

Agritourism, Your Way

A How-To Guide for Successful Agritourism Enterprises

Prepared for The University of Georgia's Center for Agribusiness and Economic Development and North Carolina State Cooperative Extension Service's Business Side of Agritourism Program Series. The Primary Investigators on this project were Kent Wolfe, Center for Agribusiness and Economic Development and Gary Bullen, North Carolina State University Cooperative Extension Service.



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What is Agritourism?

Poor agricultural commodity prices coupled with rising input cost are slowly, but substantially eroding small farm incomes. Forces such as globalization, industrialization and development encroachment are also threatening small farms. As a result, farmers are acquiring second jobs or leaving their farms altogether in order to sustain their household incomes.

In many regions across the globe, farmers are recognizing the need and desire to diversify their farm products and supplement their agricultural incomes. Agricultural tourism increases the potential for higher margin, on farm sales of value-adding products and services, further diversifying the product line of the farm operation.

Agritourism is defined by the American Farm Bureau Federation (2004) as:

“Agritourism refers to an enterprise at a working farm, ranch or agricultural plant conducted for the enjoyment of visitors that generates income for the owner. Agricultural tourism refers to the act of visiting a working farm or any horticultural or agricultural operation for the purpose of enjoyment, education or active involvement in the activities of the farm or operation that also adds to the economic viability of the site.”

Although other definitions exist, most definitions of agritourism have a common theme that combines elements of the tourism industry with elements of the agriculture industry. This common theme involves bringing members of the public to farms. The ultimate goal of an agritourism enterprise is often to increase farm income by providing education and/or recreation to consumers.

There are three agritourism basics: Have something for visitors to see, something for them to do, and something for them to buy. How well these components are related will determine how successful the enterprise will be.

Research has shown that a unique product is essential to the success of an agritourism business. For example, customers are not just interested in the produce available; they are interested in the total package. That is, they are looking for the product combined with the overall farm experience. The overall farm experience includes special services provided (not all of which have to be free) plus the friendly, local atmosphere created. The goal should be to create a unique experience the visitor.

Imagination is the only limitation as to what can be incorporated into an agritourism enterprise. Some examples of activities include:

Farm tours	Farm museums
Story telling	Bed and Breakfast
Festivals/Special events	Horseback riding
Wineries and vineyards	Pick your own operations
Fee hunting	Nature trails
Farm vacations	Birdwatching
Camping	Tree farms
Country stores	Gardens/Greenhouses/Nurseries
Roadside stands	Fish Farms
Picnic/Playground areas	Dairies
Orchard tours	Corn mazes
Hayrides	Dude ranches
Fee fishing	Animal farms
Pumpkin patches	Cattle ranches

With so many options, it might be hard to decide what to do. Most successful agritourism ventures started with one idea, perfected it and then moved on to the next idea. Take time and listen to the customers, then incorporate their needs and wants into your enterprise.

“Not everything that can be counted counts and not everything that counts can be counted.” - Albert Einstein

Agritourism Today

Today, agritourism continues to be an opportunity to increase income for some farmers and agribusinesses around the nation. Some producer organizations, state and federal government agencies, university Extension programs, state tourism offices, professional consultants and the media are recognizing agritourism as an industry and devoting resources to address it.

The United States Department of Agriculture (USDA) estimates that more than 62 million people over the age of 16 visited farms during a one-year period in 2000-01. This does not count the numerous children and youth under 16 years of age who visited farms during the same time period. One estimate suggests approximately 20 million children under the age of 16 visited farms during the year, bringing the total to 82 million visitors.

USDA Forest Service, Interagency National Survey Consortium. *National Survey on Recreation and the Environment (NRSE)*. 2000-2003. Visit www.srs.fs.fed.us/trends for more information
Maetzold, Jim. National Alternative Enterprise and Agritourism Leader, USDA/NRCS. Personal Correspondence. March 9 2005

Why do people travel?

Understanding why people travel can help assess the opportunities for various agricultural enterprises.

One of the major reasons people travel is to build or strengthen relationships. The number one reason for vacation is to “be together as a family.” Families find they have little time to be alone together—they want to get away from the stress of home and work. They look forward to travel as an opportunity to rekindle relationships. Many seek social interactions on trips, a time for making new friends.

Another reason people travel is to gain better health and well-being. The vast majority of adults say that a vacation is vital to their family’s physical and mental well-being. Most travelers want to refresh and renew themselves by actively participating in outdoor activities.

To rest and relax is a third reason people vacation. Getting away from work, worry and effort enables vacationers to refresh and renew.

A fourth reason to travel is to have an adventure. Many travelers look to vacations for exciting experiences that stir emotions. Adventure, whether dangerous or romantic, provides the heightened sensation that consumers seek.

For Knowledge. Learning and discovery are strong motivators for today’s better educated travelers. People travel to learn or practice a language, study a culture, explore gourmet foods or wine, investigate spirituality, discover something new about themselves, and numerous other

learning pursuits. They want to see, touch or feel something unfamiliar. “Bragging rights” or good stories to tell back home are powerful motivators.

Another reason people travel is to mark a special occasion. Some travelers take vacations to celebrate milestones in their lives- a new relationship, a marriage, a birthday or a professional achievement. Vacations to mark special occasions are usually taken with loved ones and provide memories that last a lifetime.

Lastly, people travel to reminisce. Many people travel to relive fond memories, to rekindle those memories that they remember from another time in their lives.

But why do visitors choose agritourism sites?

People visit farms for a number of reasons. Some of the reasons may surprise you. The 2000-2001 National Survey on Recreation and the Environment outlines the following information of why people visit farms.

1. Enjoy rural scenery
2. Learn where food comes from
3. Visit family or friends
4. Watch/participate in farm activities
5. Purchase agricultural products
6. Pick fruit or produce
7. To hunt or fish
8. Spend a night

Farm-based recreation provides an important niche market for farmers, but limited information is available on the topic. Access to two USDA databases, the 2004 Agricultural Resource Management Survey (ARMS) and the 2000 National Survey on Recreation and the Environment, provide some deeper understanding of farm-based enterprises.

ARMS (2004) indicates that 52,000 farms nationally received income from recreation, representing 2.5 percent of all farms. These farms earned approximately \$955 million in income from recreation activities. Significant variation exists in terms of where on-farm recreation takes place, with the South accounting for more than half of all farms receiving recreational income, followed by the Midwest, which accounts for about a quarter of such farms. A greater proportion of recreational farm operations are also located in completely rural nonmetropolitan counties and in counties more dependent on recreation in general.

Why Agritourism?

“Diversification into...such opportunities as agricultural or educational tours, u-pick operations, farm stores, pumpkin patches, agricultural festivals, and farm stands is not a substitute for a pro-family farm agenda...[However,] one of my fears is that if farmers and ranchers are too tardy in their response to this emerging opportunity, theme park operators will develop simulated farms and operate them as agritourism attractions.”

--Desmond Jolly, Director Small Farm Program, University of California-Davis

For the farmer:

- An opportunity to diversify income
- Increase revenue without increasing acreage
- Compared to traditional commodity markets, agritourism offers a new way of marketing products and services, allowing farmers to put a price on time and value
- An opportunity to build new business with resources that already exist
- Provides a way to include future generations on the farm or ranch and keep the land in the family
- A way to supplement retirement
- Offer a way to educate the public on how their food is grown
- Demonstrate and showcase how producers protect and care for the land and natural resources
- An opportunity to educate people about both historic and modern methods of farming and the risks involved in everyday agriculture

For the traveler:

- Unique and authentic experiences
- To get away from everyday stress
- Most individuals are three to five generations removed from the family farm. They no longer have a parent, grandparent or relative to visit on the farm anymore
- To participate and see how their food is grown
- To experience the culture and heritage

Is it For Me?

Agritourism activities are only limited by your imagination. If you are considering agritourism, you will need to look at your surroundings and resources in a very creative and different way than you have in the past.

Agritourism enterprises offer opportunities to diversify the farm business. Such activities offer additional income opportunities and may provide safe alternatives for family labor as well as opportunities to promote the critical yet diminishing industry of agriculture. However, activities may result in extra responsibilities, require additional labor, interfere with ongoing farm activities, lead to a deterioration in privacy and increase the farm's exposure to risk and liability.

Starting an agritourism operation requires consideration of a number of factors. Keep some of the following in mind as you decide to pursue:

- *Chose something you love to do.* It's hard work to start a new business under the best of circumstances. If you are doing it just for the money, it's unlikely that the energy, creativity and satisfaction necessary for success will be adequate. What are your talents, skills and interests? Are you or others in your family good at particular crafts such as woodworking, quilting or others that could be taught or demonstrated?
- *Get the whole family involved.* Agritourism takes additional energy and skills. When several family members are involved, each person can contribute his or her unique talents and specialize for efficiency.
- *Follow demand-driven product.* Produce what your customers want. Get to know your customers. Keep adjusting your products according to their tastes and preferences. Conduct research at the library or on the Internet. Talk to friends, neighbors, other producers, people in the tourism industry, extension service, RC&D Council, foundations and other entrepreneurs who run agritourism enterprises.
- *Create a high quality product.* Quality is the single most important element that will differentiate your product from mass-produced alternatives. Make your product or service unique. Remember people are looking for a connection with their rural roots. They want to experience the satisfactions of your farm life. Provide them with some fun, education, peace and relaxation.
- *Keep informed and educated about the industry.* It is important to keep informed about your customers, your competition, the laws concerning your business and other producers. Attend conferences and meetings. Join organizations such as your local chamber of commerce and Rotary that serve local businesses as well as your new customers.
- *Start small and grow naturally.* Invest your ingenuity first, labor second and money third. If you start small, the effort you invest and the income you generate are more likely to be matched. Let the market tell you when and how to grow.

- *Form partnerships.* Make plans to work with those in your neighborhood, community and region. Look for ways you can work with other businesses and local attractions to make all of you more successful.

Since everyone is not suited for carrying out agritourism activities on their farms, first determine whether or not it is an appropriate option for you. To do this consider the following:

Does my family like meeting all types of people?

Do I like to entertain strangers?

Do I mind giving up some of my privacy at home?

Can I always be cheerful and helpful around my guests?

Are my farm and facilities neat and clean?

Am I successful at managing and organizing my home and farm expenses?

Before embarking on an agritourism venture, weigh the advantages and disadvantages to hosting visitors on your farm. Consider the following and add any additional that may apply.

Possible advantages

- Diversify and bolster income sources
- Share challenges and satisfactions of your lifestyle with others
- Develop interpersonal and communication skills
- Agritourism activities may take place on a small scale
- Visitors represent a high-value, low-volume market
- Relatively inexpensive

Possible Disadvantages

- May require additional money and time
 - Planning can be tedious and frustrating
 - May impact some family members negatively
 - Additional risks involved in allowing visitors on property
 - Additional facilities may require additional time and money
- Adding products and services is a long-term process

Keys to Success

The Southern Sustainable Agriculture Working Group and The National Center for Appropriate Technology interviewed successful farmers to determine what they learned in marketing directly to consumers. A few general practices emerged that could be considered as "Keys to Success."

- *Choose something you like (love) to do.*
Most people start value-added activities to make more money. Your sincere enthusiasm and belief in your product are part of what make you unique. Without doing something you love to do, it is difficult to find the energy and motivation to stick with it.
- *Provide quality.*
Offer a high-quality product or service. High quality with some unique trait is an avenue that many direct marketers pursue to differentiate their product. Quality is made up of many dimensions (fresher, better tasting, healthier, more consistent, or cleaner product; thoughtful presentation or packaging/labeling, etc.). It may be tempting to use substandard inputs or service, but most direct marketers today find that a great experience or quality product is more important for attracting consumers than a low price. The consumer knows value and if you're shooting for low quality and price, direct marketers can seldom compete with large wholesale and retail outlets.
- *Start small and grow naturally.*
Starting small usually means investing less money and borrowing less. Starting small also means mistakes are less costly; remember, it is easier to manage a small operation.
- *Keep good records (production, financial, regulatory).*
Trying to manage without good information is like trying to find an address without a map. Good information and records are necessary for knowing whether or not you are meeting your goals and for understanding reasons why your goals are or are not being met.
- *Provide what the consumer/customer wants.*
There are two approaches to agricultural marketing: "push" and "pull." The push approach implies producing a product and then pushing it onto consumers for the going market price—the traditional way of marketing many commodity crops. The pull strategy, however, is increasingly becoming the norm in today's environment. Under this approach, specific products and desired product attributes are targeted using consumer preferences so that the seller is not entirely a price taker at the market place.
- *Maintain a loyal (preferably local) customer base.*
An important way to capitalize on your uniqueness is through relationship marketing. You are unique and no one can do exactly what you can do. These personal relationships and the trust they engender over time are effective marketing strategies. Local customers are generally the easiest to develop into a solid, loyal customer base.
- *Provide more than just a product.*
Most successful value-added businesses provide more than just a product or service. They provide an experience that can be in the form of pleasant social interactions, a chance to experience the rural way of life, education, services, tours, etc.

- *Involve others.*
Get the whole family, partners, and/or community involved. Take advantage of different skills and talents.
- *Keep informed.*
You must keep informed on every aspect concerning your business, consumer wants, competition, finances, etc.
- *Plan for the future.*
Fail to plan and you plan to fail. It's true. Planning is essential to success. In planning be realistic in terms of goals, pricing, costs, time commitments, etc. Be flexible and realize that the best-laid plans can go wrong and that things change.
- *Evaluate continually.*
Things are always changing. You need to constantly monitor and evaluate what is going on in your business. It is impossible to know if you are reaching your goals without taking the time to evaluate.
- *Persevere.*
You need a good deal of perseverance just to figure out how to produce the products, much less how to market them. Identifying your niche and building a customer base takes time.
- *Secure adequate capitalization.*
A direct-marketing or agritourism business is likely to operate at a loss for at least the first year or more of operation. Make sure you have adequate liquid financial reserves to meet setup costs and cash flow requirements. Many businesses fail because they did not secure enough capital to see their venture through to a positive cash flow.

Planning is important and the key to success for all types of business ventures, including direct marketing and agritourism. Before starting, be prepared. While much of the market risk of adverse price swings is removed with a direct-marketing enterprise, risks associated with production (quality and yield), events being rained out, greater labor skill requirements, and liability risks require that careful risk assessments are made before disaster strikes. Dr. Neil Hamilton's book of *The Legal Guide for Direct Farm Marketing* (Drake University Agricultural Law Center and USDA Sustainable Agriculture Research and Education [SARE]. 235 pp. June 1999) is a good resource for assessing the legal risks of a direct farm marketing or agritourism enterprise (www.statefoodpolicy.org/legal_guide.htm). Most ventures will fail without proper research and planning. Assess your management skills and personal qualities as well as your family needs and lifestyle preferences. With proper planning, you will position yourself to be successful.

