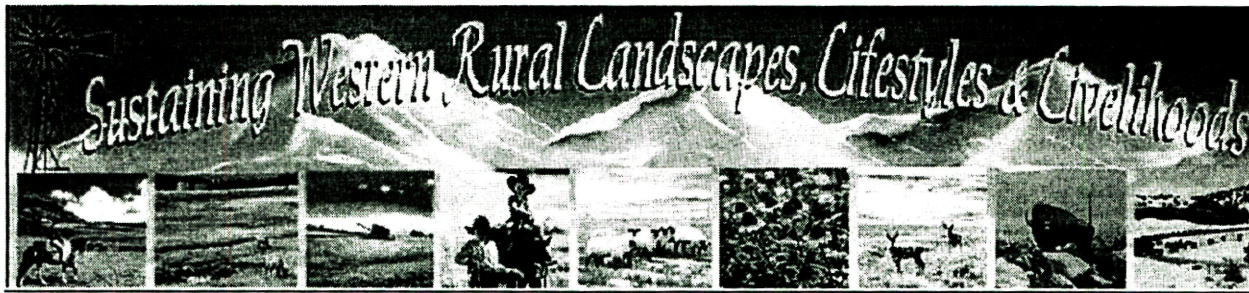


A large, faded, yellowish-tinted background image of a cowboy wearing a hat and riding a horse. The cowboy is positioned on the left side of the frame, facing right. The horse is also facing right. The image is semi-transparent, allowing the text to be overlaid.

**AGRICULTURAL
ENTERPRISE
DIVERSIFICATION
RESOURCE
GUIDE**



About this guide

This guide was prepared as a template for professionals in the agricultural sector to use when assisting producers who are interested in diversifying their agricultural operations. The content of the guide is based on testimonials from agricultural producers and technical material from other sources with experience in diversified agriculture. It was completed as one component of the project *Sustaining Western Rural Landscapes, Lifestyles, and Livelihoods through Agricultural Enterprise Diversification*. Funding was provided through a professional development grant awarded in 2000 from Western Region Sustainable Agriculture Research and Education (SARE). Examination of the guide reveals that agricultural enterprise diversification requires the interaction of many disciplines. Consequently, a diverse partnership was assembled to contribute to its development.

The project partnership

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

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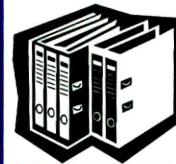
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Foreword

Profitable farm and ranch businesses are key to the sustainability of rural landscapes, lifestyles, and livelihoods across the West. Rural landscapes and their associated resources, some of which are wildlife, livestock, forests, prairies, water and windmills, are easily recognized and valued by both the urban and rural communities. Many people without a direct connection to rural lands envy the lifestyle. It is a way of life cherished by many who live it, and who often have several generations of family heritage associated with the same farm or ranch. Common sense says that if a family can make a reasonable living from the land, chances are greater that the land unit will remain intact. And, the resources that are found on that part of the landscape might then have a greater likelihood of sustainable use for the benefit of all society.

However, the agricultural sector is at risk. Farmers and ranchers are continually challenged to remain economically sustainable, especially considering the marginal profitability of traditional commodity production today. A closer examination of beef, a traditional commodity common to many western farms and ranches, reveals that consumer demand has been in a downward trend for the last two decades. Concurrently, prices received for beef have mirrored or have declined disproportionately to demand, while production expenses have continued to increase for at least the last 20 years. These combined factors essentially constrict the opportunity for profit at the farm or ranch-gate level.

Other challenges exist. Rural lands in many cases have high aesthetic, recreational, and developmental value. Faced with economic uncertainty, many farmers and ranchers are taking advantage of this lucrative market and are selling select tracts or entire land units. It is estimated that more than 25 million acres of privately owned rural lands have been converted to development in the last 15 years. Much of this has been in the form of suburban sprawl and other residential development.

Another concern is the “graying of agriculture,” the aging of the American farmer and rancher. Their average age continues to increase with each agricultural census, suggesting that there is poor recruitment of young producers. This may be due to little perceived economic opportunity in





agriculture. Additionally, rising property and estate taxes further discourage prospective young farmers and ranchers.

Collectively, these are significant challenges facing farm and ranch families in the West today. At risk are agricultural product production, employment, income, wildlife habitat, open space, and the cultural heritage in western families and communities. Weak financial conditions limit opportunities for practicing sustainable use of natural and other resources. Conservation then becomes an afterthought, rather than an incentive for business reinvestment. And, consequences of poor recruitment are that expertise and stewardship skills specific to that farm or rangeland are not transferred to younger generations of land managers and may be lost.

What are the solutions? There may be several. This project partnership chose to focus on one emerging possibility. Perhaps opportunities for future farmers and ranchers and the overall long-term sustainability of agriculture into the 21st century could be enhanced by alternative, supplemental, and non-traditional agricultural enterprises. In other words, the diversification of existing agricultural businesses.

What is agricultural enterprise diversification? This project partnership defines it as *“building upon existing natural, family, community, and cultural resources, and agricultural products, to sustain and grow ranch and farm businesses.”* In other words, the resource bases of existing operations form the foundation for considering and implementing new, alternative agricultural enterprises. These, in turn, can help sustain and grow farm or ranch businesses to meet the goals of those with a vested interest in the operation.

In contrast to the opportunities and impetus for diversification, it seems that there is great variability among technical advisors to the agricultural community in terms of their knowledge, skills, and experience with the various aspects of enterprise diversification. This makes it difficult for producers to obtain a consistent level of technical assistance in this arena.

There have been other indicators that technical advisors to the agricultural community should include income diversification in their provider services.





At the Wyoming Economic Summit held in Casper, Wyoming, in December 1998, agricultural diversification was identified as the number two priority concerning agriculture and timber interests in Wyoming. This prioritization occurred as a result of roundtable consensus from individuals including: Wyoming's governor, leaders of agricultural organizations, agricultural producers, and representatives from various agencies that serve the agriculture industry in Wyoming.

In January 1999, a session on needs associated with agricultural enterprise diversification was held in Wheatland, Wyoming. An integral part of this session was a panel of agricultural producers who have diversified their farm and ranch operations into a variety of new enterprises. Each participant discussed his or her experiences and responded to several questions. One of the questions posed to the panel was: *"What sources of information/technical assistance were used when you started your enterprise?"*

The prevailing theme in their responses might be surprising:

- "None"
- "Would have loved to have a guide available"
- "Trial and error"
- "Asked friends"
- "Basically, none were available"
- "Asked neighbors already in a similar business"

This reflects the reality that available tools to address technical needs associated with agricultural enterprise diversification are in many cases unknown, are perceived to not exist, or simply do not exist. In other cases, existing resources are outdated or aren't user-friendly. Producers are also unsure of the appropriate agricultural advisors to contact for this assistance.

While there have been efforts to address this need, the project partnership is not aware of a manual dedicated in its entirety to guiding professionals in providing assistance to producers who are interested in diversifying their agricultural businesses. In addition, information on agricultural enterprise diversification has not been packaged as a state-specific resource guide

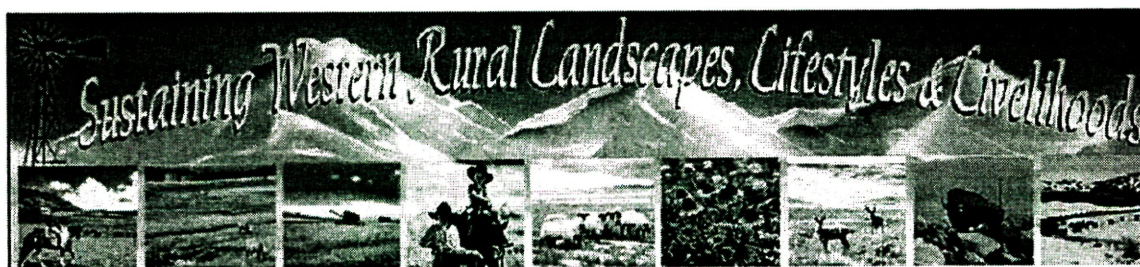




under one cover or web site, and is not readily available at any widely known source in the western United States. These mechanisms are needed.

Consequently, the partnership developed this resource guide to provide educational materials on agricultural enterprise diversification to professionals who serve the agricultural community. It is structured as a template for professionals to use when assisting producers who are interested in diversifying their agricultural businesses, and contains many forms and fact sheets that can be provided to the producer. While this guide has been written for use in Wyoming, much of the technical material is applicable in other western states. One difference is that the statutes that could apply to a diversified enterprise will vary by state. *Please note that any regulations mentioned are specific to the state of Wyoming as of the time of this writing.*

This resource guide emphasizes the use of existing tools and resources, and new material was developed as needed. The format is designed so technical advisors can readily access the specific information their clients request. It is hoped that this guide will better enable you to provide enterprise diversification assistance within your discipline, and link your customer with other providers outside your discipline. This should facilitate a consistent level of assistance, regardless of the provider.



Notes



II. Introduction to Agricultural Enterprise Diversification

A. Overview of Section II

Agricultural professionals, like Natural Resources Conservation Service (NRCS) conservationists and university Cooperative Extension Service (CES) educators, have been providing agricultural and natural resource technical assistance to farmers and ranchers for decades. This assistance has been concentrated on operational and resource needs related to the more traditional forms of agriculture. Balancing nutritional requirements for dairy operations, recommending cropping rotations that reduce soil erosion, and designing grazing systems for meat production are representative of that assistance.

Today, the needs of agricultural producers are changing, driven by new and increasing pressures on the landscape and in their pocketbooks. While many producers continue to depend on technical assistance for traditional operations, some are beginning to consider other, less traditional agricultural-based businesses. These entrepreneurs often have difficulty finding appropriate technical assistance, so counsel from a professional like you using tools such as this resource guide is important (Figure 1).



Figure 1. Agricultural professionals discuss diversification options with producers

In this section of the resource guide (Section II), agricultural enterprise diversification is defined as business diversification based on currently available resources and agricultural products. This involves change – change in thinking, perceptions, and direction of business operation. It's also about viewing existing operations and opportunities from different perspectives than before. The forces driving the increased interest in





diversification are described. The benefits to agricultural operations and family quality of life that can be achieved through diversification are discussed, and contrasted with why some producers choose not to diversify.

Providing technical assistance for diversification may be a new role for you, the professional. Agricultural business diversification can be complex for producers, requiring assistance from several technical disciplines. Strategies for helping you assist these customers are recommended.

Section II concludes with a detailed description of a planning process to facilitate ease of use of this guide. This holistic process begins with an examination of existing enterprises for enhancement opportunities before proceeding with the investigation into new alternatives. It includes a flow chart and a checklist of components important in the decision-making process for diversification.

In this section of the guide, you will first meet the Remingtons, a fictional western ranch family that is considering diversification. They are used throughout the guide to illustrate the steps of the diversification planning process, from initial goal setting to feasibility evaluations for alternative enterprises. Through them, you will encounter some of the challenges that face families who are seeking business alternatives. Their example will also help your clients understand the use of the forms for assessments, data collection, and data evaluation that are included in the guide (Section VIII).



You may find it useful to copy all of the forms in Section VIII prior to initiating technical assistance with your client. Throughout this guide, forms can be recognized by the heading displayed at the left of this column.

Pages in this resource guide that refer to the Remingtons are found on the gray pages, and denoted with the symbol at the right.





B. What is agricultural enterprise diversification

Agricultural enterprise diversification is literally about business diversification. In agriculture, this means targeting established and developing markets for the multitude of products and services that can be developed from existing farm and ranch resources. In the context of *Sustaining Western Rural Landscapes, Lifestyles, and Livelihoods*, agricultural enterprise diversification is defined by the project partnership as:

“Building upon existing natural, family, community, and cultural resources, and agricultural products, to sustain and grow ranch and farm businesses.”

This definition infers a business foundation based on a multitude of existing resources, that streamlining current operations could achieve desired objectives, and that opportunities for financial profit and preferred quality of life exist by tapping into new markets.

It combines six essential elements that should be considered when examining existing farm/ranch operations and new income-producing agricultural business opportunities:

1. Natural resources - The soil, water, air, plant, and animal resources associated with the target land unit. For example, your client may find their soils are conducive for organic crop production; old stock ponds could provide recreational fishing opportunities; and wildlife may be available for viewing or hunting. Or, these resources may collectively make up an attractive landscape that complements an existing or new enterprise.
2. Family – Refers to anyone in the immediate or extended family who will be affected by consequences of decision making for the agricultural operation. It also includes any future family members. A family member need not be physically located on the land unit to be affected by decisions, as they may still have a legal business interest in the operation or the desire to return to the land unit in the future.





3. Community – The community refers to the local village or town that is nearest to the target land unit. There may be opportunities for a symbiotic relationship between your client's agricultural operation, and other operations and community businesses.
4. Cultural resources – These include family heritage, unique family traditions, and other historical features of the land unit. These could be specific locations of past features or events, such as mountain man rendezvous sites, Native American encampments, military engagements, or historic trails that cross the land unit. Land units that have been in the same family for several generations often have their own historical incidents that are of interest to potential guests.
5. Agricultural products – This refers to traditional agricultural products or commodities, such as livestock (cattle, sheep, etc.) or crops (corn, wheat, beets, etc.). They are part of the animal and plant resources of the land unit. Opportunities may exist to add value to these products and capture a larger share of the retail markets.
6. Farm and ranch business – According to the Wyoming Agricultural Statistics Service, in Wyoming, a farm and ranch business is defined as, “*any establishment from which \$1,000 or more of agricultural products were sold or would normally be sold during the year.*” For practical purposes, a farm or ranch business is one that generates income from the resources associated with that land unit.

Of these elements, the natural resources will often provide the basis for the greatest array of opportunities for enhancing existing enterprises and for potential new enterprises. Whether the enterprise is based on specialty crops, livestock, hunting, or recreation, its potential for continued profit will depend on the quality of the natural resources of that land unit. It becomes evident that ecological stewardship will be fundamental to the economic sustainability of the farm or ranch.

The opposite is also true. Without sufficient capital, reinvestment into the natural resources can be difficult. However, while putting off good





stewardship can seem like the best business sense in tough financial times, it's generally not. The natural resources of a farm or ranch are like a bank. If you want to keep drawing on them, you have to make deposits into them. It's clear that conservation sells – from high quality fisheries, to good tasting meat fed on healthy grass, to high value viewsapes. Environmental quality increases the ability to charge more. And, sustainable land use can increase yields and reduce costs over time. So, in tough times, shifting priorities in order to continue to make natural resource investments can pay off in the long run.

Sometimes, a change in resource management may make existing operations more efficient, precluding the need to diversify. In one situation, a change in grazing (plant resource) management may increase livestock weaning weights and net profit per acre. In another, changing the calving season (livestock resource) from late winter to early summer may reduce annual hay demand, and thereby hay production requirements. Labor and equipment expenditures could be reduced.

If diversification is the preferred option, your client should recognize the various relationships that can exist between enterprises. Each farm or ranch enterprise will be supplemental, complementary, or competitive in relation to other enterprises. In a supplemental enterprise, a single resource not utilized in other enterprises may be the basis for a new business. For example, your client may choose to utilize a cultural resource by investigating the possibility of refurbishing the old homestead cabin for a bed and breakfast enterprise. Or, they may be interested in manufacturing rough log furniture using their timber resources.

And, in another scenario, when the choice is to diversify, the resources may be used in more than one enterprise to produce several products and/or services. In addition to providing forage for livestock, the rangeland resource may provide the basis for a fee hunting operation by also providing valuable food and cover for a marketable wildlife resource. Or, the soil resource may be the basis for a sweet corn enterprise that complements a corn maze enterprise.





The owner's or manager's ability to add new enterprises also depends upon how flexible existing enterprises are and the operation's ability to meet changing conditions (e.g. markets, regulations, and weather). Competing enterprises may have additional opportunity costs, such as when the labor resource must be redistributed due to the demands of a new enterprise. An example would be a guest ranch that hosts clients in the summer months during haying operations. Some of the hay enterprise labor may need to be dedicated to the guest ranch enterprise, which creates labor shortage for the hay enterprise.

There may be opportunities to add value to farm and ranch resources to capitalize on existing and emerging niche markets. In many instances, the producer becomes the processor and retailer, thus capturing a larger share of the value of their product. Examples include organic or naturally grown products, direct marketing of beef to the consumer, and wool processing and spinning.





C. **Making the choice to diversify**

Change is the essence of business diversification. In agriculture, you will encounter a wide spectrum of producer perspectives. Tradition is strong in agriculture and change is not easy for many. There is a tendency to keep doing things a certain way because that is the way granddad and dad did it. In other instances, inexperience or unfamiliarity may make the prospect of a new alternative uncomfortable, and lead to no action in spite of its potential profitability. Collectively, it means that change is not easy to embrace and agricultural business decisions are often made based on emotion and tradition, rather than economics.

Contrast this with the essence of entrepreneurship – innovation, taking risks, exploring new and developing markets, and looking for products or services to provide in today's and tomorrow's marketplace. In spite of how some consider themselves, farmers and ranchers are businessmen. Who will survive in the future? Who will re-create farming and ranching in the future? Who will become a price-maker rather than continuing to be a price-taker? It's the entrepreneurs who can find ways to develop and market their resources that are sustainable and profitable. It's the entrepreneurs who can improve the efficiency of existing businesses and/or diversify their businesses to take advantage of new markets.

Examples of this diversity are evident in Wyoming, where a farm and ranch supplemental income survey, completed in 2000, indicated 47 percent of Wyoming's farmers and ranchers were engaged in 150 different forms of supplemental income activity (Appendix A – Section VII). The earning potential of some of these alternative enterprises is substantial (Appendix B – Section VII). The initiative of these producers demonstrates a demand for enterprise diversification information and technical assistance. They may need your help, as do those who haven't yet diversified, but are considering it.

Both external and internal forces may drive the choice to diversify. Rarely is it one factor. Usually, it is several, either acting independently or in combination with other pressures. Knowledge of these forces will help you understand and appreciate some of your customer's challenges. This information will also help you in your outreach and marketing efforts to





inform producers about some of the reasons that are influencing an interest in diversification.

First, it is important to understand some of the fundamental reasons agricultural producers desire to stay on the farm or ranch. Why do they care? What is at their innermost core? For many, it is the desire to preserve for another generation that in which the producer and their family, and often their forefathers and their families, have invested so much. It is difficult to quantify, but some of it is derived from sweat equity required for day-to-day operation of the farm or ranch. There may be investments in conservation improvements, like trees planted and water developed; or perhaps in capital improvements, such as a new shop, irrigation and stock watering systems, and cross fences. Some have endured hardships and family sacrifices, like vacation opportunities foregone, hand-me-down clothes, and winter storms somehow survived.

The perceived personal benefits of farm and ranch life, like the investments and difficulties, may also be unlimited in kind and number, and are often value-driven. For some, it is the pleasure of family reunions, sunsets, hunting and fishing on your own lands, and the smell of freshly tilled soil. For others, it's a sense of place, of family traditions and heritage. It's a sense of space, with room to roam and room to grow. It's the strong drive to protect the land unit that is viewed as the foundation for their way of life, their solitude, and independence.

Farm and ranchlands also have less direct, but equally important, values for the non-agricultural producer segment of society. They provide open space, scenic vistas, crucial wildlife habitat and migration corridors, cultural heritage, and often serve as a buffer between public lands and more urban areas. In addition to supplying agricultural products, farms and ranches provide employment opportunities and tax revenues for local economies.





1. Threats to farming and ranching

There are a number of forces threatening the future of farming and ranching in the West that are motivating producers to consider diversification. Some of the significant ones include:

- a. *Profitability* – the current enterprise, however managed, is not profitable. The overall economic perspective shows that farm income has not kept pace with the rest of the economy for at least the last 30 years (Figure 2). In fact, inflation-adjusted figures show that while non-farm income has steadily climbed, farm income has basically “flat-lined” on the charts. This makes it difficult to compete for scarce resources such as labor and land. And, this is confounded by producers capturing smaller proportions of the consumers’ food dollar. Their share from each dollar in product sales shrunk from 40 cents in 1907 to seven cents in 1997 (Halweil 2000.)

