

Building a Farmers' Market Business



**Farm Profiles and Proceedings from the
Building a Farmers' Market Business
Workshop, February 5-6, 2001**

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Introduction

Direct marketing of farm products has become increasingly important to farmers. Traditional farm enterprises, i.e. grain farming, dairy farming and wholesale fruits and vegetables; are becoming more and more unprofitable as costs of inputs continue to spiral upward while prices received by the farmer are at all time low levels. Direct marketing farm products offers farmers an increase in the share of the consumer's food dollar they can receive. But, farmers wishing to take part in direct marketing enterprises may need to make changes to their current farming operation. They need to focus on a production technique or identify a niche that is in demand by consumers that they can fill.

Farmers wishing to test new farm enterprises and products, such as specialty crops and value-added farm products, find that farmers' markets are an excellent vehicle for direct marketing their products to the consumer. They offer a ready-made customer base that even newcomers to a market can benefit from. Rents for space are low compared with other retailing outlets. Because displays, signage and other fixtures required to start direct marketing are not as sophisticated as in formal retailing outlets, start up costs are also significantly less at a farmers' market. Additionally, farmers' markets give farmers first hand knowledge of changing consumer trends allowing them to respond quickly to those changes with new crops and products. And new sellers to a farmers' market can benefit from the knowledge and skills of the more experienced farmers in the marketplace.

However, many farmers have not taken advantage of the important economic opportunities offered by farmers' markets. This can be due to a number of factors, including farmers' unfamiliarity with the

market's potential for sales, their uncertainty about what products can be sold successfully, or their lack of knowledge of the direct marketing and merchandising practices needed to succeed at the markets. As a result, existing farms faced with economic uncertainty may be lost to agriculture when they could be revitalized and sustained through participation at farmers' markets.

The Farmers' Market Federation of New York has undertaken this project to eliminate the uncertainty that prevents farmers from taking advantage of the direct marketing opportunities of farmers' markets. Farmers wanting to transition their operation to include a direct marketing approach and those interested in starting out in farming will be encouraged through this project. Through a series of farm tours followed by a two-day workshop on small scale production and farmers' market marketing skills, project participants will learn of a variety of niches, innovative production skills, value-added products and marketing skills and techniques. The workshop also offers participants the opportunity to ask questions and to network with other farmers with similar interests and issues.

This publication is a compilation of profiles of the farm tours and the proceedings of the two-day "Building a Farmers' Market Business" workshop held February 5-6, 2001. For more information can contact the farm operator or speaker directly or contact the Farmers' Market Federation of New York at 315-475-1101. Visit the Farmers' Market Federation of New York's web site at: www.nyfarmersmarket.com for a listing of all farmers' markets in New York State, along with contact name, address and phone number.

Pleasant Valley Farm Paul and Sandy Arnold Argyle, NY

Their beginnings

Paul and Sandy Arnold both grew up in suburbia and had never heard of a farmers' market. Paul's desire to farm grew partly from a job he acquired after graduation - foreman at a local nursery. Here he learned to operate a greenhouse, learned timing of various crops, but most important, he learned to manage his time and a crew working for him. He also acquired valuable experience in equipment maintenance and repair. At 27, Paul traveled through the United States, visited his first farmers' market and decided that this is what he wanted to do - grow vegetables to sell at farmers' markets.

Paul and Sandy set out to start their own farm. They found land in Argyle in Washington County that had all of their specifications for a farm location- a farm nestled on a southeast slope with north wind protection. There was ample water for irrigation with a stream and pond on the property. There was also a large population and successful farmers' markets nearby for marketing his products. After purchasing the land, the Arnold's built a bank barn with a dirt floor root cellar, an enclosed section for storage and an open space for washing and packing vegetables. (They eventually added a walk-in cooler for harvested produce and installed overhead doors to allow the washing area to be closed in during cold, inclement weather.) After living two summers in a pop up camper, they built a house.

Over the years, the Arnold's invested in equipment as needed and could be afforded, including tractors, tillage equipment, seeders, trucks, a barrel washer, full

irrigation system, etc. They also built a small greenhouse to start their own transplants and to grow perennial seedlings for early market sales, a passion of Sandy's. The farm was established through savings, yearly Farm Credit operating loans, and mostly by "pay as you go" methods.

Paul and Sandy did a great deal of studying to develop their farm. They spent time reading all the agricultural publications and books they could get their hands on. They also consulted with Cornell Cooperative Extension educators and talked with other experienced growers. By attending and presenting at conferences such as NOFA's (Northeast Organic Farmers' Assoc) annual conferences and the PASA (Penn. Sustainable Agriculture Assoc.) conference, they gained valuable knowledge.

Crop diversity

The Arnold's realized that diversity was the key to success, so they geared up to grow as many varieties of produce as possible. They planted a small 1 acre large fruit orchard, asparagus, blueberries, raspberries and rhubarb in an area of permanent beds. Some of their more major annual crops include lettuce, potatoes, carrots, beets, spinach, herbs, strawberries, heirloom tomatoes, swiss chard, peppers, squash, peas and beans.

A record system developed and instituted by Sandy allowed the Arnold's to determine their profitability on each crop they raised. The records included the planting and harvesting dates for each crop, square footage planted, quantities harvested, amounts of each crop sent to each farmers' market they attend on each market day, and

the amounts returned unsold after market. (These unsold crops are frequently donated to a local food bank, amounting to 3-5 tons of donated food each year.) These records allow them to fine-tune their crop offerings to those that are most profitable. After 12 years, they have adjusted their crop offerings to about 35 different varieties of fruits and vegetables, all grown on 6 to 8 acres of land.

Production

Paul and Sandy are firm believers in producing their crops using organic methods. Compost and hay mulch are regularly incorporated into the soil to increase the organic matter. According to Paul, higher levels of organic matter in the soil provide a catalyst for nutrients to be made available for plants to utilize. He also stresses that a healthy soil grows healthy plants reducing disease and insect infestations. However, if a crop doesn't perform optimally due to weather conditions, insects, or diseases, the diversity of crops assures the Arnolds a stable income because there are so many other crops to fall back on.

Weed control is a primary issue for Pleasant Valley Farm. Their philosophy here is to try to never let a weed go to seed on their fields. They are constantly cultivating using basket weeders, a variety of push hoes and elbow grease to keep their fields weed-free. They also keep a buffer weeded out between the crops and the hedgerows surrounding their fields. After 12 years of this philosophy, their hard work is paying off with very little weed pressure occurring in fields.

Paul and Sandy intensively farm their small acreage. They can plant and harvest up to three different crops on the same piece of ground each season. They plant many of their crops in small, successive plantings to

give them a consistent yield of product throughout the growing season. For example, they may start with an early crop of peas, then a mid-season crop of leaf lettuce following the peas, and finish on the same piece of ground with late season beets. This requires some intensive planning on their part, but it allows them to farm only 4 to 6 acres of vegetable ground and still be able to have enough produce to sell at market to make a comfortable living for their family.

Pleasant Valley Farm uses an intern system for solving some of their labor needs. They provide housing and a monthly salary for two people who are willing to work in exchange for an education in organic farming. These interns are involved in all aspects of the farm - from planning to planting, from weeding to harvesting, as well as marketing and business experience. Paul tells us that a season's worth of farming experience gives an intern a taste of what it is to be a farmer. In some cases, interns will go on to establish their own organic farm, but often they find that farming is more work than they bargained for and they decide to not become a full-time farmer, but still leave with lots of valuable agricultural knowledge to utilize in some way.

Marketing

The Arnolds earn 100% of their income by selling their produce at four local farmers' markets 3 days each week from May 1st to mid-November.- Saratoga Farmers' Markets, Glens Falls and the Queensbury Farmers' Market. That means on Saturdays that while Paul goes to market in one direction, Sandy travels another direction to sell at a different market. They keep in touch through the use of cellular phones.

Paul and Sandy believe that an interesting variety of produce on their market table

draws attention from customers. The 35 different varieties of produce bears this philosophy out, and creates a "one stop shopping spot". But they also believe that unusual varieties will attract also. They have such unique items as purple asparagus and potatoes, purple and yellow carrots and heirloom tomatoes to catch people's eye. Once they have a customer's attention, they are able to sell a variety of products to each customer.

Educating the public is also a goal in their marketing strategy. Paul and Sandy are continually talking to their customers about their farming techniques and why they are important to their customers, both in terms of a fresh, healthy piece of fruit or vegetable, but also as stewards of the environment. They also educate their customers on the proper ways to store fresh produce, new and exciting ways to cook their produce and proper techniques for preserving produce. People appreciate their efforts and reward them with increased sales.

Paul and Sandy have been going to farmers' markets for 12 years now. They believe that they have developed a very loyal following of customers that allows them to draw in enough income to sustain their farm and provide them with a comfortable living. However, Paul noted that it took about four years of selling at the markets before he started to develop a large enough loyal following to consider themselves seasoned, successful farmers' market sellers.

Conclusion

Paul talked about why he chose to become a farmer. He had not one response but many answers to that question. He said:

- He enjoys owning his own business
- He enjoys being outside
- Farming offers a variety of tasks to do everyday
- He is able to be home with his wife and 2 children everyday and homeschool
- He has a sense of pride in providing food for his family and community
- He enjoys the interaction with people that direct marketing offers him.

Paul and Sandy worked very hard to develop their farm to the success level that they now enjoy and Paul can say that he has fulfilled his dream of providing a living for himself and his family by farming. They both had off farm jobs as they started their farm operation. But after two years the farm was producing enough income to allow them both to leave their jobs and farm full time.

Paul and Sandy consider their farm to be a "mature" farm after 12 years. But trial and error on new crops and techniques continues. They are experimenting with raising pastured broilers and turkeys. They have also experimented this year with garlic. Their field trials will let them know the best varieties for their ground and the best means of storage. What is their next crop? You never know, Paul says. It depends on what his customers request, what he hears from other growers around the country, or what he reads in the stacks of literature he receives on agricultural practices. But constantly growing and adapting to the trends of the marketplace are key to Paul and Sandy's success.

Earth's Harvest Farm

Paul & Julie Koch

Morris, NY

Their beginnings

Paul and Julie are originally from the Albany area. Neither of them grew up on a farm. Rather Paul was an engineer who felt the call to a non-corporate life. They bought a farm in a rural area of Otsego County and set out to purchase the equipment they would need, a tractor, disc and walk behind tiller, plus hand tools for cultivation. Fortunately with Paul's earnings from engineering he was able to obtain a mortgage for the farm and purchased his equipment, seed and built his greenhouse from his savings.

Production

Paul raises about 40 varieties of fruits and vegetables on about 4 acres. He plants 2 acres each year and leaves the other 2 fallow to allow space for rotation. He raises his own seedlings in his greenhouse and hand plants the seedlings. Direct seeded crops, such as peas, beets, and beans, are done with a simple walk behind seeder purchased through Johnny's Seeds. (His hand tools came from Johnny's, Peaceful Valley Farm Supply and Fedco; while his seed is purchased primarily through Johnny's Seeds and Fedco because of their variety of untreated, certifiable organic seed.)

You'll find a variety of perennial crops on Paul's farm, raspberries, asparagus and rhubarb. Annual crops such as cabbage, leeks, onions, artichokes, etc. are all grown based on customer demand and ease of growing with organic methods. Composted manure drawn from another local farmer provides Paul's fields with organic matter and nutrients. He makes use of row covers to assist in pest control, especially with

cucumber beetles. Wildlife, deer in particular, are controlled with electric fencing surrounding his fields and then baited with peanut butter. Deer quickly learn not to touch the fence, unless they're being chased.

Paul and Julie are still new to farming, having been at it for only 6 years. They have learned a lot of their skills through reading books and publications. One book they frequently reference is "The New Organic Grower" by Elliot Coleman. This gave them their start in organic growing methods and in determining what crops to start out with. After books and publications, Paul does a lot of trial and error to determine the crops he can grow best and what crops are in particular demand by consumers.

Added Value Products

One of the crops from Earth's Harvest Farm has been a variety of dry beans. These have been packaged in an attractive bag with a recipe included and sold to customers at farmers' markets.

When this went over well, they developed a multi-grain porridge mix. Packaging was developed with assistance from the South Central New York RC&D that included a colorful logo and cooking instructions. Paul's engineering skills came into play in building a machine that would measure the correct weight of mix and then dump it into the bag. The mix was then marketed to local outlets and also sold at the farmers' market.

Marketing

Paul has quite a varied marketing scheme. He sells both on his farm and at a local

farmers' market. His first priority is the 25 families that form his CSA. For 20 weeks each season, the families come in each Wednesday and choose a half-bushel of produce from the variety of produce on the shelves of his farm retail shop. They are allowed to you-pick peas and beans when they are in season. All other produce he harvests for them.

Paul built up his CSA by initially advertising in the Pennysaver and putting up flyers in local health food stores. He made it easy for people seeing his flyer to contact him by including a tear off tab with his name and phone number on it. Once started, word of mouth has been all the advertising he has needed to acquire the number of families that he could comfortably accommodate. These families pay for their produce up front during the winter. This provides Paul with the capital he needs to purchase his seeds and supplies for spring planting.

He sells retail out of his farm shop every Thursday through Saturday. Besides the variety of wholesome fruits and vegetables grown on the farm, shoppers will also be able to purchase handcrafted pottery that is made in a room off the shop. However, because their farm is in such a rural area, its potential for volume business is very limited.

Earth's Harvest Farm can also be found every Saturday at the Oneonta Farmers'

Market. While sales are good, he still is new to the market and is still developing his customer base. He anticipates that it will take him another couple of years to be selling out each week.

And finally, Paul's last outlet is sales of produce and his packaged porridge mix directly to restaurants and natural food stores. These are located primarily in Oneonta, but he is interested in expanding his territory beyond the immediate area.

Conclusion

Paul and Julie are content with their new lifestyle and the progress they have made on their farm. They keep their acreage small so that they do not need to hire outside help. Being still new to farming, they are always looking for new information, new crops and new production techniques. They are willing to listen to what other, experienced farmers can offer them and continue to read and experiment.

They are also looking for ways to improve their marketing. They try new signage, display techniques and recipes at their farmers' market table. And they are willing to knock on the doors of restaurants and stores to sell their products.

Paul and Julie believe that their hard work and perseverance will pay off with a successful farm that will easily support their growing family and provide for the future for their 2 young boys.

We Grow With the Seasons

Norbert Kohlmeier

Hopewell Junction, NY

Their Beginnings

Originally, the Kohlmeier family ran a large scale vegetable farm. Along with their own farm, they rented many more acres to grow their produce. Water for irrigation was drawn from a river that ran through one of the rented properties. The majority of their crops were wholesaled through brokerage houses. They also retailed some of the produce through a small retail farm stand at the farm, as well as going to several local farmers' markets and travelling to Manhattan to attend some of New York City's Greenmarket's.

However, as agriculture became more global and produce was easily moved across the country as well as imported from overseas, the wholesale market for New York grown produce became tight and much more competitive. Retail grocery chains relying on brokerage or commission houses to supply them with produce during the off-season were committed to these sources during the peak New York season as well. Brokerage and commission houses were pressured to reduce their use of locally grown produce and remain loyal to suppliers that could supply them with fresh produce year round. Because they were using less and less locally grown produce, the competition for a farmer to get his product into those brokerage houses became cut-throat. The farmer willing to sell his product for the least won the business, often knocking out those farmers that had a long-standing relationship with the brokers. It became necessary to either be willing to dramatically slash their prices, along with their profits, or change to a retail oriented business.

Kohlmeier's have been operating greenhouses since 1972, raising transplants for their vegetable crops. However, the need to change the focus of their operation made them take a second look at their greenhouses. In 1998, they changed from raising just vegetable transplants to growing bedding plants for retail sales. They determined that if they could raise a variety of plants, they could not only create a spring bedding plant business, but could extend their retail season with the greenhouses throughout the summer and into Fall. Their season now begins with Easter plants for April sales, followed by bedding plants for the spring. Container plants and gardens give them summer sales and hardy mums and flowering kale give them fall sales. During the winter, the greenhouses are full of tomatoes to get a head start on fresh tomato sales and a healthy out-of-season price for those tomatoes.

This change allowed the Kohlmeier's to drop approximately 100 acres of rented land. However, it also meant losing access to their water source. To solve this problem, they dug a large pond that easily accommodates their irrigation needs for the 15-18 acres they now farm.

Production

Plugs for the vegetable and bedding plants are purchased from another local greenhouse operation. This allows the greenhouses to be utilized longer for tomato production and the houses that are idle can remain unheated longer in the winter. This also cuts down on labor needs by reducing the workload through the winter.

As the season progresses, plugs are transplanted into flats and pots for retail sales. Sales are conducted primarily through their on-farm roadside stand. They offer a full line of annual and perennial flowers, vegetable transplants for home gardeners, herb plants and hanging baskets.

Later on they will pot up new containers with a variety of annuals and herbs to create interesting container gardens. These appeal to homeowners that want instant color for their decks, patios, pool-sides and summer camps.

As summer blooms begin to fade in early fall, Kohlmeier's offers the homeowners fall color through hardy mums and flowering kale. These are grown in pots in outdoor plots with a drip watering system.

Chemical usage in the greenhouses and in the vegetable fields is kept to a minimum. Norbert realizes that his farm is surrounded by housing developments and that sprays are a very touchy issue with homeowners. He scouts his own fields for insect populations and diseases. This way he can determine if there is a problem that is severe enough to address with chemical means. All sprays are carried out when the wind is at a minimum to prevent any drift and never toward his water supply.