Now What?

Now the decision has been made. Starting any new enterprise can be risky. Before investing time, money and energy in an unconventional business, consider the following:

1. Personal assessment
2. Business goals and objectives
3. Internal resource assessment
4. Business plan

Personal Assessment

Where does tourism fit into my farm plan?

Tourism can be:

A supplementary enterprise. As a supplementary enterprise, agritourism could be a minor activity that would support the other products on the farm. For instance, if the primary enterprise is livestock production, you may decide to invite school groups to your farm several days a month to learn about your animals and your occupation. Occasionally hosting guests on your farm would make agritourism a supplementary enterprise to your primary enterprise as long as the agritourism activities were a minor part of your farm product mix.

A complementary enterprise. As a complementary enterprise, agritourism activities would share equal footing with other enterprises in your farm product mix. For example, you may have an apple production enterprise on your farm. If you were to sell half of your apples to a wholesaler and the remainder to "pick-your-own" guests on your farm, then the two enterprises (the wholesale market and the direct market) would be complementary enterprises.

The primary enterprise. As the primary enterprise, agritourism would be the dominant activity on your farm. For instance, you may decide to open a winery on your farm and invite guests to spend the day or the weekend tasting wine. As part of the wine tasting package, you may include overnight lodging in a cottage on your property. You may produce grapes for the wine on your farm to supplement your wine tasting activities. However, because agritourism is the main part of your farm product mix, it becomes your primary enterprise.

It is important for you, as a farmer, to realize that agritourism has the potential to become whatever you want it to be on your farm. Whether you use agritourism as a supplementary, complementary, or primary enterprise, you must be ready to think creatively and plan effectively in order for your new enterprise to be successful.

Something to Think About:

Tips for Getting Started and Staying on Track

Recommended for a 1- to 2-year period:

1. ***Assess your resources***
 - Look at notes you have made in this workbook. Use them to make a more in-depth assessment of the resources available to you and your family
2. ***Get informed***
 - Attend Conferences, field days, workshops, trade shows and schools
 - Purchase books, videos, newsletters, magazines and other publications
 - Go to the library and do some research. Use the internet to get the most up-to-date information. If you don't have an internet connection at home, one should be available to you at the library
 - Look through the resources listed in the NRCS publication "Alternative Enterprises and Agritourism: Farming for Profit and Sustainability Resource Manual," available at your area Resource Conservation and Development office, or visit the web site www.nrcs.usda.gov/technical/RESS/altenterprise
3. ***Find out what other entrepreneurs are doing***
 - Talk to neighbors, friends and strangers about their business
 - Visit businesses in your surrounding area and in neighboring counties or states and see what they are doing and how they are running their businesses.
4. ***Consult potential customers***
 - Ask your relatives, friends and neighbors about the products or services you are thinking of providing through your new enterprise. Are they interested?
5. ***Research the market to identify products and services needed or wanted.***
6. ***Network***
 - Join organizations or groups involved in enterprises similar to the one in which you are interested.
 - Join the local Chamber of Commerce, Rotary and/or other business and planning organizations or committees
 - See if other local entrepreneurs would like to join you in your business venture or start their own agritourism or alternative enterprise.
7. ***Get help***
 - Visit resource people in your county, region or state. Cooperative Extension Service agents and staff, RC&D coordinators, Department of Agriculture staff, state tourism directors and staff, small business development center staff and other specialists should all be willing to answer your questions and help you get started.
8. ***Develop a business and marketing plan***
 - Various books, worksheets and programs are designed to help you develop a successful business and marketing plan. These resources are available through the internet or your local library, community college, small business administration, economic development organizations, Cooperative Extension office or RC&D office
9. ***Create a financial plan***
 - Decide how you will finance your business
 - Find out about financial assistance (grants and loans) available to you
10. ***Start small, learn from your experience and expand the business***

Personal Evaluation Exercise

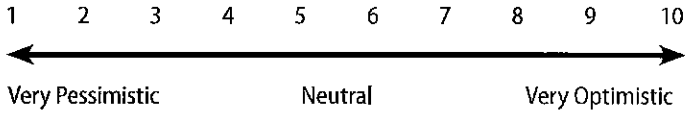
For each of the following 25 statements, circle the letter corresponding to the response that describes you best. Circle *A* if you *agree* with the statement, *SA* if you *somewhat agree* with the statement, *SD* if you *somewhat disagree* with the statement and *D* if you *disagree* with the statement.

<i>Statement</i>	<i>Agree</i>	<i>Somewhat Agree</i>	<i>Somewhat Disagree</i>	<i>Disagree</i>
1. I am a self-starter.	A	SA	SD	D
2. I relate well with others.	A	SA	SD	D
3. I enjoy being around and responsible for a large number of people, including children.	A	SA	SD	D
4. I look forward to meeting people and opening my farm up to the public.	A	SA	SD	D
5. I am an effective leader.	A	SA	SD	D
6. I am responsible and enjoy being responsible.	A	SA	SD	D
7. I have effective organizational skills and abilities.	A	SA	SD	D
8. I have a strong work ethic.	A	SA	SD	D
9. I am comfortable making important decisions.	A	SA	SD	D
10. I am honest even if the truth is not what people want to hear.	A	SA	SD	D
11. If I make up my mind to do something, I do not let anything stop me.	A	SA	SD	D
12. I am in good health, have plenty of energy and rarely get sick.	A	SA	SD	D
13. I am patient.	A	SA	SD	D
14. My family is 100 percent committed to starting and operating an agritourism venture.	A	SA	SD	D
15. I am courteous and understanding.	A	SA	SD	D
16. I have a strong desire to succeed.	A	SA	SD	D
17. I have experience in managing and operating a business.	A	SA	SD	D
18. I am an effective communicator.	A	SA	SD	D
19. I enjoy learning new things.	A	SA	SD	D
20. I am competitive in nature.	A	SA	SD	D
21. I am effective at setting and meeting deadlines to accomplish tasks.	A	SA	SD	D
22. I adapt well to change.	A	SA	SD	D
23. I am willing to risk losing an investment.	A	SA	SD	D
24. I will be able to survive financially if a new enterprise does not generate a profit for a few years.	A	SA	SD	D
25. I am prepared to invest substantial time in planning and operating a new enterprise.	A	SA	SD	D

Goal Identification Exercise

1. What are your ultimate lifetime goals?
2. What are your goals for the next three to five years?
3. What are your goals for the coming year?
4. How might an agritourism enterprise fit into these goals?
5. If you were to develop an agritourism enterprise, would it be profit driven or is profit not a main consideration?
<input type="checkbox"/> Profit Driven <input type="checkbox"/> Not Profit Driven
If not profit driven, what factors would drive your enterprise?

After identifying and analyzing your goals, how do you feel about the overall potential of your agritourism enterprise idea? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



Land and Property Evaluation

As with all businesses and tourism activities, the natural environment and the experience or product offered are at the heart of success. Therefore, it is extremely important to analyze all property assets and characteristics to maximize the potential for success. The following exercise will assist in the analysis of your land and property resources and help you develop an agritourism enterprise that is unique and marketable. Remember, something you believe is ordinary may be unique and interesting to others.



Land and Property Evaluation Exercise

Fill in the table below with the location, number of acres and current use(s) of available land. Consider all activities for which the property is currently being used. This would include the raising of livestock, growing of crops, living/residential space and recreational activities. Be very specific and list all activities that currently take place on the property throughout the year.

Land Location	Number of Acres	Current Use(s)

List any unique or interesting characteristics of your land and property. Consider the topography of the farm; vantage points; special crops grown; wildlife; springs, ponds and creeks; caves; structures; wooded areas; plant life; and other unique characteristics. You may want to ask friends, neighbors or others what they think are the unique or interesting characteristics of your land and property.

List any potentially hazardous characteristics of your land and property. Some of the characteristics listed above may also be listed here. Consider old wells or mines; streams and ponds; barbed wire fences; cliffs or drop-offs; fuel or chemical storage; areas where farm equipment is parked; potentially dangerous plants, wildlife or livestock; and other characteristics.

Another approach to identifying special features of your land and property is to create a map of the farm that specifies unique or interesting characteristics as well as potential hazards. It is also important to think about areas of the farm or business that you do not want accessible to individuals. The map will be particularly useful when you begin to plan parking locations, activity locations, trails and other activities that involve land resources. Use the grid on the next page to map your farm and agritourism enterprise.

After identifying your land and property assets and characteristics, answer the following questions.

Do you have an adequate amount of property available for use in an agritourism operation, including room for activities/ attractions and parking?

Yes No Do Not Know

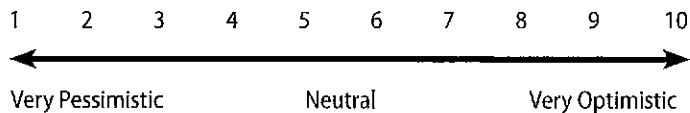
Do you have some unique land or property resources that will be strengths of your agritourism operation?

Yes No Do Not Know

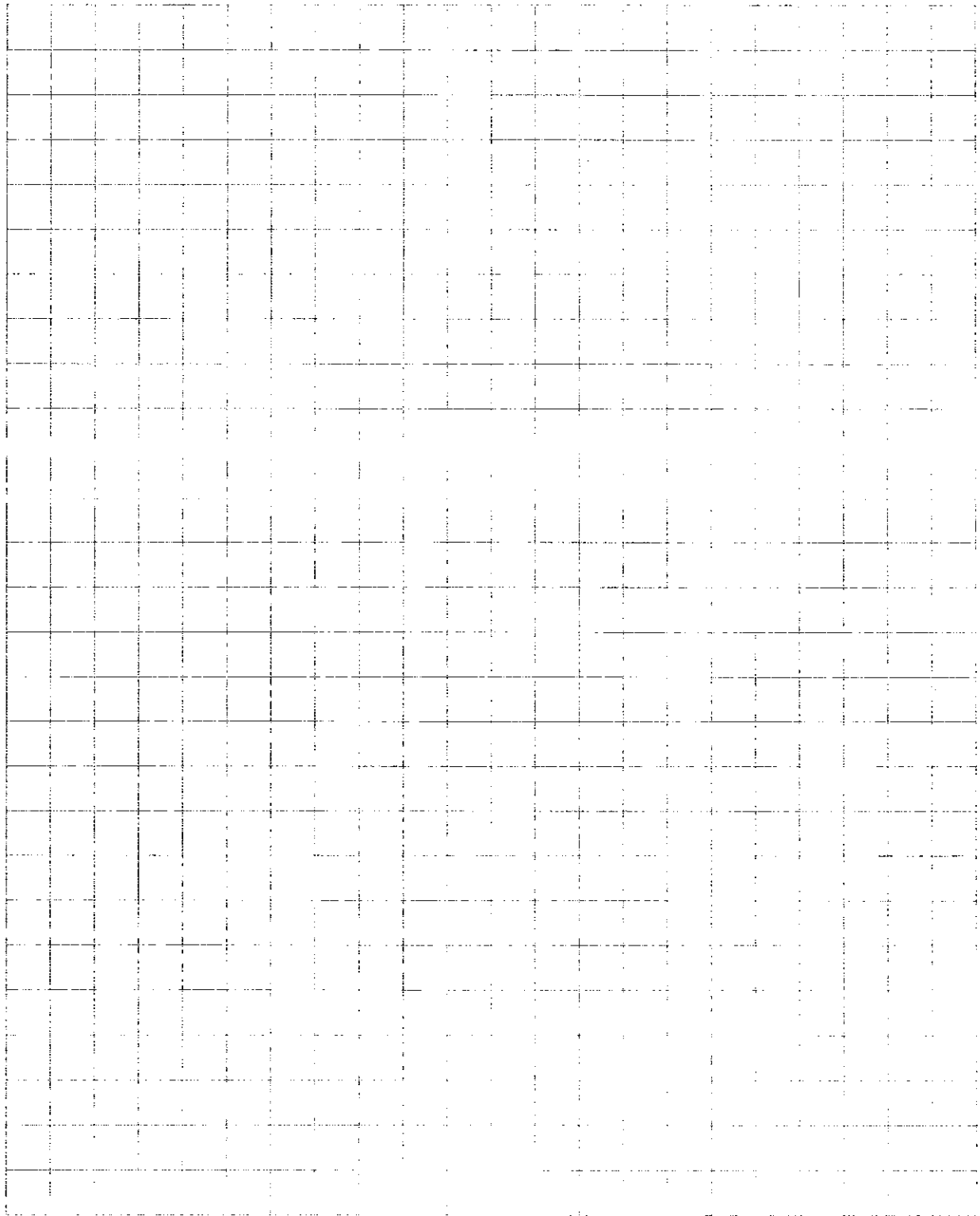
Does your land or property have particular characteristics that may be liabilities to an agritourism enterprise?

Yes No Do Not Know

After assessment, how do you feel about the overall potential of an agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



Farm Map



Be sure to return to the previous page to complete the Land and Property Evaluation Exercise.

Time and Labor Resource Evaluation

Time is one major limitation for agritourism entrepreneurs. When considering an agritourism venture, it is important to analyze the amount of time available for preparation for and accommodation of visitors in addition to existing farm activities. The following exercise will assist you in evaluating your time and labor resources.

Time and Labor Resource Evaluation Exercise³

Fill in the following table by listing your current farm operations or tasks and placing an X under the columns corresponding with months when the operation requires labor. Include time spent in all aspects of the task including planning and preparation, actual implementation, and follow-up activities. Then, following the same process, add proposed agritourism activities and their labor requirements.

Task Schedule												
Tasks	January	February	March	April	May	June	July	August	September	October	November	December
Current Tasks												
Proposed Agritourism Tasks												

³Adapted from Woods, Tim and Steve Isaacs. *A Primer for Selecting New Enterprises for Your Farm*. AEES No 2003-13. University of Kentucky. August 2000.

Considering the information from the task schedule, do you have the necessary time and labor resources to manage and operate your existing farm enterprises, take care of personal obligations and conduct agritourism activities effectively?

Yes No Do Not Know

Are family members and hired employees committed to taking on the additional time, effort and responsibility for an agritourism operation?

Yes No Do Not Know

After evaluating time and labor resources, how do you feel about your overall potential to operate and manage an agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).

1 2 3 4 5 6 7 8 9 10
 ←-----→
 Very Pessimistic Neutral Very Optimistic

Preliminary Market Analysis

Considering the potential market(s) for an agritourism enterprise is vital in determining the potential for success of such an enterprise. The following exercises will assist you in assessing some very basic market considerations.