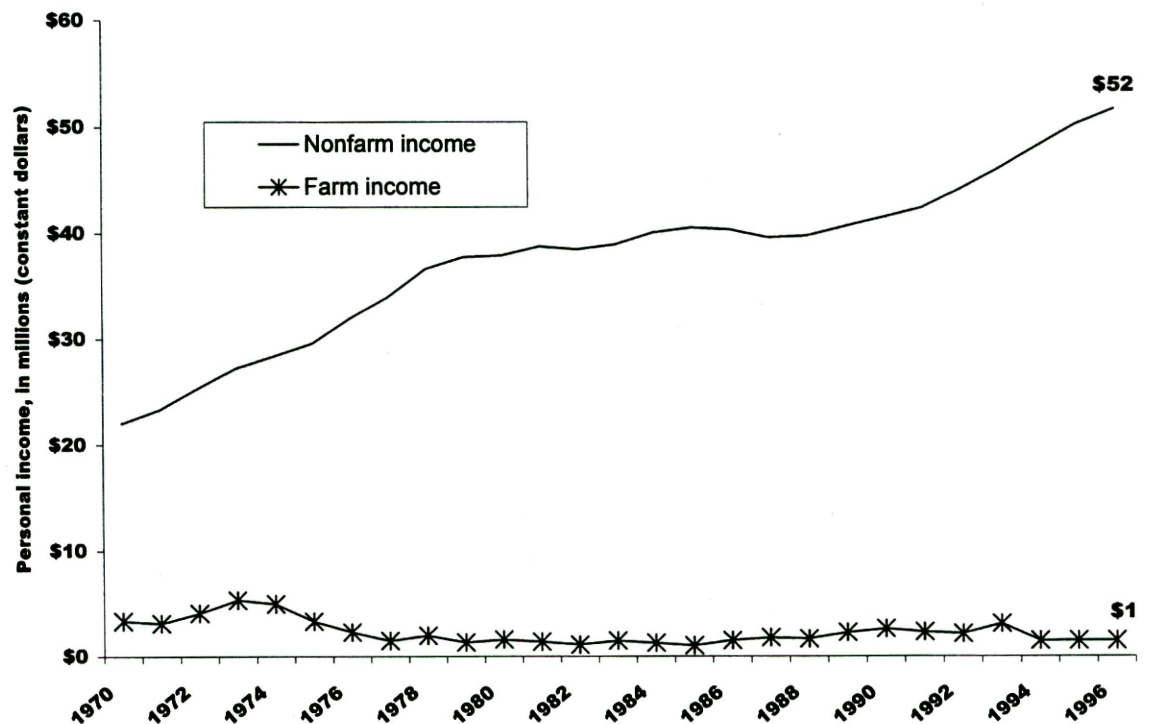


Figure 2. Nonfarm vs. farm income. U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System 1998.





The beef industry is a good example for closer review, as on many western farms and ranches beef producers are struggling to generate profit. A number of factors have contributed to this. The trend in consumption of beef has been declining for the last 25 years, and the relative proportion of beef to other meats consumed has declined even more (Purcell, et. al. 1999). And, prices received by beef producers have been low for at least 20 years, while production costs have continued to rise (USDA Census of Agriculture 1977-1997). Add in the complications from natural elements, like drought, and it becomes easy to understand why farmers and ranchers are looking for ways to supplement income. Other traditional western commodities, such as lamb, wool, and small grains, are also faced with economic instability.

- b. *Land conversion* – pressure to convert farm and ranch lands into subdivisions, commercial developments, or some other form of non-agricultural use. Nationwide, more than 11 million acres of rural land was converted to development between 1992 and 1997, an area roughly the size of the combined states of Vermont and New Hampshire, and occurred at a rate more than 80 percent higher than of conversion for the previous decade of 1982 - 1992 (USDA National Resources Inventory 1997).

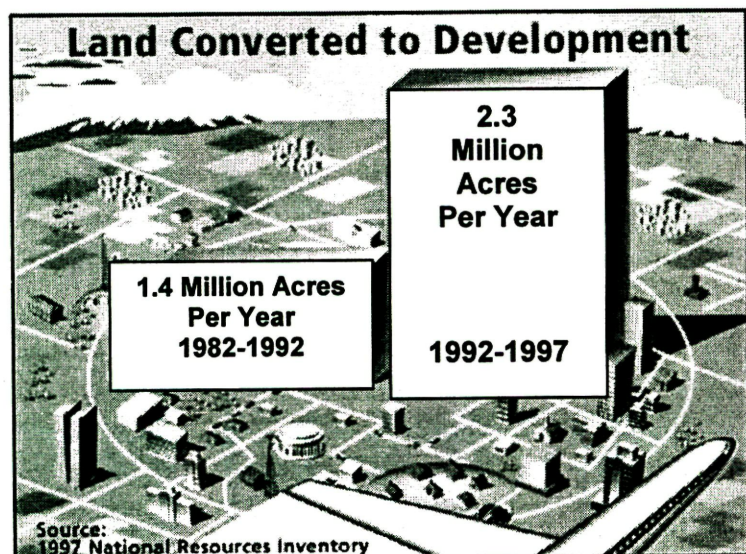


Figure 3. Land Converted to Development 1982-1997.





A recent study (2002) by the American Farmland Trust estimates that 11 percent of all prime ranchland in the Rocky Mountain West is threatened by conversion to low-density residential development by the year 2020. Prime ranchlands were defined as high quality agricultural lands with desirable wildlife characteristics. The criteria used to designate these prime ranchlands included proximity to public lands, year-round water availability, mixed grass and tree cover, overall variety of vegetation classes, and rural development densities. Much of the ranchland at risk is concentrated in high mountain valleys and the mixed grassland areas surrounding major mountain ranges in the region.

Regionally, this land conversion is driven by robust population expansion in the West. It is the fastest growing region in the nation, with an overall 20 percent growth rate since 1990. Altogether, the West gained 10.4 million new residents (U.S. Census 2000). Much of this increase has been from in-migration, as baby-boomers move to the more rural West in search of a perceived higher quality of life. While growth is inevitable, farm and ranchlands are among the most attractive landscapes to these newcomers. In fact, the West is the only region in the United States where growth in non-metropolitan areas exceeded that of metropolitan areas between 1990 and 2000 (U.S. Census 2000).

This demand for land for residential expansion is driving up the prices of rural real estate. This is a financial jackpot for those producers who want to cash out. However, for those who want to expand their businesses or pass on the ranch to the next generation, the land is too expensive and the estate taxes may be prohibitive. Consequently, the lands are often carved into five to 35-acre residential tracts that not only fragment agricultural districts, but also demand more in public services than they contribute in tax revenue.

Fragmented agricultural districts create a number of problems. For those who stay in production agriculture, it means potential conflicts related to odors, farm equipment transportation on public





roads, and nuisances like open gates. Perhaps the adjacent ranch, now subdivided for residential development, was previously leased for grazing. That option is subsequently no longer available, creating a bottleneck in their management that may ultimately affect profitability.

Often, these new residential areas mean new landowners who have no connection to the local community. Sometimes it is a second home used for recreational purposes only. The number of second homes in Wyoming increased by 30 percent, nearly twice the national average, for the census period of 1990 – 2000 (U. S Census 2000.). This also leads to little or no integration into the local community. Both scenarios can create local infrastructure problems for producers and community members alike.

One example is a recent Cost of Community Services (COCS) study in Custer County, Colorado (Haggerty 2000). This study indicated that for each dollar in income generated by these new residential areas, it cost the county \$1.16 to provide and maintain services to them. Conversely, for each dollar in revenue generated by agriculture, it only cost the county 54 cents to provide services. This is not an isolated occurrence, as COCS studies in Montana, Utah, Idaho and Wyoming have found similar results.

Subdivisions can create challenges for weed and pest districts as well. In many instances across the West, five to 35 acre ranchettes are home for one to several horses. Concentrated grazing usually follows, often resulting in a shift in plant community composition from desirable grasses and forbs to undesirable weeds. Treatment options may then be limited due to the density of homes.

Subdivisions add demand on local water supplies, which is generally a limiting resource across the West. They displace wildlife populations, fragment or replace habitat, and interrupt migration corridors. While human population growth is inevitable, it quickly becomes obvious that there are many consequences when rural lands are converted to development.





- c. *Recruitment* – younger people from agricultural backgrounds are choosing other career options, and many people from the non-agricultural sector find it difficult to purchase farms or ranches. Consequently, the number of producers continues to decrease, the agriculture population is aging, and the next generation of agricultural producers is looking for other viable opportunities and/or working second jobs.

While the average size of farms and ranches has grown in recent years, the number of producers continues to decline nationwide (USDA Agricultural Statistics 1997). At the same time, the average age of those remaining in agriculture has been increasing and now exceeds 54 years. More alarming statistics are that agricultural demographics are shifting as the number of producers exceeding 65 years in age increased by 24 percent in the last 15 years, while the number of producers less than 35 years of age decreased by 58 percent during the same time frame (USDA Agricultural Statistics 1997).

What's going on? The next generation in many cases does not see a future in agriculture, does not want to be in agriculture, can't afford to buy out siblings or parents, can't compete with other interests, or can't pay the estate taxes. The real tragedy is the loss of land stewardship skills and agricultural experience, not to mention the quality of life that is sacrificed for more viable economic opportunities.





2. Sustaining farms and ranches

Despite this grim outlook, there is hope for sustaining farms and ranches across the West. Agricultural enterprise diversification can help combat these forces in a number of ways, including:

- a. *Reduction of financial risk* – distribution of resources into several enterprises reduces the risk of losing the resources. In other words, “Don’t put all your eggs in one basket.” If markets are poor for the product of one enterprise, they may be strong for the product or service provided through another enterprise. This can help maintain the economic viability of the overall farm or ranch operation.
- b. *Increase farm/ranch income* – the current enterprises may be economically viable, but more income is desired and possible from existing resources. The producer recognizes a consumer need or desire that could be produced or provided on the land unit, i.e.: a land unit close to a city could supply the demand from people who want a quick trip out into the country to enjoy the open space. This could lead to a recreational enterprise such as horseback riding or a tourism enterprise such as a bed and breakfast inn. Or, the producer may identify and access a niche market demanding natural or predator-friendly beef. It’s about realizing and capitalizing on new opportunities for business growth and development.
- c. *Increase or obtain a better distribution of cash flow* – bring cash returns to the land unit’s operation at various times throughout the year. Often a livestock operation has only one time during the year when cash is received, such as when calves are sold in the fall of the year in a cow/calf operation. If one looks back to the times preceding World War II, producers had more even distribution of cash flow. From the time of European settlement, American agriculturalists were diversified. Most had milk cows, hogs, chickens, sheep, and raised vegetables. While a primary purpose was self-sufficiency, it was equally important to have marketable





items throughout the year that could be bartered for other necessary items that they could not produce themselves. This was common until the post-World War II era, when agriculture shifted toward single commodity production schemes.

d. *Utilize available resources:*

Labor – often, labor is needed at peak periods and not needed at other times of the year. This creates a problem for the owner/manager in maintaining a reliable labor force. When labor can be utilized all year, the owner can afford to keep labor employed and employees are more assured of job security.

Facilities and equipment – as with labor, facilities and equipment are often only needed during a specific time of year and are not returning anything to the operation during the rest of the year. A bunkhouse traditionally used only during the spring calving season may have the potential to double as accommodations for guests during the summer or for sportsmen in the fall.

Natural resources – some natural resources are easily recognized and used in a private land enterprise while others are not used but could be. For instance, plants preferred by livestock are easily recognized as livestock forage in a grazing enterprise, while some may be aesthetically preferred by recreationists or wildflower enthusiasts in a recreational enterprise.

- e. *Keep family members on the farm/ranch* – when the next generation is interested in remaining on the farm/ranch, there is often not enough income from existing enterprises to support more than one family. Diversification into other enterprises can sometimes enable additional family members to remain on the land unit or return to the family farm or ranch. It may also present opportunities for those in the non-agricultural sector to get started in farming or ranching.





-
- f. *Change operations due to regulations* – a new law or regulation can force a change in the operation of the existing enterprises or cause the elimination of the current enterprise. There may be potential for an alternative enterprise to fill that void.
 - g. *Personal preference* – a landowner may simply choose to operate a different or additional enterprise than that currently or previously operated. They may choose to pursue a hobby or enjoy the challenge of starting a new business.





D. Choosing not to diversify

Diversification is not the answer for everyone. While there are numerous reasons landowners choose to diversify their operations, there are also many factors why landowners elect not to diversify. For example, a farmer may be a wheat production expert but know nothing about raising gamebirds. This lack of knowledge about an unfamiliar enterprise may cause entrepreneur paralysis and prevent any action toward a new, potentially profitable enterprise. So, it's equally important to be aware of some of these factors when working with landowners, as they identify challenges you could encounter as a provider of technical assistance:

1. *Liability risks are too high* – this has been one of the most common questions asked by individuals having some interest in diversification. It translates into a fear of lawsuits and a belief that insurance coverage is either unavailable or too expensive.
2. *Not sure of markets or how to market* – this is another frequently asked question. Producers may have little or no experience marketing non-traditional agricultural products and services. This translates into concerns about assessing demand for these products or services, or how to advertise and reach the target market.
3. *Past experiences have been negative* – some producers complain that hunters and anglers leave trash lying around and don't close the gates or that mountain bikers won't stay on the designated trails.
4. *Don't want strangers on my land* – many individuals simply want to be left alone or aren't comfortable with people they don't know. They don't want regular, direct contact with customers.
5. *Would require too much time* – adding an additional enterprise would take time away from tasks associated with the existing operation.
6. *Peer pressure* – Rural land ownership culture varies by location and in some instances, peer pressures may be very influential. Some landowners may be uncomfortable charging members of their





community fees for activities that they permitted free of charge in the past, such as hunting. Others may hesitate to engage in non-traditional agricultural production for fear of ridicule.

7. *Lack of capital to invest in a new enterprise* – the landowner may be financially strapped or unsure how to secure adequate financing for a new enterprise. This is an excellent opportunity for you, the professional, to refer them to known sources of financial expertise, such as your state's Small Business Development Center.
8. *Lack of available technical assistance* – the landowner doesn't have access to or isn't aware of technical information that would assist in planning and implementing a new enterprise. For example, how to price their product or service, or how to meet customer expectations may require outside assistance. This guide should enable producers to obtain the desired technical assistance.
9. *Fear of the unknown* – there are risks associated with any business venture, but there is often more fear associated with investing in an alternative enterprise that the landowner has no prior experience with or knowledge about.



Meet the Remingtons



Now that you, the professional, have an awareness of diversification and some of the forces influencing the decision to diversify, it is an appropriate time to introduce you to the Remingtons. The Remingtons are a fictional western ranch family that will be used throughout this guide to illustrate key components of the diversification decision-making process. Their example is also intended to assist you and your clients with the practical use of forms and procedures in this guide. The Remingtons represent a typical western ranch family that might be considering diversification:

Eldon Remington- The third generation on the Blue Cliff Ranch, he was born on the ranch and has spent his entire life in the Chiseldon area. Eldon, 72, is currently the deed and leaseholder on the Blue Cliff Ranch. Eldon is a widower, since his wife, Mary Alice, passed away eight years ago. Eldon and Mary Alice had three children: Lance, Laura and Linda. Laura is married to a banker and resides in Oregon. Linda is a professor of history at Rustle State University in Boxcar, Montana, and Lance resides on the ranch.

Lance and April Remington - Lance, 47, and April, 45, operate the Blue Cliff Ranch near Chiseldon, Wyoming. They have been married for 23 years, and moved back to the ranch from college. While in college, Lance received an ag business degree and April majored in accounting. Lance and April have three children: Lewis, Lexie and Chance. Lance is an accomplished horseman who enjoys riding, team roping and backcountry packing. In his leisure time, Lance makes western-style furniture from logs and antlers. April is an exceptional hostess. She enjoys company and playing a local tour guide to show friends around. In her leisure time, April paints with watercolors.

Lewis Remington - Lewis, 22, is the eldest son of Lance and April. He is currently a senior at Wyoming State University, where he is majoring in Animal Science. Lewis is dating a young woman, Hillary, who has a ranching background herself. While at WSU, Lewis was active on the rodeo team, and has worked at the meat science laboratory as a butcher. Lewis plans on returning to the Blue Cliff Ranch to work with his father and grandfather. He is hopeful that Hillary will join him.

Lexie Remington - Lexie, 19, is the middle child of Lance and April. She has just graduated from Chiseldon High School and plans on attending college. She is an accomplished swimmer/diver, and has been offered scholarships to a couple of schools. Lexie is interested in "seeing the big city," and has no plans to return to the ranch at this time.

Chance Remington - The youngest child of Lance and April is 15-year-old Chance. A freshman at Chiseldon High School, he is a good student and hopes to receive his drivers license this fall. Chance is an avid outdoorsman who enjoys fishing and hunting. Chance works some weekends and during the summer as a fishing guide for Stormy River Outfitters. He is good at saving money and plans on buying a large four wheel drive vehicle.





E. Technical needs for enterprise diversification

Before the Remingtons, or other clients move forward with diversification, it's important to recognize that there are many technical considerations associated with making appropriate agricultural business decisions. In an attempt to establish a baseline regarding what kind of information producers request, the project partnership conducted a survey in June 2001 of university extension educators and NRCS conservation planners from every county in Wyoming, Colorado, Montana, Utah and Idaho. Typical responses indicated that agricultural enterprise diversification technical assistance would require expertise in many disciplines:

- Business planning
- Marketing
- Legal liability
- Natural resource assessment and management
- Feasibility studies
- Examples of successful and unsuccessful ventures
- Financing opportunities
- Pricing information
- Sources of technical assistance
- Permitting requirements

These identified needs provided direction for much of the technical content of this guide. While you may have expertise in one or several of these areas, their application to diversified agriculture may be new for you. A clear understanding of your role as a professional may help you deliver more effective technical assistance requested by producers or other clients. Suggestions on providing diversification technical assistance to clients, like the Remingtons, follow.





F. Providing technical assistance: Your role as a professional

Defining your role as a professional depends on defining your customer. Often, it will be a farmer or rancher. In some instances, it might be another technical advisor interested in your expertise or experiences related to enterprise diversification. Consider some common scenarios that involve customers who are interested in enterprise diversification:

- A customer has just learned that you or your organization offers technical expertise they need
- A customer who has not previously considered diversification and is now interested in learning more about alternative enterprises
- A customer who has selected or may already be engaged in a specific alternative enterprise and is seeking additional information

As a professional, how do you respond? Do you quickly go to a topic in this guide that they are requesting information on? Do you coach them to pause, and then proceed through a logical sequence of steps that may lead to the answers they seek? Do you refer them to another source of expertise? The answer is, “it depends.”

Providing effective technical assistance to your customer will depend on a number of factors, including:

- the ability to communicate effectively with the client;
- the extent of the relationship between advisor and client
- the professional discipline and expertise of the advisor; and
- the amount and quality of objective, research data, and information available to the advisor.





1. **Effective communication**

Communicating effectively is an important element in any assistance you provide. Keeping the following points in mind and incorporating them into your customer assistance approach will make you a more effective advisor for agricultural enterprise diversification:

- Always take a positive approach; point out opportunities
- Be enthusiastic, it's contagious
- Be frank and businesslike
- Admit you don't know the answer to a question, rather than risk giving wrong information
- Ask leading questions
- Suggest another way
- Avoid using acronyms and professional jargon – define terms you use that they may not understand.

Communicating with someone who has disabilities may require special attention. Refer to Appendix C (Section VII) of this guide for specific tips regarding communicating with someone with disabilities.