Norbert is also very concerned about the water supply. The crops he plants along the perimeter of the pond are all crops that are easily raised without the use of chemicals. In the greenhouses, he is also mindful of the water runoff and takes steps to ensure that chemical pesticides and fertilizers cannot end up in the local water supply. For example, for fertilizer he uses a slow release fertilizer pellet that is buried in the potting soil. This eliminates fertilizers that are applied through overhead watering that

create runoff that may find it's way into the local water supply.

With the smaller sized operation, Kohlmeier's labor needs have been drastically reduced. They use only one hired man to assist Norbert in the greenhouses and in the vegetable fields. The remainder of the labor force for the greenhouses and the retail shop are provided by family members.

Marketing

Kohlmeier's focuses their marketing exclusively on the homeowner, both for the greenhouse portion of their business and the vegetables that they raise. In the past they used 7 or 8 farmers' markets to supplement sales at their roadside stand. Part of the marketing strategy at farmers' markets was to build a client base that they could encourage to come to their farm stand on non-market days. This worked very well in building up their home customer base.

Kohlmeier's offers a full line of fruits and vegetables in their roadside stand, along with all the plants that they produce in the greenhouses. These fruits and vegetables are from their own fields supplemented with produce purchased from other local farmers. A small percentage of his offerings also come from a nearby commission house if he cannot purchase them from a neighboring farm.

Norbert stresses the importance of advertising his business. He starts at Easter time with a large display ad in the local pennysaver announcing the beginning of the new season. After that he continues to run a weekly, business card sized, ad. He feels it's very important to keep your name in front of the customer to continually remind them that you are out there. To supplement the pennysaver ads, he also makes use of

roadside signage to keep his name before the public's eye.

Conclusion

Norbert has been very skillful in supplementing his farm income. He calls it "re-appropriating" money. When a new greenhouse is built, he strips the topsoil from the location. This topsoil is then sold and used to pay for the greenhouse structure. Another enterprise bringing in capital is the sale of mulch and firewood. Roadside crews trimming trees throughout the area bring the chipped limbs to Kohlmeier's farm. Norbert composts this and sells the resulting mulch to his gardening customers. These same crews, as well as crews building new roads, also cut down trees. These trees are brought to Kohlmeier's, where Norbert cuts them up and sells them for firewood. It's creative

things like these that can help to make the farm viable Norbert says.

In just two years Kohlmeier's has made the change from largescale vegetable production for wholesale trade to small scale vegetable production and greenhouse operation for retail sales. They have managed to carve out a niche for themselves in their area by catering to the homeowner's needs. Their careful consideration of soil and water protection and the concerns of their neighbors has helped them to maintain good relationships with their local community. This has helped both in terms of building and maintaining a solid customer base and with being able to farm an increasingly residential area without outside interference.

Dietz Hill Farm Douglas & Gundrun Dietz Little Valley, NY

Their Beginnings

Doug and Goody Dietz both had off farm jobs. But Doug was an avid gardener. He grew all the vegetables for his family's needs. Many years ago he planted 300 blueberry bushes with the idea of selling them at a local farmers' market. He became increasingly involved in the farmers' market and he and his wife are now a part of the market's sponsoring organization's management team. The organization, Rural Enterprises Association of Proprietors (REAP) organizes and manages five farmers' markets in Allegany and Cattaraugus counties.

When Doug retired from his off-farm job, his gardens grew to two acres and the variety of product he raised increased to satisfy the desires of his customers at the farmers' markets. His wife, Goody, still working in the banking industry, assists in some of the harvesting, but mainly Doug provides the entire labor force for his two acres of produce.

Production

Doug believes in using organic growing practices on his farm. His customers are very conscious of the concerns of pesticide residues on their foods and appreciate his respect for their concerns. But not using pesticides and herbicides means that Doug has to find other ways to combat insects and disease. He uses a regular crop rotation practice to eliminate the effects of soil borne diseases. Insects are often hand-picked from the plants.

For bird problems in his blueberry crop, he covers the entire field with netting. Inside

his blueberries are free to ripen without bird damage. Goody is in charge of harvesting the blueberries. She is very careful to pick only the ripest berries, even if that means harvesting from the same plant many times. You can tell by the dark blue color and the plump feel when a berry is at its sweetest. That's the time to pick it, Goody says. Her and Doug's philosophy is to harvest their all of their crops at their peak for the best flavor for their customers.

Doug has learned the majority of his farming knowledge and skills by trial and error. He'll grow new crops to test how well they will grow in his environment and how well they perform without the use of artificial chemicals. If they grow well and the customers buy them at market, he has a new crop offering. Right now he is experimenting with kiwi. They are growing, but harvest is still a ways off.

He is eager to hear the advice and counsel of Cornell Cooperative Extension Educators as well as other experienced farmers. He also spends a lot of time in the off season reading books and publications that can increase his ability to raise quality fruits and vegetables for his customers.

Marketing

Doug and Goody Dietz sell all of their produce at farmers' markets. They attend 3 markets each week, one every other day. That way they harvest each market's produce the day before so everything is absolutely fresh. They believe in offering a quality product and talking to their customers. That's the best way to get new customers and keep the old ones. Talk to

them about your produce, why it's so good, how they can cook it or new ways to use the produce. Getting friendly enough with customers to know their names and their kids names brings customer loyalty too. They feel almost like we are part of the family and they stop and say hello and buy our produce. This is the best part of raising all of this produce, Goody says, getting to know and enjoy our customers.

Conclusion

Doug is retired from his off-farm job and devotes full time hours to the farm. Although it does not provide them with their

full income, it does provide him with a very respectable retirement income to supplement his pension. It also gives Doug a great deal of enjoyment to be out in his gardens every day growing many, many varieties of fruits and vegetables, experimenting with new crops and going to the farmers' markets each week. Goody maintains a full time position in the banking industry and comes home to help harvest their produce each night. It's a hard way of life with all the work, but one that neither Doug nor Goody would give up for anything.

Sap Bush Hollow Farm Adele & James Hayes Warnerville, NY

Their Beginnings

Jim and Adele Hayes bought their farm back in the 1970's and began raising sheep. This was a "side" business as Jim and Adele both had off-farm jobs. Jim is a full-time professor at SUNY Cobleskill and an animal nutritionist and reproductive physiologist. Adele was the director of the County Planning and Development Agency.

For many years raising sheep provided a small income to help pay for the farm, a great place to raise a family. But after some years, the markets for their sheep began to dwindle making it difficult to market their sheep and provide the income required to keep farming. They needed to change their operation to be more profitable, yet still fit within their farm and family resources. They looked inward at the talents within their own family. Jim as a reproduction specialist is able to raise a marketable animal inexpensively. Adele had ample marketing talents. They determined that raising livestock to direct market the meat products was the answer they were looking for to increase their farm's profitability.

They added chickens for eggs and broilers, cattle, turkeys, hogs, and a recent addition of geese to the flocks of sheep they were already raising. But once these were of marketable size they would need to market them. Adele was ready for the challenge. She began by taking out the telephone book and marking everyone in the book that she knew. She then narrowed this list down to those she thought would buy fresh, pastured poultry. She set a working goal for herself - everyday she would sell 12 chickens or make calls for 2 hours, whichever came

first. This would continue until all her meat was sold. The list wasn't exhausted before she had everything sold.

Production

The Hayes use the Salatin model of pastured poultry system for their broiler chickens and free range their turkey and egg production. They feed on the naturally fertilized grasses and are fed a grain supplement that is a special mix made for them by Agway. Once the birds have reached a marketable size they are slaughtered and processed on farm. They are allowed to do this by an exemption clause that allows them to farm process up to 1000 birds annually. The procedure requires five people and a minimal amount of equipment. The labor comes from two part time employees and a "volunteer" who is paid in meat. The equipment includes a funnel for bleeding chickens out, a scalding tank to loosen the feathers, a chicken picker to remove the feathers, stainless steel tables for gutting and cleaning the birds, a three-bay sink for washing and rinsing the dressed out birds, a cold water tank to cool the meat down quickly and a cooler to hold processed chickens for sale. These chickens will keep for up to two weeks in refrigeration because of their freshness. That's compared to two or three days for chicken bought from a grocery store, Jim says.

The Hayes believe one key element to the farm's viability is to find ways to keep expenses down. Because of that, they follow the natural cycle of life for their animals. For example, sheep would naturally lamb in the Spring. Most sheep farmers force their ewes to lamb in January so the lambs would be ready for Easter sales. Jim foregoes the

Easter sales to allow his ewes to lamb in May. This keeps his mortality rate and his expenses way down. The lambs are already out to pasture getting the additional nutrition needed during lactation and the weather is warmer when they lamb. This makes for healthier ewes and healthier lambs. It's also less costly to the Hayes because they aren't using a barn nor supplementing their winter feed for their lactation needs. The lambs are ready to be weaned by mid to late August and by late fall they are sent to a slaughter house and their meat is sold. They keep only replacement ewes on the farm over the winter.

Cattle and pigs are also pasture raised. They are purchased in early Spring and put out to pasture immediately. Moved to a new paddock every three days, the pastures are never completely depleted and the animals have fresh grasses (grass and clover mix) to eat. By winter these animals are also ready for slaughter. There are no cattle or pigs remaining on the farm over the winter.

Cattle, pigs and sheep are slaughtered in a USDA facility. There the animals are butchered and packaged for retail sales. Some of the meat is ground into hamburger, made into sausage, hot dogs, bacon, etc. Wool from the sheep is sent to weavers and made into beautiful, warm blankets. This is all brought back to the farm to be direct marketed to their growing list of customers.

Marketing

The Hayes market all of their meat products directly to the consumer. Each winter a flyer is sent to their growing consumer mailing list. The flyer outlines all meats to be offered and the price. Consumers fill out their order for the year and all meats requested are reserved for them. Often this means that meat for sale is pre-sold with very little leftover for non-ordered

purchasing. On the other hand, this allows the Hayes to know how many of each species to raise to satisfy their orders and to allow them to generate new customers.

Every two to three weeks during the season, Adele dresses up her back porch and prepares to sell their products. Prior to each sale day, Adele calls all of her customers who have ordered reminding them of the date and time of the next sale. They can pick up their orders, select from a variety of other meat products and purchase anything else Adele may have to offer her customers that particular sale day; fresh flowers, tea mixes, herbs, honey and maple syrup. She also spends a great deal of time in the kitchen on sale mornings baking cookies and preparing batches of iced tea and coffee so that she can offer her customers refreshments while they shop. The atmosphere surrounding her back porch, the flower gardens and the arbor entrance to the yard, along with the homemade refreshments and the high quality meat products offered, keeps customers coming from over an hour's drive away to take home Sap Bush Hollow meat.

Conclusion

Jim and Adele have learned what customers want in their meat products - fresh, healthy, flavorful, chemical free meat. They offer what the consumer wants and are rewarded with more and more customers every year. People now come from as far away as New York City to buy Sap Bush Hollow meat every sale day.

But the Hayes' continue to try their hand at new species. This year they have added geese to their offerings. They are experimenting with raising them on pasture and having them available for holiday meals. So far this seems to be working out, but the final vote won't be in until the consumer has spoken.

Jim and Adele are very smart and very giving people. They attend seminars and do a great deal of reading to keep themselves updated on the industry and on changing consumer trends. Continually educating themselves is a rule for their farm operation. They also feel it is important to give back to others what has been given to them. In other words, they are eager to help people interested in getting into the business by offering to tour them through their farm, by speaking at conferences and seminars and taking part in workshops to help others to get a start in the livestock and direct meat

marketing business. They also offer their own annual hands-on workshop at the farm.

In just a couple of years, the business has really taken off. This has provided them with enough income that it is no longer necessary for Jim to continue his off-farm work. He has given up his job in administration at the college and gone back to teaching so that he has summers off from the college to spend on the farm. Adele has left her job with the county planning department and works the farm full time. The future for Sap Bush Hollow looks secure and profitable.

Kingbird Farm Michael & Karma Glos Berkshire, NY

Their Beginnings

Michael & Karma Glos are new to farming in New York State. They both worked at the U.S. Forest Service in Washington State doing research, but had a desire to farm. They decided while they were still young and energetic, it was time to start farming. They purchased a small farm on a hillside in Berkshire, NY and built a home and barn, and purchased a couple of workhorses, sheep and chickens. Karma has since left her job to stay on the farm full-time. Now works at Cornell and does his farm work after hours and on weekends.

Michael and Karma are both horse lovers and enjoy having horses on their farm. In fact, they use their horses to do their field work rather than a tractor. The expense of a tractor; purchase price, fuel, maintenance and repair, is offset with the costs of raising horses; feed, veterinarian bills, etc. But it gives them satisfaction to work their horses rather than a tractor.

Production

Michael and Karma adopted a pastured poultry technique for broiler chickens and laying hens. They built portable chicken coops that allow the birds to eat pasture grasses along with the grain they are given. The coops are moved daily to a fresh patch of pasture in order keep the grasses plentiful. Once the chickens have reached a marketable size, in about 8 weeks after they've been put out on pasture, they are then slaughtered on-farm by Michael and Karma and a few friends and family. They are allowed by an exemption clause that allows on-farm processing of poultry if kept under 10,000 birds per year. The chickens

are bled out and dipped in hot water to release the feathers. A feather picker removes the feathers and then the birds are dressed out, washed and rinsed and put into a cooler to keep until market. The remains of the birds; feathers, insides, etc., are composted and spread on their fields to add nutrients back to the soil.

Laying hens and turkeys are also pastured. The eggs are sold on the farm, at the Ithaca Farmers' Market and through a food co-op in Ithaca, NY. The turkeys are slaughtered and sold for holiday sales.

Herbs are an important sideline for Karma. She raises herb plants in a small greenhouse for spring sales. Most herb plants are started from seed, some from cuttings. Many of the seeds and cuttings she grows her plants from are certified organic. For potting soil, she uses a blend that includes compost that is homemade at their farm. Karma also raises herbs in a garden for the fresh cut market. These adorn her market table at the Ithaca Farmers' Market and attract attention to her table. But the herbs that are not sold are brought back to the farm, where Karma "recycles" them. She dries them in a dark room with adequate ventilation and air movement. When thoroughly dried, they are packaged and brought to market again. This keeps her losses to a minimum and gives her another chance at profit.

A few vegetables are grown on the farm for retail sales, as well. These are all grown organically. A few herbs and vegetables that are grown in small quantities, i.e. basil, parsley, dill, tomatoes, are grown in strips about four feet wide with grass growing

between each row. This makes it more comfortable to harvest on your hands and knees as well as cuts down the weeding that normally would be done between the rows. However, Karma says, they may do away with this practice. The bed preparations in the spring are much more difficult. It requires extra care and cannot be done with the horses.

Karma and Michael also raise several varieties of dry beans, adzuki, Jacob's cattle, marfax, pinto, etc. These are dried, hand shelled and sold retail at the farmers' market. They do have an antique sheller that helps them with this task, but by and large is all hand done. The beans are then packaged and sold at the Ithaca Farmers' Market.

All waste products are composted at Kingbird Farm. They have a unique composting system. A two-bay pig sty is used for their compost pile. One side receives all the scraps, while the pigs are housed in the other bay. The pigs are allowed to rut around in the compost pile. This adds their manure, plus aerates the pile as they dig for corn purposely buried in the pile to encourage them to dig. The digging keeps the pile turned over and eliminates a lot of the manual labor that Michael would otherwise have to do, Karma says. The result is a rich dark soil that is added to their fields and used in their greenhouse planting.

Michael and Karma also do some experimenting on their farm. This year they are working on a tarnished beetle solution. They have had tremendous tarnished beetle pressure on their crops and needed an organic solution. A crop of buckwheat was planted in the far corner of their field to attract these bugs to see if it would keep them from their vegetable and dried bean crops. This experiment is still under way,

but the preliminary results show that there may be some merit to this program.

Marketing

Kingbird Farm originally started out growing just for the family's needs, but soon progressed beyond that. Karma began to search for ways to market her products. The meat products are sold primarily at the farm. Karma has a small shop in the barn that has a cooler for the meat and eggs, shelving for other products and a cash register. Most meat is pre-ordered, but there is also some available for sale after each processing day.

An important marketing tool for their farm is the Ithaca Farmers' Market. Karma attends this market every Saturday. She brings her meats to sell along with her herbs and vegetables. But she also has a variety of other products that attract people's attention and draws them to her table. She believes it's important to have unique offerings on your market table to draw customers to be able to sell the same vegetables that everyone else has on their table.

Karma believes in adding value to her crops to increase their profit margins. Garlic is braided, bringing a higher price per pound than by just selling the garlic bulbs. Karma also uses her knowledge of herbs to offer a variety of herbal value-added products. She makes homemade soap, often selling out before she has another batch ready. Herbs and flowers are dried and made into pot pourri blends that are packaged for retail sales. Culinary herbs are dried and packaged for year-round sales. All of these products provide, not only a greater profit margin than if sold in their "raw" state, but also gives them something to sell during the off-seasons and provides them with year-round income.

Conclusion

Kingbird Farm is still in the development stage. They are experimenting with many different crops and animals. But after only a couple of years, the farm is paying entirely for itself and providing Karma's income. They are also in the process of expanding the house to give Karma more room to do all of her value-added products - soap, pot pourri, dried herbs and flowers. They are also expanding the farm shop to provide more space to display all of the products - fresh and value added, that they have to offer customers.

Kingbird Farm was certified organic through NOFA, NY in 1998. Karma and Michael believe that although they have always raised their farm products organically, this certification gives them credibility and

justifies receiving higher prices for their products.