Preliminary Market Analysis Exercise

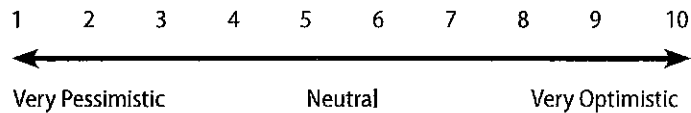
Describe the type of people you envision visiting your agritourism enterprise. For example, are they school groups, families with children, gardeners, interstate travelers, bus tour groups or others? Many potential agritourism target audiences are listed in Chapter 1.

Describe the types of people, if any, that you would rather not target with your enterprise. For example, you might decide not to target school groups because you become nervous around groups of children.

What are the people you envision visiting your operation looking for? For example, are they looking for entertainment, relaxation, education, a genuine farm experience, a hands-on experience or a place to hold an event?

What other enterprises already exist that would compete with you for this audience's business? Consider other agritourism enterprises, tourism attractions and entertainment venues in your area.

After considering some basic market information, how do you feel about your potential agritourism venture? Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



Agritourism Activity Options

Agritourism attractions and services are limited only by one's imagination and include everything from apple picking to wine tasting. While analyzing your resources, it is beneficial to brainstorm and list all possible attractions or activities for your operation. The following attraction-brainstorming exercise will help you explore activity options.

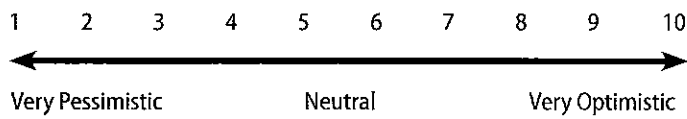
Attraction Brainstorming Exercise

A list of some possible agritourism activities and operations follows. Read through the list and mark activities that best fit the strengths of your resources.

- | | |
|---|---|
| <ul style="list-style-type: none"><input type="checkbox"/> Bed and breakfast<input type="checkbox"/> Bicycle trails and rentals<input type="checkbox"/> Bird watching<input type="checkbox"/> Boating, canoeing, kayaking, tubing or rafting<input type="checkbox"/> Camping<input type="checkbox"/> Catering services<input type="checkbox"/> Cave tours<input type="checkbox"/> Children's camps<input type="checkbox"/> Classes, clinics or demonstrations (farming, ranch skills, cooking, planting, harvesting, fishing, hunting, wildlife viewing)<input type="checkbox"/> Community supported agriculture (CSA)<input type="checkbox"/> Corn cannon<input type="checkbox"/> Corn maze (educational, haunted)<input type="checkbox"/> Cut your own Christmas trees<input type="checkbox"/> Dairy shares<input type="checkbox"/> Display gardens (flowers, greenery, herbs)<input type="checkbox"/> Educational or technical tours<input type="checkbox"/> Event hosting (birthday parties, family reunions, corporate retreats, receptions, weddings)<input type="checkbox"/> Farm or ranch work experience<input type="checkbox"/> Farm stays<input type="checkbox"/> Fee fishing<input type="checkbox"/> Fee hunting (dove, duck, goose, pheasant, turkey, deer, small game)<input type="checkbox"/> Festivals (seasonal, harvest, food, holiday)<input type="checkbox"/> Game preserve or guided hunts<input type="checkbox"/> Goat walk<input type="checkbox"/> Go-carting<input type="checkbox"/> Guided crop tours<input type="checkbox"/> Guiding and outfitting<input type="checkbox"/> Habitat improvement projects<input type="checkbox"/> Hay bale maze<input type="checkbox"/> Hay rides | <ul style="list-style-type: none"><input type="checkbox"/> Hiking Trails<input type="checkbox"/> Historical museums and displays<input type="checkbox"/> Haunted barn or house<input type="checkbox"/> Horseback trail riding<input type="checkbox"/> Hunting dog training and competitions<input type="checkbox"/> Laser tag<input type="checkbox"/> Living history events<input type="checkbox"/> Mountain biking<input type="checkbox"/> Off-road vehicle driving areas<input type="checkbox"/> On-farm retailing<input type="checkbox"/> Pack trips<input type="checkbox"/> Paint ball<input type="checkbox"/> Petting zoo<input type="checkbox"/> Photography/painting<input type="checkbox"/> Picnic area<input type="checkbox"/> Playground<input type="checkbox"/> Pony rides<input type="checkbox"/> Pumpkin painting<input type="checkbox"/> Refreshment sales<input type="checkbox"/> Rent a cow or tree<input type="checkbox"/> Roadside markets<input type="checkbox"/> Rock climbing or rappelling<input type="checkbox"/> Rodeos<input type="checkbox"/> School tours or activities<input type="checkbox"/> Self-guided driving tours<input type="checkbox"/> Shooting range (firearm or moving-target skeet)<input type="checkbox"/> Sorghum maze<input type="checkbox"/> Swimming area<input type="checkbox"/> Pick-your-own operations<input type="checkbox"/> Wagon trains<input type="checkbox"/> Wilderness experiences<input type="checkbox"/> Wildlife viewing<input type="checkbox"/> Winery tour or wine tasting<input type="checkbox"/> Working farm stays |
|---|---|

What other types of activities or services could be considered for your operation? Remember to consider your unique personality and skills, land and property characteristics, and defined goals. Are there activities other than those listed on the previous page that you might offer at your agritourism operation? List them here.

After evaluating your agritourism activity options, how do you feel about your potential agritourism venture. Circle the corresponding number below on a scale of 1 (very pessimistic to 10 (very optimistic).



Financial Situation Evaluation

Adequate financial resources for start-up and operations are critical to the potential success of any business. Often, starting a new enterprise is not an effective way to save an operation already experiencing financial difficulty. The following exercise will help you evaluate your financial situation.

Financial Evaluation Exercise

In the following table, list any liabilities and debts you currently owe and calculate your total debt.

Description of Liability/Debt	Amount of Liability/Debt
	\$
	\$
	\$
	\$
	\$
	\$
	\$
	\$
Total Debt	\$

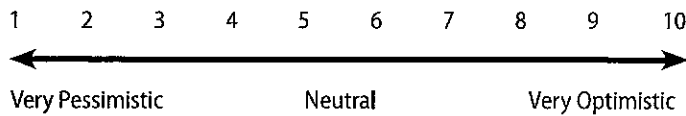
How much capital do you have available for start-up and operating expenses?

\$ _____

Do you have a source for additional, affordable capital if needed?

Yes No

After evaluating your financial situation, how do you feel about your potential agritourism venture?
Circle the corresponding number below on a scale of 1 (very pessimistic) to 10 (very optimistic).



Summary Analysis

By completing the previous exercises, you have considered several important factors to help you determine whether agritourism is an enterprise you would like to investigate further. This final exercise will help you to summarize what you learned.

Summary Analysis Exercise

The factors examined in the previous exercises are listed in the following table. Indicate whether the information learned about yourself and your resources for each of these factors is a positive (pro) or negative (con) in your decision to pursue agritourism as an enterprise. Summarize your reasoning in the appropriate space. Some factors may be both positive and negative in different ways.

	Positive	Negative
Entrepreneurial experience and skills		
Goals		
Land and property resources		
Time and labor resources		
Preliminary market analysis		
Agritourism activity options		
Financial situation and resources		

Consider all the information learned through the evaluation exercises included in this chapter. Do you feel agritourism is right for you?

Yes No

If yes, this analysis is only the beginning of evaluating your potential and planning for an agritourism enterprise. More in-depth analysis of your potential through business planning, market planning, risk assessment and management, and consideration of government regulations is needed.

Additional Activity

Visit several agritourism operations as a customer and observe the enterprise in action. Talk with the owners and employees to get a feel for how the business works and how you would feel about being responsible for a similar operation.

Additional Resource

Taking the First Step: Farm and Ranch Alternative Enterprise and Agritourism Resource Evaluation Guide is a document published by the Southern Maryland Resource Conservation and Development Board with similar evaluation exercises. The document focuses more heavily on evaluating your natural resources. The guide is available online at <http://nracs.usda.gov/technical/RESS/altenterprise> or by calling (202) 720-2307.

Financial Analysis

Estimating a Business Opportunity's Economic Viability

Evaluating an agritourism business opportunity can be an overwhelming task. There are many things to consider but the most important is to determine whether the business can generate a level of sales sufficient to generate a profit. If the business is not able to generate a sales revenue that is equal to or exceed expenses, it is most likely not an economically viable business proposition.

Before spending time and resources on developing a feasibility study and/or business plan, you should prepare a break-even analysis which will provide an estimate of the sales required to cover total costs. If the break-even analysis reveals that estimated sales revenue significantly exceed the estimated cost of doing business, it is worthwhile investing more time and resources to conduct a comprehensive feasibility study.

This check-list will introduce you to break-even analysis and provide an example presenting the basic tools required to perform an agritourism business opportunity evaluation. However, it is important to remember the more detailed the information that is collected regarding the business proposition, the better the analysis and resulting conclusions regarding the project's economic viability.

Estimating Start-up Costs

Estimating start-up costs is a critical part of evaluating an agritourism business. These costs will include one-time costs like purchasing land or constructing a building while other expenses will be ongoing like payroll, insurance, facility lease, and utilities. It is important to make a list of these start-up or one time expenses and then assign a corresponding dollar figure to each. Startup costs should then be evaluated to determine if they are essential or optional. Only the essential costs should be included in the startup budget.

The essential costs need to be classified as either fixed (overhead) costs and variable (related to business sales) costs. Fixed expenses will include figures like the monthly rent, utilities, and administrative and insurance costs. Variable expenses will include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service.

When starting a new business, it is important to estimate the costs of operating the business for the first several months it is in existence. The following is an example of the types of costs that need to be considered.

Start-up Budget Sample (Source: SCORE, Fort Worth, TX, 4/97)

	Dollar Cost
1. Real Estate, furniture, fixtures, machinery, equipment: (Record either purchase price if paid in full with cash or cash down payment if purchased on contract)	
a) Equipment	\$ _____
b) Fixtures and fittings	\$ _____
c) Transportation & installation costs	\$ _____
d) Specialized computer software	\$ _____
e) Security system	\$ _____
2. Starting Inventory (1 to 3 months)	\$ _____
3. Decorating, refurbishing, & remodeling costs	\$ _____
4. Deposits Required:	
a) Utilities	\$ _____
b) Rent	\$ _____
c) Insurance	\$ _____
d) Other (identify)	\$ _____
5. Fees Required:	
a) Legal, accounting, others	\$ _____
b) Licenses, permits, etc.	\$ _____
c) Bank/checking account	
d) Other (identify)	\$ _____
6. Initial Advertising & Marketing Costs (ie., flyers, sales letters and calls, signs, brochures, etc.)	\$ _____
7. Accounts Receivable (_____ days of sales)	\$ _____
8. Salaries for employees and owner until business opens or positive cash flow is positive	\$ _____
9. Other miscellaneous expenses:	
a) Trade shows	\$ _____
b) Office supplies	\$ _____
c) Travel expenses	\$ _____
d) Signs	\$ _____
e) Cleaning service	\$ _____
f) Profession Association fees	\$ _____
g) Other supplies, etc.	\$ _____

10. Payments on other fixed obligations \$ _____

Total Start-Up Costs \$ _____

Start-up Cost Budget Example

The following are examples of start-up costs associated with an agritourism operation.

<i>Expense</i>	<i>Cost</i>
Barn, fence, farm renovations	\$ 4,000
Parking	\$ 2,000
Long term signage 10 @ \$150 each	\$ 1,500
Wagon Adjustments \$200*2 wagons	\$ 400
Playground development	\$ 1,200
Picnic tables \$80*7 tables	\$ 560
Develop walking trails	\$ 600
Labor	\$ 2,000
<i>Total Start-up Costs</i>	<i>\$ 12,260</i>

These start-up costs will be used later in developing the break-even analysis.

Preparing a Break-Even Analysis

A break-even analysis can be used to calculate the number of tours that need to be sold to break even or the price per tours needed for the business to break even. A break-even analysis allows you to run “what if” scenarios. For example, if an additional wagon or site is added to the business, how many extra tours will have to be sold to cover these costs. If you have a variable rate loan, what will the impact of interest rate changes impact the level of sales needed to cover these changes in costs.

The formula for preparing a break-even analysis is as follows:

$$\text{Break-Even in Tours} = \text{Fixed Cost} / (\text{Tour Price} - \text{Average Variable Cost})$$

$$\text{Break-Even Price} = (\text{Fixed Costs}/\text{Estimated Tours}/\text{Sales}) + \text{Average Variable Costs}$$

Preparing a break-even analysis requires a basic understanding of simple financial analysis terms.

To prepare a break- even analysis four variables are needed.

Variable costs
Fixed costs
Price
Estimated sales

A brief explanation of each of these terms is provided to ensure a basic understanding of the financial terms utilized in preparing a break-even analysis. Remember, the start-up costs outlined earlier need to be included in your break-even analysis.

Variable costs - These are costs that are correlated or change with a businesses level of production and/or sales. An example of variable costs would be the fuel needed to run a tractor for a corn maze hay ride. As the number of visitors increase so does the number of hay rides and fuel needed to run the tractor. The purchase of additional fuel would be considered a variable cost. The following provides a list of potential variable costs.

- Wages (how many and what are you paying employees)
- Raw material costs (inputs)
- Utilities (electricity, natural gas, water, sewer)
- Cost of maintaining inventory (giveaways, etc)

The following are variable cost estimates for a pumpkin patch facility that provides hay rides. Remember, a number of these variables costs were included in the start-up cost budget.

<i>Variable Costs</i>		<i>Cost</i>
Electricity	\$	1,200
Labor	\$	1,800
Hay for wagons	\$	40
Tractor fuel	\$	75
Maintenance	\$	300
 <i>Total Variable Costs</i>	 \$	 <i>3,415</i>

Fixed Cost- These are costs that a business incurs regardless of its level of production or sales. Fixed costs *do not* fluctuate with sales volume and are sometimes referred to as overhead costs. An example of a fixed cost would be the monthly mortgage payment on farmland. Regardless if the business is providing tours, the business has to pay for the facility. The following are examples of fixed costs.

- Mortgage/rent
- Interest on debt
- Insurance
- Plant and equipment expenses
- Business licenses
- Salary of administrative personnel
- Utilities
- Taxes
- Supplies
- Sales and Marketing

The following are the fixed costs associated with a pumpkin patch.

<i>Fixed Costs</i>		
Loan payment	\$	4,757
Portable restrooms/handwashing rooms	\$	600
Liability Insurance	\$	2,000
Marketing	\$	1,750
Business License	\$	50
 <i>Total Fixed Costs</i>	 \$	 <i>9,157</i>

Total Variable Costs- The sum of the variable costs for the specified level of production or output. For example, a pumpkin patch is capable of hosting up to 380 rides per season. However, a farm is currently only hosting 250 tours a season. The total variable cost is the sum of all the variable costs to host 250 tours.