2. **Advisor/client relationship**

Effective technical assistance will also depend on your relationship with each customer. Have you worked with them before? Does your office have any records of their operation? Are you personally familiar with their operation? How familiar? Do you know the family? How well? Answering questions like these will help you decide on the best approach for providing technical assistance





3. **Professional discipline/expertise**

The professional discipline, area of expertise within that discipline, and technical competency of the advisor all affect technical assistance capabilities. No single entity can be expected to possess the wide array of necessary expertise associated with enterprise diversification. Consequently, providing technical assistance for enterprise diversification will generally be a collaborative effort between many organizations, agencies, and individual advisors.

The following guidelines will help achieve consistency in delivery of technical assistance for enterprise diversification:

- If the customer need is within your discipline or area of expertise:
 - Provide as detailed and specific assistance as possible using this guide and other resources
- If the customer need is outside your discipline/expertise, or organization's mission:
 - Provide the fact sheets and forms on those topics of interest that are contained in this guide, **AND**
 - Refer the customer to other sources of assistance for the specific expertise they are seeking. There are many sources of expertise in Wyoming that can be and should be utilized.

For example, consider the interaction between an NRCS conservationist and a rancher interested in a new enterprise: if he or she is looking for natural resource technical assistance, provide it. If he or she also needs business planning and marketing assistance, provide him or her with the relevant fact sheets from the guide and direct him or her to the appropriate sources for that assistance. Typically, this would be the Small Business Development Center, the Cooperative Extension Service or the Wyoming Business Council.





At the end of each technical topic in the Implementation Section of this guide (Section V), suggested sources of expertise are provided.

4. **Research data and information available**

The amount and quality of objective research data and information available to the advisor will either enhance or limit the technical assistance provided. If large quantities of peer-reviewed materials are available for a specific enterprise, then it will be easier to make that information available to your client. If little or no information is available, then your alternative might be to link your client with another producer that is engaged in the specific enterprise of interest.

Where you can find information:

- Pertinent Cooperative Extension publications for Wyoming, Colorado, Utah, Idaho, and Montana are listed in the Resources Section (VI) of this guide.
- Natural Resources Conservation Service Field Office Technical Guide – available in all NRCS field offices nationwide.
- Applicable publications produced by the Small Business Development Centers are listed in the Resources Section (VI) of this guide.
- Alternative Enterprises and Agritourism Tool Kit –available in all NRCS state offices nationwide.
- Contact information for organizations and agencies that provide information related to agricultural enterprise diversification can be found in the Resources Section (VI) of this guide.





- Numerous web sites exist. Refer to the Resources Section (VI) of the guide for a list of agricultural diversification-related sites.

In summary, provide information, guidance, and support to clients by assisting them in devising, assessing, and implementing plans for their agricultural enterprises. A recommended planning process follows and provides guidance for you . Obviously, the client makes the decisions. However, you have an important role in providing information and coaching your client through the planning process.

You are encouraged to proactively market your availability to provide this needed technical assistance, and refer the client to others with specific expertise in areas that are not your specialty.





G. Using this diversification resource guide planning process

The planning process outlined in this guide will help you coach clients through a sequence of steps leading toward business decisions and subsequent actions. Good planning takes into account all farm and ranch resources, some of which include family, facilities, finances, livestock, wildlife, plants, water, and equipment. The conservation and wise use of these resources can help clients sustain their individual farm and ranch enterprises, and ultimately, contribute to the sustainability of the rural West.

As a professional, you are the coach. The process of providing assistance will be unique for each producer, depending on the history of prior technical assistance. For some, it will require starting at the very beginning with the discussion of personal values and the establishment of each individual's goals. For others, sufficient resource information may exist to enable them to select and implement a new enterprise.

Three separate sections follow in this guide, detailing the assessment (Section III), feasibility (Section IV), and implementation (Section V) processes for assisting farm and ranch clients who are interested in diversification. Coaching your customer through these processes will help identify strengths and weaknesses related to existing operations, and generate information that will help them identify and evaluate the more appropriate alternative enterprise options for their situation.

Initially, one might think of planning for a new, alternative enterprise as being similar to preparing for a trip. The origin or starting point is known, some information is gathered to help determine the desired destination, necessary items are packed, and a map is usually followed to get there. After the trip, the family evaluates their experiences to decide if they would like to repeat it again in the future or go to a different destination.

However, the origin or starting point on the journey to enterprise diversification is not as simple as a point on a roadmap. Rather, the origin is the **existing operation and its associated resources**. They may be stand-alone or interactive. Whatever the case, this origin must be well known by all parties involved in the farm or ranch business.





You might use the following talking points to get your customer focused on existing operations:

- without a solid knowledge of all the aspects of the existing operation, and how they interact, how can it be determined if a new alternative will be complementary or competitive? In other words, how can you get where you're going if you don't know where you're starting from?
- interest in an alternative enterprise may simply be a symptom that there are some problems with an existing enterprise. Perhaps by addressing those problems, your client will discover that a new enterprise isn't really needed or desired.
- limitations associated with existing enterprises might limit the success of new enterprises.

The assessment portion of this planning process (Section III) can be used to help your client analyze the limitations and opportunities associated with existing enterprises. This is the “*gather information for the trip*” phase of the journey to diversification. The information generated for existing operations will become the foundation for considering new enterprises. In particular, the assessment portion of the planning process will help your client address three essential elements associated with enterprise diversification:

- clarification of values and goals for existing operations so that selection of a new enterprise can complement those goals. Include the goals of all who have an interest in the operation, e.g. spouse, kids, grandparents, etc.
- inventory and analysis of all resources, including human, agricultural, natural, financial and community. This will provide a vital database of information to use in evaluating existing operations and considering new enterprises.





- summary SWOT analysis for assessing strengths, weaknesses, opportunities, and threats related to farm or ranch enterprises.

Note that the expanded resource inventory forms include resources that might not be considered in a typical inventory, but are important in terms of enterprise diversification potential. For example, unique geological formations, scenic vistas, or a shade tree for a picnic table site would be noted while conducting the resource inventory.

The next phase of the planning process is to examine the feasibility of existing or new enterprises (Section IV). The information gathered through the assessments will provide the necessary data for evaluating the feasibility of the existing enterprises as well as any potential new enterprises. Once the feasibility evaluations are completed for existing enterprises, a decision can be made:

1. Can existing enterprises achieve desired goals with some management modifications?
2. Is it necessary and/or desirable to consider a new enterprise for attaining those goals?

Diversification may not be the best alternative. By reviewing the goals and assessments, and refining the inventory for their operation, changes in the current management may suffice to accomplish their goals.

Consideration of new enterprises should not occur until this homework has been completed. Otherwise, the customer might not end up with the most appropriate new enterprise. For example, if the client desires a fee hunting operation, be sure that this option matches the goals and resources relevant to their specific situation.

If the client chooses to continue exploring options for diversification, then the information generated will be useful for identifying potential new enterprises (i.e., *exploring other vacation destinations for their planned diversification trip*). Your client should then examine the checklist of potential alternatives, and evaluate the feasibility of the most preferred





options. Your client is ready to move on to implementation (Section V) when they have selected the most appropriate alternative enterprise for their situation.

The third phase of the planning process is to implement, or put into action, the selected new enterprise. This may or may not require a complete agricultural enterprise business plan. The implementation section of the guide (Section V) provides technical information that can be used to help complete the planning process for a new enterprise (*developing the map to get to the desired destination*). It also contains specific information related to management considerations of a new enterprise (*staying on course and overcoming detours on the way to the desired destination*).

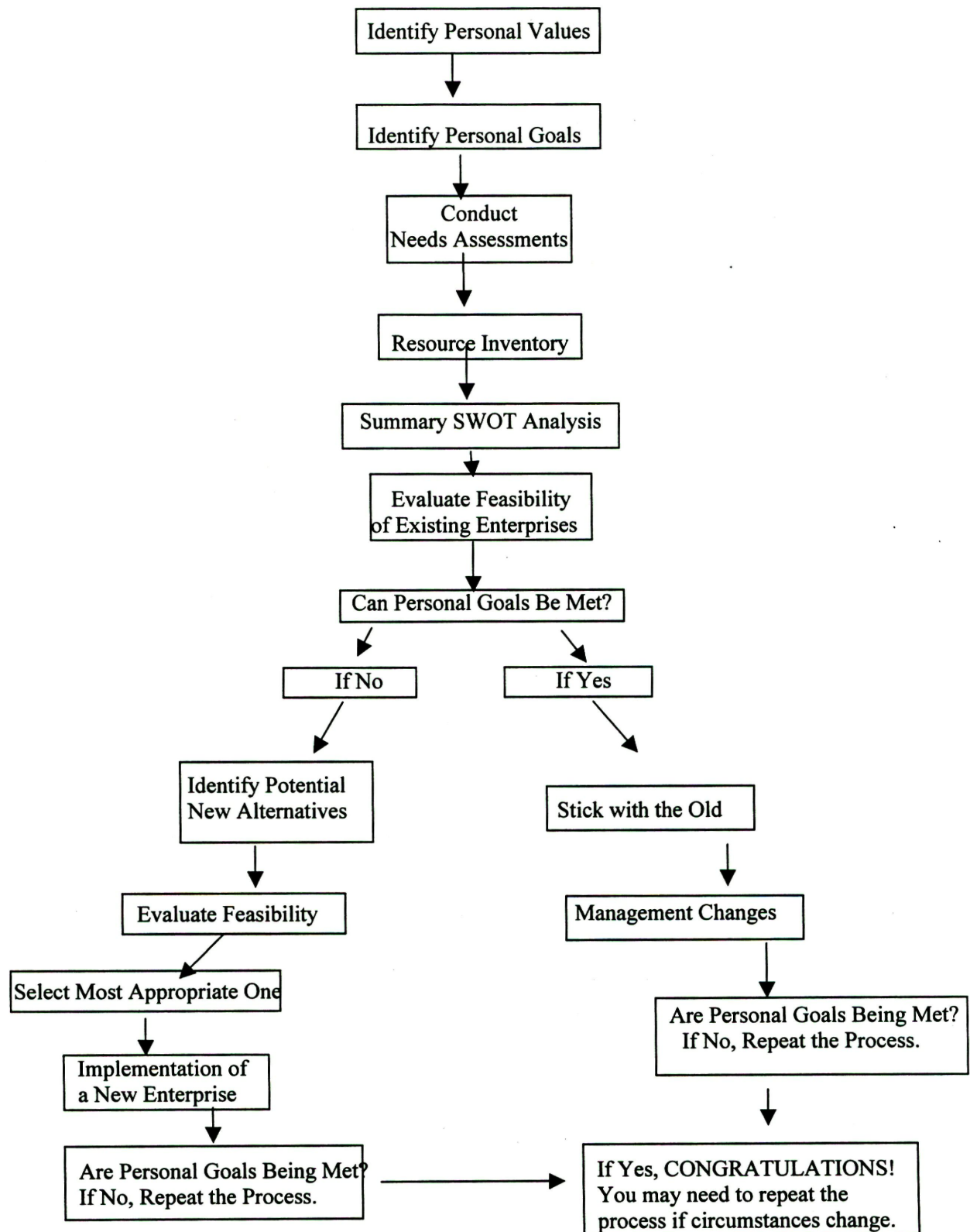
The process does not end here, as it is important to periodically re-evaluate the progress of the new enterprise to ensure that personal goals are being achieved. If this is not the case, it may be necessary to repeat the process until these goals are being met.

The following flow chart details a sequence for providing assistance:

1. Initially, identify the values and goals for each family member, and any other individual who has a significant interest in the business.
2. Assist your clients in completing each of the six needs assessments
3. Complete the resource inventory for existing enterprises.
4. Complete the summary SWOT analysis.
5. Decision – Can personal goals be met without diversifying?
6. If no, then proceed with consideration of new alternative enterprises.
7. Examine feasibility of potential new enterprises.
8. Decision – Select most appropriate new enterprise.
9. Implement new enterprise
10. Decision – Are personal goals being met?
11. If not, repeat the process; If yes, congratulations!



Figure 4. Planning process flow chart





H. Checklist of enterprise diversification components completed

The technical advisor can use this checklist to track the various components of agricultural enterprise diversification that have been completed for each respective farm or ranch. For multiple respondents, such as for needs assessments and goals, make note of the individual who has completed that component and the date of completion. For other components, only the date of completion may be necessary.

Farm/Ranch _____ Operator _____

Yes

A.	Goals	
B.	Needs Assessments	
	Personal Traits & Characteristics	
	Lifestyle & Family Traits	
	Family Financial Management Skills	
	Business Skills & Traits	
	Natural Resources Awareness	
	Community Resources Awareness	
C.	Resource Inventories	
	Human Resources	
	Financial Resources	
	Marketing Resources	
	Land Resources	
	Soil Resources	
	Plant Resources	
	Water Resources	
	Livestock Resources	
	Facilities Resources	
	Equipment/Machinery Resources	
	Wildlife Resources	
	Fisheries Resources	
	Cultural Resources	
	Recreation Resources	
	Community Resources	
D.	Comprehensive SWOT Analysis	
E.	Existing Enterprise Feasibility	
F.	Goals Re-evaluation Based on Existing Enterprises	
G.	Feasibility of New Enterprises	
H.	Selection of New Enterprise	
I.	Implementation of New Enterprise	
	Business Planning/Crisis Plan	
	Legal	
	Finance	
	Marketing	
	Human Resources	
	Natural Resources	
	Community	
J.	Goals Re-Evaluation	



Notes

Lined area for notes.



III. Assessment of Agricultural Enterprises

A. Overview of Section III

The previous section of this guide (Section II) introduced agricultural enterprise diversification and discussed some of the factors that motivate producers to diversify their operations. The introductory section also presented the idea that there are many opportunities to utilize available resources for a diversified enterprise. It follows that selection of the most appropriate enterprise or enterprises would involve evaluations based on detailed knowledge of the existing operation, and about the potential from the other resources associated with that farm or ranch.

In the context of this resource guide, assessing each enterprise and the entire farm or ranch operation means gathering and organizing information about that specific enterprise/operation. The kind and number of recommended assessments may be perceived as cumbersome and time-consuming at first glance, but they can help pinpoint weaknesses in the existing operation and identify opportunities for new enterprises. It is multi-faceted because it recommends that the producer carefully examine many aspects of the existing operation before he or she is ready to determine the feasibility of a new enterprise, which follows in Section IV of this guide.

Many of the producers who were contacted during this project have utilized some form of a holistic approach to agricultural business diversification, and attribute it to their success. Holistic implies looking at the “whole.” The project partnership interprets this as beginning with the human resource at the core of the operation, including individual values, goals, knowledge, skills, interests, and abilities. It expands to include all of the other resources of the farm or ranch. A number of tools are offered in this approach that will help your client:

1. Explore personal and family values;
2. Develop personal, family, and enterprise goals;
3. Evaluate personal business skills, lifestyle traits and financial management expertise for each family member;
4. Evaluate personal natural resources and local community awareness;
5. Inventory all resources associated with the farm or ranch;





-
6. Compile the information generated in exercises 1-5 to develop an overall analysis of the strengths, weaknesses, opportunities, and threats (SWOT) facing the existing enterprise and the operation as a whole.

The enterprise goals, assessments, resources inventory, and summary SWOT analysis of the existing enterprise are crucial evaluation tools that will be carried into the Feasibility Section (IV) of this resource guide. The information collected will become, in essence, the encyclopedia of the farm or ranch you are assisting. Obviously, it may take multiple visits and/or conversations to accumulate this data.





B. Personal and family values

Personal values are the fundamental core of one's life. Values come from inside a person. They are about personal standards and convictions. They shape a person's character, and influence choices and direction in each person's life. In essence, they are what are most important to each of us. For some, it includes honesty, integrity, and perseverance. For others, it may be open spaces, the opportunity to view wildlife on your land, working side by side with your children, or having dinner together every night.

Examining family values involves understanding one's own values, communicating those values to others in the family, and recognizing the values of other family members. The entire family should then compare values. Which values are shared by all? Values important to everyone provide a focal point for setting family goals and developing a family mission statement. What are some of the divergent values, the ones that are unique to each individual? Widely divergent family values may make operation of the farm or ranch difficult, if the family members can't find common ground to help them establish uniform direction.

The incorporation of a value system into the business enterprise is the next important consideration. It must harmonize with the values of the owners, family, employees, and other key members of that enterprise. So, other important people in your clients' business should also go through the process of identifying their values. Shared values that can be directed toward the business give it focus and a core energy that drives the system. These values also form a basis for setting goals for the business. In other words, tangible and measurable desired outcomes from the business enterprise that protect and nurture shared values.





Value chart – The following form can be used to identify the values of all family members or business partners in order to arrive at commonalities concerning the business enterprise. After everyone has completed a value chart, the values can be discussed, prioritized and compared for compatibility.

Family Member	Value

Common values identified:

- _____
- _____
- _____
- _____





Determining common values

In order to identify common values, the Remingtons each sat down and made a list of their values. They were then transferred to a value chart, as shown on the following page, and common values were identified.

Remington family values:

Eldon Remington

- Loves having family around.
- Would like to leave a legacy as a good steward of the land.
- Swears his good health is due to hard work and clean air.

Lance Remington

- He has always appreciated getting to see the stars at night.
- Values clean water.

April Remington

- She loved the perceived benefits of raising her family in a rural setting and believes that it has paid off.

Lewis Remington

- Is proud that he is from Chiseldon, Wyoming.
- Wants to raise a family in the same setting in which he was reared.

Lexie Remington

- Values her parents and their willingness to let her see the world.

Chance Remington

- Respects wildlife, and values their presence on the ranch.



Remington family values



Value chart – The following form can be used to identify the values of all family members or business partners in order to arrive at commonalities concerning the business enterprise. After everyone has completed a value chart, the values can be discussed, prioritized and compared for compatibility.

Family Member	Value
Eldon	Loves having family around
Eldon	Wants leave legacy of good stewardship
Eldon	believes in hard work & cleanliness
Lance	appreciates stars at night
Lance	values clean water
April	raising family in country
Lewis	proud of being from Chusseton
Lewis	wants to raise family in country
Lexie	values parents
Lexie	appreciates seeing the world
Chance	respects wild life
Chance	values wildlife on ranch

Common values identified:

- Appreciation of rural way of life
- Good stewardship
- Love of family strong
- _____





C. The power of setting goals

As a professional who interacts with people wanting to start businesses or modify or expand their current businesses, you are in a good position to encourage them to set goals before they make any decisions.

Goals provide a framework for decision-making by helping a person to become organized, take control, and give direction to his or her life. Goals can turn dreams into reality. Goals, particularly written goals with deadlines and costs for attaining them, are very powerful tools in shaping and controlling one's future.

Many agricultural entrepreneurs who were questioned during this project indicated that goal setting and regular review of their goals are critical to their business. It gives direction to the current business operations and enables them to track their children's future plans. For example, consider the case of the teenager who currently provides an important source of labor to the family ranch business, but who has no intention of returning to the ranch after college. In addition to the obvious loss of an important labor source, this creates other potential problems for the family. One is the loss of expertise specific to that ranch that must be replaced by an outside labor source. This new person then needs time to become familiar with the operation and the lay of the land. It could mean that an enterprise would have to be eliminated or replaced. Other issues could be the loss of family tradition or that no potential heirs want to continue the operation of the business.

Or, consider the ranch where the youngest generation provides labor, the middle generation makes the management decisions and the oldest controls the finances. If they don't have some common goals, stress and possible failure of the business may be the end result. Situations such as these illustrate the importance of considering goals from both the practical and holistic perspectives.