When the Glos' bought their farm they raised a few sheep. Now the sheep are gone and replaced with chickens, turkeys and pigs. Karma tells us this is due to their new philosophy for the farm. If it does not bring income or pleasure, get rid of it. Sheep did not bring in enough income to justify their being on the farm, so they were given up. Workhorses, on the other hand, are expensive to maintain - feed, vets, etc., but they bring the family pleasure so they are allowed to stay. One by one Karma and Michael are going through their farm determining what stays and what goes using this philosophy. It's also their measure for new crops and animals that are tried out.

Peacework Organic Farm

Elizabeth Henderson, Greg Palmer, Ammie Chickering

Newark, NY

Partners Elizabeth Henderson, Greg Palmer and Ammie Chickering grow vegetables at Peacework Organic Farm in Newark, New York. Renting 15 acres of silty loam soils from Crowfield Farm on a 5 year rolling lease, the partners market almost all of their production to the 30 local members of their community supported agriculture project and to the 200 plus members of the Genesee Valley Organic CSA in Rochester, New York. Peacework also rents part of a barn and a packing shed, and the use of some equipment from Crowfield. Attached to the barn, Elizabeth and Greg constructed a greenhouse where they grow all their own starts, some plants to sell to the members of their farm, and tomatoes and lettuces during the summer and fall. They also built a large cold frame and a walk-in cooler. The farm is certified organic by the Northeast Organic Farming Association of New York (NOFA-NY). Besides farming, Elizabeth is author of "Sharing the Harvest: A Guide to Community Supported Agriculture", and one of the NOFA team which wrote "The Real Dirt: Farmers Tell About Organic and Low-Input Practices in the Northeast".

The growing system used at Peacework is 5 foot wide permanent beds. To form beds, the farmers first laid them out with a chisel plow, then spread compost and went over the beds a number of times with a 5 foot wide Celli Spader. Unlike a rototiller, the spader does not invert the soil layers; it is very effective at burying chunks of sod, cover crops and crop residues. The farmers left the existing sod between the beds. These strips range in width from 30 inches to 4 feet. The strips require regular mowing, 3 to 4 times a season, depending on weather

conditions. The farm uses a mower, but is seeking a tractor drawn off-set mower for this job. Maintaining the sod strips provides insectaries and plant diversity throughout the dropping area. Farm members, who participate in harvesting, can easily identify sod as the place to walk instead of the beds. Together with cover cropping, the sod strips prevent soil erosion by wind or water.

To prepare a bed for planting, Elizabeth spades in the cover crop (rye before potatoes or corn, rye/vetch before broccoli, cauliflower and cabbage, oats before onions, buckwheat before garlic), allows the bed to grow weeds for 2 weeks, then spades very shallowly before laying out with an Allis Chalmers G, set up with Planet Junior seeders. For slow emerging crops like carrots and parsnips, on the day before emergence, Greg flame weeds in the row with a backpack propane tank. As soon as the crop emerges, Elizabeth cultivates with basket weeder set to leave a four inch strip for each row. This set of practices reduces hoeing and hand weeding to a minimum. In the Spring, Greg and Elizabeth spread compost, made from horse manure, crop waste and old hay, on about 1/3 of the beds each year. They are not satisfied with their production of compost and hope to increase it over the next two years and to supplement thermophilic compost with vermicompost. They use round bales to mulch garlic, onions, peas, tomatoes, and winter squash, and then spade in the mulch residue to add to the organic matter.

Peacework grows a wide variety of crops, over 70 different vegetables and herbs. This diversity reflects the farm's purpose in

serving as a large scale home garden for 240 families. The largest volume crops are the standard items in most people's diets: lettuce, peas, beans, carrots, tomatoes, potatoes, sweet corn, broccoli, onions, winter squash, peppers, spinach, basil, Swiss chard, kale, cauliflower, pumpkins, and cabbage. Smaller amounts of more unusual or less popular crops are grown: bok choy, tat soi, cilantro, collards, beets, turnips, rutabagas, Brussels sprouts, daikon, Jerusalem artichokes, celery, parsnips. Seeds for the crops are purchased from FEDCO, Johnny's Seeds and the Seed Savers' Exchange. We also save seeds ourselves for flowers, beans, tomatoes, and garlic.

The farm supplies members with weekly packets from mid-May through the week before Thanksgiving. Members have a choice of full shares, partial shares, or sharing a share with another member. The farm also offers the members bulk purchases of crops for freezing, canning or winter storage, and provides a book, "FoodBook for a Sustainable Harvest", with information on storing crops and recipes. Any excess crops beyond what is needed for the shares, the farm sells to stores in the Rochester area. Cull quality crops and shares which members fail to pick up are donated to the Southeast Area Ecumenical Ministry or St. Joseph's House of Hospitality.

When the CSA began, 12 years ago, there were only 31 shares and the farm sold most of its produce to the food co-ops in Rochester, Ithaca and Syracuse and to health food stores, supermarkets and restaurants in the area. Gradually, the CSA has grown to

take over 90% of the farm's production. This is how it works: members sign up with the farm for the entire season, actually signing a contract with a pledge to pay a certain amount and to supply 12 hours of farm work and 5 hours of work on distribution. The fee is on a sliding scale from \$11 to \$17 a week for a full share and \$9 a week for a partial share. A full share consists of 8 to 12 items a week, enough for one dedicated vegetarian or up to 6 adults. Scholarships are available and the farm accepts Food Stamps. Members pick up their shares either at the farm or at a distribution point in a church garage in Rochester. There are two harvest-distribution days a week. On those days, scheduled members come to the farm and work from 8am until noon helping with the harvest and other simple farm jobs. They then transport the food into Rochester and store it in a cooler in the garage. In the evening, other members set up the food for distribution. A Core Group of members with a representative of the farm oversees the CSA project. Core members oversee distribution, arrange scheduling of member's work, keep the books, and collect payments, produce a bi-monthly newsletter, organize picnics, parties and an end of the season banquet, and do outreach for new members. The CSA also offers members bulk purchases and special shares from other farms in the area, including organic grape juice, organic wine, organic yogurt and kefir, organic maple syrup, free range chicken and eggs, buffalo meat, and low spray apples. Some members sign up for winter shares, which come from Blue Heron Farm in Lodi, NY.

Introduction to Starting a New Farm Enterprise— Getting Started

Brian Caldwell, Fruit & Vegetable Specialist
Cornell Cooperative Extension, Tioga County

You must have a passion for your new farm enterprise

- Why?—low pay—our mainstream food system does not favor local small scale production, which is probably what you'll start with
- Marketing needs enthusiasm
- Adding a new enterprise to an ongoing operation takes substantial additional management
- Are you ready for some long hard physical work?
- Sweat equity substitutes for capital to start
- How much money do you need from this enterprise?
- Are other family members involved/supportive?
- You can't plan for everything!

General site characteristics—you can't make it with enthusiasm alone!

- Southern Tier—valleys better soil, frost
- Hills—better climate, poor soil drainage
- Finger Lakes—better for fruit and veg
- Our advantages—cheap land, buildings, direct marketing opps
- Suited for intensive grazing, forage?
- Irrigation water?
- Roadside sales?
- Deer?
- Organic production—spray drift, previous use

Facilities

- Barn? How much to convert it to your needs?
- Greenhouses? Utilities?

Markets

- Local traffic
- Near population? (demographics)
- Do you like working with people? Sales? Can you partner with someone who does?

Your preparation

- Skills—what is good management?
- Record keeping, start now
- Physical capacity, work habits
- Financing
- Legal requirements (handout)

Low Cost startup strategies

- Start small, with off farm job
- Used equipment
- Auctions
- Suggestions?
- There are some corners not to cut! Food safety, marketing image, farm safety, fencing

Many enterprises change over time, a sign of healthy development

Resources—we have many!

BUILDING A FARMERS' MARKET BUSINESS PLAN

Sponsored by Farmers' Market Federation of NY and
USDA Agricultural Marketing Service

Charles Schlough, Presenter
Entrepreneurship Education & Outreach Program, Cornell University

WORKSHOP OUTLINE and KEY TOPICS

1. **Do you Really Need a Business Plan?**
2. Understanding Business Plans and Business Planning
3. Before you Write a Business Plan
4. Marketing – The Most Important and Toughest Part of a Business Plan
5. The Basics Components of a Farm Business Plan
6. Where to Get Help

This presentation will provide an orientation to the purposes and uses of business plans and business planning for farm based enterprises.

Do you really need to write a business plan – maybe not a formal one! But ultimately you will be better off with one. Even if you don't go through a formal business planning process, you cannot escape the need to understand the marketplace you hope to sell into and how you intend to supply your market niche.

You've heard it said that a business plan is a map to your future, but you may find any number of good reasons along the way to change your mind as you go. Any business today needs flexibility in its planning because our economy and markets are far more complex and dynamic than in the past. And in order to do that you need to know what's out there and what's happening over the horizon.

Business Plans and Business Planning

There are differences between the process of business planning, writing a business plan, and using a business plan as a tool.

As a process:

It organizes what you expect to achieve from an enterprise, what you intend to do to realize your expectations, and how you will balance and manage your resources, capabilities, and risks.

The process of developing a business plan generates insight and valuable skills of decision-making that can make your hard labor and financial decisions work more effectively. It's also important to work through this process with others, your spouse, partner, a mentor, sometimes your peers – people who you trust and who can play the devil's advocate.

As a document:

A completed Business Plan is intended to document your business or business idea. Writing a business plan is what you do after you have thought through and developed the various important parts. It summarizes and communicates to others and yourself the critical factors that you have learned about your business "idea" and decided to do about it.

As a tool:

It offers a set of skills to be repeated in parts or in whole. It allows you to explore and clarify your changing options for a business concept. It is a tool to be used flexibly. You should allow yourself to make changes and look at changing circumstances with less risk than trial and error – which can sometimes be costly or disastrous.

10 ESSENTIAL THINGS TO DO BEFORE YOU START A FARM BUSINESS PLAN

- State clearly and honestly why you want to be in farming and for how long.
- Be clear about what you want to get out of it; income, personal satisfaction, quality of life, etc.
- Decide how hard (physical effort) you are willing to work for the next "XX" years – and how much time you are willing to contribute? How committed are you? Is this part-time, full-time, or seasonal?
- Understand that the bigger the scale of business you anticipate, the more advanced business knowledge and skills are needed.
- Assess the potential of land and other natural resources you will be using.
- Determine roughly how much capital you are comfortable with risking (or how much debt you are comfortable with repaying over the next 10+ years.
- Evaluate the personal attributes, knowledge, and experience you have to apply to your farming idea.
- Determine how much time and/or money you are willing to invest to learn and experiment – before you get deeply involved with commitments and production.
- Know what you cannot supply alone. Then gather support from people who you will have to depend upon for a wide range of things – e.g. family & emotional support, physical labor, financial resources, technical assistance in production and business matters, etc.
- Evaluate the overall scheme and decide what is lacking that needs to be strengthened before you go further. Find an objective and knowledgeable person to hear you explain it and then listen carefully to their observations.
- Study a few recommended business plan outlines (and instructions) and give a lot of attention to the marketing questions. Most of what you have done in the first nine steps will make the process easier and more relevant.

MARKETING – THE MOST IMPORTANT AND TOUGHEST PART OF A BUSINESS PLAN

The toughest part of a business plan is the marketing part and the part most vulnerable to error is the projection of sales revenue.

The confidence you (as investor) and your lender have in revenue projections will be far more favorable if it's based on a good marketing plan with justifiable assumptions. This is the most speculative part of a business plan.

If you can answer these questions honestly, you will have captured the essence and core of a business plan.

- What is the market niche it addresses and what is the opportunity?
- What types of customers are they?
- How big is their need for your product?
- How do you win them to buy from you?
- How often will your customer come back for more purchases?
- What products or services are you going to supply to the market niche?
- How big or small is the market niche?
- Where are they? How are you going to sell to the buyers?
- What channels you are going to use if distributing?
- What are the costs of utilizing different channels?
- What is the competition? How will it change? Why are you better?
- How are you different and how will you maintain that?
- How will you produce and manage every aspect and grow your business?
- What is the financial model - when are you going to make a profit?
- What might stop you? What are the risks?
- Why are you going to succeed?

THE BASICS OF A FARM BUSINESS PLAN

[See Handouts]

WHERE TO GET HELP

Where to look for help with business planning information and training.

Self-help – books and other publications, computer software, distance learning

Internet

Library – Business support services

Cooperative Extension

Government agencies

Local economic development programs

Community college courses

Workshops (few hours)

Targeted courses – short term (few hours) and long term (several classes)
Accountants

If you're ready to get some training in business planning, there are several ways you can get it. If you don't find a source of help, ask your cooperative extension educators for help or direction.

Do not under-estimate the importance of computer skills for planning and managing your operations; learn about Internet resources that can provide tremendous advantages. If you haven't become comfortable with personal computers and developed some basic skills, it should be one of your higher priorities for equipment and training. The world of agriculture is moving swiftly into the electronic age. Information is power!

Handouts:

- *NxLevel – "Tilling the Soil of Opportunity"*
- *Farm Business Plans* - The Canadian Farm Business Management Council
- *FarmBi\$ - Farm Business Planning* – New South Wales Rural Assistance Authority
- *Business Planning Checklist* – Univ. of Arizona, Dept. of Agriculture and Resource Economics, Cooperative Extension
- *Decision-Making – Will You Start a New Enterprise?* – Ag-Alternatives Fact Sheet, Alberta Agriculture, Food and Rural Development

Vegetable start up

Brian Caldwell, Fruit & Vegetable Specialist
Cornell Cooperative Extension, Tioga County

Types of local vegetable operations

- 1) Roadside market—sweet corn, pumpkins, U-pick strawberries, bedding plants; more acreage; moderate labor req.
- 2) Small scale direct marketers—farmers markets, CSA's, restaurant deliveries; fresh salad crops, brassicas, tomatoes, potatoes, squash, onions, bedding plants; often organic; usually 1-15 A; high labor req.

Let's take a closer look at land and facilities.

- Irrigation, deer, microclimate, drainage, greenhouse/hoophouse production

Varieties to keep them coming back

- Outstanding flavor
- Interesting, unusual, colorful
- Good mix—don't forget herbs

Go over handouts quickly

Resources

In particular, Vern Grubinger's book, Sustainable Vegetable Production from Start Up to Market

Q & A Session

Berry Start Up

Brian Caldwell, Fruit & Vegetable Specialist
Cornell Cooperative Extension, Tioga County

Typical local operations, crop requirements

- Brambles very limited
- Strawberries U-pick in the valleys, high return potential
- Blueberries U-pick mostly on hills, heavy investment
- Grapes? Commercial production areas, home wine makers, seedless

In a little more depth—Strawberries; Blueberries; Raspberries:

- Varieties
- Irrigation
- Weed control
- Insects and Diseases
- Harvest
- Economics

Minor fruits

- For specialty markets--Currants, kiwis, quince, persimmons, pawpaws

Value Added Products

- Labor
- Facilities
- Markets

Resources

Q & A Session

Starting a New Farm Enterprise Greenhouse & Nursery Crop Production

Walt Nelson, Horticultural Extension Educator
Cornell Cooperative Extension, South Central NY Ag Team

Starting a New Farm Enterprise

- Greenhouse & nursery crop production

Marketing

- Who
- Where
- When

Nursery Consideration Issues

- Marketing is:
- Niches
- Container versus field
- Woody versus herbaceous
- Named variety versus genus species
- General economy & housing starts
- Propagation versus finishing

Physical Resources

- Site or location
 - Soil
 - Water
 - Drainage

Personal Resources

- Lease versus buying equipment
- Debt
- Production costs
- Regulations
- Trade Associations
- Publications
- Brokers
- References

Cultural Practices

- Irrigation
- Fertilization
- Pruning
- Pest, diseases & weed management

Greenhouse Structure

- Planning
- Engineering
- Style
- Covering
- Heat & cool
- Auxiliary structures

Greenhouse Equipment

- Movable benches
- Mechanical seeders
- Fertilizer injectors

Greenhouse Culture

- Containers
- Plugs
- Growing medium
- Nutrition
- Pest management
- Disease management

Resources

- Greenhouse Engineering NRAES 33 \$25
- Ball Red Book
- Cornell Recommends for Greenhouse Pest Management

Review

- Comments
- Questions

Growing Herbs and Cut Flowers for Market

Monika Roth, Agricultural Extension Educator

Cornell Cooperative Extension South Central NY Agriculture Program

Today's consumers have an interest in products which make them feel good. Herbs and cut flowers fit with the need for personal well being and aesthetics. This has contributed to their increasing popularity during the last decade and as a result, many specialty niche herb and cut flower businesses have emerged. It must be understood that these are niche products which appeal to a segment of the population and depend upon disposable income for sales. Knowing the market is critical to success with these crops, whether they are being sold at a farmers' market or through other retail or wholesale outlets. Herbs and cut flowers can provide additional revenue for vegetable, greenhouse and nursery producers or they can be operated as stand alone specialty enterprises.

Both herbs and cut flowers offer a variety of plant choices that can be grown in greenhouse or field environments. Most will need to be started or finished in a greenhouse. Some can be easily grown from seed. Starting with plugs is more economical for some crops as it reduces the time a greenhouse needs to be heated. Some growers sell herbs and cut flowers as garden plants.

Field production of herbs and cut flowers is pretty much the same as other row crops. Dedicate one area of a field for annual crops and plant perennials in blocks or beds in another field location. Weed management is one of the biggest challenges. Black plastic or organic mulches are commonly used to reduce weed problems. Good fertility and timely irrigation are critical factors for successful herb and cut flower production. Some herbs and cut flowers prone to insect and disease problems will require monitoring and pest management practices such as row covers or timely sprays.