<i>Variable Costs</i>		<i>Cost</i>
Electricity	\$	1,200
Labor	\$	1,800
Hay for wagons	\$	40
Tractor fuel	\$	75
Maintenance	\$	300
 <i>Total Variable Costs</i>	 \$	 3,415

Average Variable Costs- These costs are the variable costs per tour or of total variable costs divided number of tours for a specific period of time. Using the total variable expenses from above, it is possible to determine the average variable costs for the pumpkin patch hosting 250 tours a season. This is done by dividing the total variable costs by the number of tours being hosted.

$$\text{Average Variable Cost} = \$3,415/250$$

$$\text{Average Variable Cost} = \$ 13.66$$

Revenue Estimation

In addition to having detailed cost information, it is important to estimate potential sales in both units and revenue. However, to gain a clear picture of the viability of a business it is essential to have both cost and sales information. Therefore, it is important to estimate sales potential and drive a price estimate.

Estimated Sales- refers to estimated sales during a specific period of time. A company's estimated sales are derived from estimating market potential and anticipated market share. It is advisable to estimate sales using two or three different market share figures to provide an estimated sales range.

Price- It is important to estimate how much a business will charge for each tour and/or services. One method of determining price is to spy on the competition and collect their products pricing information.

Calculating a Break-Even Figure

Given both the cost and marketing information provided above, it is possible to calculate a break-even for a proposed pumpkin patch tour. It is important to calculate a break-even unit and price to effectively evaluate the business opportunity. This calculation will rely on information presented earlier in this document. For example, the average variable cost figure of \$ was derived in the variable cost section.

Break-Even Unit Calculation

The first calculation is focused on calculating the number of tours that need to be sold to break-even.

$$\text{Break-Even in Units} = \text{Fixed Cost} / (\text{Unit Price} - \text{Average Variable Cost})$$

$$\text{Break-Even in Units} = 9,157 / (\$15.00 - \$13.66)$$

$$\text{Break-Even in Units} = 12,271 - \text{number of tours to be sold to break-even.}$$

The calculation reveals that 12,271 tours need to be sold at a selling price of \$15.00 per tour for the operation to break-even. Sales exceeding this level will allow the business to start generating a profit.

Break-Even Price Calculation

The second calculation is focused on calculating the price per-tour that needs to be achieved for the operation to break-even.

$$\text{Break-Even Price} = (\text{Fixed Costs} / \text{Estimated Sales (Units)}) + \text{Average Variable Costs}$$

$$\text{Break-Even Price} = (\$9,157 / (250 + 13.66))$$

$$\text{Break-Even Price} = \$34.75 \text{ per tour is the break-even price}$$

The calculation reveals that each tour being sold needs to sell for \$34.75 per tour for the operation to break-even.

Pricing

Do consumers not buy their preferred produce because its too expensive or is it other reasons like insufficient quality? Does a consumer not buy their favorite item of sweet corn because of poor quality or the price is too high? The Packer's 1994 Fresh Trends survey asked consumers this question. The percentage of respondents that didn't purchase their preferred fruits were for the following reasons: 59% too expensive; 8% disliked appearance; 7% underripe; 5% shelf life too short; and 3% inconsistent quality. Vegetables showed a similar pattern with: 51% too expensive; 14% disliked appearance; 8% inconsistent quality; 4% shelf life too short; and 1% underripe. Thus, price appears to be a main reason why mainstream consumers sometimes don't buy their preferred commodities. How should one price? Although there is no black and white answer, this section discusses issues related to pricing.

Sizing up the Competition

Sizing up the competition starts at assessing the supply and demand for the specific products you are selling. If you had a bed and breakfast with a view of the Grand Canyon, your product would be unique from other bed and breakfasts near the rim. Just like beach front property is different from property a few blocks away from the beach. Product uniqueness allows you to be more of a price setter rather than just a price taker. How unique is your product compared to competing products? If you are selling seedless watermelons at the farmers' market next to four other vendors selling seedless watermelons, your price will need to be right at the going rate. Even if you try to get a price that is just 1% to 2% more, virtually all consumers will opt for the cheaper melons. But if you are selling a melon that is more exotic and unique, many consumers will pay a 50% to 100% premium over what regular watermelons are selling for.

Freshness is a unique characteristic for products that are very perishable like sweet corn, blackberries, raspberries, and strawberries. But products like carrots, potatoes, and apples that store well, need to be priced competitively with supermarket prices. If you're selling storable products you might possibly use exotic varieties, distinguish your growing methods, or provide rural recreation opportunities for developing product uniqueness. Defining a unique market niche is critical for having any ability to set price rather than being a pure price taker.

When Domino's pizza recently gave up the motto of "delivery within 30 minutes or your pizza is free," many franchise owners were disappointed. Franchise owners recognized the litigation scrutiny and pressure that prompted Dominos to give up the guarantee, but many also voiced that this guarantee was important because it set Dominos apart from the competition. The guarantee of delivery within 30 minutes or your pizza was free made Dominos pizza unique from other pizza delivery services. What makes your product(s) unique?

Pricing for Maximum Profit

Pricing for maximum profit requires that you can assess consumer demand and variable costs of production for your product. Costs of production are commonly broken down into fixed and variable costs of production. Fixed or ownership costs are defined as those costs that don't change with an increase or decrease in output — they are fixed once these resources are committed to production. Land payments, property taxes, capital allocations, and your own management skills are generally referred to as fixed costs. Costs that vary with production like labor, fertilizer, gas, fuel, and water usually refer to variable costs of production. But once fertilizer has been applied, the cost becomes sunk or fixed in that you can't go out and retrieve 300 lbs. of nitrogen that you applied yesterday. Conversely, if you haven't yet invested any capital or resources into a direct farm marketing or tourism operation, all costs are variable. No resources have been committed to the production process.

Ideally, one would like to receive a price that covers all fixed, variable, and opportunity costs of production. It is important to include any opportunity costs or foregone alternatives. For example, if you could earn \$75/acre for renting your land to a neighbor, this is a foregone opportunity. Your land cost would be the greater of your actual costs or the \$75/acre foregone in land rental fees. Owner wages are often foregone opportunities that need to be accounted for as well. If you add up all fixed, variable, and foregone costs of production and divide by an estimated yield you will obtain your break-even price. Since yields will vary from one year to the next, calculate a break-even price using a five year average yield and then 25 above and below the five year average.

Maximum profit for the "short-run" is where the additional revenue from selling one more unit (marginal revenue) barely exceeds or meets the additional cost of selling another unit (marginal cost). In economic jargon this is referred to as marginal pricing. The additional revenue received needs to exceed the added costs from making a sale. Figuring out the additional revenue received or marginal revenue requires that you can assess consumer demand - which is related to your competition, on the cost side, if you have hauled perishable sweet corn to the farmers' market and the market is to close down in 5 minutes, your marginal cost is close to zero. Almost all costs are sunk (i.e., growing and trucking costs) and the perishable nature of the product implies that you have little opportunity for selling at the next farmers' market. At this point, any moneys that you receive from a sale will help cover some of your sunk costs. Some money is better than throwing the corn away. But all costs are variable or must be covered in the long haul so you don't like to get into a situation where you're "forced" to take rock-bottom prices.

Trial and error is often involved with feeling out consumer demand and adjusting prices appropriately. If you are forced to take a rock-bottom price at the end of a day at the farmers' market, your price was probably too high earlier in the day. Lots of lookers, low sales per customer, and complaints are other signs that your price is too high. But if your product is moving so that you run out of product before you run out of buyers, your price is too low. Even if you are covering all your costs of production and realizing a good return you should raise your price. An exception might be when your buyer has agreed to pay a price below the market when prices are high but above the market when prices are low. But this type of

an agreement needs the trust and commitment of a long-lasting relationship. If you are working on this kind of a relationship, your break-even price is appropriate provided that you have included a reasonable return for your wages, management, and capital.

Some consumers are willing to pay more than others so how does one differentiate between consumers? Retailers have used various tools to maximize their profits through the years by “price discriminating” among consumers. Coupons are a form of price discrimination. Consumers that are looking for the lowest possible price have a demand curve that is relatively elastic. This means that the consumers are very price sensitive. Supermarkets offer coupons in order to maximize their profits, not because they like to save the consumer money. They recognize marginal pricing concepts. Coupons are a vehicle for allowing them to price lower for the price sensitive shopper but maintain a higher price for consumers that are less price sensitive (i.e., more inelastic demand) and don’t want to be bothered with coupons.

Terrific Tuesdays or Wednesdays (i.e., discount days) are another vehicle for price discrimination. Video stores commonly have one day a week where they rent videos at half price. These stores do this because they know sales revenues will increase for these price shoppers (i.e., elastic price demand) even though prices are cut in half. Seniors are generally price shoppers so businesses offer discounts to Seniors as a form of price discrimination. Volume discounts reflect a form of price discrimination and/or a different per unit cost of making the sale. If you plan to purchase a large volume you will be a more price sensitive shopper. Again, these discounts are offered in order to maximize profits rather than “give a good deal to the consumer.” Discounts are most appropriate for the direct marketer at the peak of harvest when ample produce is available.

Pricing Strategies and Tips

Does \$9,999 differ from \$10,000? Even though the percentage price difference is essentially zero, retailers commonly price with 9’s to convey a cheaper price image in the consumers mind. If you want to have a product position of being the low price vendor or offer a discount to attract the bargain hunter, price in 9’s. If your regular price is \$15.00 a bag, offering a price of \$12.99 would be an appropriate use of 9’s. A \$3 discount is flashed in consumers minds before they think a \$2 discount. Multiple pricing is also a form of price discrimination and pricing 3 for \$.99 or \$.40/each would be an appropriate use of 9’s to attract the bargain hunter. Nine pricing doesn’t generally fit if you are trying to promote a product image of high quality and solid value.

When dealing primarily with cash sales, prices that are in \$.25 increments have an obvious advantage of reducing time at the cash register. If a tax must be added, price items so that they will come out to a \$.25 increment. Selling by weight for some items helps consumers compare with supermarket prices, but this also requires more time at the checkout line. Most direct marketers don’t have computerized scales that provide calculations to the ounce in a fraction of a second. Scales also need to be monitored for their accuracy and are subject to the

scrutiny of inspectors. If your prices are obviously lower than supermarket prices, unit pricing may be to your advantage. When your prices are near supermarket prices and you're competing with the same supermarket varieties, sales by weight are generally most appropriate.

With many singles, couples, and small families today a "variety pack" of assorted fruits and vegetables is probably more appropriate to offer as a special than a volume discount. Variety packs get consumers to try new items that they might not otherwise try and reduce the risk of getting too much of one item. A meal with corn, sweet potatoes, and a salad with fresh lettuce, green pepper, celery, carrots and tomatoes is more appealing for most individuals than corn, corn, corn, and more corn. That is, a couple might not be able to consume two dozen ears of corn before their sweetness and freshness is lost.

Loss leader pricing refers to advertising one item at a price below cost, with the intent of getting customers "in-the-door." After customers have made the decision to stop and buy the loss leader item, the objective is to sell enough items at full-price to cover any losses occurred on the loss leader. Loss leaders are most effective for a common good that everyone is purchasing. Turkeys at Thanksgiving are a classic example of a loss leader. Almost everybody serves turkey and all the other goodies that go in and with the turkey cost way more than the turkey, making it a good loss leader item. Pumpkins sold during Halloween are sometimes used as a loss leader item by direct marketers of produce.

Method of Payment

Why are retailers all across the US willing to give credit card companies up to 5% of the purchase price of an item to make a credit card sale. Why do retailers not just request cash? First, retailers know that the average consumer will buy more if they take plastic rather than require cash or check. A consumer may plan to spend \$50 when they visit your outlet and take \$50 in cash. But if after arrival they realize that your produce is a better value than they anticipated, they are constrained to spending \$50 or less if you only take cash. You are at risk for not receiving any payment if you accept checks. Credit card companies are a vehicle for insuring payment to the retailer and getting consumers to buy more. Keeping cash out of the cash register also reduces the risk of losing all your sales for the day to a dishonest or disgruntled employee, or armed robbery. The fixed costs of getting connected and set up for credit card purchases may outweigh the perceived benefits for small and isolated outlets. But if your business is growing and you want consumers to walk out buying \$75 worth of produce rather than \$20, credit card purchases are a must. Most consumers are so accustomed to the convenience of purchasing items with credit cards that they don't carry significant amounts of cash.

If you are operating a delivery service, an account is generally set up for each client and you send them a bill on regular intervals, commonly every two weeks. Offer a slight discount for early payment from your "regular price" in order to encourage prompt payments. Some farmers' markets and roadside stands are set up to take food stamps as a form of payment to promote affordability. Food stamps are probably not worth investigating for produce outlets that are isolated and providing a "rural experience" or up-scale in price. But if your outlet is

catering to low income consumers with a product image that includes low price, food stamps may be worth pursuing.

Regardless of the method of payment you choose to adopt, records need to be kept. Records that can track how much was received for fresh corn and day old corn on the same day are needed to make keen pricing and ultimately next years planting decisions. Personal observation help, but it is definitely not enough when it comes to going to the bank. User friendly computer programs can be used to enter the sale code and quantity purchased, and within seconds a detailed sales receipt is printed out for your customer. With the price of computers getting more affordable every year, computerized records and receipts are a wise business tool for even small produce outlets. Tracking individual consumer purchases from year to year can be the best key for discovering what items need to be discontinued or emphasized more.

Financial Resources

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL BUSINESS-COOPERATIVE
SERVICE

Business and Industry (B&I) Loan Guarantees

The RBS program provides a loan guarantee to a bank, savings and loan, or other approved lender to finance private businesses located in rural areas of 50,000 population or less. Business loan guarantee purposes include, among others items, construction, acquisition, working capital, equipment purchase, start up costs and expansion costs. Applicants for these loans may be any legal entity, including individuals, public and private organizations and federally recognized Indian tribal groups.

Program Goal

To encourage the commercial financing of rural business, thereby:

- Creating and saving rural jobs.
- Improving the economic and environmental climate of rural communities.
- *The B&I Program is lender-driven. RBS guarantees the loan rather than lending directly. A commercial lender requests the B&I guarantee and, if approved, it makes (and services) the loan.*

Type of Assistance

Federal guarantees (typically of 80 percent or less) for lenders on their rural business loans:

- 80 percent (maximum) guarantee on loans of up to \$5 million.
- 70 percent (maximum) guarantee on loans of \$5-10 million.
- 60 percent (maximum) guarantee on loans of \$1 0-25 million.
- *Limited/Special Circumstances -90 percent (maximum) guarantee on loans of up to \$2 million.*

Lender Benefits

The guaranteed portion of the loan is protected against loss by a Federal guarantee. The guaranteed portion of the loan can be sold on the secondary market. The guaranteed portion of the loan does not count against lending limits. B&I guarantees help lenders satisfy Community Reinvestment Act (CRA) requirements.