Practical goals - Practical goals are SMART goals. They should include the following characteristics:

- Specific - include details such as dollar amounts, dates, and resources
- Measurable - provide quantity or capacity by which progress and final achievement can be monitored and evaluated
- Attainable - capable of being obtained
- Relevant - related to the matter at hand
- Time-bound - deadline for realistic accomplishment

Holistic goals - Goals should be compatible with all aspects of one's life. A holistic approach to goal setting means that a person does not strive to achieve one goal at the expense of others. The components of holistic goals include the following entities that contribute to the overall quality of life:

1. Self-awareness and development goals - mental, physical, spiritual, and emotional goals
2. Family well-being goals - mental, physical, spiritual, and emotional
3. Business, career, or professional goals
4. Social awareness goals - community and humanity goals

Written goals - Goals have a greater chance of being accomplished if they are written down. A 1979 study of Harvard students revealed that 83 percent of those surveyed had no goals; 14 percent had unwritten goals, and earned three times more than those with no goals. The remaining 3 percent had written goals and earned nine times more than those with no goals!

Prioritized goals - Oftentimes, there are never enough resources to achieve all of one's goals at one time. A person needs to prioritize goals, which may require making trade-offs. Prioritizing goals to fit limited resources may require that long-term goals be broken down into short-term goals. Once high priority goals are accomplished, the remaining resources can be distributed to lower-priority goals.

Shared goals - Goals that are mutual or shared with other members of the team (family, employees, partners, or other members of the unit or organization) will be easier to achieve.





Once goals are written down identified and prioritized, how does a person go about achieving them? The following suggestions can assist in making the goals achievable:

Assigning costs to achieving goals - Resources may be limited. To improve chances of successfully achieving one's goals, it is wise to determine the financial cost of resources required for achieving each goal.

Barriers to achieving goals - List obstacles that a businessperson and his or her family might encounter during the process to achieve goals. Consider ways that one might overcome the barriers. It is also important that the businessperson thinks about how he or she will keep him/herself, other family members, and employees motivated to achieve goals, especially long-term goals.

Monitoring one's progress - A person can monitor progress toward achieving one's goals by using physical, financial, and personal indicators. Monitoring provides feedback so a person can make adjustments and refinements to his or her goals to get closer to achieving the expected results.

Revising one's goals - If one's plans for achieving his or her goals aren't working or the goals themselves just aren't giving the expected outcome, it may be necessary to revise the goals. This may be necessary due to the passage of time, changes in the economy, or changes in family life.

Displaying one's goals - Once goals are written, they should be displayed in a place where all members of the family, business, or team can see them.

Source: Money 2000 and Beyond™, University of Wyoming Cooperative Extension Service, 2000. Western Integrated Resource Education (WIRE), University of Wyoming Cooperative Extension Service, 1998.

Whole Farm Planning: What It Takes, 1997. Minnesota Department of Agriculture; www.extension.umn.edu/ 4/11/01.

Appropriate Technology Transfer for Rural Areas, 1999. www.attra.org/attra-pub/holistic.html/ 4/11/01.





Goal chart - Once everyone involved in the business, including family members and key employees, understands the necessity of developing practical, holistic goals, each person should write down his or her goals on a goal chart similar to the one below. After everyone has completed an individual goal chart, the goals can be discussed and compared for compatibility.

Goal	Priority	Monitoring Progress (physical, financial, or personal indicators)	*Time line for Accomplishing Goal			Achieving Goal		
			Long- term	Inter- mediate	Short- term	Rewards	Barriers or Obstacles	Estimated Cost

* Time line for Accomplishing Goal:

Short-term Goal - One year or less

Intermediate Goal - Longer than one year and less than five years

Long-term Goal - Five years or more





Determining common goals

In order to identify common goals, the Remingtons each sat down and made a list of their goals. They were then transferred to a goal chart, as shown on the following page. You can encourage your client to follow the same process by filling out a blank goal chart.

Eldon Remington

- Pass on the Blue Cliff Ranch to his family so the ranch will remain viable.
- Retire on the ranch; spend winters in Arizona.

Lance Remington

- To raise a family in a rural setting, knowing the value of hard work, nature and family values.
- Keep the ranch in the family.
- Find a way to bring the eldest son back to ranch so the ranch can support two families.

April Remington

- Become more active with the public now that the children are raised.

Lewis Remington

- Propose to Hillary and return with her to work on the Blue Cliff Ranch.
- Interested in running the ranch.

Lexie Remington

- Swim and dive at the collegiate level.
- Doesn't see herself returning to the ranch after college.

Chance Remington

- Find some job to be able to hunt and fish for a living.
- Thinks he also wants to come back to the ranch at some point.





Goal chart - Once everyone involved in the business, including family members and key employees, understands the necessity of developing practical, holistic goals, each person should write down his or her goals on a goal chart similar to the one below. After everyone has completed an individual goal chart, the goals can be discussed and compared for compatibility.

Goal	Priority	Monitoring Progress (physical, financial, or personal indicators)	*Time line for Accomplishing Goal			Achieving Goal		
			Long- term	Inter- mediate	Short- term	Rewards	Barriers or Obstacles	Estimated Cost
Keep ranch in family	high	every family member wants this	X			keep heritage	estate taxes	unknown
Lewis & Hilary return to ranch	high	30 K/year		X		ranch life	opportunity for decent \$	30 K/yr.
Chance return to ranch	med.		X			ranch life	land support all families	
Maintain good stewardship	high	natural resources			X	keep wildlife	Mother Nature	may need to sell some cows
Overcome drought								

*Time line for Accomplishing Goal:

Short-term Goal - One year or less

Intermediate Goal - Longer than one year and less than five years

Long-term Goal - Five years or more





D. Assessing skills and traits

Assessing individual skills and traits is critical for anyone planning to examine an existing enterprise or start a new enterprise. It helps establish a baseline of your client's human resource expertise that might help explain deficiencies in existing enterprises or identify strengths that lend themselves to new enterprises. There are two general categories that characterize a person – personality traits and technical/functional skills. They distinguish one person in your operation from another.

Does your client have what it takes? The successful businessperson often has many stereotypic characteristics. There are certain skills and traits that have been identified as important contributors to running a successful business enterprise. Remember that one can acquire and/or refine any desired trait that they choose.

1. The successful businessperson

The following traits are among those that successful entrepreneurs and their enterprises typically exhibit:

The Person	The Business or Enterprise
High level of energy	Adequate resources
Good health	Unique product or service
Confidence	Clear understanding of product or service being marketed
Competitive	Available and accessible market for product or service
Strong work ethic	Customer awareness
Organized	Support of family
Intuitive	Up-to-date inventory
Ability to accept challenges	Understanding of the true costs of selling a particular product or service





2. **Needs assessment forms**

A set of six personal assessments is included for you to provide to a client who is interested in evaluating an existing enterprise or is interested in starting a new business enterprise:

- Personal Traits and Characteristics Assessment
- Lifestyle and Family Traits Assessment
- Family Financial Management Assessment
- Business Skills and Traits Assessment
- Natural Resources Awareness Assessment
- Community Resources Awareness Assessment

Ask your client to carefully consider the questions in the assessments. Ask that all of the other people associated with their business also complete each assessment. This will identify internal strengths, weaknesses, and levels of proficiency in certain important traits, skills, or abilities. This information is then used in this resource guide planning process to take advantage of strengths and opportunities necessary for selecting and/or operating a successful enterprise.



Personal Traits & Characteristics Assessment



This worksheet is designed to help one to think about one's traits (attitudes, habits, motivation) and skills that are relevant to starting and running a business;

- Identify weaknesses in personal skills. A person can take the appropriate actions to increase his or her skills and knowledge.
- Identify strengths in personal skills. A person will then know the characteristics they have that are important in order to be successful in a new business enterprise.
- Identify personal traits that are distinguishing characteristics of a particular person.

These personal traits can be compared to the personal traits of successful entrepreneurs.

	Yes	Undecided or Don't Know	No
I often meet the goals I set for myself.			
If given a choice, I prefer to work with others on projects.			
I find it exciting when circumstances change and I must adapt or expand my abilities.			
I often identify new skills I need and work at acquiring them.			
I enjoy the task of juggling several tasks at once.			
I take responsibilities well.			
I can make quick decisions if needed.			
I am resourceful.			
I have a physical exam each year.			
I have good organization skills and abilities.			
I am a self-starter and am self-disciplined.			
I am always thinking about new/better ways to approach my business.			
I often think of innovative ways to solve problems.			
I have self-confidence and the courage to face risks.			
I am comfortable seeking guidance or information from others who are knowledgeable.			



Lifestyle and Family Traits Assessment



Every member of the family will be affected by the new enterprise, whether they are directly involved in it or not. It is important to know the expectations of each person and to discuss the similarities and differences in perceptions and expectations. Ask each member of the family to complete the assessment so that you can discuss the answers together. This worksheet will give you and your family an opportunity to determine the following:

- Identify the attitude and level of support toward the idea of starting a new enterprise.
- Identify areas of current or potential conflicts within the family system that may undermine the enterprise and/or the family.
- Identify level of family unity and strength.

	Yes	Undecided or Don't Know	No
It is difficult to keep home and work responsibilities separate.			
I support the idea of starting a new enterprise.			
Our family spends too little time together.			
I prefer low risk/low profit ventures to high risk/high profit ventures.			
Being able to stay on the farm/ranch is more important than making lots of money.			
Our family has discussed individual and family goals.			
It is very important for the children in our family to work on the farm/ranch.			
I don't want to work any harder than I work now.			
I enjoy the variety of challenges presented by life on a ranch/farm.			
I am pleased with my home as a place to live and work.			
I am prepared to lose my (our) savings.			
We have an estate plan and a will.			

Family Financial Management Assessment



The purpose of assessing family financial management is to give a family an opportunity to review basic financial practices or habits, and identify financial plans. Family financial practices signal whether or not a family may be at risk for financial problems. The first step toward financial control is identifying problem areas.

	Yes	Undecided or Don't Know	No
All members of my family are involved in financial management decisions.			
I/we set and write down financial goals.			
I/we analyze incoming and outgoing money.			
I/we track expenses.			
I/we develop and follow a spending plan.			
I/we have determined our family's net worth.			
I/we evaluate purchases based on need rather than on want.			
I and members of my family use a shopping plan regularly.			
I/we pay bills, including credit card bills, on time.			
I/we have a plan for reducing our consumer debt.			
I/we pay more than the minimum monthly payment due on credit card bills.			
I/we pay the full balance on credit card bills every month.			
I/we set up a household record keeping system.			
I/we save money for emergencies.			
I/we set up a savings plan for retirement.			
I/we set up a college savings plan for family members.			
I/we have a savings plan for other financial goals.			
I/we save to purchase big ticket household items instead of buying on credit.			
I/we have insurance to cover large, unexpected expenses such as a hospital bill.			
I/we read articles or listen to programs about personal financial management.			



Business Skills and Traits Assessment



This assessment encourages a person to consider his or her skills and traits that are important in starting and running a business:

- Identify weaknesses in business skills. A person can take the appropriate actions to increase his or her skills and knowledge.
- Identify strengths in business skills. A person benefits by recognizing his or her areas of strength that will make it more possible to have a successful business enterprise.
- Identify certain business traits that are distinguishing characteristics of a particular person. These business traits can be compared to traits of successful entrepreneurs.

I have knowledge in the following business management skills:	Yes	Undecided or Don't Know	No
Accounting and taxes			
Planning, organizing, and decision making			
Financial management (such as controlling costs and calculating profitability)			
Managing employees			
Delegating responsibilities			
Marketing skills, including selling and advertising			
Assessment of my business traits or characteristics:	Yes	Undecided or Don't Know	No
I enjoy competition.			
I try to keep up-to-date with customer trends, demands, and preferences.			
I have experience in this enterprise I am considering.			
I have good leadership abilities.			
I enjoy negotiating with others.			
I do not mind the office work (paper work) that is required in running an enterprise.			
I have a written plan for my existing operations.			
I am comfortable using a computer.			



Natural Resources Awareness Assessment



This assessment will help identify the land manager's awareness of the role of natural resources in their current operations and which natural resources have potential to be ranch commodities through providing additional income.

	Yes	Undecided or Don't Know	No
I have soil maps for my land units.			
Soil erosion might affect my profit margin.			
Soil erosion is visible at some locations on my ranch.			
Water is a limiting resource in my operation.			
I irrigate some parts of my farm/ranch.			
Grass/forage is important to my existing operation.			
I have a current (within last 5 years) range inventory.			
I know what the potential plant communities are for my land units.			
I know all of the species of wildlife that spend time on my ranch.			
I am familiar with the wildlife movement patterns on my land.			
I understand the habitat requirements for these species of wildlife.			
A person could view wildlife on my land.			
Hunting occurs on my land.			
Fishing occurs on my land.			
I can tolerate wildlife impacts on my land.			
I know the proper livestock stocking rates for my rangeland/ pastures.			
Livestock are rotated through various pastures.			
I have/work with horses.			
I am comfortable showcasing my land to others.			
There are scenic places on my ranch that I like to visit.			
I know who my local NRCS District Conservationist is.			
I know who my local Cooperative Extension Service educator is.			
I know my local Conservation District contacts.			



Community Resources Awareness Assessment



This assessment encourages a person to consider his or her position in the community as well as aspects about the community that are or may be critical to the success of the business.

- Identify one's knowledge of community resources.
- Identify one's involvement and participation in local government.
- Identify one's knowledge of local resources available in starting or enhancing your business.

	Yes	Undecided or Don't Know	No
I am a member of the Chamber of Commerce, know who the director is, or actively participate in Chamber activities.			
I know if our community has an economic development association or organization, and who is the director.			
I know that the economic development organization can assist me in applying for grants to enhance my business.			
I know who is our community's representative for the Wyoming Business Council.			
I know what services the Wyoming Business Council has to offer me in enhancing or beginning my business.			
I know who our community's USDA Rural Development specialist is.			
I know what programs/grants are available to me through USDA Rural Development.			
I know our community's Cooperative Extension educator.			
I know what programs Cooperative Extension can offer me to enhance my business opportunities.			
I know who the mayor of my community is.			
I know who the county commissioners are in my county.			
I participate on city/county boards.			
I am familiar with zoning regulations in my community, and know if my community has a land use plan.			
I know if my community has conducted a community assessment.			
I know who my banking resources are in my community.			
I know what services Small Business Administration has to offer me in enhancing or beginning my business.			
I know what services the Small Business Development Center has to offer me.			
I know that my enterprise will be/is strongly supported by my community.			





E. Resource inventory

The resource inventory is the fourth component of the foundation for making decisions about the target land unit. The others are the personal values, goals and needs assessments. The resources of the planning unit are inventoried so that problems and opportunities are identified and current resource conditions are established for existing enterprises. Related off-site conditions are also inventoried. For example, some wildlife species are highly mobile, so it's important to know which of their requirements are met on your client's land and which components are being provided by their neighbors. Off-site conditions may also indicate opportunities for a potential diversified enterprise or for establishing a partnership that could result in a new enterprise opportunity.

Once this data has been collected for a farm or ranch, it should be analyzed to determine if current conditions are preventing the producer and his or her family from achieving their personal goals. This will be a collaborative professional effort, as a variety of disciplines and expertise will be required to accurately assist in the collection and assessment of the resource inventory information.

This information will also serve as the basis for assessing the feasibility (Section IV) of existing agricultural operations and for evaluating the feasibility of potential new enterprises for the land unit.

A map, or series of maps/overlays, of the target land unit is an essential component of the resource inventory. It provides not only a clear picture of resource locations and potential sites for diversification, but also of the interactions between the multitude of resources found on any given land unit. Most local USDA Service Centers will have maps, or the capability to create detailed maps, of the customer's land unit. Mylar overlays and/or color-coded features are useful tools for recording the various resources of the land unit.

A series of forms has been developed to assist you in helping producers conduct a comprehensive resource inventory. These forms have been





designed to capture data for existing enterprises, and collect information that could be useful in considering new, alternative agricultural enterprises. For example, which pastures have a noticeable abundance of wildflowers and when do they bloom? The time requirement to record this additional information is minimal, yet this data will be invaluable for assisting your client in examining potential new enterprises. If they are not yet sure about diversification, this information can be easily maintained in a case file for future reference.

The appropriate professional should assist producers in collecting resource information within their area of expertise. Separate forms have been created for each of the resources. Again, it will usually require multiple visits or contacts to collect this information. While the use of most of the forms is self-explanatory, guidance is provided for completing the more complex inventories. These instructions are found on each respective inventory form. Multiple copies of a form may be required to complete the inventory of some resources.



Remington ranch description



The fictional Remington ranch description is indicative of a typical farm or ranch operation that may be requesting your technical assistance. The resource inventory forms that follow would be used to organize their resource information, and to prompt the Remingtons for more detailed, resource-specific data. This information can then be used to examine the feasibility of the Remington's existing enterprises, and to identify potential new opportunities based on available resources.

Remington ranch description

The Blue Cliff Ranch is located 24 miles from Chiselon, Wyoming. It is nestled in the foothills adjacent to more mountainous federal lands. The ranch is a traditional cow/calf operation with 300 pairs. The ranch consists of 2,200 acres of deeded land and a U.S. Forest Service grazing lease. Much of the deeded land is rangeland. Some is in perennial grasses, and some has less desirable vegetation. The ranch also grows some native grass hay, and can produce two tons/acre of alfalfa under irrigation. Meadows are ditch irrigated and are fed by the Stormy River.

The ranch was settled in 1902 by Conrad Remington, the grandfather of Eldon Remington. It has remained family owned for the last 100 years. The original pine log cabin remains on the ranch, but is currently being used as storage. The view from this cabin is spectacular.

There is abundant timber on and near the ranch. Two ponds support good-sized trout. Elk migrate through the ranch in the fall, and some winter on the lower irrigated pastures. There is a resident herd of mule deer, and wild turkeys are becoming more abundant each year. Numerous songbirds can be heard throughout the Blue Cliff Ranch.

Chiselon claims to have 2,600 people, however many of them are older members of the community. There is an emergency clinic, a one-runway airport, and a Super 8 Motel off the interstate. It is mainly a ranching community, supporting a couple of cafés, a Pizza Hut, and Old Ft. Ryan, a military outpost used during the Indian Wars. Old Ft. Ryan has been restored and named a historic landmark. It consists of a two-story barracks, gathering lodge, and a small historic museum.

Conrad Remington originally migrated west from Philadelphia, under questionable circumstances. Butch Cassidy, a documented friend, was held twice at Ft. Ryan, and Conrad is rumored to always have had fresh horses waiting. Conrad's journal describes Butch switching horses many times at the ranch. Compare those dates with those of hold-ups, and there is overwhelming promise that loot was stashed on the ranch. The Remington promise - you find it, you keep 90 percent of it.





Human Resource #1 - list skills, interests, etc. of each family member and employee.

- record the skills, interests, education, and special training of each family member and employee; record the preferred current and future activities, both on and off of the ranch; how much labor is available to the operation from each person and when is it available.

Name and relationship (family, employee)	Skills, education, hobbies, interests, training	Preferred activities (what would you like to do?)	Labor available to ranch (hours, dates)





Human Resource #2 – tasks necessary for existing ranch operation.

- record essential tasks for current ranch operations that must be completed by each person, regardless of whether it is a desired task or not; record which essential tasks are preferred by each person, whether or not they currently do it; what is the labor demand of each person for completing essential tasks and during what time of the year?

Name and relationship (family, employee)	Essential tasks required for ranch operations	Preferred activities essential for ranch operations	Labor demand (hours, dates)





Human Resources #3 – key resource people

- record key resource people, outside of the family unit and employees, who are or could be important to the agricultural operations.

Discipline	Name	Address/phone	Policy numbers
Natural resource specialists			
Business planning specialists			
Family doctor			
Clergyman			
Attorney			
Lender			
Accountant			
Financial advisor			
Health insurance			
Homeowners/ranch insurance			
Auto insurance			
Veterinarian			
Computer specialist			





Human Resource #4 - Potential labor force outside of family and current employees.

- identify potential employees (outside of the current family unit and employees) who could provide other skills or additional labor required for existing or potential new enterprises.