Herbs and cut flowers share some common marketing channels, but each also has unique outlets. Farmers' markets are a very good outlet for herbs and cut flowers, though there are some exceptions. Small markets with relatively few vendors or markets serving bargain shoppers looking for low prices, may not yield sufficient sales. For a vendor already selling at such markets, adding herbs or cut flowers will extend product offerings and may help increase total sales. Farm roadside markets are another good direct to consumer venue where herbs and cut flowers extend the product line. Total sales of herbs and cut flowers depend on the population and demographics of the community where the market is located. In general, direct sales of herbs and cut flowers are more successful at larger farmers' markets and roadside farm markets located near populated urban/suburban areas. Culinary herbs and cut flowers are good crops for the CSA farmer as well. Other common outlets for herbs and cut flowers include direct sales to restaurants or specialty food stores. Mail order catalogs and internet sales are also common and offer the opportunity to access a much larger customer base. Products will require special handling for shipping.

Herbs and cut flowers have special markets as well. With herbs, there are many options as they can be sold as plants, fresh cut or dried, and they have many uses for gardens, decoration, food or medicine—each of these uses presents a marketing opportunity or can be combined in a herb retailing business. Cut flowers are slightly less versatile in terms of use but can be sold as bedding or nursery plant, as well as cuts. Additional markets for cuts include retail and wholesale florists and special orders for weddings and other occasions.

No matter which marketing channel is used, herbs and cut flowers have some common challenges as well. One of the biggest challenges to growing these crops is that they are extremely labor intensive. So while gross returns appear to make these ideal crops for a small producer, net returns may be disappointing if production inefficiencies exist or market demand is not accurately projected.

Estimating demand is challenging and will require research. By starting out at a farmers' market, a new grower or existing vendor who wants to add these crops, can test consumer interest and get a feel for sales before investigating other channels. Phone calls and visits to potential buyers will reveal information about demand and what to grow. Checking on the competition will reveal un-served needs and opportunities.

Another marketing caution is that buyers may be fickle, they may buy from you once or twice but then may switch to other suppliers. Building a good relationship with your buyers is critical but may not be enough to hold on to them. Marketing risks are highest when selling to retailers or wholesalers. By starting out small with direct to consumer sales, risk can be kept to a minimum and interest in the product will evolve if demand exists.

Unique Aspects of Growing and Selling Herbs

In the 1990's, herbs experienced a renaissance moving more into the marketing mainstream. Several factors fueled the increased use of herbs. Chefs and magazines that extolled the virtues of herbs in gourmet cooking and to enhance the flavor of simple meals. The push for salt-free foods also helped to promote the use of culinary herbs. Consumer participation in home gardening also grew significantly in the last decade with over 75% of American households involved in lawn and garden activities (*National Gardening Bureau Survey, 1996*). Herbs have benefited from the gardening boom as gardeners have become more sophisticated. Finally, herbal health care products have become a major market. About one third of American consumers spend over \$50 million dollars annually on herbal-based products to treat a variety of problems (*The Business of Herbs, 1998*). Having multiple product uses and hence, multiple market opportunities makes herbs one of the more interesting crops to grow and more complex crops to sell. In order to be successful as an herb grower, you need the will to learn about this intriguing group of plants and the passion to grow and sell them.

Culinary Herbs

Some of the most popular culinary herbs include basil, chives, cilantro, dill, fennel, french tarragon, garlic, lovage, mints, oregano, parsley, sage, sweet marjoram, rosemary and thyme. Edible flowers extend the culinary herb product line as they can be sold in similar packages to the same outlets.

The most important aspect of growing and selling herbs is knowing when and how to harvest them for peak freshness and how to pack them for sale. Each herb has a best methods for harvesting, handling and keeping it fresh. For example, basil can be harvested as a whole plant, by the stem or as leaves, and may need to be washed and dried before packing. Dill, fennel, thyme and others are usually cut and bunched dry. Time harvest to avoid the heat of the day, but after the dew has dried.

At a farmers' market culinary herbs may be sold bulk by the pound (basil), in bunches, in plastic bags or packs. In addition to fresh sales, many herb growers add value to their products and extend their marketing season by making pesto, spreads and vinegars or by drying herbs for use as spices or teas (follow processing regulations required by state law).

Restaurants will buy bunched or bulk herbs. It is critical that herbs sold to restaurants are absolutely free of dirt and other debris. The volume of herbs a small restaurant uses per week may be small so it becomes less cost effective to deliver herbs unless other products are also being sold as well.

Selling herbs to food stores requires a professionally prepared package and bar coding may be required. This means marketing costs are higher but that may be offset by volume. Pick your stores carefully, check out their current line of herbal products, what can you offer that is not available. Contact buyers to find out the requirements for selling including packaging and labeling, volume, delivery schedules, prices and terms of payment. If dealing with a chain, you may need to contact buyers in a central office. Specialty food stores may be easier to deal with than chains, so seek these out first before venturing into the world of chain stores.

Herbs for Gardens

Herbs can be sold as annual and perennial garden plants. The top selling herbs for gardeners include basil, parsley, chives, lemon verbena, oregano, rosemary, sweet marjoram, tarragon, thyme and sage. Herbs sold as plants can be found at farmers' markets, farm roadside markets, greenhouses and garden centers. Contact area garden centers or greenhouse retailers about buying herb plants.

Herbs for Decoration

One very successful way to add value to herbs is to dry them for decoration such as herbal wreaths, swags, etc. This moves herbs into the craft marketing arena and opens the door to sales at craft shows and shops in addition to farmers' markets and farm roadside markets. A recent trend in cut flower bouquets is to add fragrance by using fresh cut herbs in the mix, hence fresh cut and dried flower markets offer additional outlets for herbal products.

Herbal Personal Care Products

The world of aromatherapy provides another major opportunity for adding value to herbs. Herbs are mixed into a variety of products such as soaps and oils to add scents that relax and refresh. With any value-adding activity, time has to be factored into the equation and herbs often become the smallest ingredient in the mix.

Medicinal Herbs

This is the most complex sector of the herbal market in which to become involved. Making the market contacts that buy in bulk is where the mystery begins. Herbalists and manufacturers of herbal products who may be interested in purchasing bulk herbs can be found by visiting stores that sell natural health care products. Write down the addresses and contact producers. Find out if there are any herb associations in your area and join the group to learn more about the herbal sales networks. Subscribe to herb magazines and you will quickly find that there is a network of producers and buyers that make this a very challenging and competitive market to enter.

Summary Comments on Herbs

One of the key decisions to make in developing an herb business is which products and which markets. Careful research will help provide answers. Start by doing research in your

local area to find out what products are currently available. Don't overlook the opportunity to sell organically grown herbs if that is an unfilled niche. If you uncover gaps, find out the level of interest in herbs. Start by selling at a farmers' market as a low cost means of testing the market. Talk with potential buyers from restaurants, stores, garden centers and other outlets. Then decide on the mix of products and markets that will result in sufficient sales to realize your income goals. Make sure you have a clear idea of what you feel you need to make from this venture. If you rely on local sales, a wise strategy is to develop a diversified retail herb business and/or to sell in a variety of local outlets.

You can also become a specialized grower of herbs, selecting a specific herbal product and market. This may involve a higher level of product development and packaging, adherence to buyer standards and testing requirements, and shipping of products to distant markets. The advantage of this type of growing is that you can grow fewer crops and become a major supplier to volume buyers.

Obviously there is a world of opportunities for developing a successful herb business but it is also an increasingly competitive market. While herbal products have become more mainstream, they depend on consumer interest and a strong economy. Proven benefits will help herbal markets remain strong, not just a passing fad.

Some References for Herb Growers (many are available, these will get you started and lead to others)

The Business of Herbs, the International News and Resource Service for Herb Businesses.

Published bimonthly by Northwind Publications, 439 Ponderosa Way, Jemez, NM 87025. Tel 505-829-3448 or email HerbBiz@aol.com. Review comments: recommended for anyone considering getting into herb marketing on more than a local scale.

Maureen Rogers, *The Herbal Connection Newsletter, The Herbal Green Pages Directory*. Herb Growing & Marketing Network, PO Box 245, Silver Springs, PA 17575, <http://www.herbnet.com>.

Review comments: recommended for anyone considering getting into herb marketing on more than a local scale.

Lee Studivant, *Profits from your Backyard Herb Garden*. 1988. Published by San Juan Naturals, Box 642, Friday Harbor, WA 98250. Review comments: a little too simplistic to be really useful.

Lee Studivant and Tim Blakley, *Medicinal Herbs in the Garden, Field and Marketplace*, 1999. Published by San Juan Naturals, Box 642, Friday Harbor, WA 98250. Review comments: an easy to read, useful reference on growing medicinal herbs; has a great section on references, etc.

Northeast Herbal Association, P.O. Box 10, Newport, NY 13416, email: NEHA@jeansgreens.com

Includes producers, wildcrafters, herbalists, etc. from the Northeast.

Unique Aspects of Growing and Selling Cut Flowers

Monika Roth, Agricultural Extension Educator
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Foreign competition in the flower industry has stimulated the growth of more perishable specialty cuts for local markets. The popularity of dried flowers and other dried materials has leveled somewhat in recent years. More recently foliage cuts and woodies have increased the plant choices available to cut flower producers extending the product line, production season and sales.

The characteristics of good cut material include tall strong stems, striking colors, and good shelf life. This is a market that is strongly influenced by lifestyle designers who are constantly demanding new colors, textures and styles. Flowers represent the appreciation of beauty and expression of feelings. Beyond weddings, funerals and Valentine's Day, flowers are a feel good product which depend on a strong economy for sales.

What to Grow

There are simply too many varieties and cultivars to name. This presents one of the first challenges for cut flower growers, deciding what to grow when it includes everything from annual, biennial and perennial flowers, bulbs, herbs, cut branches, flowers sold fresh and for drying, some grown in greenhouses and others in the field.

Coming up with the top ten sellers is hard and is somewhat dependent on market outlets. A list of 12 favorite cuts sold at farmers' markets provided by Chas Gill of Kennebec Flower Farm in Bowdoinham, Maine included the following: tulips, lilies, snapdragons, Godetia, Zinnia, calla lily, sunflowers, Lisianthus, Cosmos, snow-on-the mountain, Rudbeckia and Saponaria. His reasons for selecting these included: economical to grow (make money); harvest season; less demanding to grow and harvest; and customer interest. These are important points to keep in mind when selecting what to grow. Many seed suppliers including Johnny's, Ball Seed, Gloeckner, Jellito, Modena, Here and Now Gardens, and Cramer's offer a very good selection of proven cut flower performers. Contact a sales rep for advice and speak with other growers about their experiences.

How to Grow

Growing cuts may involve a greenhouse for starting or finishing plants. Field planting is similar to growing vegetable row crops. Regular irrigation is key to quality cut flower production. Staying on top of the weeds is another challenge. There are many good references on cut flower production listed below. Cultural needs vary slightly from crop to crop, some being more demanding because they need to be staked. A key production challenge is to plan a sequence of bloom so that a steady supply of cuts is available for sales. Harvest and post harvest handling requirements may vary more from crop to crop and are critical for shelf life. Study the demands of each crop before deciding what to grow.

Some Harvest Basics

Harvesting is the most demanding part of growing cut flowers. A great deal of attention must be paid to the stage at which flowers are cut, uniform stem length, cutting practices, drying, conditioning after cutting, water quality, preservatives, leaf stripping and wiring if needed, and refrigeration. As previously stated, requirements vary by crop.

Marketing Cut Flowers

Fresh and dried flowers and other cut plant materials can be marketed directly to the public at farmers' markets, at roadside farm markets, via pick your own, as bouquets to retail outlets, direct to designers, or bulk to retail florists and flower wholesalers. Dried and preserved flowers offer additional marketing outlets such as craft shops and shows. Flowers can also be packed for shipping so location is less important. Mail order and internet transactions help facilitate sales beyond local markets.

Selling at Farmers' Markets

Many cut flower growers have become established at successful farmers' markets. A larger urban or suburban market is a better venue for flower sales than a small rural market or one that is primarily serving food needs of low income clientele. Sales volume at market is limited by the number of customers so additional outlets may be needed. Some growers sell at several markets each week to increase sales volume. A farmers' market provides exposure to customers that can result in special orders for weddings, parties, etc.

If you are considering selling flowers at a farmers' market, visit several in your area to see if there are flower growers there, what they sell and how brisk their business is. Also make note of customer traffic and sales in general. If there are no flower growers or if those that are there sell out quickly, there may be a marketing opportunity. If you sell at a market with other flower growers, consider what you can grow and sell that is different from what they offer. Some flower vendors at markets sell by the stem or single-type bunches; others make bouquets. Bouquets are time consuming so factor time into the price. A key to successful flower sales at farmers' markets is to offer a variety of blooms throughout the season. This may include cut flowering branches in spring, spring bulbs, seasonal annuals, biennials, summer bulbs, and perennials, ornamental grasses, dried flowers, and branches with dried blooms and berries in fall.

Sales from the Farm

On-farm sales may include sales through a farm roadside market or pick-your-own. For many farm market businesses, flowers are an extension of the existing line of products that may include produce, plants, garden supplies, etc. Pick-your-own flowers offer a sideline which may appeal to some customers and which has the advantage of reducing harvest labor cost. An alternative to setting up your own on-farm retailing businesses is to sell flowers to farm roadside markets in your area who have an established produce or plant retailing business with a good customer base.

There are examples of successful on-farm flower shops with retail sales at the farm and through special orders. A good location is generally required for successful on-farm retailing and referrals are the most common way customers learn about these businesses. As with farmers' markets, having a variety of flowers in ready-made bouquets or as single bunches or stems available throughout the season is key for successful on-farm sales.

Special orders for weddings and parties can be a lucrative but demanding and time consuming enterprise requiring a higher level of design skills. An alternative to offering complete design services is to team up with flower designers and sell products to them.

Selling to Retail Florists and Wholesale Outlets

Direct sales to retail florists involves making contacts, finding out what products they use or would consider using, showing them your product and getting them to buy in season flower

bunches. Once you have established a florist trade and a weekly delivery route, this can become a good market primarily because you are selling in bulk reducing your labor costs.

The key to selling to retail and wholesale florists is to offer consistently high quality products with good shelf life. Rather than offer a wide variety of blooms, you may want to specialize in fewer products that retailers or wholesale florists cannot get through conventional sources. Prices paid by retail and wholesale florists are often competitive with the prices you receive by selling direct to the public. Retail florists can help you identify the wholesaler florists who supply shops in your area.

Shipping dried and fresh flowers and other cut materials to large retail shops, direct to designers and to wholesale distributors is an option for growers who want to offer a few high demand specialty products such as peonies, cut branches, hydrangea blooms and other unique items used in upscale floral designs. Whether selling locally to retail and wholesale florists or shipping nationally, having product and price information available via a website or by faxing weekly to customers and on line ordering capabilities is an increasingly important means of conducting business.

If you become efficient at bouquet making, food retailers with floral departments and hospital gift shops may be good outlets. Large retailing chains may be less interested in buying direct from you but talk with specialty food retailers.

Summary Comments on Establishing a Cut Flower Business

Growers can develop a successful cut flower business by selling a variety of products throughout the season to several local markets. This may involve selling at several farmers' markets, filling special orders, on-farm sales, selling to local farm markets, stores or gift shops, or selling direct to retail and wholesale florists. Having access to a variety of outlets will determine the size of your business.

Labor demands for harvesting cut flowers should not be underestimated. If you do not have access to a good labor pool and plan to do most of the work yourself, there is a limit to how much you can do so pick market outlets based on what you can supply with the labor you have available.

High quality products and good shelf life are critical. Irrigation is imperative to guarantee good quality. Timing of harvest and proper post-harvest handling are vital for good shelf life. Don't skimp on these two points as it will cost you markets whether retailing or wholesaling.

Returns for cut flowers on a per acre basis are higher than most specialty vegetables but in order to make high returns you have to be an efficient, high quality producer that has secure markets where customers are willing to pay for product quality. Seek out the best markets and make sure you meet the expectations of the buyer to get the highest returns.

Some References for Cut Flower Growers

Cut Flower Quarterly, Association of Specialty Cut Flower Growers, MPO Box 268, Oberlin, OH 44074, 440-774-2877. Become a member of ASCFG, a little pricey but worth it for new growers to make contacts and get info. The Association sponsors an annual conference, growers' school, publishes the quarterly newsletter with articles on growing and marketing and a directory of growers and buyers. Additionally members have access to a very active list serve where you can ask most any question and get an answer from other experienced growers.

Lynn Byczynski, Editor, *Growing for Market*, a journal of news and ideas for market gardeners. Published monthly, available by subscription. Fairplain Publications, PO Box 3747, Lawrence, KS 66046. Tel 800-307-8949. Growing for Market features a regular monthly column on Specialty Cut Flowers by Pamela and Frank Arnosky, veteran growers from Texas, as well as good marketing information on a variety of market garden crops.

****Denotes books that can be purchased from ASCFG and Growing for Market.**

Jim Nau, *Ball Perennial Manual: Propagation and Production*, 1996. Ball Publishing, 335 North River St., Batavia, IL 60510. Review comments: a must have manual for anyone growing perennials as a nursery crop, for gardens or cutting.