Size of Loans

No minimum, but typically beginning at SBA maximum (\$750,000)

Maximum loan is \$25 million

Interest Rate, Term, Payment Structure, and Fees

Rate: Lender's customary commercial interest rate -negotiated by lender & business.

Fixed or variable (but not more often than quarterly) tied to a published base rate.

Term: Working Capital -7 years maximum.

Equipment -15 years maximum.

Real Estate -30 years maximum.

Structure: Balloons are not permitted. Reduced payments may be scheduled in the first 3 years.

Fees: Lender's reasonable and customary fees -*negotiated by lender & business.*

Authorized Loan Purposes

Business asset acquisition, construction, repair, modernization, and development. Real estate, buildings, equipment, inventory, supplies, & working capital (NO lines of credit). Loan fees & costs, packaging fees, professional services, and feasibility study costs. Debt refinancing in certain cases.

Loan Limitations

Construction projects -Construction loan funds should not be advanced until RBS has approved the project.

Commercial lease projects -Need not be owner-occupied, but must have enough committed tenants to evidence positive cash flow.

Ineligible businesses include:

Production agriculture (except when linked to agricultural processing & marketing businesses).

(*Note:* Nursery, forestry, and aquaculture operations are eligible.)

Gaming facilities -Golf Courses -Lending, investment, and insurance companies.

Projects involving more than \$1 million *and* the relocation of 50 or more jobs.

Lender Eligibility

Any Federal or State chartered bank; Farm Credit System; Bank of Cooperatives; bank-holding company's mortgage company; credit union; or insurance company.

Lender must be subject to government credit examinations and in good standing.

Lender's officers/directors/owners have no substantial financial interest in the borrower.

Borrower Eligibility

Most types of enterprises qualify -manufacturing, wholesale, retail, service.

Project must be in a rural area -outside the immediate influence of a 50,000 + population city.

Proprietorships, partnerships, corporations, nonprofits, tribes, or political subdivisions.

Majority ownership by US citizens or permanent residents.

Less than 20 percent ownership by government or military employees. Good Credit history.

Must have tangible balance sheet equity at loan closing/project completion of:

10-20 percent or more (for existing businesses).

20-25 percent or more (for new and energy-related businesses). Inability to get credit elsewhere is NOT a requirement.

Security Requirements

The proposed operation must have realistic repayment ability.

There must be adequate collateral to protect the Lender and RBS. Lender should discount collateral consistent with sound loan to value ratios. Typical discount factors are:

Real-estate -using 80 percent or less of the appraised value.

Chattels -using 80 percent or less of the appraised value.

Accounts receivable (<90 days) -using 60 percent or less of value.

Inventory -using 60 percent or less of the value.

Insurance:

Hazard insurance on collateral (*lesser* of loan amount *or* depreciated replacement value). Life insurance (decreasing term OK) on principals/key employees -amount negotiated.

Personal/corporate guarantees:

Typically from all proprietors, partners (except limited partners), or major (20 percent or more interest) shareholders.

Special Requirements

A feasibility study by a recognized, independent consultant may be required.

Annual audited financial statements are generally required for loans in excess of \$3 million and when other special circumstances warrant an audit.

A 2% fee on the guaranteed portion of the loan is paid to RBS at the time the guarantee is issued.

Application Process

- Lender & business submit a joint preapplication to RBS, indicating a willingness to make the loan provided a B&I guarantee is approved.
- RBS meets with all parties at the project site, and then makes a preliminary determination of project eligibility, normally within 15 days.
- Lender & business complete their application.
- From RBS receipt of complete application, approval takes less than 60 days. Loans up to \$5 million are approved locally larger ones are reviewed in Washington, DC.
- RBS issues a conditional commitment, approving a guarantee subject to conditions.
- After meeting RBS's conditions, the lender may close the loan and request the guarantee.
- RBS issues the guarantee after verifying all conditions are met and collecting guarantee fee.

RURAL BUSINESS ENTERPRISE GRANT Fact Sheet

United States Department of Agriculture

Rural Business-Cooperative Service

USDA Rural Business-Cooperative Service (RBS) makes grants under the Rural Business Enterprise Grant (RBEG) Program to public bodies, private nonprofit corporations, and Federally recognized Indian Tribal groups to finance and facilitate development of small and emerging private business enterprises located in rural areas outside the boundary of a city or unincorporated areas of 50,000 or more and its immediately adjacent urbanized or urbanizing area. Public bodies include incorporated towns and villages, boroughs, townships, counties, States, authorities, districts, Indian Tribes on Federal and State reservations, and other Federally recognized Indian Tribal groups in rural areas.

The public bodies, private nonprofit corporations and Federally recognized Indian tribes receive the grant to assist private businesses located in rural areas. ***GRANT FUNDS DO NOT GO DIRECTLY TO THE BUSINESS.*** Grants may be made only for projects for which it can be demonstrated that there is a reasonable prospect that the project will result in development of small and emerging private business enterprises.

The small and emerging private businesses to be assisted must have less than 50 new employees and less than \$1 million in gross annual revenues and must be located in a rural area outside the boundary of a city or unincorporated areas of 50,000 or more and its immediately adjacent urbanized or urbanizing area.

How May Funds be Used?

Funds are used for financing or development of private small and emerging businesses.

Eligible uses are:

- Technical Assistance (providing assistance for marketing studies, feasibility studies, business plans, training, etc.) to small and emerging businesses.
- Purchasing machinery and equipment to lease to a small and emerging business.
- Creating a revolving loan fund (providing partial funding as a loan to a small and emerging business for the purchase of equipment, working capital, or real estate).
- Constructing a building for a business incubator for small and emerging businesses.

Limitations:

Grants cannot be used for:

Agricultural Production.

Comprehensive area wide planning.

Loans by grantees when the rates, terms, and charges for those loans are not reasonable or would be for purposes not eligible under RBEG regulations.

Development of a proposal that may result in the transfer of jobs or business activity from one area to another. This provision does not prohibit establishment of a new branch or subsidiary.

Development of a proposal, which may result in an increase of goods, materials, commodities, services, or facilities in an area when there is not sufficient demand.

Programs operated by cable television systems.

Funding part of a project, which is dependent on other funding, unless there is a firm commitment of the other funding to ensure completion of the project.

USDA Rural Business-Cooperative Service is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington, DC 20250-94 10

All applications are considered without regard to race, color, religion, sex, national origin, age marital status, or physical or mental handicap (provided applicants have the capacity to enter into a legal contract) of the members of the groups applying for assistance. Service must be extended on the same basis.

How are Applications Processed?

Applicants will submit supporting data before a formal application is made. After determining the order of funding priorities, RBS will tentatively determine eligibility and request applicants to assemble and submit a formal application.

Where Is Application Made?

Just call 1-800-ASK-UGA1 (275-8421) from anywhere in Georgia. You'll be automatically connected to the UGA Extension office in that county.

Other Conditions

Applicants for grants to help develop private business enterprises must file written notice of intent consistent with Intergovernmental Review requirements. Federally recognized Indian Tribes are exempt from this requirement.

Applicants for grants to establish a revolving loan program must include detail on the applicant's experience operating a revolving loan program, proposed projects, applicant's financial ability to administer a revolving fund, the need for a revolving fund, and other funds proposed to leverage funds made available under this program.

All community projects funded by RBS are subject to an environmental assessment in accordance with the National Environmental Policy Act.

USDA Rural Business-Cooperative Service is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to: USDA, Director, Office of Civil Rights, Washington, DC 20250-94 10

Agribusiness Budget - Example

Start Up Cost
 Clearing and Planting
 Improve appearance of farmstead up and print
 Fencing perimeter
 Ponds and waterlines
 Well - wagon \$5,000 to \$10,000 for new
 Slurry Churn, slaps, side boards,
 Total

Variable Expenses Corn-Maize Planting
 SEED
 FERTILIZER
 PESTICIDES
 PHOSPHATE
 POTASH
 UNWEEDING
 HERBICIDES
 TRACTORMACHINERY
 AGRIE
 INTEREST ON OP. CAP.
 Total

Utilities
 Electricity
 Water
 Total

Corn-Maize Operations (8 weeks)
 Maintenance
 Labor (2 people 25 hours week, 8 weeks)
 Fuel
 Bunkers
 Total

Hay Rite
 Tractor for Hayride
 Tractor for Hayride
 Hayride wagon
 Fuel (1 gallon, 25 hours week, 8 weeks)
 Oil and Lube
 Total

Pumpkin Launcher
 Gas
 Max. Supplies
 Labor (2 people, 25 hours week, 8 weeks)
 Total

Compost
 Hay
 10 pack
 Holes
 Manure
 15 oz bottle
 15 oz bottle
 15 oz bottle
 Total

Marketing
 Newspaper advertising
 TV advertising
 Displays - 51 off information
 Signs
 Information signs on Farm
 Decisional signs
 Total

Miscellaneous
 Possible Totals
 Miscellaneous
 Total

UNIT	QUANTITY	CONSTANT	PER ACRE
THOU.	24	3	26.25
SEED	100	0.20	34.50
FERTILIZER	70	0.25	17.50
PESTICIDES	70	0.16	10.50
PHOSPHATE	70	0.16	10.50
POTASH	70	0.16	10.50
UNWEEDING	1	82.54	82.54
HERBICIDES	1	16.07	16.07
TRACTORMACHINERY	1	16.07	16.07
AGRIE	1	16.07	16.07
INTEREST ON OP. CAP.	1	5.06	5.06
TOTAL	14,474		174.25

UNIT	QUANTITY	PRICE OR COST/UNIT	TOTAL
hour	400	39.00	\$15,600.00
man	20	22.75	\$455.00
man	1	26.00	\$26.00
Total			\$16,081.00

UNIT	QUANTITY	PRICE OR COST/UNIT	TOTAL
hour	400	39.00	\$15,600.00
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Total			\$16,081.00

Calculation of Individual Attraction and General Admission Prices

General Admission Pricing Objectives
 (a. Share of total business account)
 Break-even point (or the following estimates of number of farm visitors (relative per visitor))

Start-Up Costs	Utilities & Misc. Exp.	Corn Maize	Hay Rides	Pumpkin Launcher	Compost	Total
\$ 14,474	\$ 474	\$ 98	\$ 21%	\$ 2,000.00	\$ 94	\$ 4,005.00
600	700	500	1,400	500	800	6,000
1,000	500	200	400	200	200	2,400
1,500	500	1,000	400	200	200	3,400
2,000	500	1,500	200	200	200	4,200
2,500	500	2,000	200	200	200	5,000
3,000	500	2,500	200	200	200	5,800
3,500	500	3,000	200	200	200	6,600
4,000	500	3,500	200	200	200	7,400
4,500	500	4,000	200	200	200	8,200
5,000	500	4,500	200	200	200	9,000

Start-Up Cost		Unit	Cost	Quantity	Price or Cost/Unit	Total
Grading Land Parking			\$	1,500		
Kids Corral/play area			\$	1,500		
Improve appearance of farm/clean up and paint			\$	2,500		
Fencing restricted area			\$	1,000		
Train labor - 8 hours of training		8 people	\$	872		
Weapons - warden \$5,000 to \$8,000 for new			\$	7,000		
Safety Chains, stops, side boards,			\$	500		
Total			\$	14,512		
Variable Expenses: Corn Maze Planting						
SEED		THOU.	\$	28	0.90	\$ 25.20
FERTILIZER						
NITROGEN		LEBS	\$	120	0.29	\$ 34.80
PHOSPHATE		LEBS	\$	70	0.25	\$ 17.50
POTASH		LEBS	\$	70	0.15	\$ 10.50
LINE (PRORATED)		TON	\$	0.33	31.50	\$ 10.40
HERBICIDES		AGRE	\$	1	62.64	\$ 62.64
TRACTORMACHINERY		AGRE	\$	1	18.07	\$ 18.07
LABOR		HRS	\$	2.12	8.00	\$ 16.96
INTEREST ON OP. CAP.		DOL.	\$	86,555	0.09	\$ 8,005
Total			\$			\$ 178.93
UTILITIES						
Electricity		UNIT			PRICE OR	TOTAL
Water		gallons			PRICE OR	
Total						
Corn Maze Operation (8 weeks)						
Design		UNIT			PRICE OR	TOTAL
Maintenance		Job	\$	1	1,500.00	\$ 1,500.00
Labor (3 people 25 hours week, 8 weeks)		Hours	\$	40	8.00	\$ 320.00
Flashlights/batteries		Flashlight	\$	600	8.00	\$ 4,800.00
Batteries		Batteries	\$	100	1.00	\$ 100.00
Total			\$	300	1.00	\$ 300.00
			\$			\$ 7,020.00
						1 additional person is needed for each additional 150 people visiting per hour.
Hay Ride						
Horses for Hayride		UNIT			PRICE OR	TOTAL
Tractor for Hayride						
Labor (2 people, 25 hours week, 8 weeks)		hour	\$	400	8.00	\$ 3,200.00
Fuel		gallon	\$	20	52.75	\$ 1,055.00
Oil and Lube		case	\$	1	25.00	\$ 25.00
Total			\$			\$ 3,280.00
Pumpkins Launcher						
Gourds		UNIT			PRICE OR	TOTAL
Misc. Supplies		3000	\$	3000	0.10	\$ 300.00
Machine		1	\$	1	200.00	\$ 200.00
Labor (1 person, 25 hours week, 8 weeks)		hours	\$	200	500.00	\$ 100,000.00
Total			\$			\$ 2,600.00
Concessions						
Bottled water		UNIT			PRICE OR	TOTAL
Roaster corn		18 oz	\$	1000	0.69	\$ 690.00
Buns		10 pack	\$	1,000	0.10	\$ 100.00
Hotdogs		500	\$	500	1.89	\$ 945.00
Keuchup		8 pack	\$	625	1.00	\$ 625.00
Mustard		12 oz bottle	\$	50	1.00	\$ 50.00
Napkins		12 oz bottle	\$	100	1.25	\$ 125.00
Labor (1 person at 25 hours week, 8 weeks)		hours	\$	200	8.00	\$ 1,600.00
Total			\$			\$ 4,035.00
Marketing						
		UNIT			PRICE OR	TOTAL