Name	Skills	Availability (dates, hours)	Distance from ranch	Contact information





Financial Resources

- record assets and liabilities for current enterprises of the target farm or ranch unit.

Assets

Current assets	Amount	Fixed assets	Value
Cash	\$	Land	\$
Savings and interest		Buildings	
Investments (stocks, bonds)		Equipment	
Accounts receivable			
Inventory (product, etc.)			
Livestock			
Stored crops			
Prepaid expenses			
Retirement			
Other		Other	

Liabilities

Current liabilities	Amount	Long-term liabilities (payable >5 years)	Amount
Property taxes	\$	Mortgages	\$
Federal taxes owed		Equipment notes	
State taxes owed			
Bills owed			
Feed, seed, fertilizer, gas			
Rent/leases			
Insurance			
Utilities			
Labor			
Marketing/trucking			
Operating expense loans			
Credit cards			
Child support/alimony			
Other		Other	





Marketing Resources

- Record the products marketed, the location and type of market, time of marketing, distance to the market, cost to market, and contact information for that market.
- Identify media market entities, such as TV radio, newspaper, Internet, and magazines.
- Record their target audience, size of their audience, their target service area, and contact information for media venue.

Current Markets:

Product	Where/how marketed?	When?	Distance from ranch	Cost		Contact information	
				Labor (hours)	\$\$	Name	Phone #

Media Markets:

Media outlets (tv, radio, paper)	Target audience	Listenership/viewership (# households)	Target service area	Contact information	
				Name	Phone #





Land Resources

- Consists of an inventory of all land resources, both deeded and leased.
- Record the types and amounts of rangeland, pasture, crops, forest, and other lands (e.g. headquarters, borrow areas, holding pens, etc.).
- Record the locations of any right-of-ways, easements, or deed restrictions and the terms for their use.

Type	Deeded acres	Acres	Leased land Lessor (BLM, etc.)	Length of lease
Rangeland				
Irrigated pasture				
Irrigated cropland				
Dryland crops				
Forestland				
Other				

Rights-of-way on property? _____ Deed restrictions? _____ Easements? _____

Location	Terms or conditions of use





Soil Resources

- Record predominant soil types, production potential, and erosion conditions for each field and pasture. This will indicate where treatment is needed and if there are opportunities for producing other crops.

Location (unit, acres)	Soil types	Production potential	Erosion present?	Description of soil erosion





Plant Resources

- Record the existing plant communities within each field or pasture and the amount of forage they provide.
- Record the desired or potential plant communities within each of those same fields/pastures, and what the potential amount of forage would be.
- Record any unique plant species or wildflowers found within each field or pasture, and the time of year they are conspicuous or in bloom. This may augment a potential diversified enterprise.

Location (unit, acres)	Existing plant community	AUMs	Desired/ potential community	AUMs	Species of interest	When





Water Resources

- Information recorded for ponds/reservoirs, wells, and streams will provide cumulative water availability, capacities, allocations, and dependability for the land unit.

Ponds/reservoirs:

Location (pasture, land unit)	Size (acres)	Depth (feet)	Capacity (ac./ft.)	Water-right allocation	Dependability (seasonal, etc.)

Wells:

Location (legal, pasture)	Age/ cond.	Depth (feet)	Capacity gal./min.	Water-right allocation	Dependability (seasonal, etc.)	Expected lifespan

Streams:

Name & location (stream, land unit)	Perennial or intermittent	Length	Flow (gal./min.)				Water-right allocation
			High	When	Low	When	





Livestock – use a separate form for each class of livestock: cattle, sheep, horses, etc.

- Record production information (number of head and value, number of sales/culls and income, number purchased annually and cost).
- Record feed and forage requirements for each type of livestock.
- Record management requirements for each type of livestock (time of year, labor demand, and who does it).

Livestock type: _____	No. of head	Value	No. sold or culled annually	Value	No. purchased annually	Cost
Mature males						
Yearling males						
Mature females						
Yearling females						
Weaned young-of-year						

Feed/forage requirements:

Type	Amount needed (AUMs, tons)	Owned (AUMs, tons)	Leased (AUMs, tons)
Rangeland forage			
Pastureland forage			
Aftermath forage			
Raised feed (kind):			
Purchased feed (kind):			

Management requirements:

Activity	Time of year (specific dates)	Labor demand	Who does it?
Breeding/AI			
Pregnancy testing			
Birthing			
Weaning			
Shipping/sales			





Facilities

- Record type, dimensions, age, condition, and expected life span of all buildings present on the land unit, and irrigation structures, fences, and roads.
- Record the type, location, age, condition, and expected lifespan of other facilities on the land unit, such as dumps, bone yards, fuel dispensing sites, and loading corrals.

Buildings – residences, barns, sheds, bunkhouse; location – headquarters, other farm, etc.

Type and location	Dimensions or lodging capacity	Age	Condition/ repairs needed	Power (Y/N)	Water (Y/N)	Expected lifespan

Irrigation structures/equipment

Type (pivot, ditch)	Location (farm, field)	Dimensions (acres, feet)	Age	Condition/ maintenance needed	Expected lifespan

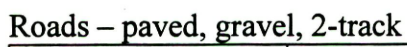




Fences – power, woven, barbed, etc.

Location (farm, pasture)	Type	Length (feet)	Age	Condition/ maintenance needed	Expected lifespan







Other facilities – dumps, bone yards, septic, lagoon, fuel dispensing, chemical dispensing, corrals, head gates, loading, scales, etc.

Location (farm, pasture)	Type	Length (feet)	Age	Condition/ maintenance needed	Expected lifespan

How well maintained (clean) is your ranch yard? _____

How well maintained are your corrals? _____

How close are livestock holding/handling facilities to lodging? _____

Odors associated with any facilities? _____ Which ones? _____

What are your ice storage capabilities? _____



Equipment/Machinery



Equipment needed/desired – anything needed due to an upgrade or change in operations.

Type	Justification: Why you need it	Buy it or lease	Anticipated cost	Expected lifespan

Are there any safety features that need to be added to equipment to protect the operator or any passengers? _____.

Equipment item	Safety feature needed	Planned installation	Anticipated cost	Expected lifespan





Wildlife Resources #1 – Consumptive or harvestable wildlife

- Use a separate form for each species.
- Record the number of head, annual harvest, potential harvest, hunting season dates, and locations of the species (field, pasture) during hunting season.
- Record the forage demand for each species by field or pasture.
- Record the management requirements for each species (activity, time of year, labor demand, and who does it).

Type: _____	No. of head	Annual harvest	Potential harvest	Hunting season dates	Locations during hunting seasons (unit, pasture)
Mature males					
Yearling males					
Mature females					
Yearling females					
Juveniles					

Forage requirements:

Location (unit, pasture)	Dates present	Kind and # (bull, cow, calf)	Range AUMs	Pasture AUMs	Crop AUMs

Totals:

Management requirements:

Activity	Time of year (specific dates)	Labor demand (hours)	Who does it?
Hunt/hunter mgt.			
Fence damage			
Depredation mgt.			
Habitat improvement			





Wildlife Resources #2 – Non-consumptive wildlife

- Record photo/viewing opportunities for each species by location, time of year present, and accessibility from the nearest road/trail and ranch headquarters.
- Record birding opportunities for each species by location, time of year present, and accessibility from the nearest road/trail and ranch headquarters.

Photo/viewing opportunities – mammals, reptiles, amphibians

Species	Location (unit, pasture)	Time of year present	Accessibility	
			Nearest road/trail	HQ

Birding opportunities

Species	Location (unit, pasture)	Time of year present	Accessibility	
			Nearest road/trail	HQ





Recreation Resources

- Record any scenic vantage points on the land unit.
- Record any potential picnic, camping, cabin or lodge sites.
- Record potential trail routes for horses, bikes, hikers, and ATVs.
- Record the locations and descriptions of unique geological features.
- Record the locations and descriptions of other potential recreation resources.

Scenic vistas/viewsapes – vantage points offering especially spectacular views.

Location (unit, pasture, etc.)	Description (special features)	Accessibility (distance from HQ)	Availability (when its accessible)

Potential picnic, camping, cabin, lodge sites

Type	Location (unit, pasture, etc.)	Description (special features)	Distance from HQ	Availability (when its accessible)





Potential trail routes – horse, bike, hiking, ATV trail locations

Type	Location (units, pastures, etc.)	Description (special features)	Length of trail	Availability (when its accessible)

Unique geological sites – fossils, outcrops, formations, landscape rock

Location (unit, pasture, etc.)	Description (special features)	Accessibility (distance from HQ)	Availability (when its accessible)

Other potential recreation resources

Type	Location (unit, pasture, etc.)	Description (special features)	Distance from HQ	Availability (when its accessible)





Community Resources

Motels	# of rooms	Distance from ranch	Owner	
			Name	Phone #

Campgrounds	# of sites	Type of hookups	Distance from ranch	Owner	
				Name	Phone #

Restaurants/ lounges	# of seats	Distance from ranch	Hours		Owner	
			Summer	Winter	Name	Phone #

Convenience/ service stations	Distance from ranch	Hours		Owner	
		Summer	Winter	Name	Phone #





Entertainment facilities	Distance from ranch	Hours		Owner	
		Summer	Winter	Name	Phone #

Transportation (air, bus, train)	Distance from ranch	# of flights/day		Contact information	
		Summer	Winter	Name	Phone #

Banks, accounting, computer, printing services	Distance from ranch	Hours		Contact information	
		Summer	Winter	Name	Phone #

Emergency/ medical services	Distance from ranch	Hours		Contact information	
		Summer	Winter	Name	Phone #





Local churches & denomination	Distance from ranch	Hours		Contact information	
		Summer	Winter	Name	Phone #

Repair/vet/UPS/ laundry, other services	Distance from ranch	Hours		Contact information	
		Summer	Winter	Name	Phone #

Schools/colleges attended by family	Distance from ranch	Hours		Contact information	
		Summer	Winter	Name	Phone #

Specialty stores (western apparel, art, gifts, etc.)	Distance from ranch	Hours		Owner	
		Summer	Winter	Name	Phone #

Snow removal? _____ How often? _____ Response time? _____





F. What is SWOT analysis

The final phase of assessing the farm or ranch operation will entail extracting the most pertinent information from all the completed assessments and the comprehensive resource inventories. One tool that will facilitate this is a SWOT analysis.

A SWOT analysis is a tool used by businesses for strategic planning and analysis. It offers a clear and concise format that is used to identify and summarize **Strengths** and **Weaknesses** within a business organization, and **Opportunities** and **Threats** from the external environment that could impact that business. It is like a snapshot of the existing operation, along with some indicators of future possibilities and obstacles.

Why go through the process of conducting a SWOT analysis?

Going through the process can be helpful because it reveals changes that can be made and puts existing or potential problems into perspective. It allows producers to highlight the most significant internal and external factors affecting their operation, maximize the potential of the strengths and opportunities, and minimize the impact of the weaknesses and threats.

How does one conduct a SWOT analysis?

In the context of this resource guide, the data compiled by your client is used to identify the key strengths and opportunities regarding the existing operation. It is also used to ascertain the significant weaknesses and threats that the same farm or ranch business may face. You can assist your client in pulling out the most significant data from their assessments and inventory, and listing it on the summary SWOT form.

1. Internal analysis of strengths and weaknesses: Producers should examine their capabilities and the capabilities of their business, enterprise, or organization.
 - a. **Strengths:** Strengths are positive aspects internal to the business. What are the advantages? What is done well? *The producer can make quick decisions if needed. Water is not a limiting resource in their operation.*





- b. *Weaknesses:* Weaknesses are negative aspects internal to a client or his business, enterprise, or organization. What could be improved? What is done poorly or inadequately? What activities should be avoided? *Does the producer lack self-confidence and the courage to face risk? Does he have a business plan for the operation? Does he find it difficult to keep home and work responsibilities separate?*
 2. External analysis of opportunities and threats. Identify conditions external to the business that offer opportunities or pose threats to their performance or the performance of their business, enterprise or organization.
 - a. *Opportunities:* Opportunities are positive aspects external to a business. Opportunities can come from such things as positive characteristics of the local community, changes in technology, markets, regulations and policies related to the business, lifestyle changes, and local events. *What are some favorable conditions or interesting trends facing your client's business, enterprise or organization? What special events take place in your community?*
 - b. *Threats:* Threats are negative aspects external to a business, enterprise, or organization. Your client should think about obstacles that their business may face. For example, are there negative characteristics in the community or marketplace that could create obstacles? *What is the competition doing? Are there changes in specifications or regulations that might affect the business? Are creditors seeking debt repayment? Is soil erosion threatening part of the enterprise?*





Use a table such as the one below to enter your SWOT analysis.

SWOT Analysis	POSITIVE	NEGATIVE
INTERNAL	Strengths	Weaknesses
EXTERNAL	Opportunities	Threats



Remington SWOT analysis



Use a table such as the one below to enter your SWOT analysis.

SWOT Analysis	POSITIVE	NEGATIVE
INTERNAL	<p>Strengths</p> <ul style="list-style-type: none"> - good land stewards - all value open space - abundant wildlife - scenic views - know cattle - willing to set family goals 	<p>Weaknesses</p> <ul style="list-style-type: none"> - not enough \$ to support all family members returning to ranch - not familiar with non-traditional marketing practices - lack of knowledge in starting new business - doesn't know SBDC person in the area
EXTERNAL	<p>Opportunities</p> <ul style="list-style-type: none"> - increased public interest in ranch recreation - airport can handle multi-engine planes - could market timber 	<p>Threats</p> <ul style="list-style-type: none"> - potential loss of federal grazing permit - drought conditions - local community businesses drying up

Note: The Remingtons used their completed skills/awareness assessments and ranch resource inventory to fill out this summary SWOT analysis.



Notes

Lined area for notes.



IV. Enterprise Feasibility

A. Overview of Section IV

At this point in the planning process, you have assisted your client in understanding the concept and benefits of diversification (Section II), and have helped them collect information relevant to their existing agricultural businesses, land units, and families (Section III). Section IV is dedicated to examining the feasibility of existing enterprises and potential new enterprises. In other words, Section IV contains a framework of forms for evaluating the efficiency and profitability of existing enterprises, and for exploring and selecting optimal new enterprises.

It is at this point your client is ready to utilize the information from the completed assessments and resource inventory to study the feasibility of the existing enterprises. For example, can the Remingtons realize their goals based on the current 300 cow/calf enterprise? Examining the feasibility of existing enterprises may indicate opportunities for changes in management or operations that may negate the need to diversify. However, if the completed feasibility study for existing operations has been completed, and goals cannot be achieved, then the client may desire to continue investigating opportunities to diversify his or her agricultural operation.

A comprehensive list of alternative agricultural enterprises is included to assist your clients with identification of potential new enterprises for their farm or ranch. Each family member is encouraged to review this list and identify those enterprises that are most consistent with their interests, values and goals. The feasibility template will permit the evaluation of each of those potential new enterprises.





C. Enterprise feasibility study

The feasibility assessment forms will assist the customer in evaluating existing enterprises and each potential alternative agricultural enterprise. The customer should complete separate feasibility worksheets for each existing enterprise or potentially feasible new alternative. Remember to use the needs assessments, resource inventory information, and SWOT analysis in the feasibility studies.

Additional information on financing, marketing, legal consideration, natural resources, communities, and human resources that can assist with the evaluation of feasibility can be found in the Implementation Section (V).

Personal goals should be reviewed after completing the feasibility studies for the existing farm/ranch enterprises. If progress toward these goals is not satisfactory, then your customer may desire to proceed with the consideration of new, alternative agricultural enterprises.





Worksheets for a feasibility plan – Complete this analysis for the existing enterprise and for each potential enterprise.

1. *Description of products, services, and competition:* Detailed description of what the product/service does and what makes it special or unique, as well as potential markets.
2. *Enterprise operations:* Legal structure, human resource management, production/operation and maintenance, natural resources, and community considerations.
3. *Enterprise marketing plan:* Product(s)/service(s), target market(s), promotional and advertising plan; a distribution process; and the pricing strategy. (Note: distribution process refers to how you will get your product or service to the end user.)
4. *Enterprise funding plan:* Funding strategy – includes funding required, where financing will be obtained (debt and/or equity financing); and projected financial information.
5. *Profit/loss plan:* A projected financial plan should be developed for each of the first three years of enterprise
6. *Projected balance sheet:* A snap shot of how the business stands financially at a certain point in time
7. *Break-even point:* The point at which total costs equal the net sales.

Enterprise: _____

1. Description of Product and/or Service and Competition		
Product and/or Service		Competition
What is it? What does it do?	What makes it unique or special?	How does it compare with the competition?





2. Enterprise Operations	Type	Resources	Cost	
			Money(\$\$)	Labor (hours)
Legal structure	<i>What is the formation?</i>	<i>What expertise is needed?</i>		
Labor	<i>What do you need?</i>	<i>Who will do it?</i>		
Production/operation and maintenances	<i>What is needed to produce selected product/service?</i>	<i>Where will it come from?</i>		
Natural resources	<i>What improvements/practices are needed?</i>	<i>What materials are needed?</i>		
Community links/partnerships	<i>What connections are needed?</i>	<i>Who provides it?</i>		
Enterprise Operations Totals			\$	Hours





3. Enterprise Marketing Plan					
Product/service: _____ Prepare an enterprise marketing plan for each service or product.					
Target markets	Pricing strategy	Distribution	Promotion/advertising, frequency, and cost		
			Type	Frequency	Cost
Enterprise Marketing Plan Total					\$





4. Enterprise Funding Plan	Costs	Sources of funding <i>Where will the money come from?</i>	For debt financing: (Principle & interest) X month	Total Cost
Enterprise Operations	<i>From # 2 above</i>			
Enterprise Marketing Plan	<i>From # 3 above</i>			
Facilities				
Improvements				
Modifications				
New				
Enterprise Funding Plan Total				\$





5. Profit/Loss Plan									
Projected or Anticipated Income				Projected or Anticipated Operating Expenses					
Year	Expected net sales	Cost of selling product or service	Gross margin	A		B		Total Expenses Total A + Total B	Net Profit or (Loss)
One	\$	\$	\$	Salaries/Wages	\$	Legal/Accounting	\$	\$	\$
				Payroll taxes	\$	Insurance	\$		
				Empl. benefits	\$	Advertising	\$		
				Rent	\$	Bad debts	\$		
				Utilities	\$	Interest	\$		
				Car/delivery	\$	Depreciation	\$		
				Supplies	\$	Other	\$		
				Total	\$	Total	\$		
Two	\$	\$	\$	Salaries/Wages	\$	Legal/Accounting	\$	\$	\$
				Payroll taxes	\$	Insurance	\$		
				Empl. benefits	\$	Advertising	\$		
				Rent	\$	Bad debts	\$		
				Utilities	\$	Interest	\$		
				Car/delivery	\$	Depreciation	\$		
				Supplies	\$	Other	\$		
				Total	\$	Total	\$		
Three	\$	\$	\$	Salaries/Wages	\$	Legal/Accounting	\$	\$	\$
				Payroll taxes	\$	Insurance	\$		
				Empl. benefits	\$	Advertising	\$		
				Rent	\$	Bad debts	\$		
				Utilities	\$	Interest	\$		
				Car/delivery	\$	Depreciation	\$		
				Supplies	\$	Other	\$		
				Total	\$	Total	\$		





6. Projected Balance Sheet			
Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$	Accounts	\$
Accounts receivable	\$	Federal taxes owed	\$
Inventory	\$	State taxes owed	\$
Prepaid expenses	\$	Other current liabilities	\$
Other current assets	\$		
Total current assets	\$	Total current liabilities	\$
Fixed Assets		Long-term Liabilities	
Land	\$	Notes payable to bank	\$
Buildings	\$	Mortgages payable	\$
Less accumulated depreciation	\$	Other long-term liabilities	\$
Book value of building	\$		
Equipment	\$		
Less accumulated depreciation	\$		
Book value of equipment	\$		
Other fixed assets	\$		
Total fixed assets	\$	Total long-term liabilities	\$
Total Assets (Current and Fixed)	\$	Total Liabilities (Current and Long-term)	\$
Owner's Equity = Total Assets less Total Liabilities			
Owner's Equity \$			
Note: Total Liabilities and Owner's Equity must equal Total Assets			





7. Break-even point		<i>The point at which total costs equal the net sales</i>		
		Costs		
Fixed		Variable		
Type	\$	Type	\$	
				Price per unit (product or each hour of service) \$ _____
				To calculate break-even point (BEP):
				$CM = P - VC$ $BEP = \frac{FC}{CM}$ <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> FC = Total fixed costs VC = Variable cost per unit P = Price per unit CM = Contribution margin per unit </div>
Total Fixed Costs	\$	Variable Cost per Unit	\$	
<i>Fixed costs: Fixed costs have no relationship between a cost and the number of units sold. They are expenses you have to pay whether you sell zero, one, or many units.</i>		<i>Variable costs: Variable costs have a direct relationship between cost and the number of units sold. These costs change with the amount of units sold.</i>		
		Break-even Point _____ Number of products/units or _____ Hours of Service		





D. Potential alternative enterprises

If your client has determined that their goals cannot be achieved through existing enterprises, it is then prudent to examine other enterprise options.