Leonard Perry, *Herbaceous Perennial Production, A Guide from Production to Marketing*, 1998. NRAES, Cooperative Extension, 152 Riley Robb Hall, Cornell, Ithaca, NY 14853, 607-255-7654 or email: NRAES@cornell.edu. Review comments: an excellent guide for growers.

****Alan Stevens, *Field Grown Cut Flowers: A Practical Guide and Sourcebook*, 1997.** Published by Avatar's World, 106 E. Hurd, Rd. Edgerton, WI 53534, 800-884-4730; email: avatar@inwawe.com
Review comments: a how to book for the beginning grower with lots of good sources listed.

****Keift's *Growing Manual*.** Available from ASCFG.

Review comments: detailed cultural information on lesser known species and varieties of annual, biennial, and perennial cut flowers and ornamental grasses.

****Lynn Byczynski, *The Flower Farmer*, 1997.** Chelsea Green Publishing Company, P.O. Box 428, White River Junction, VT 05001. Available from ASCFG and Growing for Market.
Review comments: experiences growing and selling flowers from a grower's point of view.

****Allan Armitage, *Specialty Cut Flowers*, 1995.** Varsity Press/Timber Press, The Haseltine Bldg. 133 S.W. Second Ave. Suite 450, Portland, OR 97204.
Review comments: a must have book on cultural requirements of all types of plants used for cutting.

****Frank and Pamela Arnosky, *We're Gonna Be Rich! Growing Specialty Cut Flowers for Market*, 1999.** Available from ASCFG or Growing for Market.
Review comments: the Arnoskys' cut flower columns featured in Growing for Market from 1995-1998.

Lee Studivant, *Flowers for Sale*, 1992. Published by San Juan Naturals, P.O. Box 642, Friday Harbor, WA 98250. Review comments: a pretty basic little book which may be getting a bit outdated, others listed are newer with more up to date info.

GETTING STARTED AT A FARMERS' MARKET

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Of all the marketing venues that a farmer could use, farmers' markets offer one of the easiest, most cost effective, forgiving, and rewarding method available. Farmers' markets offer an established outlet for your products with advertising and special events already integrated. With a small outlay of capital, the farmer could quickly have a positive cash flow and be on his way towards success. They are forgiving in the sense that consistency of product is not a requirement each week. Farmers' markets are rewarding not only from the positive feedback from your customers, but also from the potential of a good income with minimal marketing time.

The equipment and supplies needed for getting started can vary tremendously depending on how elaborate a set-up you desire. Any setup needs to be professional looking, eye-catching, easily handled, safe, and sized properly. Some of the basic ingredients are: vehicle to transport product; tarp system (important to cover products and sellers from sun and rain); tables for displays; farm sign plus product signs with prices; containers/baskets/bins to bring products to the market and display them; bags of various sizes/types; well-trained, knowledgeable, friendly workers; money for change; money aprons or cashbox; notebook/pens; mister/sprayer for produce; invoices; business cards; duct tape; and of course, snacks/drinks for the hardworking sellers. The setup must be tailored to an individual's products, market space, and personal creativity, but designed with the consumers' eye in mind.

Most farmers' markets operate under a set of Rules and Regulations. These documents can often restrict vendors from bringing certain products because of the needs of the market and/or being a producer only market (no buying and selling of items allowed). Other product restrictions can be dictated by the Municipality or property owner where the market is located, such as limiting flower sales if a florist is nearby. Regulating products that are sold at a market generally fall under State, Federal, or County laws. These can vary from market to market, and state to state. These regulations can include rules such as: what temperature products are maintained at, how far off the ground products are displayed, how samples are given out, how foods are prepared for immediate consumption, and labeling. Home processed foods such as jams, jellies, pickled products, vinegars, baked goods, candies, dairy products, etc. require certain inspections and/or licenses. In New York State these products are regulated by either the County Health Department or NYS Department of Ag & Markets (1-518-457-5459). Plant and nursery products also come under the Dept. of Ag & Markets jurisdiction and require licenses and inspections (1-518-457-8863). Any vendor selling taxable items, such as cut flowers, plants, candy, crafts, etc., must have a Certificate of Authority in order to collect State taxes (1-800-225-5829).

Projecting your farmers' market sales involves the goals of your farm, the size of the market (the number of customers that attend the market), the diversity of products (the more diversity, the

better the sales), the amount of product that your farm can feasibly grow well, and your attention to details on marketing techniques. Attending the market the season before you intend to sell there would be a great advantage because you would be able to see what products are not being supplied or are in short supply and you could talk to other farmers to get an indication of quantities that might sell. If season extension techniques are used (rowcovers, high tunnels, frost irrigation), your sales would be greatly increased because you would be supplying a product at the start of the markets when few others have it, and that could start a lasting relationship for the entire season. The first year, hunching or giving it your best guess for what will sell, is going to be your best technique. This will soon be replaced by careful, simple record keeping of what sold at each market and future planting decisions are made with more accuracy as time goes on. For new farmers, learning production techniques to produce high-quality, consistent products to sell weekly will boost sales from a constantly increasing customer base. However, growing more than 25% above your projected sales can lead to high production costs and low profits.

In the end, your success at the farmers' markets will largely depend on you supplying consistent, high-quality products needed at the market (niche greens, free-range poultry, organic produce, etc); creating a clean, colorful display; and having cheerful, enthusiastic people to sell with you (the farmer should always try to be present). Getting started at a farmers' market involves details but allows you to build your sales as you build your marketing and production skills.

PRICING FOR SUCCESS!

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Farmers are usually price-takers at terminal and wholesale markets. One of the fundamental attractions of direct marketing for farmers is the opportunity of gaining control over the prices they can charge. Yet frustration often arises when trying to determine prices, and one of the most difficult problems in direct marketing often centers around the all-too-common practice of price-cutting.

Price has four functions. Price provides income, determines the quantity supplied and consumed, serves as a signal to customers, and transfers ownership. Questions to ask before determining prices should include: How much do your competitors charge? How much are customers willing to pay? Does your product have additional value for which the price may be raised? What is your cost to produce the product? And if you slash prices (below competition), how will you maintain profitability?

The most basic element of pricing is to know your costs, including variable costs and fixed costs. Variable costs are cost items directly related to production -- plants, seeds, fertilizer, labor, packaging, etc. Fixed costs are overhead costs such as rent, taxes, management salaries, office supplies, and cost of capital. The price of one item should at least cover variable costs in the short run and need to cover both variable and fixed costs in the long run. It is important to establish a gross margin that will cover the costs of the business and provide a satisfactory profit. Gross margin is the difference between the cost of the product and its selling price.

$$\text{Gross Margin \%} = \frac{\text{Selling Price} - \text{Cost}}{\text{Selling Price}} * 100$$

$$\text{Retail Price (\$)} = \frac{\text{Cost of Goods Sold (\$)}}{100(\%) - \text{Desired Gross Margin (\%)}} * 100$$

After the retail prices are established based on the desired gross margin for each product, it is often necessary to lower prices of certain items to meet competition, attract customers to the retail outlets (i.e. advertised specials), or sell products that may have been damaged or seasonal. Sometimes direct marketers will want to increase prices of certain items to reflect the value of a unique product, a special service, or a prestige image. When price reductions or changes are necessary it is important to calculate the impact of such a change on the total gross margin of the business. This can be done as illustrated in the following example.

Assume a retailer is selling just five items from a produce store. The retailer has calculated the gross margin for each product sold using the cost of goods (a cost of production or market wholesale price) and has also calculated the approximate sales contribution for each product -- as a percent of total sales. The percentage of sales and gross margin for each product are shown below.

Contribution to Total Sales and Gross Margin before Price Reduction

Item	Percent of Total Sales	Percent Contribution to Gross Margin	Total Gross Margin
Apples	35	30	10.5
Strawberries	10	35	3.5
Pumpkins	15	30	4.5
Sweet Corn	10	20	2.0
All Others	30	20	6.0
Total	100%		26.5%

In this situation, if the retailer decided to lower the price on pumpkins as Halloween approaches -- to meet a lower price by a competitor or to sell out -- the impact of the price reduction on the total sales and profits of the business could be calculated. If the price reduction resulted in a gross margin of 10 percent (a drop from 30 percent) and increased sales to 20 percent of the total (up from 15 percent) the following calculations would produce the new gross margin forecast for the business:

Contribution to Total Sales and Gross Margin after Price Reduction

Item	Percent of Total Sales	Percent Contribution to Gross Margin	Total Gross Margin
Apples	33	30	9.90
Strawberries	9	35	3.15
Pumpkins	20	10	2.00
Sweet Corn	10	20	2.00
All Others	28	20	5.60
Total	100%		22.65%

Therefore, the retailer could forecast a drop in gross margin from 26.5% to 22.65%, or a loss of -3.85% in gross margin. If sales for the business averaged \$5,000 per week, this would mean a loss of: $\$5,000 \times -3.85\% = -\192.50 .

However, if the lower price on pumpkins attracted more customers or more sales, and resulted in an overall increase in business of more than \$192.50, the result would be an increase in total gross margin revenue for the retailer.

For example:

Before the price reduction $\$5,000 \times 0.265 = \$1,325.00$

After the price reduction (with a \$900 sales increase) $\$5,900 \times 0.2265 = 1,336.35$

Now there is a slight gain in total gross margin.

Remember that having the "lowest price in the market" image can't get you higher prices for higher quality products. Having a "value" image is to reach an optimal combination of quality, service, information and price. Price competition in a farmers' market situation with multiple similar sellers in one location can cause severe consequences.

The following are some pricing strategies for selling in farmers' markets.

- **Price-lining:** Price-lining features products at a limited number of prices, reflecting varying product quality or product lines. The strategy can help direct marketers to sell top quality produce at a premium price and an "economy line", e.g. overripe or smaller fruits. Price-lining can also make shopping easier for consumers and direct marketers because there are fewer prices to consider and handle.

- Single-pricing: The single-price strategy charges customers the same price for all items. Specialty shops may have a single-price policy. With such a policy the variety of offerings is limited. The strength is being able to avoid employee error and facilitate the speed of transactions. Also, customers know what to expect. There are no surprises for customers.
- Loss-leader pricing: A less-than-normal markup or margin on an item is taken to increase customer traffic. The loss-leaders should be well-known, frequently purchased items. The idea is that customers will come to buy the "leaders" and will also purchase regularly priced items. If customers only buy the "loss leaders," the direct marketer is in trouble.
- Odd-ending pricing: Odd-ending prices are set just below the dollar figures, such as \$1.99 a pound instead of \$2.00. Some believe that consumers perceive off-ending prices to be substantially lower than prices with even-ending. However, in a farmers' market situation, you might want to price your products in round figures to speed up sales and eliminate problem with change.
- Quantity discount pricing: A quantity discount is given to encourage customers to buy in larger amounts, such as \$2.00 each and three for \$5.00. Gross margins should be computed on the quantity prices.
- Volume pricing: Volume pricing uses the consumers' perception to its advantage. Rather than selling a single item for \$2.50, two are sold for \$4.99.

While the above strategies are widely used and proven effective, creative pricing ideas can help you differentiate your products and services. No matter how you price your products, always go back to check it against your bottom-line. Make sure prices for your products reflect your business image and target market and make a profit. Smart pricing can be a good marketing strategy.

Displays That Sell

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When you set up a stand as a vendor at a farmers' market, just what is it that you are selling to the public? Obviously, the products that you bring to market jump foremost to mind. Whether it is honey or jams and jellies, vegetables and fruits, meats or eggs, plants or cut flowers, or soaps or other finished products, whatever your product you bring to market is primary. However, at a farmers' market, you are selling more than the stuff you are off-loading from your truck.

You are presenting yourself to the public, giving your patrons first-hand contact with an actual producer. A farmers' market certainly does not offer the breadth and depth of choices found in the "big box" store or the local supermarket. But what is offered is something unique, something the big box can never offer - the first-hand contact with the producer (you) and the producer's personal assurance that his products are grown or created with high quality and freshness in mind. The experience of buying directly from a producer is re-emerging as an important relationship for many American consumers.

The successful vendor learns how to present himself, as well as his products, in a way that:

- Attracts patrons to his stand
- Entices them to stay and browse
- Eases the purchasing process
- Enables them to become repeat customers
- And encourages them to speak favorably about your stand to others (free advertising by word-of-mouth).

Not only is the set-up of your display important to your success as a vendor in a farmers' market, but also it is how you choose to present yourself and your general business to the buying public.

I'd like to address the simpler issue of presenting yourself to the public rather quickly, since this will be addressed in the next panel presentation. Then I will move on to actual tips about successful displays.

Presentation of Yourself and Your Business

Make sure your patrons know who you are. Wear a name-tag. Make sure any help working at your stand also wears a name-tag. Keep it readable and simple. "Hello, my name is "Nanette," or "Hello, my name is Nanette Farmer", is inexpensive, thoughtful and informative. This makes the contact at the sale much more personable and helps build a relationship. People will return to buy from someone they have begun to develop a relationship with, someone whose name they know. Customers develop loyalties, and the beginnings of the loyalties are often structured on something as simple as knowing your name! Personal contact with "Nanette Farmer" is much more memorable than personal contact with "What's-her-face-the-farmer-lady."

Post a sign that states the name of your business or farm, and put it where your patrons can see it. Include an address and phone, if possible.

Nanette Farmer's Acres
1234 Apple Tree Road
Fruitville, NY 12345
315-555-1212
nansfarm@widget.com
www.nansfarm.com

Important literature at a farmers' market, especially if you are a newer vendor, includes business cards with pertinent information, flyers announcing upcoming events or picking sessions at your farm, a map to your farm if you allow eco-tourism or have a farmstand, a recipe (with your farm name and address) for any new produce brought in this week, an announcement of "this is the last of the season for our bi-colored sweet corn...". Keep your name in front of the buying public's face - they will remember you and return to buy.

Be at your stand. If you are not at your stand, your potential patrons will potentially wander off, leaving all their potential dollars in their pockets ready to be spent elsewhere. So remain at your stand, be very nearby - or get another person to step in if you truly need to be elsewhere.

Turn your face towards your buying public. A turned back gives a most unfriendly message. So, if you are tired - and you will get tired - do not rest with your back to the public.

Be reasonably clean and neat. A filthy appearance is off-setting. Yes, you may have been in the fields picking and processing at the last minute before heading out to market. But take the time to wear reasonably clean and reasonably neat clothing. Wash your face and hands. Remember, you are handling food. And the American consumer has been educated to expect at least pro forma cleanliness when food is being handled.

Listen to your customers, and be courteous and friendly when dealing with them. They may have concerns about production issues. If you address these issues straightforwardly, your customer benefits and may reward you with repeat business. No question is too dumb. Some people know that corn, beans and potatoes are food, but don't have a clue what that other green or red or purple stuff is, let alone how to prepare it for consumption. If you are courteous in your replies, once again, your customer will be grateful. And you will have enhanced his life. This is an opportunity to educate the public, an opportunity to reinforce the value of continuing to support a farmers' market.

Hard-earned dollars are hard-earned dollars, whether they are yours or your customers. Be accurate with adding up your charges. Be accurate with making change. Get and use a hand-held calculator if numbers do not come easily to you. Until you have given a customer his change, find a way to keep visible their paper money. Then there will be no unfortunate discussion as to whether they have given you a \$10 or \$20. Your customers usually know when you make a mistake, and they will remember this for a long time.

If you can achieve these rather simple goals, you are well on your way to establishing a favorable reputation for yourself. The attentive farmer, the fair farmer, the friendly farmer has a greater chance of attracting and keeping the faithful customer than the slovenly, surly farmer. No one wants to spend their hard-earned dollars and then be treated with disrespect. Keep your presentation of yourself and your business on a positive track, and your business will benefit. These tips cost very little in time and dollars, but their pay-back is invaluable.

Tips About Successful Displays

So, you have decided to give selling at a farmers' market a try, or you are already established as a vendor and don't understand why your products sit and sit, while a direct competitor is selling his stuff hand-over-fist. What can you do to make your stand attract patrons that will come and spend a few of their hard-earned dollars, and keep coming back?

One of the most obvious characteristics of a successful display is that there is plenty of product available for your customers to choose from. Or at least the appearance of plenty of products or the appearance of choices.

When setting out your wares, make sure that the tables or other physical units fit the amount of product you are going to offer. For instance, if you have 6 or 7 kinds of soaps made, they can be fully displayed on a smaller table and terribly lost on a 10-foot table. If you have chosen to go to market early in the season and have only a few varieties of lettuces and greens to offer, choose a smaller table, not the larger tables used later in the season.

If your products are going to be displayed in crates or baskets, make sure these containers are appropriate to the size and quantity of your product. As the crates become emptied out, replenish them from the boxes in your truck or under the table. When you sell out and a crate is empty, remove it. When there are no more green beans to sell, remove the empty quart boxes off the table.

You may not have great quantities of something to sell, but grouping it together is visually better than spreading it out. Small displays need smaller tables, and larger displays need larger tables. If all you have available is a larger table when all you need is something smaller, spreading your wares out to fill the space is not the answer! If you think about the bowls of porridge in Goldilocks and the Three Bears, you will remember that each bowl was sized to fit the amount of porridge in it. Baby Bear's porridge would look too small served in Papa Bear's bowl, but it was "just right" in Baby Bear's bowl.

Cover a section of the table with something eye-catching, group your offerings so that quantities look generous, and use the balance of the non-selling space to promote your farm (a photo board of activities and family, friends and animals on your farm; a poster of produce you will have available and when it is harvested; pictures showing the raising of trout or the making of soaps; literature explaining why your lettuces are so special). In other words, use your non-selling space for promoting your farm/business, while using your selling space to look as though your offerings are generous.