Radio	30 second spot				10.00	\$ 2,700.00				
Newspaper advertising	2 x 6 space				50.00	\$ 500.00				
TV advertising	15 sec space				10	\$ 2,500.00				
Bill board	One				1,500.00	\$ 1,500.00				
Coupons - \$1 off admission	bedded water label				1000	\$ 1,000.00				
	Shirts				240	\$ 2,880.00				
	Dozen				5.00	\$ 5.00				
	Capas				240	\$ 2,400.00				
Information signs on Farm	Bar sign				10	\$ 250.00				
Informational signs	Bar sign				4	\$ 25.00				
Website	Site				1	\$ 1,000.00				
Total						\$ 15,880.00				
Miscellaneous										
Portable Toilets	UNIT				PRICE OR					
Tent (fair style)	QUANTITY				COST/UNIT					
Materials/Supplies	Total				400.00					
	4				2,000.00					
	1				2,000.00					
	5				100.00					
Total						\$ 2,900.00				
Calculation of Individual Attraction and General Admission Prices										
General Admission Pricing Option										
A. Individual Attraction Expenses										
B. Share of Total Expenses (percent)										
Break-even price for the following estimates of number of farm visitors (dollars per visitor)										
500	StartUp Costs									
1,000	\$ 14,512	\$ 2,900	\$ 5.80	8%	7,188.93	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	
1,500	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
2,000	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
2,500	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
3,000	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
3,500	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
4,000	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
4,500	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
5,000	14.51%	2.90%	14.40%	21%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
Calculation of Individual Attraction and General Admission Prices										
General Admission Pricing Option										
A. Individual Attraction Expenses										
B. Share of Total Expenses (percent)										
Break-even price for the following estimates of number of farm visitors (dollars per visitor)										
500	Utilities & Misc. Exp.									
1,000	\$ 28.02	\$ 5.80	7.20	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
1,500	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
2,000	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
2,500	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
3,000	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
3,500	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
4,000	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
4,500	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%
5,000	28.02%	5.80%	7.20%	8%	7,189.00	\$ 82,280.00	\$ 2,600.00	\$ 4,095.00	\$ 34,528	100%

Estimating Market Potential

1. Describe Your Target Market Segments:

Demographic Characteristics (examples)	1 st Segment (name actually)	2 nd Segment (Elementary schools)	3 rd Segment (Church groups)	4 th Segment (Families)
Gender: Males or Female				
Age or age group				
Education				
Trade Hold Inc.				
Marital Status				
Children in Home				
Religious affiliation				
<i>Life-style Characteristics</i> , i.e., "Green, Family-oriented, Family 1 st Segment (home schools) oriented		2 nd Segment (Elementary schools)	3 rd Segment (Church groups)	4 th Segment (Families)

2. Market Area (Where are visitors located or coming from)

Where is Your Market Area or How Far Are They Willing to Drive, i.e., County, city, South East, 45 miles, 70 miles	Location or Distance
1. First Segment Market Area	
2. Second Segment Market Area	
3. Third Segment Market Area	
4. Fourth Segment Market Area	

3. Estimated Number of Customers within Market Area (define your market area, look within that area at the demographic composition)

How Many People Matching My Demographics Live Within the Defined Market Area	Number of People (target market)
Market Area	
1. First Segment Market Area	
2. Second Segment Market Area	
3. Third Segment Market Area	
4. Fourth Segment Market Area	
Market Potential = Total (sum 1-4 above)	

4. Consumption Rates (how often is the product consumed and how much of the product is consumed)

Consumption or usage by People Matching My Demographics Within the Defined Market Area	Consumption or usage
Market Area	
1. First Segment	
2. Second Segment	
3. Third Segment	
4. Fourth Segment	

5. Price (what is your cost of producing the product and what type of "profit" do you intend to generate?)

How does this price compare to your competitors? How sensitive are customers to price changes? Also, look at what your different segments are paying for their products

Target Markets	Price
Segment	
1. First Segment	
2. Second Segment	
3. Third Segment	
4. Fourth Segment	

Estimating Market Potential: $MP = N \times P$, where
 MP = market potential
 N = number of possible buyers
 P = average selling price

Q = average annual consumption

Demographic Characteristics (examples)	Number of Possible Buyers	2 nd Segment (Elementary schools)	3 rd Segment (Church groups)	4 th Segment (Families)
1. First Segment				
2. Second Segment				
3. Third Segment				
4. Fourth Segment				

Developing a Business Plan

What is a business plan and why do I need one? Business plans essentially force business owners to spend some time thinking about the business, industry, competition and to determine the best direction for the business. It is a roadmap to developing a successful agritourism business.

A business plan helps assess and create a vision for what needs to be accomplished. It helps evaluate future needs and can be used as a tool for measuring and improving the operation. Developing a business plan does not happen overnight, but taking the time to build a solid plan will save time and money in the long run. Realize that the plan is a working document and must be realistic and fit needs and objectives of the agritourism business.

A business plan serves many purposes and is essential to starting or expanding a new business venture. A business plan consists of several parts.

Executive Summary

The executive summary simply highlights the major parts of a business plan. Although the executive summary is at the beginning of the business plan, it is usually written after all other sections have been carefully thought out and planned. Briefly cover Who, What, When, Why and How. This is just a summary and should include no more than 2 pages.

Create a Mission Statement

Reflecting the core purpose of your business, stating the basic values and goals in a short, focused sentence of no more than 20 words. Ask yourself: What is the purpose of the proposed project? What benefit will it provide? Who are the customers?

Create a Marketing Slogan, consisting of a short, clever, even humorous translation of your mission statement that conveys a single, simple thought about your business to your customer.

Set Measurable Goals & Objectives. Goals are 3-5 years out; objectives are things you want to accomplish in the next year. Some areas for consideration may include sales volume, profits, customer satisfaction, owner compensation, number of employees, employee development, etc. To set goals and objectives, ask yourself the basic: What? Why? How? When? and Who? questions. Then set timetables to match goals and objectives. Who will be responsible for what activities? Who are the key employees and what

are their titles? How long do you plan to operate this venture? How many hours are you willing to commit to this venture? Where do you see the business in 3-5 years? How are you going to promote customer satisfaction?

Gather Information from reputable sources to document your business plan. You'll want to know about potential visitor days and expenditures, preferences, and interests; competition and complementary services in your area; etc. These types of surveys are available from Economic Development organizations, Tourism boards and various associations.

Describe Farm or Ranch Recreation Enterprise: When was it started, or projected to start? Why was it started? Who started it? How does the recreation enterprise fit in with your overall farm or ranch operation? How are you set up as a business (sole proprietorship, general partnership, limited partnership, regular corporation, chapter S corporation)?

Describe Product or Service: Write down what you are selling to the public. Why should people buy your service? What does it do? What makes it unique? What will it cost to provide this service or product? How much will you charge? How does it compare to other similar recreation enterprises? Are there complementary services in the area?

Define Customers: Who are you targeting for your recreational enterprise? You'll want to define: gender, age, income, occupation, location, family status, children, education, and interests.

For example, if you are developing a fee hunting enterprise, you'll probably look at males in the 25 to 50-age range.

Compete or Complement: Since farm and ranch recreation is relatively new as an emerging industry, state agencies are encouraging enterprises to work together to attract visitors, share resources, and market services. However, you should first carefully develop and evaluate your business and product, considering your resources and activities.

Develop a Marketing Strategy: Your marketing and advertising method may be as simple as word of mouth and repeat customers, or it may involve an ad campaign with printed materials, radio spots, newspaper or other media advertising, mass mailings, and the like. Marketing and advertising will be covered more fully in the next section, but you should include your marketing strategy in your business plan.

Management: Include a resume of each owner and key employee. Identify outside consultants and advisors, including accountant, lawyer, banker, insurance broker and other consultants.

Employees: Because a recreation enterprise may create a new Standard Industrial Code (SIC) for the activities associated with that portion of your business — resulting in different workers compensation rates and reporting requirements — you should treat your personnel issues separately for this enterprise from your farm or ranch business.

Written job descriptions that clearly define duties and a personnel manual may be helpful in this setting. You should identify how many employees you need to run the recreation enterprise, their titles, job duties and skills. If you need additional employees, where and how will you attract them? What process will you use to screen and hire employees (job skill testing, job interviews, etc.). What training needs will you face? Who will conduct employee training (inhouse, paid consultant, community college, other recreational businesses)? What will be the cost of the training? How will you set salaries and wages? What benefits will you provide?

Insurance: Identify the types of insurance you have for your business. See the section on Liability and Insurance

Fixed Assets: You will need to identify your current fixed assets (those with a useful life or more than one year) and those, which you need to purchase. These might include land, buildings and improvements, machinery, other equipment, livestock, office furniture, computers, etc. Determine the cost and estimated acquisition date. Estimate the useful life of each fixed asset. Complete a monthly depreciation schedule.

Start-up Expenses: Any new enterprise will have start-up costs. These costs are those associated with what it takes to open your door for business. Most of these costs will be one-time expenditures, while a few will occur every year. Examples include legal fees, accounting fees, licenses and permits, remodeling work, advertising, promotions, hiring costs, etc.

Sales Forecast: Forecasting sales are critical to your enterprise from both a management and sales point of view. You can't plan financially if you don't have an estimate of sales. You should review your data on products, customers, competitors, and budgets to develop the trends and projections. Be realistic in making these forecasts. Estimate the total market size in \$ sales per year based on your research, and create a market share analysis with worst case, mostly likely case, and best-case scenarios.

A *financial strategy* is also an important component of a business plan. The financial strategy identifies your sources of existing debt and your financing needs. It specifies your fixed assets, start-up costs and payments (if debt financing is required) as well as several basic forecasts for your business.

This component of your business plan is important for two major reasons. First, the financial strategy is fundamental to your primary evaluation of the business idea and in the management of the enterprise. Second, your financial strategy is fundamental to a lender's evaluation of your enterprise and key to obtaining financing.

In order to understand your financial situation, you need to know how your financial statements are developed and be able to read and analyze them. Make sure your numbers are verified, needs are justified and sources of capital are accurately researched. Adopt systems for

record keeping and bookkeeping that allow you quick access to accurate data and create a system of management checks and balances.

The following financial statements should be included in the business plan. In each case, include assumptions made to create estimates and forecasts.

1. Enterprise budget — a projection of income and expenses
2. Cash-flow forecast — an estimate of how income and expenses will “flow” through the operation, usually over a period of one year
3. Profit and loss statement — a projection of revenues and expenses including adjustment categories such as capital gains or losses and depreciation
4. Balance sheet — an accounting of assets, liabilities and owner equity
5. Income statement — a projection of revenue and expenses for a specific period of time
6. Break-even analysis — an analysis describing how many visitors or what amount of sales would be needed to cover costs
7. Sources and uses of cash — a description of funding sources and uses of funds

A summary of your financial strategy should be included in your business plan. The summary describes your financial documents and explains how your new enterprise will fit into your current operation. It also serves as the second part of your business plan’s executive summary.

Create an Exit Strategy

The exit strategy is the next-to-last component of the business plan. An exit strategy specifies situations in which you would exit the business or situations that might necessitate closing the business. The exit strategy also outlines the methods you would use in these situations.

Situations in which the business would be exited or closed will vary. Your personal goals may indicate that you plan to retire at a certain age, or your goals may include plans to grow the business to the highest value and sell it or pass it on to your children. In addition, it may become infeasible to continue to operate your enterprise due to changes in competition, market trends, regulations, personal goals or circumstances.

Methods for exiting a business also vary. Some examples include selling the business to a competitor, selling the business to a family member or employee, selling your share of the business to a partner or other shareholders, passing the business on to a family member or liquidating the business inventory and assets.

Each method will have implications for tax liability, retirement finances, and relationships with family members and other business interests. You may want to discuss your exit strategy with your management team to determine the best strategy for you and to make preparations to effectively implement the strategy in the future.

Include an Appendix

The appendix is located at the end of your business plan. Include supporting documents such as

- Tax returns
- Financial statements
- Resumes of owner and key employees
- Resumes of your management team, including your outside consultants and advisors such as accountants, lawyers, bankers and insurance agents
- Certificates of completion of all business planning, management and technical courses taken

Where to get help?

The business plan should be tailored to fit the agritourism project. Write the plan yourself, even if you seek assistance from professionals and other community members. Professional assistance (attorneys, accountants, financial consultants, etc) should be used as needed.

There are several resources available to assist in writing a business plan. List below are a few to get started:

- Small Business Administration
1.800.827.5722
www.sba.gov
- Small Business Development Centers
www.sba.gov/sdbc
- Chambers of Commerce
www.acce.org
- Colleges and Universities
- State Economic Development Agencies
- Libraries
- Business Information Centers (BICs)
www.sba.gov/BI/bics/index.html
- National Sustainable Agriculture Education Service
attar.ncat.org/

BUSINESS PLANNING CHECKLIST - IS YOUR PLAN COMPLETE?

Description of Business

___1. Business form: proprietorship, partnership, corporation or cooperative?

___2. Type of business: retail, wholesale, manufacturing, service or consulting?

___3. What is the product and/or service? What makes it unique?

___4. Is it a new business? A takeover? An expansion? A franchise?

___5. When is your business open?

___6. Is it a seasonal business?

___7. How long have you been in business?

___8. What have you learned about your business from past operations or (if you're a start-up) from outside sources?

___9. Why will your business be profitable?

___10. What are your personal and business goals?

Product/Service

___1. What are you selling?

___2. What benefits are you selling?

___3. What is unique about your goods or services?

___4. If you are a consultant, what process will you use?

Market

___1. Who buys from you?

___2. Are your markets growing, steady or declining?

___3. Is your market share growing, steady or declining?

___4. Have you segmented your markets? How?

___5. Are your markets large enough for expansion?

___6. What social, political, regulatory, economic and technological changes are taking place that could impact your industry, your market or your market's perception of and desire for your products/services?

Competition

___1. Who are your-nearest direct competitors?

___2. Who are your indirect competitors?

___3. How are the businesses similar to and different from yours?

___4. What have you learned from their operations? From their advertisements?

Product Development Plan

___1. What other products/services (if any) are you currently considering?

___2. What is your time frame for developing and introducing them?

Marketing Plan

- ___1. Who will actually buy from you (e.g., do you sell to distributors, wholesalers, retailers, businesses, consumers?) And how does this impact your marketing plan?
- ___2. How will you attract and hold your target market and increase your market share?
- ___3. Are you planning to enter or leave any markets?
- ___4. How do you price your products?
- ___5. Where are you (will you be) located?
- ___6. Why is this a desirable area? A desirable building?
- ___7. What kind of space do you need?
- ___8. Are there any demographic or other market shifts going on in your area that could impact your marketing plan?

Sales Plan

- ___1. Who will do the selling in your business? (You? Company salespeople? Independent sales representatives?)
- ___2. What are your weekly, monthly and quarterly sales goals?
- ___3. What other checkpoints have you established for reaching those goals?
- ___4. What sales approach will you use?

