.

I don't see much of a future in a cheap food policy, in a volume commodities game that doesn't reward producers, or in more federal subsidies that fail to encourage self sufficiency over time.

I am not a pessimist, however. As we've seen over the course of this conference, there are many creative individuals pioneering tomorrows farms and ranches. To be sure, we should apply the collective skills we possess today, but we must also innovate.

A friend of mine said to me a while back. "If you think about it, you really have choice about who you compete with on a wage basis: on the low end there is unskilled labor in the Philippines, and on the high end there is highly skilled labor in Germany. You can compete at either end of the spectrum. Take your pick."

The same logic applies to ranching. Certainly we should fight for free and fair markets, but we must also look to see if the markets we're targeting are suited to our resources and offer the potential of real earnings.

Peter Drucker summed up the challenge when he pointed out that the well being of the national economy no longer depends on the well being of agriculture. He lists several reasons: fierce competition from abroad, a productive surplus do to mechanization and bioengineering, and the diminished importance of raw materials as inputs for production.

What I think this means is that we have to take a hard look at what we're doing in ranching. If we accept the premise that the status quo is not working, then we are in a position to evolve what we do.

We know that livestock ranching doesn't turn a consistent profit, and that as a result it cannot compete for new investment dollars, or with other land uses such as residential sprawl which has pushed the price of ranch real estate in many parts of the West well beyond ag prices.

We know that the ag economy of the region has not grown in the last 30 years while the rest the economy has grown and diversified. That the beef market is oversupplied and that without a change in international trade policies there will be a winnowing out of beef producers in this country. And that prices are not likely to rise until this happens.

We know that rancher-to-wholesale margins have been flat, while wholesale-to-retail margins for beef have been growing for the last 30 years. Part of this may be due to monopolistic activities, but surely some if it is a function of a trend toward outsourcing and a lack of contact with end users.

We know that ranchers are getting fewer and older. That production expenses are rising mercilessly. That federal subsidies can help in a crisis like this summer's drought, but can't become a way of life and hold promise for the future.

We know that in the public's mind the Marlboro Man still rides tall, but his cows don't. Look at Marlboro ads and you won't see any cattle. (In fact, note that Philip Morris has changed its name to Altria in the wake of all the cigarette scandals.)

We know that the American public is increasingly interested in and concerned about the effects of grazing on the health of public *and* private lands. There is a tremendous amount of misunderstanding here, but very little effective communication about the issues and remedies.

If we can see these challenges clearly, we can begin to formulate solutions. That's why this conference has been so exciting for me: we have heard from and asked questions of owners and experts who are trying to figure out the next steps. It's time ranching got back to its *pioneering* roots.

What are the opportunities? We've heard some diverse answers to this question, which is a good thing when no one direction has established primacy. New directions range from niche specialty products to an ever-expanding range of services.

As rural economies diversify, in effect becoming more urban, and transportation and communication technologies shrink the distance between producer and consumer, there are a growing number of opportunities to market agricultural products and to engage in new economic pursuits tied to the land but unrelated to conventional agriculture.

What does it take to succeed? A desire to rethink resources in light of new markets, and a willingness to take risks: *creativity* and *risk*.

The ability to be creative is a skill we all have. Yet it's remarkable how people will suppress their creativity. Successful ranchers in the future will, of course, run efficient, low-cost operations, but they will also be rethinking and redeploying their resources in light of new market opportunities.

Across the West today, there are people in similar circumstances: yet some of them are failing, while others are succeeding. In part this is because of what you might call *vision*. Where one man sees only liabilities, another sees opportunities. We don't need to work harder; we need to work smarter.

Can livestock be used and their owners rewarded for more than the meat they produce? Is water valuable beyond what it can irrigate? Are current-day costs (e.g., predators) future assets in a new business model (e.g., predator friendly beef)? The list of questions goes on endlessly.

Alan Nation observed in a recent *Stockman Grassfarmer* editorial (September, 2002): “If you want a future different from your present reality, you must be learning the skills you will need in that future rather than just perfecting those you use to make a living today.”

To innovate is to be a risk taker – the essence of what it means to be an *entrepreneur*. While we should be proud of our traditions, we must also keep pace with the demands of our age. Risk taking is arguably a psychological disposition. I don’t know how you teach someone to be an entrepreneur. And I am also not sure individual ranchers without entrepreneurial instincts will survive these times.

There is a substantial rural development literature that focuses on government activism – from the New Deal through post World War II era programs. And, of course, there is a competing and more recent literature, informed by neo-classical economics, that focuses on private sector dynamism. Neither approach by itself has been overly successful.

We need basic rules and oversight – regulations and enforcement, access to capital, transportation and communications infrastructure – without which markets cannot flourish. The recent implosions of Enron and WorldCom, in which investors were shamelessly defrauded, is a good example of the failure of government action to ensure open and fair markets.

With these conditions in place (they are being fought over right now with respect to rural America), an emphasis on *enabling* entrepreneurs to succeed makes more sense. And this effort is inevitably a *partnership* – between ranchers, banks, insurance agents, local and state government, public land management agencies, and even environmentalists. There is no need to go it alone, and plenty of reasons to take advantage of shared risks and economies of scale.

Some in the peanut gallery have written us off. Environmental fundamentalists will carry on their simplistic – remove all cows – campaigns. Real estate developers will continue to gobble up ranch land at unprecedented rates.

Some producer groups will keep on looking through the rear view mirror or advocate for industrial interests at the expense of individual farmers and ranchers. And the public will continue to become more and more urban, and thereby detached from the realities of rural living.

Are we up to the task of creating what you might call the New Ranch? I don’t know the answer. But I know this: we will evolve or go extinct. Wallace Stegner once described the successful characters in the West as “stickers.” In our own age, I believe it’s the “innovators” who will survive to create tomorrow’s history.

Biography

Ben Alexander is Director of the Working Landscapes Program at the Sonoran Institute. He manages an integrated program of research, outreach, and place-based work designed to maintain and improve the health of agricultural landscapes in western North America. Ben works out of the Sonoran Institute's Northwest Office in Bozeman, Montana. He holds a B.A. in History from Tufts University and a M.A. in American Studies from Yale University.

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