If you have great numbers of varieties of produce to offer and great quantities of many kinds of things, do not set everything out all at once. Keep some in reserve so that you can replenish during the day. An over-full display causes products in smaller quantities to diminish in significance and noticeability. For instance, if you have 15 bags of sweet corn, dump out 1 or 2 bags at a time. Set out a half-bushel of green pepper at a time, and replenish from the remaining 2 boxes in the back of your truck. However, if all you have is 15 bags of sweet corn and 2 boxes of green peppers, make your display full but appropriate to the products. Perhaps 1 or 2 bags of corn on each end of an 8-foot table, and green peppers displayed in the center of the table stacked no more than 2 deep. If you dumped all 15 bags of corn out at once, could the customers ever find the green peppers? And just image how picked over the corn will look at the end of the day!

If you have 25 kinds of jams and jellies, set out 2 or 3 of each variety at a time, not all 2 dozen of each kind at a time. Also, if you sell fish, it may not be feasible to set out many pieces of your stock. Nevertheless, your display needs to show the varieties that you offer, i.e. fresh trout whole, trout smoked whole, trout smoked in fillet, even though your supplies are in an iced chest. If you sell 20 kinds of soap, put out 3 or 4 of each kind, not just one. Now you are offering many options to your customers; not only variety, but also choices within your varieties. (Can you imagine how silly a display would be if you put out 1 ear of corn, 1 pepper, 1 bundle of sweet basil, 1 potato...)

Vendors with enticing displays have also learned to consolidate their products as the market progresses. After the early rush, there will be "holes" that need to be replenished with the remainder of your stock in the back of the truck or under the table. As you sell out of something, the empty space needs to be filled with something. Take the time to move your products closer together, once again giving the image of abundant choices with your remaining products. Consolidate, consolidate, consolidate. Keep your display as full as possible throughout the day. A sparse, spread out display is not what a middle- or later-in-the-day customer is going to be attracted to. Just like the very early shoppers, later-in-the-day shoppers want to feel like their business is special and important to you. If you spend a little extra effort to attract them to your stand, these shoppers will come over, dawdle (and spend more) and return in the future.

Every time a customer handles your products, they choose some and reject others. Opportunities for bruising and other damage arise each time a product gets handled. By replenishing your stock over the market day, you are also offering a good selection to later-in-the-day customers - customers who want good choices, not the "bottom of the barrel" choices.

After you set up your display, step out to the customer's side and take a good look at your presentation. Can your customer move throughout your display without greatly inconveniencing other customers in order to reach or purchase your products? Can your customers see and reach every product in your display? Can a shorter person reach up and easily choose a highly placed head of lettuce? Are your tables so deep that customers cannot reach that head of lettuce in a back farm corner? In other words, are all your products accessible to your customers?

When a customer picks something out of your display, is he going to knock other things over? If a customer picks up a container of apple cider, will it accidentally fall onto your precious free-range eggs? Stack products so that these kinds of accidents do not happen.

Label products and post prices so that the customer does not have to hunt for this information. Put the name of the product and the price on the same sign. Hand-labeled signs are fine for pricing, as long as your handwriting is legible. Pricing should be stated clearly in the following manner:

1. Price by numbers (peppers, 3 for \$1.00)
2. Price by volume (peppers, \$1.00 per pint, Peppers, \$1.00 per bag)
3. Price by weight (peppers, \$1.00 per pound)

The American public has been re-educated to pay a posted price. And your market may require posted prices. If you use a price board, make sure it is not overloaded with too small lettering and too many products. A couple of boards with larger lettering is far preferable to one very cramped, scribbled board with teeny-tiny lettering.

As for labeling your products, you and your better-educated customers are going to know what your products are just by glancing at them. But there is an unbelievably large segment of the population that doesn't have a clue. Some people's exposure to fruits and vegetables may be extremely limited. So, if you offer several kinds of peppers, on your signs include the specific variety and how hot or sweet it is. If you offer several kinds of lettuce, include the specific name (Red Sails Lettuce or Red Sails looseleaf lettuce), not just the generic "red looseleaf lettuce". If you sell winter squashes, include the specific name (Sweet Dumpling Squash or Sweet Dumpling Winter Squash), not just the generic "Winter Squash". If you sell cut herbs, your signs should read "Genovese Basil" or "Sweet Basil" or "Purple Ruffles Basil" instead of just "Basil".

Bagging materials should be available to your customers. Plastic bags and paper bags should be put in easy to find locations in your stand. Notice, I mentioned more than one location. Tables get crowded and no customer should have to stand in line to grab a bag! Furthermore, this is an item your customer should not have to ask for. Rather, it is a necessary cost of doing business. Bags are easily found at the big box wholesalers such as Sam's Club. Packaging supply companies also offer these items at reasonable costs.

So, your customer takes a look at your friendly face and abundant display, finds that there is room for him to move around, sees that items are clearly labeled and prices, and can get to paper or plastic bags with relative ease. What else makes a display work? When you go to a big store, if you are anything like me, you resent standing in line for a long time, especially if you are in the way of other shoppers. In planning your layout, include a transaction area that will not interfere with other people shopping in your stand. Do you have products in front of your transaction area that will be blocked every time someone is handing over their hard earned dollars? How easy is it for your customers to hand over his selections for you to weigh, bag and charge him? Some customers give up and leave when they have to fight their way to you to complete a transaction. Make it easy as possible for your customers to buy your products.

If you are always backed up and customers have to wait more than a few minutes, consider getting more help - at least for the "big crunch" times. Just remember that you want your customers to ENJOY buying from you. (And some of them might be a source of good temporary help.)

Other tips for displays that are effective include:

- Make scales available to your customer so they won't have to guess
- Place your scales in your transaction area (this means 2 sets of scales)
- Protect your products from the elements with tenting, shade cloth
- Use an attractive, appropriate table covering - this attracts the eye
- Keep the back of your sales area clear for ease of movement
- Keep your truck/storage area clean or closed from customer sight
- Present CLEAN produce, keep area neat
- Post what is new this week, what is here for the last time, what is coming soon
- Post applicable licenses
- Bring a broom, trash can for neatness
- Keep cash box out of public reach and always keep it guarded
- Wear a cash apron
- Bring a calculator and scratch pad and pencils/pens
- Have a first aid kit
- Include extra markets, blank signs, tape in case you need them.

Memorable displays encourage new and repeat business. Use slower off-season to plan or re-evaluate your display. Approach your presentation through the eyes of your customers. And you will find improvements that become obvious when you enter your stand as a customer. Make this contact with your customer pleasant, easy and personable. An effective, thoughtful display will help you increase your business at a farmers' market.

Customer Service With a Smile

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I define Customer Service as all the little extras that create the personality of your marketing strategy. It is the finer points that make marketing with you pleasurable and memorable. In a highly competitive direct marketing field, customer service can help you attract and retain customers.

What You Can Do To Improve Your Customer Service

- Make your product different in some way to set it apart from other vendors. Try new varieties of produce each year, new recipes for baked goods, new varieties of flowers.
- Keep up to date on customer trends in the direct marketing field. Read food magazines or the food section of your local paper. If you market in urban areas, be aware of food fads such as what kind of produce and meats are being offered and prepared at restaurants.
- Know what types of vegetables, meats, dairy or baked goods are preferred by the different ethnic groups who shop at your markets. Try to capture these various tastes.
- Listen to what the customers are asking you. Remember what items they are looking for and keep a list so that you consider them for next season.
- Relate to your customers in a friendly relaxed manner. Be interested in what you are selling.
- Layout of your product is an important key to customer service. Do you provide shoppers with baskets to place all of their purchases, while they are paying, so they are not placed on other items on display?
- Consider where you take the money and weigh items. Do you have several employees who are trained to take money? Are you set up to handle more than one customer?
- Sufficient staffing is key to good customer service. Three people working a 25 ft. long booth is a good number with one able to re-supply the tables.
- Trained staff is an important and often neglected part of good customer service. Are the staff members friendly, courteous, knowledgeable about what they are selling? Can they answer questions about the product such as how to prepare it, how it was grown or produced, what are the ingredients of the product, methods of agricultural production?
- Be flexible with shopper requests. Allow large bunches of produce to be broken into smaller units if requested by the customer. Another approach is to offer two sizes.
- Offer to take large purchases to a car nearby.
- Have on display pictures of your farm. If you have festivals at your farm location have a brochure of the dates and activities. Encourage the customer's interest in you and your farm.

What market management can do to improve your Customer Service and also what to ask for.

- Request information on the demographics of the community you will market in; this includes population, economic status of shoppers, ethnic makeup of market, how far customers are traveling to the market.
- What is the management doing to build customer support for the market? How is the market being received by the local government, local shop keepers, chamber of commerce? Have yearly discussions with the manager to see what changes have taken place in the community over the winter.
- Is the market manager giving you feedback on customer complaints and concerns so that you can address them?
- Has the management thought about the layout of the market to help the flow of customers and give each vendor visibility?
- Does the market provide additional services for shoppers such as:
 - Allowing a holding area for shoppers to leave their purchases at the manager's tent while they shop around the market
 - Providing shopping pull wagons for convenient shopping
- The tone of the market is sometimes influenced by the market rules and what is expected of the vendors by management. The market rules indicating the importance of courtesy of the vendors to customers can benefit the entire selling atmosphere and cooperative spirit among vendors. Suggest that this be included in the rules.
- Be creative in ideas and suggestions to management. Often good ideas are considered and implemented.

PROFILE OF A FARMERS' MARKET

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The Glens Falls Farmers' Market was started in 1976 by a group of local businessmen from Glens Falls, located in Warren County. They were interested in creating an event in the downtown area that would enhance business to that area and also provide an economic market place for the local farmers to sell their products. After several years, the farmers took over all the aspects of running the market and established the Constitution, By-Laws, and Rules and Regulations that still govern the markets today. Although changes have occurred over the years, the basic philosophy of the organization being a volunteer run and producer only market has remained the same. The six Board Members (President, Vice-President, Treasurer, Secretary, and two Market Managers) are elected annually by the approximately 30 members and they oversee the running of two markets. The vendors have the option of paying a seasonal fee of \$200 for a 20-foot truck spot or \$100 for a 10-foot truck spot. The main market in Glens Falls operates every Saturday from May 1st to about November 18th from 8AM to noon. A second market was started in 1993 which operates on Mondays in Queensbury, a suburb of Glens Falls.

We have a diverse group of sellers who joined the market at various years with different goals, but they all have a common love for the market and their customers. The pace of the market, because it starts early in the morning, is steady which creates a relaxed atmosphere conducive to friendly chatting. The pleasing setting of mature trees lining the market offer welcome shade in the summer as well as a country atmosphere in the middle of the city. Items sold at the markets are very diverse and include products such as vegetables, organic produce, large and small fruits, jams, baked goods, meats, eggs, cut flowers, bedding plants, herbs, honey, and a few crafts. On a typical Saturday, there are about 17 vendors and this small size creates a feeling of camaraderie among them.

Customers at the Glens Falls markets are very loyal people who enjoy coming to the market for the many things that the market has to offer. Ample parking very close to the vendors is a favorite feature of the market. In addition to the vast array of typical products from a farmers' market, ours specializes in unique things such as purple and yellow carrots, blue potatoes, purple asparagus, yellow raspberries, golden beets, and unusual bedding plants and cut flowers. An increase in organic growers has benefited the market greatly as the customer demand increases yearly. Our typical customer is over 40 years old and comes not only for the diverse, quality products, but also for the social gathering of mostly local friends and family. It is not unusual for customers to hang out for several hours enjoying the relaxed atmosphere.

Special events have played an important role at the Glens Falls market for many years. The fun, festive atmosphere attracts new customers and makes for an enjoyable occasion for the regular market goers. Our special events include: Opening Day with free homemade goodies and refreshments, Strawberry Festival with free strawberry shortcake, Sweet Corn Festival with free

cooked corn, Pumpkin Festival, and Customer Appreciation Day for the final market with free goodies and hot refreshments. The larger events are held one block over in the City Park, which has a bandstand for musicians and ample room for vendors to use whatever space they want for displays. The Pumpkin Festival has been operating for 14 years in early October and it has become a major free community event co-sponsored by the Kiwanis Club. It offers a popular pumpkin give-away, horse-drawn rides, huge hay maze, live music, food, and lots of agriculturally related activities for people of all ages.

All these benefits of the Glens Falls markets enable the farmers to have a good return on their efforts. The customers are happy to have an alternative to supermarkets for seven months out of the year and look forward to returning every week to enjoy all that the market has to offer. The City officials are considering a permanent site for the market with pavilion buildings to further benefit the downtown area, customers and sellers.

Farm Business Planning Outline¹

Charles Schlough
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Name of Business

Purpose

- Personal Goals - Why Do This?
- Mission of the Enterprise

Descriptive Overview

- Legal Structure, Principals' Names
- Product (or service) description
- New? Expansion? Acquisition? Seasonal?
- Business History – Related to this enterprise
- When to start?

The Market

- The Perceived Opportunity – A niche or commodity

Market Analysis

- Industry Trends & Outlook
- Market Segments
- Niche characteristics
- Competition – Direct & Indirect
- Potential Market Share

Customers

- Who are they?
- Where located?
- Preferences & Habits
- Where do they currently buy?
- Why will they buy from you?
- Added Values they will pay for

Strategies

- Pricing
- Packaging
- Promotion
- Shipping, Delivery
- Customer retention

Existing Conditions

- Location and Access to Transportation links
- Physical Resources – Size, Condition, & Utility
 - Land, Building, Equipment, Water, Soil, Nutrients, Terrain
- Legal constraints – zoning, environmental regs, safety

¹ Sequence of parts will vary according to the intended use of the Business Plan.

Production

- Description & Requirements
- Facilities & Equipment
- Supplies and Venders
- Schedule, cycles
- Environmental considerations
- Regulatory compliance
- Record-keeping
- Future new product development

Management & Organization

- Personnel
- Compensation
- Description of functional roles
- Accountability
- Background experience
- Additional training and skills requirements
- Advisors

Financial

- Financial Assumptions
- Cash Flow Projections – 12 months, annual, five years
- Profit & Loss & Balance Sheets – 12 months, annual, five years
- Capital Requirements
- Start Up requirements
- Record-keeping

Critical Factors

- Potential Risks
 - Market
 - Personal
- Risk Management

Appendix

- Farm Map
- Photos of relevant land, resources, and facilities
- Market research data
- Personal Financial Statements

Contact Information

Entrepreneurial Traits Assessment Worksheet

While no one gender, age, education level or ethnicity has a particular advantage in entrepreneurship, certain personality qualities have been correlated with the ability to succeed in an entrepreneurial business endeavor.

Use the worksheet on the following page to assess which entrepreneurial qualities you possess, and in which areas you could improve. Place a check mark or X in the appropriate response column (*yes, sometimes or not really, no or don't know*) for each statement under the entrepreneurial traits. Be honest in assessing yourself *as you are now*. Remember, entrepreneurial traits can be learned, and *recognizing* the personal qualities you need to develop in order to succeed in your business may be your first step in that learning process.

If your family members will be involved in the agricultural enterprise, consider having each of them fill out the assessment worksheet as well. Each person may have a different set of entrepreneurial strengths that can be tapped into for your business.

Evaluating the Entrepreneurial Traits Assessment Worksheet

The more check marks in the "Yes" column the better—but only someone with exceptionally well-developed entrepreneurial traits will have checked all "Yes" answers. Carefully evaluate the "Sometimes" and "No" answers. As the reading suggested, there may be some real clues in this self-assessment that indicate whether pursuing this entrepreneurial endeavor is wise for you and your family. For example, if you answered "No" to the question, *"I really enjoy talking about my agricultural enterprise ideas,"* you should be asking yourself, "Why don't I? Does this mean I'm really not very interested in pursuing this business?" If you responded "No" to the statement, *"I have the physical stamina to handle the work load and schedule for this agricultural enterprise,"* perhaps your next question to yourself should be, "Well, then, who in the family does?"

Next, look at the "Don't Know" column. Your responses here may indicate that you have not had the opportunity to test yourself in some of these areas. For example, if you have always worked for someone else in a supported environment, you may not have had the opportunity to test your intuition, and, therefore, responded "Don't Know" to those statements.

This worksheet provides a great opportunity for you and your family to review your responses and assess the family's overall "entrepreneurial spirit". It is not intended to be a perfect measurement of whether or not you are entrepreneurial. Rather, the purpose is to stimulate your thoughts about what will make it more possible for your agricultural business to succeed. You will be prompted throughout the workbook pages to involve your family in the discussion and implementation of your business concept. Start now! The more family members understand their roles relative to your business effort, the better the chance for both business and family success.