Operations Plan

- ___1. How will you organize the flow of work through your business? (This is especially important if you have several people doing different parts of the overall tasks, such as in a factory or a farming operation.)
- ___2. How will you assure that all tasks are performed? Performed on time?
- ___3. How will you monitor quality?
- ___4. How will you keep costs under control?

Personnel Plan

- ___1. What are your current personnel needs?
- ___2. What skills will your employees need in the near future? In three years?
- ___3. What are your plans for hiring and training personnel?

Management Plan

___1. How does your background/business experience help you in this business? For your own use: What weaknesses do you have and how will you compensate for them? What related work experience do you have?

___2. Who is on the management team?

___3. What are their strengths and weaknesses?

___4. What are their duties?

___5. Are these duties clearly defined? How?

___6. What additional resources are available to your business?

Application and Expected Effect of Loan (Investment)

___1. How will the loan (investment) make your business more profitable?

___2. Will you buy or lease your equipment, location or vehicles?

___3. Do you really need this money? Or can you make do without?

Financial

___1. Have you completed your financial projections? (As a minimum you should have profit and loss statements, cash flow and income projections for three years and a current balance sheet.)

___2. Will you need additional cash? If so, how will you get it?

___3. Have you shown that your business will be profitable?

START-UP EXPENSES

Start-up expenses are the various expenses it takes to open your doors for business. The majority of these expenses will be one-time expenditures, while others will occur every year. Examples of these expenses are listed on the next page. If you have an existing business, skip this work-sheet.

Step 1:

Fill in Total available cash for starting your business venture.

Step 2:

Review the expenses listed on the next page. You probably can use this list for the expenses for your business. You may have some expenses which are not listed here, write them under Other expenses.

Step 3:

Estimate your cost for each expense.

Step 4:

Calculate the total for your start-up expenses.

Step 5:

Calculate Beginning Cash Balance by subtracting Total Start-up Expenses from total available cash. This amount should be written on the Projected Cash Flow worksheet under each month on the Beginning Cash Balance line.

START-UP EXPENSES	
EXPENSE	COST
Total available cash	\$ _____
Total of capital equipment (find this total on next page)	\$ _____
Beginning inventory of merchandise for retailing businesses	_____
Legal fees	_____
Accounting fees	_____
Licenses & permits	_____
Remodeling work	_____
Deposits (public utilities, etc.)	_____
Advertising (grand opening, etc.)	_____
Promotions (door prizes, etc.)	_____
Other expenses: _____	_____
TOTAL START-UP EXPENSES	\$ _____
Beginning Cash Balance	\$ _____

CAPITAL EQUIPMENT

Equipment	Cost	Acquisition Date	Useful Life (In months)	Monthly Depreciation
Total Costs Capital Equipment	\$		Total Monthly Depreciation	\$

Projected Cash Flow

Cash flow projections are among the most critical financial projections you will make. You will calculate your cash receipts and the cash disbursements for each month. If the cash receipts are greater than the cash disbursements, you will have a positive cash flow. If the cash receipts are less than the cash disbursements, you will have a negative cash flow. Negative cash flows are enclosed in brackets. Here is an example: (\$5,218).

Step 1:

Fill in your beginning cash balance for the first month. This amount should be taken from the start-up expenses worksheet if your business plan is for a new business.

Step 2:

Fill in the various categories for Cash Receipts and total them for the first month only.

Step 3:

Fill in the various categories for Cash Disbursements and total them for the first month only.

Step 4:

Calculate the Net Cash Flow for the first months (Total Cash Receipts minus Total Cash Disbursements).

Step 5:

Calculate the Ending Cash Balance for the first month. (Beginning Cash Balance plus a positive Net Cash Flow (or minus a negative Net Cash Flow).

Step 6:

Fill in the Beginning Cash Balance for the second month, (which is the Ending Cash Balance for the first month).

Step 7:

Repeat the first six steps for each of the twelve months remember to complete one month at a time!

PROJECTED CASH FLOW

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Beginning Cash Balance													
CASH RECEIPTS													
Cash Sales													
Collect Account Receivables													
Loans from Banks, Etc.													
Other Receipts													
Total Cash Receipts													
CASH DISBURSEMENTS													
Purchases (merchandise)													
Salaries													
Payroll Benefits													
Occupancy Expenses													
Insurance													
Interest													
Other:													
Other:													
Purchase Capital Equipment													
Loan Principal Repayment													
Owner's Withdrawals													
Total Cash Disbursed													
Net Cash Flow													
Ending Cash Balance													

PROJECTED INCOME STATEMENT

You are now ready to assemble the data for your projected income statement. This statement will calculate you net profit or net loss (before income taxes) for each month.

Step 1:

Fill in the sales for each month. You already estimated these figures; just recopy on the work sheet.

Step 2:

Fill in the cost of goods sold for each month. You already estimated these figures; just recopy on the work sheet.

Step 3:

Calculate the Gross Margin for each month (Sales minus Cost of Goods Sold).

Step 4:

Fill in the three categories of labor-related operating expenses (salaries, mandatory benefits, optional benefits). You estimated these figures already; just recopy them on the work sheet.

Step 5:

Fill in the Operating Expenses — Non-labor. You estimated these figures; just recopy them.

Step 6:

Fill in the Monthly Depreciation Expense. You estimated this figure already; just recopy them for each of the 12 months.

Step 7:

Calculate the Total Operating Expenses for each month by adding all operating expenses.

Step 8:

Calculate the Net Profit or Net Loss (before income taxes) for each month (Gross Margin minus Total Operating Expenses).

PROJECTED INCOME STATEMENT

MONTHS	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
Sales													
Cost of Goods Sold													
Gross Margin													
OPERATING EXPENSES													
Salaries & Wages													
Mandatory Benefits													
Optional Benefits													
Occupancy Expenses													
Car/Delivery													
Supplies													
Advertising													
Legal/Accounting													
Insurance													
Bad Debts													
Interest													
Other													
Depreciation													
Total Operating Expenses													
Net Profit (or Loss) Before Income Taxes													

BALANCE SHEET

The balance sheet can be compared to a picture of your financial condition on a particular day. This statement is a list of your assets (at your cost), your liabilities (your debts), and your equity in those assets.

You are going to prepare a balance sheet as of the end of your last fiscal year or as of the start-up date of your business. You should include all the assets and liabilities as of the appropriate date. You will also be preparing a projected balance sheet for a date one year in the future.

Step 1:

Fill in the amounts for each of the Current Assets and calculate the Total Current Assets.

Step 2:

Fill in the amount for Fixed Assets, (Land, Buildings and Equipment), less accumulated depreciation.

Step 3:

Calculate the Total Assets (Total Current Assets + Total Fixed Assets).

Step 4:

Fill in the amounts for current and long-term liabilities and calculate the required totals.

Step 5:

Calculate the Owner's Equity (Total Assets - Total Liabilities).

Step 6:

Fill in the amount of Total Liabilities + Owner's Equity. This amount should equal the amount for Total Assets.

Step 7:

Repeat Steps 1 through 6 for the end of the year projections.

BALANCE SHEET

Assets	As of	As of
Current Assets		
Cash	\$ _____	\$ _____
Accounts receivable	\$ _____	\$ _____
Inventory	\$ _____	\$ _____
Prepaid expenses	\$ _____	\$ _____
Other current assets	\$ _____	\$ _____
TOTAL CURRENT ASSETS		
Fixed Assets		
Land	\$ _____	\$ _____
Buildings (Less Accum. Depr.)	\$ _____	\$ _____
Equipment (Less Accum. Depr.)	\$ _____	\$ _____
Other fixed assets	\$ _____	\$ _____
TOTAL FIXED ASSETS		
Total Assets	\$ _____	\$ _____
Liabilities		
Current Liabilities		
Accounts payable	\$ _____	\$ _____
Federal & State taxes owed	\$ _____	\$ _____
Other current liabilities	\$ _____	\$ _____
TOTAL CURRENT LIABILITIES	\$ _____	\$ _____
Long-term Liabilities		
Notes payable to bank	\$ _____	\$ _____
Mortgages payable	\$ _____	\$ _____
Other long-term liabilities	\$ _____	\$ _____
TOTAL LONG-TERM LIABILITIES	\$ _____	\$ _____
Total Liabilities	\$ _____	\$ _____
Owner's Equity		
Total Liabilities + Owner's Equity	\$ _____	\$ _____

Threats to Success

Despite the optimism that surrounds a small business start-up, most small businesses fail. In fact, 80 percent of small businesses fold in their first five years according to the Small Business Administration. Unquestionably, all entrepreneurs make mistakes, but those who recognize and correct mistakes are more likely to succeed.

Why do small businesses fail? The answer varies with entrepreneurial skills and business conditions. It is important to have good managerial, analytical, communication and interpersonal skills, in addition to drive and vision. It is also important to understand common threats to business success.

Failure to understand or predict the difficulty of owning your own business or adding an enterprise Owning and running a business is hard and stressful work. As a service business operated from your home on family land, your agritourism enterprise can be particularly difficult, requiring tremendous commitment and effort. Learn how to cope with stress and try to find a balance with family, friends and activities you enjoy.

Lack of strategic planning Make mistakes on paper before you risk assets. Understand that planning is an on-going and cyclical process. In other words, plan strategically.

Not knowing how to manage and operate an agritourism enterprise Agritourism enterprises require a different set of skills from production agriculture. Take courses, read books, attend seminars, listen to tapes, get a mentor or do whatever you can to gain the skills you need.

Lack of cash, poor cash flow, lack of financial savvy, poor money management, under-financing “Do not have the ‘build it and they will come’ mentality!” said one agritourism operator. Instead, know and fill demand and then expend capital. Learn about available financing opportunities, tools and techniques. Understand the basics of business finance.

Growing too fast When a business grows too fast, entrepreneurs often lose control, quality of products and service deteriorate and customers go elsewhere. Business growth should be done strategically and at a rate you can manage.

Poor interpersonal skills Relationships within a business are complex; important; and worthy of time, attention and feedback. You will need to develop relationships with members of your management team, employees and customers.

Poor communication skills Good communication skills consist of good listening skills as well as good verbal skills. Develop a system for reporting feedback and suggestions from employees and customers. You might consider holding regular meetings of your management team.

Failure to innovate Markets are dynamic. It is important to monitor market conditions and make adjustments to meet the needs of consumers.

Trying to go it alone Businesses can sink when the operator wears too many hats. Having strong, well-rounded management and working teams is important. Pay for and use the services of professionals when needed. Hire employees that complement your weaknesses and delegate responsibility. You should also form networks with people involved in agritourism activities locally and regionally.

Failure to recognize your own strengths and weakness The better you know yourself, the better your chances of avoiding problems and achieving success. Ask for help when you need it.

Failure to seek and respond to criticism Many of the problems listed can be corrected or avoided with the help of candid feedback. Do not automatically blame external causes for failures, but take a look at internal causes. Have people you trust critique your management skills. Talk with management team members, friends and peers. Use the information to learn how to improve your skills.

Nelton, Sharon. June 1992. "Ten Key Threats to Success." Nation's Business.

Marketing

Marketing is often thought of as simply product advertising or sales pitches; however, marketing includes much more. Marketing is “planning and executing a set of objectives to bring buyers and sellers together so that a sale can take place.” It requires thorough planning and execution.

In the case of agritourism, marketing has four main goals:

1. Identify a target audience and their needs.
2. Attract the target audience to the enterprise.
3. Meet the needs of the target audience and entice them to spend their money at the enterprise .
4. Create a desire in the audience to return again and again to the enterprise.

Marketing requires focusing on customer values in order to develop and market a product or service to meet unfulfilled needs of consumers. Thus, it is important to understand the concept of “consumer values.” When making purchase decisions, consumers generally consider four factors, often referred to as the Customer’s 4 C’s:

1. Customer Benefit — What benefit will customers receive from the product or service?
2. Customer Cost — What cost will the customer incur to acquire the product or service?
3. Convenience — How convenient is the process of acquiring the product or service?
4. Communication — How do customers learn about products, services and how to acquire them?

Agritourism entrepreneurs should keep these factors in mind when developing products and services as well as when developing their marketing plan.

Developing a Marketing Plan

Developing a marketing plan takes time and commitment, but it is well worth the investment. There is no single formula for success or “silver bullet” strategy that will guarantee success. Instead, marketing is more like an art than a science, in that it is a creative process rather than an exact formula that can be followed in all situations. “Creating a marketing plan does not guarantee success, it only reduces the chance of failure.”

A marketing plan can be compared to a road map in that it allows you to look at where you currently are and provides direction on how to get to your destination. The marketing plan provides the same guidance as a road map, outlining your plan for bringing buyers and sellers together. Attracting and retaining customers is fundamental to the success of a business, as customers provide the money that is essential for a business’ daily operation, payroll, debt servicing and profits.

A comprehensive and properly prepared marketing plan can provide invaluable information pertaining to the marketplace. It is easy to brainstorm and hold strategy sessions. These meetings can generate brilliant marketing strategies as ideas are conceived and communicated. However, if these ideas are not recorded and then implemented they are useless. Lee Iacocca, former chairman of Chrysler, provided great insight that supports the creation of a written marketing plan when he said: *“the discipline of writing things down is the first step toward achieving them.”*

Constructing a marketing plan is similar to putting a jigsaw puzzle together. Many individual components provide specific pieces of information, but none of the individual pieces provides enough information to see the “big picture.” However, when these individual components are combined, the big picture becomes clear and the business has a plan for marketing its wares. A good marketing plan for an entertainment farm operation can be broken down into the eight different elements:

I. Introduction

The introduction of a marketing plan provides a concise and complete overview of what the marketing plan is going to accomplish. The reader should be able to gather enough information about the marketing plan from the introduction that he or she has a general idea of what is going to take place.

II. Market Analysis

Market analysis is an essential component of the marketing plan. The market analysis contains information on consumers, competitors and the overall industry. This information is critical to developing an effective marketing plan. In order to accurately complete the market analysis, an in-depth study of the industry and extensive research into consumer tastes and preferences are needed. These investigations will allow you to identify industry trends, changes in consumers’ tastes and how the competition is positioning its products. This type of strategic information is critical to effectively position and promote a product to a target market.

To effectively perform a marketing analysis the market area must be defined, the target market identified and a competitor and situational analysis developed

A. Market Area

The market area can be thought of as the geographic area where the business intends to operate, i.e, a city block, between the rivers or the globe. Defining the market area is important because it defines the geographic area where potential consumers live and or work. The people in the market area are considered to be potential customers. If the population in the market area is not sufficient, it will have to be expanded. Food retailers, for example, typically rely on drawing customers from a five mile radius around the store. If this population is too small, the retailer will build elsewhere or risk insufficient sales revenue.