If the decision is to explore opportunities for diversification, how can he/she select the best alternative enterprise(s) for their particular situation or operation? Will the new enterprise complement existing enterprises or be competitive? These questions, and others, can be answered through feasibility studies of potential agricultural enterprises.

Have your client review their goals. Selection of potential alternatives should be based on these goals, as well as any interests that the customer might have. Make sure that the goals and interests of all other affected individuals are also considered. The needs assessments are excellent tools for taking into account the interests and skills of all potentially affected individuals in the agricultural operation. What is the financial goal of the new enterprise? What are the lifestyle goals of the family that can be achieved through the new enterprise? Will personal satisfaction goals be attained?

What aspects of their existing operations and/or resources might the customer capitalize on? Are there special or unique features of their farm/ranch that might be marketable in a new enterprise? The comprehensive resource inventory and summary SWOT analysis should help clarify some of these possibilities.

Remember that each new enterprise is dependent upon and can be based on many farm and ranch attributes: people, heritage, livestock, facilities, wildlife, water, geology, plants, and other natural and cultural resources. Also, keep in mind that there may be opportunities to link with an adjoining landowner to collectively provide the necessary resources for an alternative enterprise.





1. Checklist of alternative enterprises

An extensive checklist of potential agricultural enterprises follows. This list is comprised of both agricultural enterprises that are known to be in operation in the western United States as well as others that may have potential in the West.

Proceed through the alternatives checklist with your client, at their discretion. If you are familiar with their operation, point out any alternative that you think has merit for consideration. Encourage the client to have all stakeholders (family, partners, etc.) provide input. When completed, have each stakeholder rank potential new enterprises in order of most preferred to least.

Field Crops

Feed and Forage:

- _____ Bird seed (sunflower, proso millet, reed canary grass, etc.)
- _____ Forage brassicas – turnips, rutabagas
- _____ Hay production (specialty, weed-free)
- _____ Kochia
- _____ Medics
- _____ Sainfoin
- _____ Switch grass

Fiber, Fuel, Edible and Industrial Oils:

- _____ Borage
- _____ Broomcorn
- _____ Canola
- _____ Castor beans
- _____ Comfrey
- _____ Corn (for oil)
- _____ Cuphea
- _____ Flax
- _____ Guayule
- _____ Jojoba
- _____ Kenaf
- _____ Lesquerella
- _____ Lupine
- _____ Meadow foam
- _____ Milkweed
- _____ Perilla
- _____ Safflower





_____ Sesame
_____ Sunflowers
_____ Vernonia

Food Grains, Pseudocereals, Legumes, etc.:

_____ Adzuki beans
_____ Amaranth (food and feed)
_____ Barley
_____ Buckwheat
_____ Dry edible beans (field beans)
_____ Einkorn
_____ Emmer
_____ Field peas (food and feed)
_____ Garbanzo beans (chickpeas)
_____ Hops
_____ Indian corn
_____ Jerusalem artichokes (food and feed)
_____ Kamut
_____ Lentils
_____ Malting barley
_____ Mung beans
_____ Organically grown grain of all types
_____ Pearl millet
_____ Popcorn, white and colored
_____ Psyllium (medicinal)
_____ Quinoa
_____ Seed production – registered and certified seed, turf grass, etc.
_____ Sesame (seeds)
_____ Sorghum (syrup)
_____ Soybeans, incl. natto soybeans for tofu and
_____ Spelt
_____ Triticale
_____ Wheat grass
_____ Wild rice

Specialty and Ethnic Vegetables

See also Field Crops

_____ Asparagus
_____ Baby vegetables
_____ Cabbage
_____ Carrots
_____ Celery
_____ Chinese water chestnuts
_____ Cole crops (broccoli, cauliflower, Brussels sprouts, kohlrabi)





_____	Corn, miniature
_____	Cucumbers
_____	Fenugreek
_____	Edible flowers
_____	Garlic
_____	Gourds, ornamental
_____	Gourmet vegetables
_____	Greenhouse production for out-of-season crops
_____	Heirloom varieties of any vegetable
_____	Herbs – culinary and medicinal
_____	Horseradish
_____	Luffa gourds
_____	Mushrooms – agaricus, shiitake, oyster, morel, etc.
_____	Onions (transplants, shallots, sweet, early)
_____	Organically grown vegetables of all types
_____	Oriental vegetables
_____	Peas and pea shoots
_____	Peppers – specialty types (purple, hot, sweet, etc.)
_____	Pumpkins
_____	Red beets
_____	Salad greens – mesclun, lettuce, spinach
_____	Sprouts (alfalfa, bean, etc.)
_____	Squash
_____	Sweet corn
_____	Sweet potatoes
_____	Tomatoes – specialty types
_____	Truffles
_____	Wasabi

Fruits and Nuts

_____	Apples, esp. Heirloom varieties
_____	Asian pears
_____	Brambles – blackberries, raspberries, loganberries
_____	Blueberries
_____	Cranberries, currants
_____	Elderberries
_____	Gooseberries
_____	Lingonberries
_____	Melons – specialty types
_____	Rhubarb products
_____	Strawberries, day neutral types
_____	Table grapes, seeded and seedless
_____	Wine grapes for home wine-making market





Horticultural/Nursery

- _____ Bedding plants – annual flowers, herbs, etc.
- _____ Field grown cut flowers
- _____ Field grown mums
- _____ Flowers for drying
- _____ Greenhouse production
- _____ Hydroponic production
- _____ Organically grown bedding plants and fruit trees
- _____ Potted annuals
- _____ Native plants/wild flowers and seeds
- _____ Regionally hardy shrubs and perennial flowers

Agro Forestry/Forest Products

- _____ Christmas trees
- _____ Firewood
- _____ Lumber
- _____ Maple syrup production
- _____ Pine needles
- _____ Tree seed collection
- _____ Wild nuts

Livestock/Animals

- _____ Animal birthings for county fairs, expositions, etc.
- _____ Bull development
- _____ Commercial cow/calf
- _____ Direct marketing or livestock products to consumer
- _____ Goats
- _____ Heifer development
- _____ Horses
- _____ Pasture-based dairying
- _____ Registered cattle
- _____ Sheep/Lambs for meat, wool, milk (for cheese)
- _____ Starter yard for yearlings
- _____ Stocker operation

Exotic Livestock/Minor Breeds/Special Uses...

- _____ Beefalo (hybrid of buffalo and beef)
- _____ Buffalo (American bison)
- _____ Deer – fallow deer, red deer
- _____ Elk (wapiti) for meat and antlers
- _____ Fish bait – worms, minnows
- _____ Pheasant for release/restocking programs and meat
- _____ Alpacas and llamas for pack animals, hair, and pets
- _____ Boar





_____ Butterflies (for gardeners)
_____ Fox - red, silver, and blue
_____ Goats for milk, meat, and hair (Angora)
_____ Horses – draft horse breeding, miniatures, exotics
_____ Mink
_____ Mules and donkeys
_____ Ostriches, rheas, emus
_____ Rabbits for meat, lab animals, and hair (Angora)
_____ Reindeer
_____ Snails (escargot)
_____ Veal, conventional and certified
_____ Water buffalo, yak, watusi
_____ Worms (for composting)

Poultry:

_____ Balut (duck eggs partially incubated)
_____ Chicken eggs partially developed (for Asian markets)
_____ Doves
_____ Duck – meat and pâté
_____ Free range poultry of all types
_____ Geese
_____ Guinea fowl
_____ Organically raised poultry of all types
_____ Peafowl/Peacocks (feathers)
_____ Pigeons
_____ Quail/Squab
_____ Turkey

Aquaculture/Fishfarming:

_____ Aquaponics (combining aquaculture and hydroponic operations)
_____ Bass, Trout, Catfish, Crayfish, Tilapia
_____ Watercress and other aquatic plants

Pet and medicine related:

_____ Blood products from animals, e.g., rabbits, chinchilla, horse urine
_____ from pregnant mares
_____ Dogs (guardian)
_____ Guinea pigs
_____ Pet foods – crickets, meal worms, etc.

Wildlife-related:

_____ Bird watching
_____ Camera safari
_____ Fee fishing ponds/reservoirs





_____	Fee fishing streams
_____	Fish cleaning
_____	Fox hunts
_____	Game dressing
_____	Guiding and outfitting
_____	Hunting and fishing club
_____	Hunting lodge
_____	Ice fishing and huts
_____	Recording animal sounds
_____	Varmint calling
_____	Video taping of hunts
_____	Hunting/trapping enterprises
_____	Antelope
_____	Elk
_____	Deer
_____	Coyotes
_____	Fox
_____	Beaver
_____	Mink
_____	Muskrat

Farm and Home Enterprises

Services:

_____	Direct marketing operations – U-pick, Community Supported
_____	Agriculture (CSA), farmstand
_____	Composting services and products
_____	Custom machinery work
_____	Custom planting and care of window boxes and container annuals
_____	Custom planting and care of vegetable gardens
_____	Custom slaughter
_____	Farmer's market
_____	Feedlot
_____	Gift shops
_____	Home for children
_____	Horse boarding
_____	Motel units
_____	Pet motels for large as well as small animals
_____	Religious services held on farm, e.g. sunrise Easter
_____	services, weddings
_____	Restaurant
_____	Seed and supplies distributor
_____	Taxidermy





Recreation and Education:

- _____ Archery range or course
- _____ ATV track
- _____ Banquet facilities
- _____ Barn dances
- _____ Barn raising
- _____ Bed and bale (customers and their horses stay)
- _____ Bed and breakfast
- _____ Biking trails
- _____ Boating
- _____ Bonfires
- _____ Branding
- _____ Breeding and training hunting dogs
- _____ Bunkhouse stays and mess hall
- _____ Business convention center
- _____ Campground
- _____ Canoeing, kayaking, tubing
- _____ Cattle drives
- _____ Caving
- _____ Center for research (lodging, classrooms, labs, etc.)
- _____ Chuck wagon
- _____ Conservation practices lectures
- _____ Cooking, canning, smoking demonstrations or schools
- _____ Cowboy and Indian re-enactments
- _____ Cropland tours
- _____ Cross-country ski trails
- _____ Cutting horse events
- _____ Dog kennels
- _____ Downhill skiing
- _____ Environmentally sensitive agriculture (e.g. recycling of farm waste)
- _____ Equestrian center
- _____ Exhibition of newborn farm animals
- _____ Fall color tours
- _____ Farm and ranch building tours
- _____ Farm and ranch stands (antiques, etc.)
- _____ Farm and ranch vacations
- _____ Festivals during peak harvest season
- _____ Fiddling
- _____ Fly fishing and tying clinics
- _____ Food processing plant tours
- _____ Games (horseshoes, etc.)
- _____ Golf driving range
- _____ Grandparent/grandchild experiences





<input type="checkbox"/>	Hay rides
<input type="checkbox"/>	Herbal medicine
<input type="checkbox"/>	Hiking trails
<input type="checkbox"/>	Historical museum on site
<input type="checkbox"/>	Hot air ballooning
<input type="checkbox"/>	Ice sculpturing
<input type="checkbox"/>	Ice skating
<input type="checkbox"/>	Jeep tours
<input type="checkbox"/>	Laser or paintball tag
<input type="checkbox"/>	Lectures on herbs, gardening at farm
<input type="checkbox"/>	Lumberjack skills
<input type="checkbox"/>	Milking technologies
<input type="checkbox"/>	Museum of old farm equipment on working farm
<input type="checkbox"/>	Nature hike guides
<input type="checkbox"/>	Obstacle course
<input type="checkbox"/>	Orchard tours
<input type="checkbox"/>	Pack trips
<input type="checkbox"/>	Painting
<input type="checkbox"/>	Petting zoo
<input type="checkbox"/>	Photography
<input type="checkbox"/>	Picnicking
<input type="checkbox"/>	Professional workshops
<input type="checkbox"/>	Pumpkin carving
<input type="checkbox"/>	Ranch rodeo
<input type="checkbox"/>	Ranch work (roundup, haying, fencing)
<input type="checkbox"/>	Recreation activities for physically/mentally challenged
<input type="checkbox"/>	Retreats (church groups, scouts, corporate, etc.)
<input type="checkbox"/>	Rifle or skeet shooting
<input type="checkbox"/>	Rock collecting
<input type="checkbox"/>	Rock climbing
<input type="checkbox"/>	RV park
<input type="checkbox"/>	Sand or gravel pit
<input type="checkbox"/>	Silhouette range (rifle and pistol)
<input type="checkbox"/>	Sledding
<input type="checkbox"/>	Sleigh rides with work horses
<input type="checkbox"/>	Snowmobiling
<input type="checkbox"/>	Snowshoeing
<input type="checkbox"/>	Special Olympics events
<input type="checkbox"/>	Sporting clays
<input type="checkbox"/>	Sports camps
<input type="checkbox"/>	Square dancing
<input type="checkbox"/>	Star gazing
<input type="checkbox"/>	Storytelling, poetry
<input type="checkbox"/>	Survival training





_____	Swimming
_____	Tennis
_____	Theatrical productions
_____	Tours for public, school children
_____	Tractor rides
_____	Trail rides
_____	Vacations on farm
_____	Vintage farming (old tractors, steam engines, teams of oxen)
_____	Wagon trains
_____	War games, paint ball
_____	Wilderness experiences
_____	Wildflower tours

Value-added Products/On-farm Processing:

_____	Cheese
_____	Cider and other apple products
_____	Confections and candles
_____	Corn snack foods
_____	Crafts
_____	Dried flowers, cultivated and wild
_____	Dried fruits
_____	Fresh or stone ground grains
_____	Furniture, e.g. outdoor chairs, picnic tables
_____	Honey and beeswax products
_____	Meat processing, e.g. jerky
_____	Sawmill
_____	Soap making
_____	Tanning hides
_____	Toys from wood
_____	Wheat weaving
_____	Winemaking
_____	Wool processing and spinning





2. Possible Enterprise Diversification Options
(Rank/Priority)





E. Selecting appropriate enterprises

If the feasibility examination of existing enterprises indicates goals cannot be achieved, the feasibility study forms will assist the customer in evaluating each potential alternative agricultural enterprise. The customer should complete a **feasibility form** for each alternative that has been listed and prioritized. These completed studies will enable the customer to compare each alternative and select the most appropriate one or ones for their situation.

Many people then choose to write a feasibility plan and use it as their start-up planning and implementation tool if they do not have to seek outside funding through a third party such as a commercial lending institution, a venture capital organization, or sell their stock to the public. For example, a vegetable stand for direct marketing a client's produce, or a goose pit that is leased for fee hunting in the winter, can be relatively easy to add to existing enterprises at very low start-up costs to the producer. The feasibility plan is their agricultural enterprise business plan. The comprehensive agricultural business plan (see Implementation – Section V) provides more in-depth detail and is packaged to promote both the business idea and borrower. The client may want to consider the agricultural business plan for more complex enterprises such as a large-scale ranch recreation or year-round fee hunting/fishing operation that may require infrastructure modifications and substantial new financing.



Remington diversification options



2. Possible Enterprise Diversification Options (Rank/Priority)

1. Guest ranch - working ranch stays
2. Fee hunting / fishing
3. Rough log furniture
4. Bus tours for lunch

Note: The Remingtons jotted down the above-listed enterprises that they were interested in investigating. The following pages contain a sample set of feasibility worksheets used in the evaluation of one alternative enterprise.





Worksheets for a feasibility plan – Complete this analysis for the existing enterprise and for each potential enterprise.

1. *Description of products, services, and competition:* Detailed description of what the product/service does and what makes it special or unique, as well as potential markets.
2. *Enterprise operations:* Legal structure, human resource management, production/operation and maintenance, natural resources, and community considerations.
3. *Enterprise marketing plan:* Product(s)/service(s), target market(s), promotional and advertising plan; a distribution process; and the pricing strategy. (Note: distribution process refers to how you will get your product or service to the end user.)
4. *Enterprise funding plan:* Funding strategy – includes funding required, where financing will be obtained (debt and/or equity financing); and projected financial information.
5. *Profit/loss plan:* A projected financial plan should be developed for each of the first three years of enterprise
6. *Projected balance sheet:* A snap shot of how the business stands financially at a certain point in time
7. *Break-even point:* The point at which total costs equal the net sales.

Enterprise: ranch stays

1. Description of Product and/or Service and Competition		
Product and/or Service		Competition
What is it? What does it do?	What makes it unique or special?	How does it compare with the competition?
Authentic western working ranch vacation	<ul style="list-style-type: none"> - allow participation in all ranch activities - ranch is adjacent to public land - original homestead is intact - ranch is along the historic outlaw trail 	<ul style="list-style-type: none"> - closer to public lands = more recreational opportunities for guests - only 1 other guest ranch in county - more of a direct connection to Western heritage than others - will focus on 2 target markets <ul style="list-style-type: none"> - Europeans - school teachers



Remington feasibility



2. Enterprise Operations	Type	Resources	Cost	
			Money(\$\$)	Labor (hours)
Legal structure	<i>What is the formation?</i>	<i>What expertise is needed?</i>		
Limited Liability	LLC	Attorney	\$2000	20 - Lance 20 - April
Labor	<i>What do you need?</i>	<i>Who will do it?</i>		
Target - 4 adult guests/wk. 12 week season June - August	Check in guests, cook, clean Supervise guests doing ranch work	Family / hire Home Ec teacher part-time Lewis / Lance	\$240/wk	30/wk - hired 6/wk linens - Hilary 6/wk cook - April 12/wk Lewis / Lance
Production/operation and maintenances	<i>What is needed to produce selected product/service?</i>	<i>Where will it come from?</i>		
2 trips to airport /wk 320mi.	Food, laundry, gas	April - food orders, pickup Hilary - laundry Lexie - pickup guests @ airport	\$600/wk	4/wk - April 10/wk - Lexie
Natural resources	<i>What improvements/practices are needed?</i>	<i>What materials are needed?</i>		
	General clean up landscape around cabin Fence off creek by H.Q.	Tractor / truck expense Top soil, seed 2 miles fence	\$200 \$450 \$2000	60 - Lance 60 - Lewis 60 - Chance
Community links/partnerships	<i>What connections are needed?</i>	<i>Who provides it?</i>		
	Ap	April April April	\$100 gas to network 350 dues / chamber	40 - April
Enterprise Operations Totals			\$ 14,880	Hours 716





3. Enterprise Marketing Plan

Product/service: Ranch stays
 Prepare an enterprise marketing plan for each service or product.