Entrepreneurial Traits Assessment Worksheet

TRAIT	Yes	Sometimes / Not Really	No	Don't Know
1. Passion				
I really enjoy talking about my agricultural enterprise idea.				
When I get involved in "doing" my business, time passes very quickly.				
I am always thinking about new/better ways to approach my business.				
2. Persistence				
I stick with a project until it is completed.				
I am willing to work 12-16 hours per day, six days per week and possibly Sundays and holidays to make my agricultural business idea work.				
3. Good Health/Energy				
I am in good health.				
I have the physical stamina to handle the work load and schedule for this agricultural business.				
I have the emotional strength to withstand the strain of this agricultural enterprise.				
4. Creativity/Innovation				
I adapt well to changes.				
I enjoy doing things differently.				
I often think of innovative ways to solve problems.				
5. Independence/Self-reliance				
I like to make my own decisions.				
I am a self-starter and am self-disciplined.				
I get things done on time.				
I am able to and like to work on my own.				
I know when I need help, and will seek it.				
6. Intuition				
I am capable of making "gut feeling" decisions, and they are often good ones.				
I pay attention to patterns of events, and try to look beyond the obvious.				
7. Self-confidence				
I have self-confidence and the courage to face risks.				
I am responsible and enjoy providing leadership.				
I keep promises and enjoy people's trust.				
8. Market Awareness				
I pay attention to agricultural business events locally, regionally and nationally.				
I am open to ideas about new products and new ways of doing business.				
9. Lack of Need for Status				
I am willing to lower my standard of living until my business is established.				
I am interested in accomplishing my agricultural business goals, even if that means not buying a new house or new truck and not vacationing in Hawaii.				
10. Ability to Accept Challenges				
I enjoy the challenge of working hard on new projects.				
I can juggle multiple tasks and obligations well.				
I find ways of developing and organizing plans of action.				
11. "Hard Work" Ethics				
I am willing to put in the time and effort to give this business time to succeed.				
My personal integrity is more important than my monetary success.				

Personal and Family Considerations Worksheet

Agricultural enterprises are usually managed and operated by families; therefore, the family is going to be affected by whatever changes take place regarding the business decisions. Some family members may be satisfied with the current family agricultural business or with an off-farm job. Your desires may satisfy more of your own lifestyle preferences and personal needs, but ignoring how other family members view the venture is a dangerous personal and business position to take. Don't assume that your family shares all your personal goals in starting or expanding your agricultural business. Involve the whole family in completing the Personal and Family Considerations Worksheet.

Using the Worksheet

There are several options for using this worksheet. One is to have each family member fill out his/her own worksheet, encouraging each member to independently complete the process, and emphasizing that there are not "right" or "wrong" answers. Then transfer the individual results onto a summary sheet (illustrated below) using abbreviations for the family member names. You can then share the summary sheet with all members, and have a meaningful discussion about results. This exercise allows family members to individually think through their personal, family and future concerns, and then present their thoughts in an organized manner. Remember there are no right or wrong answers, and it is the rare family that totally agrees in all areas! The purpose of the worksheet is to get concerns and discussion out on the table before decisions affecting all family members are made. The result may be an overwhelming enthusiasm for the project once concerns are addressed and discussion about implementation clears the air.

Sample Summary Sheet

Make an extra copy of the Personal and Family Considerations Worksheet and label it "Summary". When all family members have completed their worksheets, log responses on the summary sheet using abbreviations or initials for family member responses, as shown below.

Personal and Family Considerations Worksheet—Summary

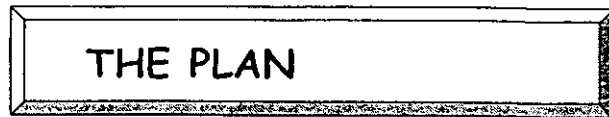
Fran = F; Tommy = Ty; Grace = G; Tim = Tm

Personal Considerations	Strongly Agree	Agree	Disagree	Strongly Disagree
1. I have no problem working 10-12 hours a day, 6 days a week, including holidays.	Ty, G	F		Tm
2. I know I can work productively for long hours and meet deadlines, no matter what it takes.	Ty	G, F	Tm	
3. Foremost among my personal goals is the freedom to pursue my own desires.		Tm		
4. I am prepared to lose my savings.	Ty	G		F, Tm
5. I can go without a vacation for a year.	Ty, G		F, Tm	
...etc.				

Personal and Family Considerations Worksheet

	Personal Considerations	Strongly Agree	Agree	Disagree	Strongly Disagree
1.	I have no problem working 10-12-hour days, six days a week, including holidays.				
2.	I know I can work productively for long hours and meet deadlines, no matter what it takes.				
3.	Foremost among my personal goals is the freedom to pursue my own ideas.				
4.	I am prepared to lose my savings.				
5.	I can go without a vacation for a year.				
6.	It is important to me to create my own space in which to work.				
7.	At the expense of professional stability and perhaps higher income, it is important to me to be able to determine when and where I work.				
8.	When I think about the future, I envision positive, new growth opportunities.				
9.	I am prepared to sacrifice money and/or time to commit to community, religious or charity obligations during the first five years of my business.				
10.	If I needed to, I could keep a full-time job and run my ag-business on the side.				
11.	I would rather spend less time working at my non-agricultural business job.				
12.	I too often sacrifice things I like to do for the sake of the business.				
13.	My current ag-business doesn't hold my interest or use my skills very well.				
14.	I wouldn't mind if our new enterprise took a few calculated risks to make more money.				
15.	I would be willing to borrow money to finance the new agricultural enterprise.				
16.	If the new agricultural enterprise fails, I would continue working in the agricultural business.				
	Family Considerations	Strongly Agree	Agree	Disagree	Strongly Disagree
17.	My family obligations rank number one on my list of priorities.				
18.	My family will tolerate my working 60 hours or more per week.				
19.	My family is prepared to lose the family savings.				
20.	I have the enthusiastic support of my family to pursue an entrepreneurial venture.				
21.	Our family spends adequate time together.				
22.	Our family usually has enough spending money.				
23.	We don't mind talking business when the whole family is together.				
24.	Family relations do not get strained when there isn't enough money.				
25.	The agricultural business is not too much for the family to handle now.				
	Future Considerations	Strongly Agree	Agree	Disagree	Strongly Disagree
26.	It is important to me that the business provides more income in the future.				
27.	Being able to stay on the land is more important than making more money.				
28.	The family should always come before the business.				
29.	I'd like to maintain my present role in the agricultural business or off-premise job.				
30.	It is very important for the children to work in our agricultural enterprise.				
31.	I would like to have more responsibility in the agricultural business in the future.				
32.	I am willing to work harder than I do right now.				

FARM BUSINESS PLANNING



Sustainable agriculture is not achievable without careful planning. For your farm business to perform at its best, it is necessary to develop a Farm Business Plan which specifies the way in which you will use your resources to achieve what you want from your business. Outlined here is a simple approach to developing a Farm Business Plan. This approach pays particular attention to understanding where you have come from by benchmarking past performance, understanding clearly your current situation, setting clear objectives, both personal and business and then developing a realistic strategy for the achievement of those objectives.

HOW TO WRITE YOUR FARM BUSINESS PLAN

As this is to be a formal plan for your business, it is important that you recognise the need for change and that you are committed to improving your business. You should therefore prepare the initial draft of your Farm Business Plan yourself.

DEVELOPING YOUR PLAN

There are a number of ways to develop a business plan and you should develop your plan in the way that best suits you. It is essential that your plan is based on sound factual information and that the approach is methodical. It should address both personal and business needs. Your Farm Business Plan must be developed so that everyone who relies on it has confidence in the plan and its ability to deliver the business and personal objectives. The best results are only achieved when all business partners work through the process together.

USING CONSULTANTS

It may be useful to have an independent person such as a consultant, accountant or financier to help you, however, it is not compulsory to use one. If the decision is made to work with an adviser, there are a number of ways to do this:

- You and your family can develop your plan by yourselves and have it checked by an adviser; or
- You and your family can develop the plan together with an adviser; or
- The adviser can develop your plan for you and then you can check it.

The second of these options is considered ideal because your adviser can be a "sounding board" while the plan is being developed. The third option is considered far from ideal, as you will probably not feel you truly "own" the plan.

THE PLANNING PROCESS

A large part of your Farm Business Plan will be concerned with farm productivity but all the other issues important to your business need to be addressed. The planning process should involve your family, partners, stakeholders, etc and you need to consider where your business is now, where it is heading, what you must do to get there and how you will review progress. Your plan should reflect your VALUES (personal and business ethics, principles, ideals). It should help you achieve your VISION (your "dream" of the future) and should clearly outline your MISSION (what you do, for whom):

- ✓ record the historical context of your business;
- ✓ establish benchmarks of business performance, particularly those that are critical to the success or failure of your business;
- ✓ set personal and business objectives;
- ✓ develop realistic strategies for achieving these objectives;
- ✓ detail the timings and costs involved;
- ✓ include a plan to monitor your progress; AND
- ✓ be sustainable, productive and profitable, but also environmentally stable and socially acceptable.

Implementing your plan should lead to a farm business that is sustainable and profitable in the long term.

WRITING YOUR PLAN

Your *Farm Business Plan* should be written down. It is not enough to simply keep it all in your head. A written plan helps you to remember important details. It also allows others to see what you plan to do and their part in this, ensures your strategies are clear to all, and will assist your financiers to better understand your business. It will help to keep you and your partners accountable to each other and the plan.

YOUR HISTORY

If you are preparing your first plan, it is helpful to document the history of your business. This would include details on land purchases/sales, changes to the structure of the business (new partners, new trust, etc) and other aspects that you consider important.

Along with various other information such as an assets and liability statement, plant list, etc, this provides a handy "one source" record of all the important details of your business. These details should be updated regularly.

WHERE ARE YOU NOW?

During planning, it is essential to honestly and accurately analyse the current situation. To achieve your objectives, you must know where the farm business stands now, what strengths and weaknesses exist within the business, what opportunities can be capitalised upon and how threats/risks can be managed. A SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis forms the launching pad for your future plan. This may relate to the general environment and your industry, but the most powerful are those that distinguish your business from its immediate competition.

RESEARCH YOUR PLAN

Put plenty of time aside to develop your Farm Business Plan. For convenience, you may wish to complete it in stages. Your plan must be based on sound and reliable information collected from your records (ie income and expenditure and production details over the past 5 years help to identify your current farm trends), the marketplace and any other source required. You should establish reasonable, relevant and sustainable benchmarks for your business which include Key Performance Indicators (those things that are *critical* to the success or failure of the business) that will enable you to monitor progress.

ISSUES TO ADDRESS

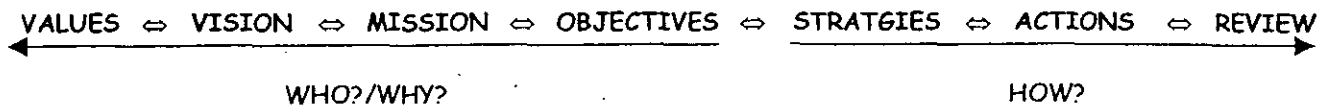
Your Farm Business Plan should detail the approach you will take to achieve your objectives. It should also detail exactly what is to be done, who is to do it and when it is to be done by.

⊗ Your objectives - First and foremost the Farm Business plan needs to list your personal and business objectives, both short term (next 12 months) and long term (next 5 years and beyond).

⊙ Personal Objectives - What are the personal objectives of the people involved in your business?

FARM BUSINESS PLANNING

THE PROCESS



To develop a Farm Business Plan follow these simple steps.

REQUIREMENTS	TO DO	WHAT TO WRITE DOWN
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STAGE 1 - Personal Objectives		
A. People involved	Agree on who has an interest in the business eg your family, partners, shareholders, workers, etc	List all persons and their roles
B. Personal values and vision	Talk to all the relevant people. What do they want from the business? Income, lifestyle, career development, education, retirement and succession planning are some issues to consider.	Each person's personal needs, wants and objectives to be recorded. Document the values that define how you do business.
C. Situation analysis	How are things going? Are the objectives being realised? Is everyone happy with his or her role in the "partnership"?	Outline the current state of affairs. Are personal objectives being realised? How much of a gap is there between where you are now and where you want to be? What more has to be done?
D. Business mission	Agree on the role your farm business is to play in achieving the stakeholders' objectives and how it will meet customers' needs.	Describe the role the farm business is to play and how it will satisfy customers..

STAGE 2 - Business Objectives and Overall Strategy		
E. Business Details and History	Consider the particular features of your business and record the major events that have occurred in it's history	Describe your business structure, partner/directors, etc, detail land holdings, etc. Record dates/details of land sales/purchases, infrastructure developments, structure changes, technology/enterprise changes.
F. Situation analysis (SWOT)	Establish the current state of the business. Is it making or losing money? Is its produce selling well? Is it sustainable? How do you stand with debt? Do you have the right people? What strengths, weaknesses, opportunities and threats exist? What are the critical success factors for the business?	Outline the current financial and business status of your business on the key issues, including strengths, weaknesses, opportunities and threats. Try to focus on those things that are unique to your business and that you can influence.
G. Business objectives	Based on your situation analysis, what specifically needs to be achieved so the business can satisfy the stakeholders' objectives, how much does the business have to return and what changes need to be made, etc?	List the short and long term objectives and how you will measure success.
H. Develop an overall strategy	Decide on the approach you will take with finance, marketing, resources, people, production, products, skills improvement etc to develop the business	Outline the nature of your business and the direction needed to realise the business objectives.

REQUIREMENTS	TO DO	WHAT TO WRITE DOWN
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STAGE 3 - Operational Plans

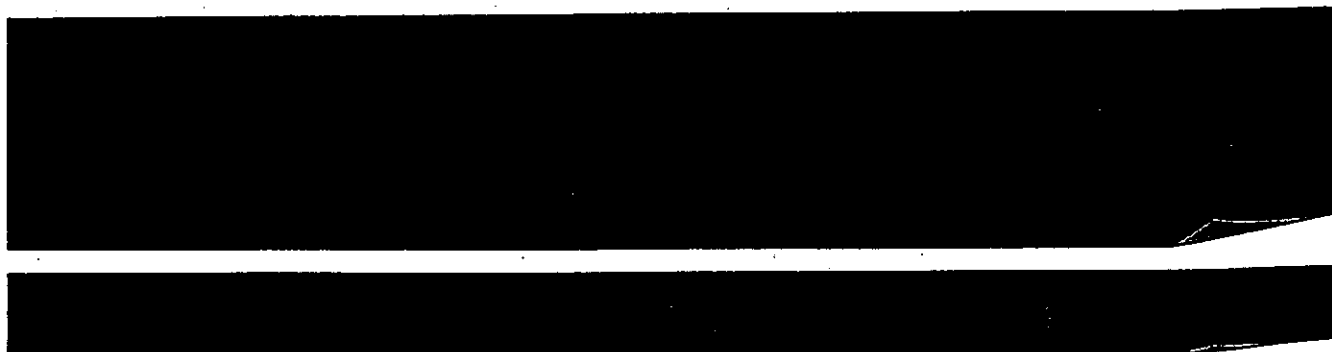
I. Funding plan	Determine the funding required to achieve your business objectives. How much will this cost? Where will the money come from?	A financial plan covering at least the next five years. Use this to determine your financial needs.
J. Marketing plan	Determine if you are producing what the market wants. How will you market your produce? What does this involve? Do you need to change your product? What about future developments - is your business sustainable?	A marketing plan detailing how you will: <ul style="list-style-type: none"> ⊙ Market your products profitably ⊙ Overcome threats and weaknesses ⊙ Capitalise on strengths and opportunities
K. Human resources plan	Who will be involved in realising your plans? What skills and resources will they require? How will new expertise be acquired?	A recruitment, training and staff management plan.
L. Sustainability plan	Consider your farming practices. Are they ecologically sound? Do they enhance environmental stability on your farm and the wider catchment? Are they socially acceptable today and will they be so in the future?	List the areas of concern (salinity, nature conservation, erosion, water logging, chemical resistance, etc). Consider ways to alleviate these focussing particularly on high water use efficiency.
M. General management plan	How will the business be managed? Consider issues such as structure, responsibility, accountability, monitoring, communication and reporting.	A management policy and approach that fully addresses how you will overcome threats and weaknesses, and capitalise on strengths and opportunities.
N. Production plan	Determine what you will be producing in the short and long term. How will you do this efficiently? Do you need to acquire additional expertise, stock or equipment?	A plan detailing what is to be produced and what resources are required and when.
O. Pricing plan	Taking your costs into account, what prices will you need to achieve to ensure your business is profitable and your goals are achieved?	Detail the prices you must achieve to be profitable.

STAGE 4 - Action

P. Action plan and critical time path	Develop a plan of what has to be done, when actions are required and who specifically will be responsible for following them through. Prioritise the actions.	Prioritise the action to be taken, who is responsible and when the deadlines are for each specific action plan.
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STAGE 5 - Review and Monitor Progress

Q. Ongoing	Meet formally and regularly with all the business stakeholders. Discuss how effectively the planned actions are being implemented and whether the objectives are being achieved. Decide on any adjustments that need to be made.	For each specific action plan, compare actual performance against targeted benchmarks particularly in relation to identified key performance indicators (or critical success factors). Document any changes to the plan.
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- What financial rewards do you expect from the business and what is a reasonable salary for staff?
- Consider your lifestyle. What do you want in terms of holidays, time off the farm and time with your family?
- Do you plan to pass the farm on to the next generation? How can this be done in a way that ensures the farm business remains profitable and sustainable? How will you cater for non-farming family members?
- How can you or your parents retire in comfort, on or off the farm?
- How can you and your family and staff improve your skills in relation to the current and future needs of the business?

⊙ **Business Objectives** - What will it take to make your business sustainable in the long term?

- What are your short term and long term objectives?
- What net profit does the business need to achieve?
- What return on investment is reasonably expected?
- What productivity targets need to be achieved?
- Does your business need to expand, diversify?

⊙ **Business Strategies** - Having established goals for your farm business, the next stage is preparing realistic strategies to achieve these goals. In developing your plan, it is important to think the implications through, eg an expanded cropping program may require additional machinery, labour or finance.

The strategies you develop must take into account the personal and business objectives they are designed to achieve. Each strategy must then be broken down into concise and specific action plans for implementation.

Consider two important business planning principles. Firstly, SMART plans should be Specific, Measurable, Achievable/Agreed, Relevant/Realistic, Timely. Secondly, you must monitor your progress - "what gets measured, gets done"!