Target markets	Pricing strategy	Distribution	Promotion/advertising, frequency, and cost		
			Type	Frequency	Cost
Germany - families & individuals	\$1200/person/week	Customers come to location	web brochures magazines	monthly annually 2 x/year	\$50 \$1000 \$2000
History educators in the U.S.	\$125/person/night	"	Guest ranch assoc. magazines	Annually 1 x/year	\$250 \$1000
Enterprise Marketing Plan Total					\$4,300



Remington feasibility



4. Enterprise Funding Plan	Costs	Sources of funding Where will the money come from?	For debt financing: (Principle & interest) X month	Total Cost
Enterprise Operations	From # 2 above	◦ Savings to initiate (5k) ◦ income from guests thereafter		\$14,880
Enterprise Marketing Plan	From # 3 above	Short-term loan	\$130/mo x 36 mo. P+I	\$4,680
Facilities				
Improvements				
Cabin	\$4,000	loan	\$100/mo. x 60 mo. P+I	\$6,000
Modifications				
Handicap Accessible	\$1,500	grant		0
New beds, sheets towels, dishes replace every 2yrs	\$1,000 start-up \$300-annual	Out-of-pocket Cash		\$1,000 (plus \$300)
Enterprise Funding Plan Total				\$26,860



Remington feasibility



5. Profit/Loss Plan									
Projected or Anticipated Income				Projected or Anticipated Operating Expenses					
Year	Expected net sales	Cost of selling product or service	Gross margin	A		B		Total Expenses Total A + Total B	Net Profit or (Loss)
One	\$46,800	\$	\$46,800	Salaries/Wages	\$2880	Legal/Accounting	\$500	\$20,187	\$26,613
				Payroll taxes	\$230	Insurance	\$200		
				Empl. benefits	\$-	Advertising	\$4300		
				Rent	\$-	Bad debts	\$-		
				Utilities	\$1000	Interest	\$527		
				Car/delivery	\$1150	Depreciation	\$860		
				Supplies	\$6750	Other	\$-		
				Total	\$12,010	Total	\$8,187		
Two (expected 10% ↑ in guests)	\$51,480	\$	\$51,480	Salaries/Wages	\$3000	Legal/Accounting	\$500	\$21,518	\$29,962
				Payroll taxes	\$256	Insurance	\$200		
				Empl. benefits	\$-	Advertising	\$4500		
				Rent	\$-	Bad debts	\$-		
				Utilities	\$1100	Interest	\$527		
				Car/delivery	\$1150	Depreciation	\$860		
				Supplies	\$7425	Other	\$-		
				Total	\$13,131	Total	\$8,387		
Three	\$56,628	\$	\$56,628	Salaries/Wages	\$4000	Legal/Accounting	\$500	\$23,599	\$33,029
				Payroll taxes	\$320	Insurance	\$2000		
				Empl. benefits	\$-	Advertising	\$4000		
				Rent	\$-	Bad debts	\$-		
				Utilities	\$1200	Interest	\$527		
				Car/delivery	\$1725	Depreciation	\$860		
				Supplies	\$8167	Other	\$300		
				Total	\$15,412	Total	\$8,187		



Remington feasibility



6. Projected Balance Sheet			
Assets		Liabilities	
Current Assets		Current Liabilities	
Cash	\$ 8,300	Accounts payable	\$ 4,200
Accounts receivable	\$	Federal taxes owed	\$ 5,000
Inventory (cattle (330), hay (80T))	\$ 371,000	State taxes owed	\$ -
Prepaid expenses	\$	Other current liabilities	\$ -
Other current assets	\$		
Total current assets	\$ 379,300	Total current liabilities	\$ 9,200
Fixed Assets		Long-term Liabilities	
Land	\$ 1,125,000 ✓	Notes payable to bank	\$
Buildings	\$ 295,000	Mortgages payable	\$
Less accumulated depreciation	\$ <200,000>	Other long-term liabilities	\$
Book value of building	\$ 95,000 ✓	new barn	\$ 15,000
Equipment	\$	new tractor	\$ 45,000
Less accumulated depreciation	\$ 65,000	new truck	\$ 35,000
Book value of equipment	\$ <45,000>		
Other fixed assets	\$ 20,000 ✓		
Total fixed assets	\$ 1,240,000	Total long-term liabilities	\$ 95,000
Total Assets (Current and Fixed)	\$ 1,619,300	Total Liabilities (Current and Long-term)	\$ 104,200
Owner's Equity = Total Assets less Total Liabilities			
Owner's Equity \$ 1,515,100			
Note: Total Liabilities and Owner's Equity must equal Total Assets			



Remington feasibility



for German Ranch stay @ \$1200/person/week

7. Break-even point		The point at which total costs equal the net sales	
Fixed		Costs	
Type	\$	Type	\$
*Salary / payroll	2000	Salary - part-time help	880
*Car	230		
Utilities	1000	Supplies	6750
Insurance	2000		
Advertising	4300		
Interest	527		
Depreciation	860		
*Accounting	500		
		total cost → for 12 weeks	7,630
		$7630 \div 12 =$ <u>635.83/wk</u>	
Total Fixed Costs	\$11,417	Variable Cost per Unit	\$7,630
Fixed costs: Fixed costs have no relationship between a cost and the number of units sold. They are expenses you have to pay whether you sell zero, one, or many units.		Variable costs: Variable costs have a direct relationship between cost and the number of units sold. These costs change with the amount of units sold.	
		<p>Price per unit (product or each hour of service) \$ <u>1200/wk/guest</u></p> <p>To calculate break-even point (BEP):</p> <p>CM = P - VC</p> <p>BEP = $\frac{FC}{CM}$</p> <p>① $1200 - 635 = 565$</p> <p>② $\frac{11,417}{565} = 20.2$</p> <div> <p>FC = Total fixed costs</p> <p>VC = Variable cost per unit</p> <p>P = Price per unit</p> <p>CM = Contribution margin per unit</p> </div> <p>Break-even Point</p> <p><u>20</u> ^{clients} Number of products/units</p> <p>or</p> <p>_____ Hours of Service</p>	





After examining the results of the feasibility of a working ranch stay enterprise, the Remingtons still had some questions and concerns:

- The first three years of projections may be too high or unrealistic. It seems too good to be true.
- Using all the cash on hand for start-up may not be wise. It may be better to look at other funding opportunities.
- The working ranch enterprise will take available labor away from the cattle enterprise, and it may be necessary to hire an additional person to help with the cattle operation. The pros and cons of this need to be discussed among the family members.

Because of these questions and concerns the Remingtons sought additional assistance from a cadre of technical advisors including professionals from the Small Business Development Center, the Cooperative Extension Service, Natural Resources Conservation Service and Wyoming Business Council to help review this feasibility study. After further review, if the ranch stay enterprise continues to look good, they intend to move ahead with the implementation of the enterprise, again using the cadre of advisors.





F. What if the potential enterprise is not feasible

Frequently, in spite of the time involved in writing a feasibility plan, the idea just isn't sensible or reasonable. If an idea isn't feasible, it doesn't mean failure. Many business ideas don't turn out for a number of reasons such as:

- a. Not the right idea (lack of adequate market)
- b. Not the right time
- c. Not the right location or place
- d. Not enough information to make a decision
- e. Not enough start-up or operating capital
- f. Doesn't fit with personal or family goals
- g. Doesn't fit with business goals
- h. Doesn't fit with income, time, or other resource requirements
- i. Not enough motivation or commitment
- j. Doesn't fit with individual's or family's risk tolerance

There are several options available to someone whose idea isn't feasible:

- Do nothing – sometimes the person decides to do nothing once he or she decides the idea is not feasible because it was the wrong idea or he or she has lost interest.
- Choose a new idea – a person might decide to investigate a new idea after realizing that the first idea wasn't the right one.
- Modify the idea – many people decide to modify their original idea so that it works. In fact, most new business ideas have to go through a process of modification until the idea is feasible.





G. Moving into the implementation stage

Preparing an action plan for selected enterprises: Once an enterprise has been selected and is worth pursuing, the person may want to turn the feasibility plan into a full business plan. If the person decides to use the feasibility study as the plan to develop the new enterprise, an action plan, should be developed to prioritize and schedule the myriad of tasks and details necessary to starting a business. The action plan, as it relates to agricultural diversification, includes the following elements: legal, financial, human resources, marketing, natural resources, and community issues.

The remaining sections of the guide provide technical information that can be used to help complete the planning process for new enterprises (*developing your client's map*) and for specific information related to new enterprise implementation and management (*staying on course and overcoming detours and roadblocks*).



Notes



V. Agricultural Enterprise Implementation

A. Overview of Section V

Implementation is the “take action” phase of the planning process for agricultural enterprise diversification. At this point, your customer has made the decision to either implement changes in existing operations and/or to begin implementing specific actions for a new, diversified enterprise. In either case, your customers’ or their families’ personal goals are still the driving force for making decisions.

If the choice has been made to diversify, the first consideration is whether the feasibility study for the selected alternative enterprise (as discussed in Section IV) is sufficient to guide implementation or if a more comprehensive enterprise business plan is needed. The customer should be encouraged to seek the appropriate technical expertise to make this determination. A template to develop a comprehensive agricultural enterprise business plan is contained within this section of the resource guide.

Regardless of whether a feasibility study is adequate or a comprehensive business plan is needed, it will be a strategic plan that guides decisions for the entire operation. It can also be thought of as a life plan for the family. It will be dynamic and can be amended as family goals and preferences evolve. It can and should follow from generation to generation of operators for the land unit. It will also be the enterprise action plan.

Technical information is also provided in this section to assist with understanding various business stages. These include the start-up, existing, and exiting stages of a business endeavor. They may be part of engaging in a new enterprise or may be necessary to complete for some aspect of an existing enterprise prior to initiating a new, alternative enterprise. Secondary aspects, such as business growth, retrenchment, and preparing a contingency plan for failure, are also addressed.

Recall that agricultural diversification includes consideration of all resources in farm and ranch businesses. Therefore, the decision whether to implement changes to the existing operations or engage in a new enterprise requires





examination of many business elements, including non-traditional business considerations like natural and community resources. Following the general overview of business planning, additional details specific for six key elements are included as sub-sections of the implementation section. These elements include: legal, finance, marketing, human resources, natural resources, and community. Each sub-section contains general information, forms or documents that can assist producers, and potential sources of assistance specific to that element.

Immediately following this overview is an implementation checklist. We encourage you to have your clients keep these guidelines in mind as they begin to implement their action plan for the new or existing enterprise.





B. Getting started implementation checklist

If you have decided to move forward with your agricultural business concept, the following checklist of basic implementation steps may serve as a reminder to some of the details facing you. As you read through the implementation section of this guide, modify the list, and be sure to check into your specific state requirements.

- _____ Protect your idea (patents, copyrights, trademarks, and brand names)
- _____ Finalize business name and structure. File “doing business as” (DBA) registration
- _____ Identify capital required, and seek necessary debt or equity
- _____ Secure facilities or equipment
- _____ Obtain insurance for facilities/equipment or other needs
- _____ Check state license requirements. Secure licenses, permits or bonding where necessary
- _____ Check certification requirements
- _____ Check local license requirements
- _____ Check zoning for business location
- _____ Obtain income tax information
- _____ Check on other local/state taxes that may apply to your business
- _____ Obtain federal tax I.D. number, if needed
- _____ If hiring employees, check on federal and state requirements





-
- _____ Check on environmental issues with regulatory agencies, if needed
 - _____ Check labeling requirements, if applicable
 - _____ Check UPC code requirements, if applicable
 - _____ Check to determine if you must comply with the American with Disabilities Act (ADA)
 - _____ Establish accounting system
 - _____ Establish bank account
 - _____ Publicize and promote new business
 - _____ Other: _____
 - _____ Other: _____
 - _____ Other: _____
 - _____ Other: _____





A. **Preparing an agricultural enterprise business plan**

There are several formats to use when writing an agricultural enterprise business plan, whether it's for an existing enterprise or a new, diversified enterprise. One format has been included as a sample. Regardless of the format used, there are several key areas to address: business concept and structure, market analysis and plan, management plan, financial plan, and break-even analysis. Some agribusiness enterprises also will require a design and development section, a manufacturing plan for products, or an operations plan for a service business. If the business plan is going to be read by potential investors or lenders, include an executive summary, proposed funding information, and appendix of supporting materials.

Encourage your customer to seek the appropriate expertise for assistance in developing a comprehensive enterprise business plan. Assist him or her in making those key contacts, if needed.

1. **Content of an agribusiness plan**

- Executive summary
- Overview of the industry and the business
- Market analysis
- Market plan
- Management team
- Design and development (optional)
- Manufacturing plan/operations plan (optional)
- Financial plan
- Break-even analysis
- Proposed offering (optional)
- Appendix

a. **Executive summary**

The executive summary is the overview of the plan. It is a very important part of your customer's agribusiness plan because it





answers the “who, what, where, when, and how” of their business plan. Consisting of one page, or two at the most, it highlights important points that allow the investor to determine quickly if there is any interest. This is the section that should capture the reader’s attention so that the rest of the plan will be read. Prepare this section after the other sections of the business plan have been written. Remember to make this section appealing and compelling! This section should clearly and crisply highlight the following points:

- *The business idea* – State the purpose in 25 words or less.
- *Market opportunity* – Identify the trends and competitors’ vulnerabilities.
- *Target markets* – What will be sold and to whom?
- *Competitive advantages* – How are proposed products or services innovative and/or unique?
- *The team*– Who is on the management team and what is their track record?
- *The offering* - What is the amount of equity or debt financing needed?

b. Overview of the industry and the business

This section should contain information about the overall industry in general. This is an overview, so it should be kept very short. It includes the business concept and how that particular business fits into this industry. Occasionally, businesses will not fit into the industry, so if this is the case, explain why it does not fit.

The industry:

- Current status and future trends of industry.
- Briefly discuss market size, growth trends, and competitors.
- Discuss new products, developments, markets, or economic trends and factors that could affect the business.





- Briefly describe the overall customers and what benefit they receive from the product or service in this industry.

The business:

- Give a brief description of the business – this is the business concept.
- Discuss the legal (format) structure of the business.
- Provide a description of the business and how it fits into the industry. Keep this brief because the rest of the plan will provide detailed information about the business.

c. **Market analysis**

This section presents the business your customer is currently in or is proposing, the products/services that will be offered, and the opportunities that will be pursued. Assist your customer in providing facts to convince the investor that the product/service has opportunity. The key point in the market analysis is to explain clearly and concisely why the venture will succeed.

The product and/or service

Describe in detail, including features, benefits, and applications. Features are characteristics of the product or business; and benefits are what the characteristics or features will do for the customer. Features are important; however, customers “buy” the benefits.

Customer analysis

Customer analysis typically involves developing a customer profile. The profile includes income, age, sex, education, location, hobbies, marital status, etc. Profiling reveals customer groups by behavior habits. Behavioral habits, as they apply to purchase decisions, are the best predictors of future purchases.





- Who are the potential customers? Potential customers are people who would be able to use but not necessarily buy a product.
- Where are these customers located?

Analysis of the competition

- Identify the key competitors and describe their strengths and weaknesses.
- Describe the competition's strategic direction (pricing, promotion, and distribution), if possible.

Competitive advantage

- What advantage does this business or product have over competition, such as patents or trade secrets?
- What is unique about this business or product that gives it that "edge" over existing competition?

Market size and trends specific to your business and location

From the customer analysis, the market segment can be determined. The market segment refers to a sub-segment of a total market, which can be identified by specific characteristics. Sometimes there are several different market segments that make up a total demand for the product or service.

- Estimate the market segment.
- Identify major trends of the market segment.

The market potential and projected sales volume

The market potential is estimated by determining the number of sales over a period of time. The numbers developed in this section are what will drive the financial projections. This number will differ from the number of people who would be able to use the product or service. The focus at this point is on the number of people who would be able to buy or pay for it.

- Define the target market(s).





- Determine a realistic number of people who will actually purchase (rather than just want) the product or service.
- Estimate the rate at which buyers will purchase the product/service (i.e. seasonal, purchasing cycles, etc.).
- Project annual sales volume.
 - a. Total number of people in the trade area
 - b. Total number of these people (a) who fit the customer profile
 - c. Estimated amount spent by each customer each year on product/service purchased from the landowner or competition
 - d. Total annual market potential (b x c)
 - e. Determine (estimate) your customer's market share – be realistic, not optimistic
 - f. Projected annual sales volume (d x e)

d. **Market plan**

The market plan is the overall marketing strategy that is developed specifically for the agribusiness once a thorough market analysis has been conducted. The market plan consists of tactics, schemes, and procedures a business uses to communicate with and attract the attention of customers. This strategy differentiates the business from all other businesses that sell the same/similar products or services. It uses a mixture of the “four Ps” of marketing – price, product, place, and promotion. The market plan should describe how sales projections will be achieved and includes the following elements:

Product – What will be sold? The product or service includes many things in addition to the actual product/service. Consider such things as quality, brands, depth and breadth of product/service lines, packaging and presentation of product or





services, features and benefits, or image portrayed. Several variables need to be considered, as follows:

- 1). Product positioning – What position does this product or service have in the marketplace? The position will be affected and driven by:
 - Customers' needs and wants
 - Customers' perceived value
 - Uniqueness of the product/service
 - Key features & benefits of the product/service
- 2). Product packaging – The way the product/service is presented to the customer, which includes:
 - Physical container/package of product/service
 - Business cards, letterhead, stationary, logo, signs & other image items
 - Presentation of the proprietor and the business
- 3). Product mix – If marketing more than one product, seek compatibility
 - Image of business & products
 - Target segments
 - Promotional resources

Placement (distribution) – How does the product get to the customer? This is the process of moving the product from production to consumption. The distribution process might be one of the following: direct marketer; retailer; wholesaler to retailer; or wholesaler, jobber and retailer. Retailing businesses usually consider location, space, and costs. Manufacturers need to consider territories, distribution methods, and costs.

- 1). Distribution channels or processes:
 - Directly to the end user
 - First to an intermediary, then to end user





- Directly to any intermediary and end users
 - Channel partners to producer and to end user
 - Each channel layer may affect
 - Costs (15% - 50% of final price of product)
 - Complexities (quality control, timeliness, efficiencies)
- 2). To determine a distribution process, consider:
- What process is typical of the industry?
 - What do the competitors do?
 - How do the target customers want to get the product/service?
 - What new, unique distribution process can be taken advantage of?

Price – What will be charged? Pricing reflects a complex relationship of product/service, customer service, expenses, and profit goals. Consider the market position and competitive pricing.

- Pricing strategies
 - Low-price (penetration) strategy
 - Meet-the-competition price strategy
 - Industry pricing strategy
 - Client price adjustment strategy
 - High-price strategy





- Price influencers –
 - Costs – pricing from “bottom up”
 - Determine raw materials, labor, overhead, taxes, and profit
 - Compare price to competition, market position
 - Demand – “top down” pricing
 - Analyze the range of acceptable prices: decide on a price, analyze costs, determine if there is adequate profit
 - What is the market willing to pay?
 - Seasonal
 - Convenience
 - Elasticity of the consumer
 - Image – pricing based on perceived value of product/service. Consider:
 - Psychographic profile of target market: price/quality relationship

Promotion – How will the world know that this product/service exists? - Promotion communicates a message, builds an image, and creates awareness.

- Promotional mix – The combination of tools used to promote products or services:
 - Personal selling
 - Word of mouth
 - Public relations
 - Sales promotion
 - Advertising





Personal selling – a form of promotion to help buyers buy and to make sure that they are satisfied after the sale. It involves searching out prospects, face-to-face presentation and promotion of product/service, and follow-up.

Word-of mouth promotion – Consumers talking (personal testimony) about a product or service they have liked or disliked. It is one of the most effective promotional tools if promoted by satisfied customers to potential customers.

Public relations (PR) – This form of promotion involves listening to the public, developing policies and procedures that are in the public interest, and then informing people that you are being responsive to their needs.

Publicity – a function of PR

- Any newsworthy or interesting information about an individual, product, or organization that the media distributes to the public, that is not paid for or controlled by the sponsor.
- *Advantages:* it is free; may reach hard-to-access audiences, includes various media coverage, and increases believability.
- *Disadvantages:* no control of how, when, if, or how many times the publicity is used: information may be altered; and the information may be bad, rather than good.

Sales promotion – Short-term activities that stimulate consumer purchasing and supplement other promotional activities such as:

displays	bonuses	premiums
gifts	trade shows	demonstrations
contests	incentives	exhibits
samples	rebates/coupons	catalogs





Advertising – A form of promotion that is a non-personal communication paid to various media by organizations or individuals who are in some way identified in the advertising message. Advertising promotion media includes the following:

- Newspaper
- Television
- Direct mail
- Yellow pages
- Radio
- Magazines
- Internet
- Outdoor/billboards/flyers

e. **Management team**

People invest in people. The energy and the values of the management team will make or break the business. In this section, provide a summary of the people who make up the organization. In most cases, this will be the immediate family and any essential employees. Remember to describe not only the skills and special talents of people within the business, but also people who are indirectly affiliated with the business. Members of a board of directors, professionals such as accountants, lawyers, mentors, and consultants who have taken on special projects should be mentioned as contributing team players. The character and quality of the support group can add credibility to the business. Keep in mind that in a small town, the background of the proprietors of a new business may play a big role in obtaining financing for the business.

Note: Detailed resumes of key persons of the business and detailed or lengthy information about other resource persons should be provided in the appendix – not in this section.





The key people

- How each key person fills a need of the business
- Key management's experience
- Management compensation

Other resources available

- Other investors
- Board of director members and pertinent experience
- Supporting professional advisors and services
- Family or close friends in similar business

f. **Design and development (optional)**

This section explains the nature and extent of design and development needed on the product and/or service before it is ready for the customer. This is important to a potential investor who wants to know when the final product is ready for market.

- Development status
 - Cost and Time: to achieve a marketable product and/or service
 - Difficulties and risks including threats from recession, etc.
 - Problems that may cause alarm at a later date.
(Identifying potential problems before they occur puts a person one step closer to a solution.)
- Product strategy
 - How the product/service is positioned in the market.
 - Future products (i.e. product portfolio) (*optional*).





- Proprietary issues
 - Patent, trademark, copyright, or intellectual property rights that are owned or being sought.
 - Contractual rights or agreements that give the owner exclusivity or proprietary rights.

g. **Manufacturing/operations plan (optional)**

This section describes where, what, and how the product will be produced and/or the service will be provided. Again, a potential investor wants to know how long the manufacturing process will take before the product is ready for market, or when the services will be available to consumers.

- Inventory plans
 - Define the production plans showing costs at different volumes
 - Define the “start of volume production”
- Manufacturing/operations process
 - Describe what it takes to put the product together – from raw products to final product
 - Discuss the design for manufacturing at various volumes
 - Describe any subcontracting manufacturing agreements
 - Describe any strategic manufacturing alliances that have been arranged for high volume production
 - Describe what is required to provide the specified services
 - Describe any natural resource improvement practices necessary to provide the product or service.





- Costs
 - Provide an analysis on the breakdown of fixed and variable costs
 - Describe how variable expenses relate to the volume level

h. **Financial plan**

The financial plan eventually becomes the deciding factor to a lender. Financial statements that depict a future period are called pro-forma or projected financial statements. This section represents the best estimate of future operations for financial viability. Provide observations and qualitative comments regarding the numbers, especially if it is not obvious why certain numbers have been used. Numbers should be realistic. If possible, industry standards should be used for explanatory footnotes. Three years of projections are recommended because they provide clarity to the overall picture of the business. Find out how much detail the investor or lender wants in the plan. Investors and lenders have different requirements depending on the scope of business and amount of funds requested.

Profit and loss projections (three years) – These are the same as income statements. The income statements or profit and loss projections measure the costs and expenses against sales revenues over a period of time, thus measuring profit performance. Profit and loss projections are tools for forecasting and budgeting. They complement the balance sheets by providing a moving picture of the business over a given period of time.

Cash flow projections (three years) – **This is an extremely important financial planning tool for the business owner.** For a start-up or growing business, the cash flow projection can





mean the difference between success and failure. For an ongoing business, it can mean the difference between growth, stagnation, or decline. Cash flow analysis shows how much cash is needed and when it will be spent. Cash flows into the business as sales, receivables, and capital injection. It flows out of the business through cash payments of various expenses. Cash flow projections will not show profit or depreciation.

Note: A monthly cash flow projection form can be found in Appendix D, Section VII of this guide. Additional financial information can also be found in the finance subsection (V).

Pro-forma balance sheets – These statements show how the business stands financially at a certain point in time. It is a static picture of the business showing how assets, liabilities, and net worth are distributed at a given point in time. The format is standardized to facilitate analysis, therefore, do not deviate from it. Provide pro-forma balance sheets at the time of start up, then semi-annually for the first year, and annually for the remaining two years. These may be optional depending on the requirements of the lender.

i. **Break-even analysis**

Break-even analysis is a quick way to look at whether it is realistic to go into business and whether the costs are realistic. In simple terms, it is the point at which the total costs equal the net sales. Break-even analysis will indicate:

- The number of units that must be sold in order to start making money
- Profit at any given level of sales
- Profitability at different prices

Separating costs – In order to calculate break-even, separate costs into fixed and variable costs. Total cost of a project will





equal the total fixed costs plus the total variable costs. Finding the variable costs can be difficult, especially for new businesses. Start-up costs may initially hide variable costs.

- *Fixed costs* – Those expenses that must be paid whether zero units, one unit, or many units are sold. Rent and salaries are examples of fixed costs.
- *Variable costs* – These costs change directly with the amount of units sold. Costs such as materials, labor, and packaging would shift depending on the amount of production. In general, if there is a direct relationship between a cost and number of units sold, consider the cost variable. If there is no relationship, then consider the cost to be a fixed cost.

j. **Proposed offering (optional)**

The purpose of this section is to clarify the benefits to the lender. In other words, what is in it for the lender? This section reviews the amount of money needed from the investor, the uses of the funds, and the repayment schedule. This section should include the following information:

- Describe the desired financing terms such as how much is needed from this offering, what other financing options will also be used, and the farmer or rancher's equity position.
- Describe the collateral position that will be used to secure the payment of the loan. Collateral can include personal and business assets such as stocks, bond, automobiles, real estate, inventory, equipment, and accounts receivable.





- Summarize the type of loans requested and how funds will be used. There are several types of loans, as follows:
 - Short-term loans – A common type of business loan that usually lasts for less than a year, but can sometimes be two or three years. They can provide working capital for a business temporarily in need of capital. Short-term loans are usually repaid in a lump sum at the end of a period when inventory or accounts receivables are converted into cash.
 - Intermediate-term loans – The maturity date of intermediate-term loans is usually from one to five years. The loans are often used for business start-up, purchase of equipment, business expansion, or an increase in working capital.
 - Long-term loans – The term of loan is for five or more years and is used for specific business purposes such as acquiring fixed assets, major capital improvements or real estate purchases. The loan is based to some extent on the life of the asset financed. Repayments are made monthly or quarterly.
 - Line of credit – This type of loan is important to businesses that experience fluctuating or seasonal cash flows. It allows the business the ability to borrow money repeatedly without reapplying each time. The lending agency usually will perform an annual review on updated financial statements.

Provide the repayment plan or schedule that tells how the loan will be repaid. The lender will expect repayment of the borrowed funds from profits produced by the business. Lenders will also want to know how the borrowed funds will be repaid in the event the profits alone are not adequate for repayment





k. **Appendix**

This section is reserved for supporting documents or data that will back the agribusiness plan and its claim of success. Include such things as:

- Endorsements
- Letters of interest or intent from potential customers or suppliers
- Resumes and letters of character reference
- Job descriptions
- Pictures and drawings to describe the idea
- Schedules
- Articles and reports
- Contingency plan: various scenarios that would describe the business given different internal and external occurrences
- Maps of business location, area, complimentary services, and traffic pattern





2. **Projected Income Statement** **Years 1, 2, and 3 by month**

Income

Net Sales (revenues less returns)

Cost of Good Sold (COGS)

Gross Margin (Net Sales less COGS)

Operating Expenses

Salaries

Payroll Taxes

Employee Benefits

Rent

Utilities

Car/Delivery

Supplies

Advertising

Legal/Accounting

Insurance

Bad Debts

Interest

Other

Depreciation

Total Operating Expenses

Net Profit (or Loss)

Before Income Taxes

(Gross Margin less Total Operating Expenses)

Balance Sheet

Assets

Current Assets

Cash

Accounts Receivable

Inventory

Prepaid Expenses





Other Current Assets
Total Current Assets

Fixed Assets
Land
Buildings
 Less Accumulated Depreciation
 Book value – building
Equipment
 Less Accumulated Depreciation
 Book value – equipment
Other Fixed Assets
Total Fixed Assets

Total Assets (Current and Fixed)

Liabilities
 Current Liabilities:
 Accounts Payable
 Federal & state taxes owed
 Other current liabilities
 Total Current Liabilities

Long-term Liabilities:
 Notes payable to bank
 Mortgages payable
 Other long-term liabilities

 Total Long-term Liabilities

Total Liabilities (Current and Long-term)

Owner's Equity
 Total Liabilities + Owner's Equity
 (Total liabilities and owner's equity must equal that of the total
 assets.)





B. Business stages

1. Start-up businesses

Every day, many people dream about starting their own business. And, every day many people do start businesses. Unfortunately, without adequate planning and capital to fund the businesses, many businesses will fail within several years. According to the Wyoming Department of Employment, the survival rates of new business in Wyoming during the first six years is as follows:

One Year	Two Years	Three Years	Four Years	Five Years	Six Years
66.6%	52.4%	43%	37.1%	32.5%	28.7%

Source: Wyoming Department of Employment, *Wyoming Labor Force Trends*. January 2001.

Generally, people who want to start a business are usually motivated, energetic and passionate about their product or service. But oftentimes, they are so enamored with their idea or product they overlook or avoid the importance of a preparing a business plan or obtaining sufficient start-up capital. Falling in love with the idea of being an entrepreneur or being overly optimistic about one's success can be a death sentence to the business before the door is even opened.

A start-up business has considerable potential for creativity and flexibility. There are many hurdles in the beginning, but using the assistance of trained professionals can alleviate learning lessons the hard way.

There are several reasons why people start a business. It may be a mother who wants to stay home with her children, but at the same time have the satisfaction of owning a business or making money. For others, it may seem they have a few choices, especially in the case of layoffs or college graduates who cannot find jobs. In some families it is important to have a family business where all the family members work together, and the business is eventually handed down to the





children. This is common in agricultural operations. Whatever the reason, it is important to explain the reality of starting a business and the hard work it entails.

2. **Business approaches**

There are four ways to get into business. Each approach has its advantages, as follows:

Start a business from scratch – This is the riskiest way to start a business because it requires the greatest amount of creativity, has the greatest uncertainties, and in general one can expect a limited return on investment (if any) for the first three years of operation. However, the entrepreneur achieves a tremendous amount of satisfaction from developing a business “from scratch.” Another advantage is that the owner has the greatest flexibility in developing the company.

Buy an existing business – New business owners who purchase a business run the risk of paying too much, leaving them not adequately capitalized to start their business. Another risk is that one buys the bad along with the good – such as location, inefficient operating procedures, and reputation. On the positive side, there is a short lead-time to getting into business and the new owner has access to financial history, existing customers, and suppliers.

Buy a franchised business – Purchase of a franchise is a less risky approach than buying a business or starting a business from scratch. A franchise offers a new business owner a pooled marketing program, economies of scale for inventory purchasing, name recognition, and established inventory and accounting procedures. However, a true entrepreneur may not be satisfied with the limited flexibility allowed by the franchiser, and the purchase price and ongoing franchise fees may be quite costly.





Join or take over a family business – More than 50 percent of the U.S. gross domestic product comes from family owned businesses. An advantage of joining or taking over the family business includes the ease of entry into the business world where one can work with people who can be trusted and already understand a lot about the business. However, the flip side is that entry into the business world may be too easy and the business members know each other too well. Another disadvantage is the lack of objectivity to the business operation.

Start-up businesses can increase their chances of success by doing the following:

- Understand their strengths and weaknesses
- Develop and follow a business plan with realistic goals
- Know who their competitors are and understand their target market
- Create customer loyalty and build strong customer relationships
- Develop a product or service that appeals to a large market share
- Understand and closely monitor financial matters
- Maintain flexibility





3. Existing business

Existing businesses are already in the middle of reality. They have different issues generally, than start-up businesses. They may be experiencing rapid growth, changing markets, personnel issues, funding needs for expansion, etc. A successful existing business has the advantage of experience and a history of income and expenses, customer base, and an established image.

What is the market? This question is an on-going question because the market is not static. A business or enterprise is not a museum to store products and services. Business survival depends on creative, flexible, dynamic marketing strategies. Markets are continually changing and competitors are always entering the business arena. Marketing is everything a business does to get the products and services to the end user. Marketing is ongoing, dynamic, and requires an understanding of the operating environment in which the business exists.

Marketing strategies

- *Customer orientation* – Successful marketing involves designing market strategies that focus on satisfying customer needs.
- *Niche marketing* – Identifying and targeting marketing efforts to the needs of a few customers who have specific characteristics and similar needs.
- *Customer profiling* – Maintaining an accurate, current customer profile that keeps the business focused on the needs of the customer.
- *Detecting trends* – Identifying trends within the business community and taking advantages of marketing opportunities.
- *Studying the competition* – Competitive analysis allows a business to remain astute to the changes in the competitive environment.





Management strategies

- *Communication* – A successful business or enterprise needs to focus internally on the communication within the organization so that employees are motivated. The responsibilities of each person within the business should be clear and matched with appropriate level of authority. Externally, the business should communicate effectively so that customers and suppliers remain loyal and supportive. Replacing customers and suppliers due to mismanagement can be very costly to a business.
- *Controls* – Accurate controls need to be established. Certain controls need to be monitored daily, weekly or monthly, depending on the type and scope of the business. These controls include sales, cash flows, and account receivables. Other controls such as expenses, profit margins, and inventories can be monitored monthly or every few months or so, again depending on the business.

Perhaps the two most serious questions an existing business must ask itself are:

1. how will it manage growth, and
2. how will it manage crises?

4. Managing growth

“Growth for growth’s sake is the ideology of a cancer cell.” P. Chebard, CEO, Patagonia

Does a business have to grow? No. Growth has a price! Norm Brodksy, entrepreneur and business consultant, warns that to be in control of one’s business, the owner has to know how much cash is needed for every additional dollar in sales. The decision to grow a business, not just start it, is an active decision that requires planning. Growth should not be uncontrolled or unplanned. Intelligent and





deliberately controlled growth, including understanding the forces that impact a business such as the market, customers, and the financial and cost issues associated with growth, are essential for business survival. (Brodsky, Norm. "Paying for Growth," Inc. Magazine. October 1996, 29-30.)

As a professional, you are in a good position to explain the reality of what business growth means to a business. Ask the question: Why do you want to grow? Reasons why people want to "grow" their business might include the following:

- Achieve economics of scale
- Acquire volume discounts
- Protect market share
- Increase profits
- Improve image
- Increase customer base
- Improve ability to compete
- Improve customer service

Does the reason for wanting to grow the business still fit with personal and family goals? It often happens that the businessperson overlooks his or her personal goals for being in business. Encourage the businessperson to take some time to review personal and family goals and make sure that the goals for growth are aligned with personal and family goals.

Once the goals have been reviewed, the business owner must be able to answer several questions if he or she is considering business growth:

- How much growth and for how long?
- What is the gross margin?
- Is there additional overhead?
- How long until payback?





Warning signs of uncontrolled growth

When a business is experiencing uncontrolled growth, it usually is in a state of disaster and chaos. There are signs to warn an owner before the final pitfall of unmanaged growth occurs, which could be loss of the business and/or bankruptcy.

- Daily business details overlooked or ignored
- Customer complaints and loss of customer loyalty
- Low employee morale and high employee turnover
- Cash flow problems and loss of profitability
- Mismanaged resources
- Inconsistent performance standards and diminished quality of products

5. Exiting a business

Nothing lasts forever. A business has a life cycle and at some point, decisions will have to be made regarding exiting the business. Many business owners tend to wait too long before planning how they will exit their business. By creating an exit strategy, a person will have a benchmark against which to judge the business' progress and the owner's personal involvement and/or commitment. An exit strategy also compels a person to think about when and why he or she might decide to exit the business before he or she is forced to make an untimely, unwanted, or uncalculated exit.

The percentage of ownership to be liquidated, the exit deadline, and the amount of on-going participation in the business have an influence on the type of exit strategy. There are eight basic strategies for ending a business:

- Selling to one's heirs or employees
- Selling to a supplier, customer, or competitor
- Selling to a financial buyer
- Liquidating assets
- Enforced liquidation





- Going public
- Managing for life
- Passing the business on to one's heirs

Each of these strategies are described further below:

Selling to one's heirs or employee – since the buyers in this category are closely associated with the business, they should have a good understanding of the real value of the business but may not have the money to purchase it. The seller would benefit by adequately training the future owner so that he or she protects the owner's investment. A long-term payout from the business profits may cover many years.

Selling to a supplier, customer, or competitor – the buyer may have some knowledge of the value of the business and will benefit by acquiring the business, either to reduce competition, control distribution, or increase vertical growth.

Selling to a financial buyer – the buyer may not have a particular interest in the specific business but has money and management skills and is interested in acquiring a profitable business.

Liquidating assets – this strategy involves selling the assets and goodwill separately because they are worth more sold separately than if they were sold together.

Enforced liquidation – a business owner has little or no control with this type of business exit, other than trying to salvage as much as possible from the remains. Enforced liquidation occurs because of bankruptcy or a loan default.

Going public – the owner of a financially sound, growth-oriented business has the option of remaining in the business for a while after selling his or her stock to the public. Eventually, the owner can sell his or her stock and cash out.





Managing for life – this approach is frequently used because it is simple and ambiguous – the owner runs the business until he or she dies with no clear plan for succession or continuation. If the owner has not made plans for what happens to the business upon his or her death, there may be serious complications, and possible loss of the business, for the family members, business partners, or employees left behind.

Passing the business on to one's heirs – this strategy is unique to each family-business. It depends on many variables including the age of the owner and other family members, the size and value of the business, the communication process, the flexibility of the owner and family members, the family culture, the likelihood of an adequate successor, and the level of debt. A well-managed transfer from one generation to another involves treating family members as equally as possible, while recognizing their skills and interests.





C. Enterprise changes

1. Business valuation

Determining the market value of a business is one of the first steps to preparing an exit plan. However, there may be other reasons that one wants to determine the market value of his or her business. The process of determining the market value of a business can be quite complex. There are many hard-to-measure variables including intangibles that make the valuation process very challenging. The key to a successful transaction is knowledge and information on the part of the buyer to overcome the seller's claims of unreported cash income or the seller's real reason for selling the business – the hidden problems that the seller does not want to reveal.

The difference between value and cost of a business is that ultimately the worth of a business for a buyer seeking an investment is only as much as its ability to produce profits. For the buyer looking for a livelihood, the worth of a business is only as much as its ability to produce profits, cash flow, and a fair wage. For the seller, the worth of the business is only as much as the buyer is willing to pay.

People can become so excited with the idea of buying a business, they overlook other opportunities. What is the actual cost of purchasing a business? The cost to the buyer is the opportunity cost – the alternative investment opportunities versus of purchasing the business.

Methods of valuation – There are several methods of valuation that are commonly used. In fact, it is not uncommon for people to compute several methods and use a weighted average to determine the actual valuation. The following methods are some of the most common valuation methods used:

- Adjusted book value
- Asset valuation
- Capitalization of income valuation