Once your strategies are developed it is important that all members of the business (family, partners, staff) understand the how and why of each strategy, their areas of "ownership" and action. This "ownership" is best achieved by having all parties involved from the outset. The strategies must also include:

⊙ **Sustainability**

- **Resources** - Make a list of your farm's current physical resources, ie land, labour, machinery, etc. What additional resources are needed to achieve your objectives?
- **Production** - What do you need to do to improve your production, to make your business profitable in the long term? Is your current output going to give you the returns you need? do you need to diversify your enterprises? What does this involve? Do you need to invest in new equipment and over what period of time?
- **Marketing** - How will you sell your products and to what markets/which customer (eg selling wool direct to a local processor or contracts for high protein wheat)?
- **Business Structure** - What business structure will best suit your needs now and in the future and why?
- **Practices and Procedures** - Will your farming system be ecologically sound? Do your farming practices enhance environmental stability - on your farm, your neighbour's and the wider catchment area? Are the procedures you undertake socially acceptable - will they be in the future?

⊙ **Finance**

- **Capital Investment** - Do you need to invest in machinery, farm improvements or expansion? How much is required and when? Who will provide the capital? What are the costs and benefits of each investment? Do they provide adequate returns? What has priority?
- **Finance** - What are your finance requirements? What finance structure and lending security will suit you best?

⊙ Management

- **Management and Skills** - What skills will you need to accomplish your objectives? How will you acquire them? Will you need to pay for consultants or acquire other expertise? Are your staff adequately skilled to implement your planned actions?
- **Risk Management** - How will you handle the ups and downs in markets and the weather? Can you use cash reserves or off farm investments to ensure your business is sustainable? Are you adequately insured (business and personal)? Are hedging and/or futures contracts beneficial? Are superannuation levels appropriate?

⊙ Monitoring performance

Having decided on the strategies needed and the specific actions required to ensure your farm business is sustainable, the final stage is developing a timetable. Decide which goals are achievable in the short, medium and long term with specific dates (eg 31 March 2000). How will you judge whether your strategies are successful?

- ⊙ **Fine Tuning** - Over time, as you review your progress, you will need to reconsider parts of your plan and update it. Ideally your plan should have ways of measuring its effectiveness and of allowing you to "fine tune" it regularly. It should be flexible to meet changing times and conditions. Set up a specific plan to monitor your progress. Remember, what you record is remembered and what you measure, gets done!

The issues to be covered in your Farm Business Plan will partially depend on your business. You may need to ask a consultant or contact the Corporation for advice on the elements that should be included in your plan.

- ⊙ **The Next Stages** - As you monitor your progress you will find gaps in your plan. You will need to revise your benchmarks and targets. Your strategies are likely to change and your plan will need revision. This is a continuous process. That's why we call the Business Plan a *A Living Document*.

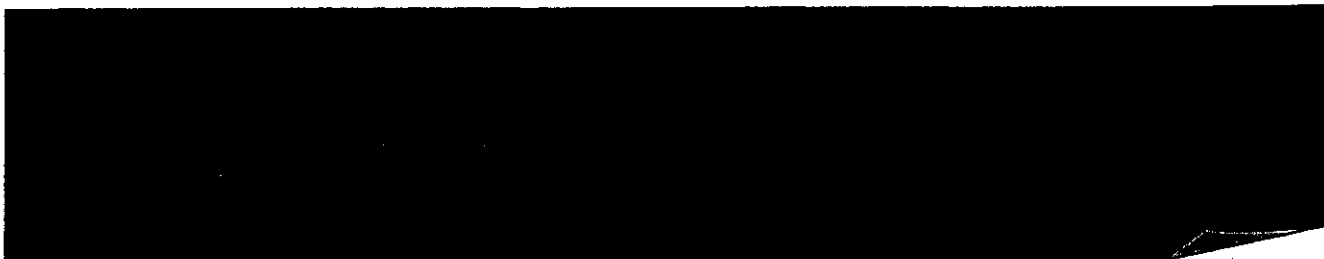
To *summarise*, some key areas are:

Personal - Family involvement, Skills, Structure, Succession planning, Financial reward, Life style.

Business - Financing, Marketing, Human resources, General management, Production, Risk management.

Technical Management - Production strategies.

Sustainability - Long term profitability, Environmentally sound, Socially acceptable.



Ag-Alternatives

Agriculture Business Alternatives

October 2000

Agdex 811-5

Decision Making

Will You Start a New Enterprise?

Ag-Alternatives is a series of factsheets designed to help you evaluate the feasibility of a new agricultural or rural based business. Worksheets in each factsheet help you personalize the information.

You have an idea for a new enterprise and you've discussed the idea with your family, assessed your resources, researched the market, defined production requirements, and analysed profitability and cash flow. The enterprise looks feasible, but how do you decide whether to proceed? This factsheet, the last of seven factsheets in the Ag-Alternatives series, outlines a decision-making framework to help you focus on your decision. It also includes information on business plans. We end the series with 10 keys to success gathered from farmers who have started successful agricultural ventures.

Making the Decision

Many business people follow their intuition. They have a gut feeling that they should go ahead. It just feels right.

In all likelihood, this gut feeling is because the new enterprise is a good fit with three critical business factors: values, goals and resources.

Values are what a person considers to be important in life. Examples of business values are to develop superior products, to grow pure medicinal food, to care for the environment or to develop long-term customer relationships. What are your values? Does your business idea mesh with them?

Goals are what you want to achieve with your new business. Goals should be stated in specific, measurable and achievable terms. For example: We want to earn an extra \$10,000 a year from our bed and breakfast within three years of start up.

Resources include both your personal resources (skills and abilities), your financial resources and other resources such as land, machinery and equipment.

A Decision-making Framework

Maybe you don't have that gut feeling. You're still indecisive. Here's a seven step process to help you focus your thinking. If you've worked through the six factsheets in the Ag-Alternative series, you've gone through all these steps in detail. This decision-making process is a review.

Define Your Problem

Why do you want to start a new enterprise? Is it to increase income, to bring in another family member, to utilize resources, to spread risk, to gain more control over prices, to use skills or to challenge yourself? Is there a problem with your current business? Will the new enterprise help to alleviate it?

Look at Alternatives

Think about all the different ways your business could change. Is the alternative you're considering the best one to solve the problem you've identified?

Assess Alternatives

Review your options. How will each option impact your existing operation? Consider how well the option solves your problem or achieves long-term business goals. Is there another way to look at business goals?

Select the Best Alternative

A decision-making checklist is a tool that can be especially useful when you're trying to decide between alternatives. The checklist helps you to rate alternatives based on what is important to you, your family and the business.

For example, Joe and Anita want their new venture to do four things:

- increase family living income
- utilize personal skills
- provide a good return for the time involved
- utilize resources

They are trying to decide between starting a bed and breakfast on the farm, or Anita taking an off-farm job at the hotel in town.

They've put their criteria into a chart and rated each alternative on a scale of 1 to 10. They decided each criteria was of equal weighting to their decision.

	Bed and Breakfast	Manage Local Hotel
Increase family living income	5	6
Utilize personal skills	8	6
Good return for time involvement	5	8
Utilize resources	8	3
Increase time together	8	3
Reduce risk	3	8
Total	37	34

This decision making framework helped Joe and Anita look at their decision from a new perspective.

As a business team it's important to decide how to make a choice. Your decision can be made by a single person or the entire family. You could search for consensus among the group or require a majority vote. Each person must think that they have been heard so that they are comfortable in expressing concerns and opinions in the future. You want buy-in from everyone involved.

Take Action

There comes a time when you have to move ahead and make the decision. Do you go ahead, or not? If your research, ratings and analysis have helped you clearly see how the business might look and run after your decision is implemented, the image of your new business can energize your entire team. If you've done the market research and financial analysis, you are able to proceed with confidence.

To put your decision to proceed into action there are several activities you need to do. Develop an implementation plan, including a development timetable, production schedules, marketing plan, management structure and a financial plan.

Evaluate

You need a process to monitor the effectiveness of your decision. For example, Anita and Joe need to identify the impact the bed and breakfast has on their family living income, their time together and themselves due to the risk they've taken on.

Accept Responsibility

You and your business team must be prepared to accept the consequences of your decision. If the business works out, celebrate your success. If the business doesn't work out, analyse why and learn from your mistakes.

If you decide not to proceed with your business idea, don't be discouraged. It's better to find out that your business idea has some weaknesses before you invest a lot of time, energy and money. The skills you've learned through the Ag-Alternatives factsheets will be useful in other business endeavors.

Prepare a Business Development Time Line

Once you've verified that your business opportunity is right for you and made the decision to proceed, there are steps that you need to take to make your business a reality. The gathering of business information continues. Even after you've started your business there will be lots of unanswered questions. Write them down. Set out a time line to get answers to the questions.

Business Plans

A long, detailed written business plan isn't an essential component to business start-up, but it's essential that you consider the components of the plan prior to your start-up. A business plan that you develop and revise on an ongoing basis is a valuable tool. It's the process of planning that pays dividends. Most businesses fail not because of lack of motivation, but because of lack of planning.

A business plan helps you formalize the thinking and planning process. Writing a plan helps you systematically think through the steps involved in your business development. By completing a business plan you better understand the markets, costs and competitive factors that influence the future of your new business. A well thought out plan gives you increased confidence and better prepares you to obtain necessary financing and resources. Think of a business plan as a working document, one that changes, expands and shifts with the times. If you've completed the worksheets in the Ag-Alternatives series, you've already done a lot of the initial planning.

There are times when a formal business plan is a requirement. If you need a loan from a financial institution, you'll likely be asked for a business plan. The following is an outline of a business plan that the Agricultural Financial Services Corporation (AFSC) recommends. Depending on your situation and your business idea, you may not need to include all the information, but the questions are all worth considering.

Executive Summary

Include a few sentences on each:

- the company's goals
- factors critical to the success of the company
- products and services
- markets and industry
- management
- financial position and performance (both current and projected)

The Business

- What business are you in?
- What are the company's goals?
- What are your past achievements and strengths?
- What are your past problems and current weaknesses?

Products/Services

- What is the planned output and sales mix for your products or services?
- For each product or service, what is the cost and profit?
- Who buys each product or service?
- Are there any patents or proprietary services?
- How up to date are your products or services?
- What plans are there for expanding or redesigning product or service lines?
- For each product or service, what changes in sales mix, cost and profit do you project? Why?

Industry Analysis

- What is the size, maturity and competitive nature of the industry?
- What are the barriers to entry and growth?
- How does economic development affect the industry?
- What is the industry's financial position and performance?
- What is the role of innovation and technological change?
- How is the industry affected by government regulations?

Market Analysis

- What is the target market and to whom are you trying to sell?
- How can you segment your target market?
- What are the trends in your target market?
- Who are your competitors and what is their market size, market share, competitive strengths and weaknesses, and prospects?
- Who are your customers and what are their product/service preferences and reasons for purchasing?
- What are your sales and profits by market segment?
- What is your current and projected market share?

Marketing Strategy

- What customer groups will your business target?
- To generate sales, what product or service attributes will you emphasize?
- What location advantage and disadvantages do you have
- What distribution channels will your business use?
- What about sales personnel?
- What service and warranty policies will be observed?
- How will the product be priced?

- Will credit be extended and under what circumstances?
- How will the company advertise and otherwise promote its products or services?

Management and Organization

- List the officers, shareholders and their shareholdings
- What is the current and anticipated organizational structure of the business?
- How do decisions actually get made?
- What is the company's decision-making and management philosophy?

Implementation Plan

- What actions or activities are necessary for the business to achieve its goals?
- When do you need to perform each action or activity?

Potential Risk and Pitfalls

- What, if any, critical risk does your business face and how can you minimize them?
- What problems may hinder or prevent implementation of your business plan?
- How can the business avoid or offset each of these potential problems?

Financial

- Financial statements and projections
 - How will the company perform financially?
Project yearly income statements for two to five years
 - What will be the company's cash position?
A monthly cash flow projection for the next year is required
 - What will be the company's financial position?
Project year-end balance sheets for the next two to five years
 - What are the significant assumptions used in preparing the financial statement projections?
These would include items that are sensitive to variations, deviations from historic trends or items that are especially uncertain
- Personal net worth statements of principals

Sensitivity Analysis

- How will the financial statements look if the company does as well as it possibly could?
- What would the worst case financial statements look like?
- What are the most likely financial projections?

Keys to Success

There are no easy answers to business success. Farmers who have started successful agricultural ventures recommend the following:

1. Choose something that you love to do.
2. Create a high quality product.
3. Start small and grow naturally.
4. Make decisions based on good records.
5. Produce what your customers want.
6. Establish a loyal customer base.
7. Provide more than just a food, product or service. Provide an experience.
8. Get the whole family or partners involved.
9. Keep informed.
10. Plan for the future. Set goals for your business and establish a plan of action to achieve them.

Summary

If you decide to go with a new agricultural venture, begin with confidence. You've analysed and researched the opportunity and know that it fits your family and farm. If you decide to look at other opportunities, start the research and analysis process again. You've developed skills that will be useful in your ongoing search for a suitable business venture. Use them.

For More Information

Check these Alberta Agriculture, Food and Rural Development web addresses for business planning information:

<http://www.agric.gov.ab.ca/bizinfo>
<http://www.agric.gov.ab.ca/diversify>

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Ag-Alternatives

Decision Making: Will You Start a New Enterprise? is just one title in a series of factsheets designed to help you evaluate the feasibility of a new agricultural or rural-based business. The complete series includes:

Personal and Family Considerations: Where do You Want to Be?

Identifying Alternatives: What are the Possibilities?

Marketing: Will it Sell?

Production Requirements: Do You Have the Resources?

Financial Feasibility: Can You Afford to Do It?

Profitability: Will it Make Money?

For more information contact your Rural Development Specialist – Business.

Website:

Alberta Agriculture web site at <http://www.agric.gov.ab.ca>
Rural Development → Agricultural Diversification Opportunities → Resources

Phone:

Dial the Government operator at 310-0000 and ask for the Rural Development Specialist – Business serving your area.

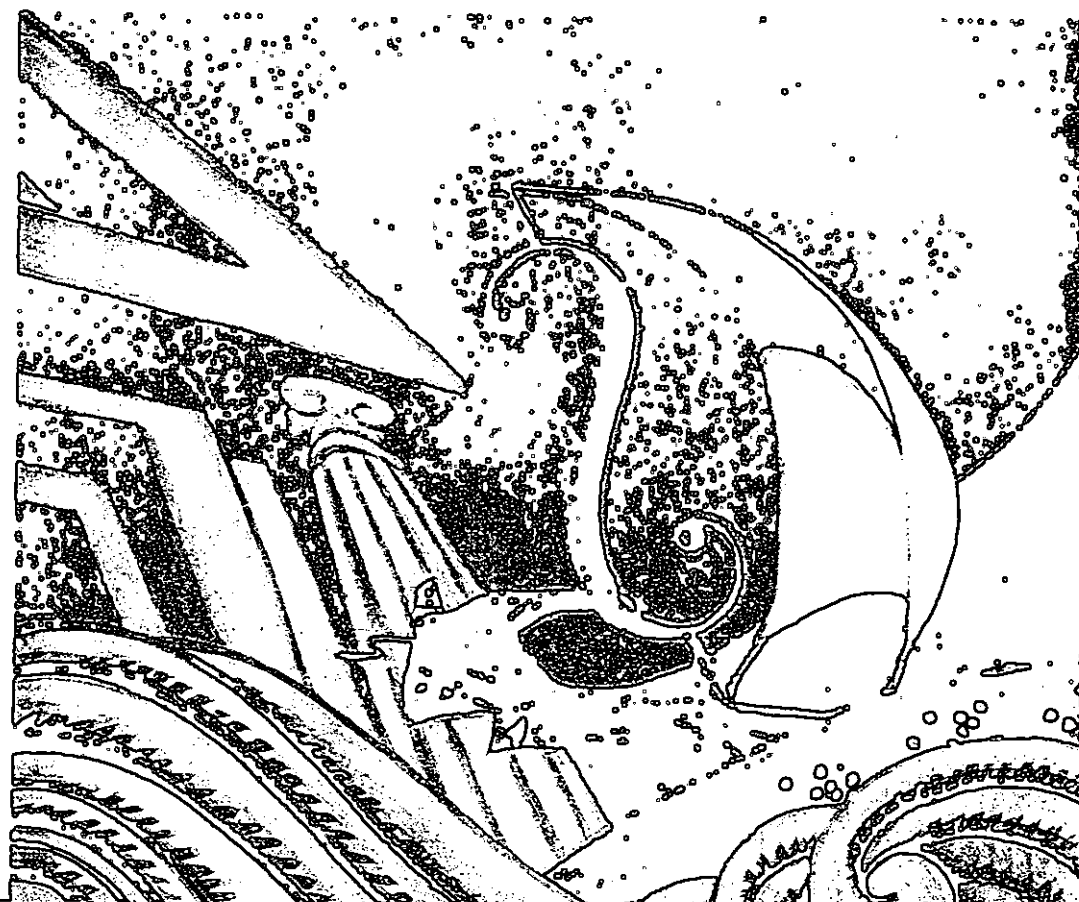
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- An all-new and updated resource guide

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About the Author

David H. "Andy" Bangs, Jr., is the founder of Upstart Publishing and the author of several small business bestsellers. His latest title from Upstart, coauthored with Andi Axman, is *Launching Your Home-Based Business* (1998). Andy lives and works in Portsmouth, New Hampshire.

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