Total sales for specific products can be determined once a market area is defined. For example, Americans consume approximately two pounds of honey annually. Therefore, defining a market area provides the means of determining the total market potential by multiplying the area's population by consumption figures. The result is the area's estimated total sales potential. However, this figure may be misleading and overstate the true market potential for a particular product as not all of the residents in the market area are potential consumers. For example, assume the population for a defined market area is 10,000 people. Some of the people in the area eat beef while others are vegetarians. Therefore, not all of the people in the market area are potential consumers. As a result, it is important to determine what segment of the total population in the market area can realistically be considered potential customers.

B. Target Audience or Customer Profile

Once you have made an initial description of your enterprise and studied the market situation, it is critical to identify your specific target market or audience. Identifying a target audience will allow you to design your marketing efforts effectively by focusing directly on customers you are seeking rather than mass marketing to the general public.

A target audience is defined as a specific portion of the population that has

1. A need the product or service can fulfill
2. A willingness to purchase the product or service
3. The financial ability to purchase the product or service

Describe the customers in your target audience by answering the following questions.

1. Where do your target customers live?
2. What age or in which age range are your target customers?
3. What is the marital status of your target customers?
4. Are your target customers families, individuals or groups?
5. Do your target customers include or exclude children?
6. What is the income range of your target customers?
7. What sources or types of advertising or promotion influence the purchasing decisions of your target customers (newspaper, radio, TV, publicity, word-of-mouth referrals, Internet, brochures or other types of advertising)?
8. What are your target customers' hobbies and interests?
9. When are your target customers available for the services your venture plans to provide?

10. What are your target customers looking for in an agritourism enterprise (entertainment, relaxation, action/adventure/hands-on-experience, education, social interaction, genuine farm experience or other)?

11. How far are your target customers willing to travel to obtain such an experience?

Answer the following questions about your target audience to test for the three components of the target audience definition.

1. Do your target consumers have a need that your agritourism enterprise can fulfill that has not already been fulfilled by other businesses in the area?

Yes No Do Not Know

2. What are the target-customer needs that your enterprise can fulfill? How will customers benefit from your operation?

3. Does your target customer have adequate disposable income to spend at your enterprise?

Yes No Do Not Know

4. Is your target customer willing to pay an acceptable price for the products or services you can offer at your enterprise?

Yes No Do Not Know

5. Does your target customer have convenient access to your proposed operation? Consider distance to the operation, access from major roadways, quality of roadways and difficulty in finding the operation.

Yes No Do Not Know

6. Will enough of your target customers be willing to travel the distance to visit your location?

Yes No Do Not Know

If you answered “Yes” to each of the six questions above, it is likely that your identified target customer meets the three components of the definition of a target audience. If you answered “No” or “Do Not Know” to any of the questions above, your identified target customer is most likely not a suitable target audience for your enterprise. Consider whether other customer types will fit your personality, skills and goals and whether they meet the target audience criteria.

C. *Competitor Analysis*

A competitor analysis focuses on identifying competitors and collecting pertinent information related to their business. The analysis should investigate both direct and in-direct competitors. For example, an upscale fruit preserve’s main competition is other upscale fruit preserve products and not the mass produced national brand jams and jellies. The analysis should contain a list of each competitor’s strengths and

weaknesses, resources, marketing channels as well as their strategic plans (if available). It is important to highlight competitor's weaknesses as this provides material which can be used to exploits competing products weaknesses in marketing materials. It is important to know the competition. By identifying competitor's strengths and weaknesses, it is easier to determine a product's competitive advantage, which is useful in product positioning and promotion.

Identifying competitors provides basic information for estimating market share. Market share can be estimated using the total market potential figures and the number of competing outlets. Finding market share information is a difficult if not an impossible task. This information is very valuable and acquiring it may be very expensive. In other instances, there is no market share information. If market share information is not readily available, there is a way to derive a crude market share figure. This crude estimation is calculated by dividing the total market potential equally among the total number of competitors. For example, if there are 15 competing products in a specific market, it is assumed that each of the fifteen competing products capture approximately $\frac{1}{15}$ of the market ($\frac{100}{15} = 6.67$). Again, this method of market share estimation is by no means accurate or representative of the actual market shares held by each competing product because it assumes that all outlets have an equal market share which is probably unrealistic. For instance, one national supermarket outlet may capture 50% of the grocery market and the remaining 50% of the grocery market may be divided among the remaining 14 competitors. Despite its short comings, this crude method of estimating market share information provides a means for a company to make an assumption of how much they might capture if they entered the market. The alternative is to make a guess based on the best available information.

D. Situational analysis

The situational analysis can be thought of as a comprehensive investigation into the business environment in which your company will be operating. The situational analysis can be separated into two different elements.

1. *Industry Overview*- this element primarily focuses on industry trends and should provide a general review of the industry. For example, is demand for your product category increasing, decreasing or stable? Is the product category moving toward fat-free products? What are the long term trends in the market place? What are the demographic trends and how might they impact the market? These are some of the questions that need to be investigated. Traditionally, it is easier to enter and compete in a growing market than in a stagnate or declining market.
2. *Regulatory and social implications*- this element of the situational analysis should focus on government regulations and social trends that

would directly or indirectly impact consumer demand for or consumer perception of your product. There may be social trends that might have positive or negative product ramifications. For example, the new organic regulations stipulate that before a product can be labeled organic, it has to be certified organic. An example of social implications and their impact on product consumption could be the current public anti-tobacco sentiment.

III. Marketing Objectives and Goals

The marketing objectives section should outline detailed and specific marketing goals and objectives. This section is essential to the overall success of the marketing plan. By setting business goals and defining objectives, the strategy and tactics subsections that follow will provide detailed information on how the objectives and goals will be met. However, before marketing strategies and tactics are developed, a clear picture of what is expected to be accomplished must be created. For example, you need to set specific goals, such as to accommodate 1,500 students and 200 families. Again, you may want to set specific sales goals by market.

IV. Marketing Strategies

This section outlines and describes what needs to be done to reach specific marketing goals and objectives. Specific marketing strategies are developed after the entertainment operation identifies its marketing objectives. Marketing objectives are specific and measurable goals used to define where the business would like to be at some definite time in the future. For example, if an entertainment farming operation's goal is to have 1,500 school children tour the facilities in the upcoming year, a marketing strategy must be developed and implemented. Once the business has determined its marketing goals, a method of achieving the goals must be formulated and outlined. Assume the marketing goal is to have 1,500 school children tour the facilities in the upcoming year. How is the operation going to accomplish this goal? Marketing strategies are concepts that can be used to create a set of activities aimed at reaching specific marketing goals, "how" specified marketing objectives are to be met. Depending on the operation's current status in the market, different marketing strategies are needed to achieve the specified marketing objectives. The four general marketing strategies that can be used to market a product or services are:

- Market Penetration
- Market Development
- Product Development
- Diversification

After developing specific marketing strategies, it is important to consider how the competition will react when these strategies are implemented. An outline of the anticipated competitors' reactions should be developed and strategies to counter their reactions need to be considered.

Market Penetration is similar in meaning to market share and refers to the percentage of total product sales that is captured by a company. For an entertainment farming operation to increase its market penetration, it must attract competing entertainment farming customers, attract customers new to entertainment farming or increase its existing customers' use of the facilities.

Market Development is a very simple strategy. The business tries to identify new markets or new uses for its existing products, e.g., offer corporate outings using the facilities developed for school tours. If a business wants to expand and does not want to develop or produce a new product, it can use a market development strategy.

Product Development strategies occur when a business develops new products or services for existing customers in the business' current markets. Product development may be as simple as adding value to existing products or developing an entirely new product. A new eco-tour could be created at the "Farm Forest" enterprise, which would be an example of new product development.

Diversification is a strategy that is typically used as a business grows. The purpose of diversification is to attract new groups of customers by producing new products and/or entering new markets. Let's look at a producer who initially offers a fall pick-a-pumpkin operation. As the operation grows, he or she decides that the business could attract even more customers by offering a cut-your-own Christmas tree enterprise. By venturing into the cut-your-own Christmas tree market, the producer has diversified the product mix.

V. The Marketing Mix

The marketing mix component of your marketing plan describes the methods you will use to attract customers to your operation. Strategies developed and used to gain market share should be tailored to the specific target audience and the values of those customers. The strategies should also be developed to meet your goals for the operation. Marketing strategies include the 4 P's of marketing: product and/or service positioning, price, place, and promotions.

Product — refers to the actual product being offered. The "product" can be thought of as the summation of the individual product's physical and perceived attributes, including packaging. The product needs to have desirable characteristics, appropriate packaging and a perceived image consistent with demands of the targeted market. Packaging is a significant aspect of the product. For example, according to Larry Davenport with the International Jelly & Preserve Association, packaging is essential to a product's success because 90 percent of niche product purchases are based on presentation. Thus, how the agritourism operation is packaged can influence the customers' perception of the operation and the likelihood they will visit it.

Price — Determining the admission price and the price of the products and services available at the operation is a critical marketing tactic. The prices have to be high enough to cover the total cost of operating the enterprise, yet not so high to discourage potential customers from visiting. One method of

determining admission price is to research existing entertainment farming operations or competing forms of entertainment and use these prices as a starting point.

Promotion — is a term used to describe the advertising, promotion, publicity and selling of a product or service. Promotion can be broken down into two distinct categories: 1) face-to-face selling and 2) advertising, promotion and publicity.

Place — refers to a general concept describing how the product will get to consumers. In the agritourism operation, place refers to the site where the activities take place.

It is important to understand that the ultimate function of a marketing mix is to sell more product. Because developing an effective and successful marketing mix is more like an art than a science, it takes experimentation and follow-up evaluation to determine the most effective method(s) of marketing a product to consumers.

VI. Advertising, Promotion and Publicity

Advertising, promotion and publicity are three distinctly different communication strategies that are frequently used together to increase customer traffic and sales. The goal of each of the three strategies is to influence the purchasing decisions of consumers. It is important to remember that advertising, promotion and publicity alone cannot generate significant demand for a product if consumers do not like the product or it does not meet a specific need.

Advertising relies on both printed and electronic communication to deliver information about a product or business to potential and existing customers. It is important that your advertising campaign is directed at your target market, in terms of content and where the message is going to be aired or printed. Advertising a business whose target market is school groups and adults with children has a number of functions:

- to inform teachers and parents of your agri-entertainment operation's existence
- to inform teachers and parents why they should visit your farm (e.g., learn about agriculture)
- to remind teachers, students and parents of a specific reason why they might want to visit your farm (e.g., need a pumpkin for Halloween)
- to associate specific qualities with your enterprise (e.g., good, clean, family fun)
- to help differentiate your operation from the competition (e.g., hayride and pumpkin included in the admission price)

Sales Promotion, involves customer response and involvement as opposed to advertising which involves delivering information about a product or business to potential and existing customers. However, product advertising and promotion are frequently used together. For example, a car dealer may advertise his dealership while running a free hotdog and soft drink promotion for individuals who visit his business. Promotions are a way to entice the customer to purchase a product through a special activity. Everybody is familiar with promotional strategies like clearance sales, in-store sampling and product giveaways.

Advantages and Disadvantages Associated with Specific Advertising Media⁶

Media	Advantages	Disadvantages
Newspaper	<ul style="list-style-type: none"> Potentially large coverage area Low cost relative to other media Immediate/timely (daily or weekly) Access to many socioeconomic groups Ability to target specific audience via specialty section Can use color Flexibility in ad size and cost Visibility of the product (i.e., picture) Use of coupons to measure effectiveness Short lead time 	<ul style="list-style-type: none"> Inconsistent reproduction Typically one-day exposure Clutter (can be lost among other ads) May be limited to text or black-and-white Lack of movement and sound
Radio	<ul style="list-style-type: none"> Specific audience (demographics) Immediate/timely/multiple exposures Possible high entertainment value of ad Celebrity endorsement or pitch Time and content flexibility Use of a human voice (celebrity) Sound reinforcement 	<ul style="list-style-type: none"> Time limitations restrict message Need for repetition Clutter (can be lost among others) Ad recall is low "Station surfing" during commercial breaks Short ad exposure
Magazines	<ul style="list-style-type: none"> Potentially large coverage area Can target a specific audience Can use color Flexibility in size and cost Visibility of the product (i.e., picture) Use of coupons to measure effectiveness Large repeat and secondary exposure 	<ul style="list-style-type: none"> Clutter (can be lost among others) Cost associated with repeat exposure Lack of movement and sound Not immediate; publication may be weekly, monthly or less frequent
Television	<ul style="list-style-type: none"> Large coverage area Can target a specific audience Uses both visual and auditory stimuli Large repeat exposure 	<ul style="list-style-type: none"> Costly to produce and air Time limitations restrict message Need for repetition Short ad recall Clutter (can be lost among other ads) Inverse relationship between hours watched and audience income
Direct Mail	<ul style="list-style-type: none"> Can target a specific audience More opportunity to educate on product/service benefits 	<ul style="list-style-type: none"> Expensive (\$1 to \$2 per piece) Difficult to obtain "clean" mailing list May be perceived as junk mail Not immediate, 2- to 3-week lag time May be discarded unopened
Point of Sale	<ul style="list-style-type: none"> Can influence impulse purchasing Helps product stand out among competition Customer has opportunity for direct response at time of ad presentation (i.e., purchase) 	<ul style="list-style-type: none"> Can be expensive Clutter (ad can be lost among other point-of-sale material)
Outdoor (signage and billboards)	<ul style="list-style-type: none"> Large audience exposure depending on placement Use of color Can provide information and directions Continuous exposure 	<ul style="list-style-type: none"> Limited message length Initial production and preparation costs Ideal sites are difficult to access
Internet	<ul style="list-style-type: none"> Information available 24/7 Customers access in their environment and at their convenience Relatively cost effective Can target types of viewers Messages can be timely Ads can be interactive Ability to use coupons to measure effectiveness 	<ul style="list-style-type: none"> Maintenance necessary Not effective as a stand-alone strategy Difficult to gauge impact Costs of development and maintenance can vary dramatically

⁶Dalton, Anne, Rob Holland, Shasta Hubbs and Kent Wolfe. Adapted from *Marketing for the Value-Added Agricultural Enterprise*. University of Tennessee Extension publication PB1699. May 2002. Available online at <http://www.utextension.utk.edu/publications/pbfiles/PB1699.pdf>. Accessed April 4, 2005.

Mass Media Advertising should be directed at the local market. At least two months before the entertainment farming operation opens, advertising costs and scheduling information should be obtained from local newspaper(s), radio station(s) and television station(s). In addition, you should also begin preparing your advertisement(s). Newspaper, television and radio advertising are particularly useful when starting a new agritourism business. By advertising, you are able to reach a large number of potential consumers. The advertisement can be used to get potential consumers' attention and alert them to your opening and any special events that may be taking place. It is also a good idea to periodically advertise and remind existing and potential visitors that you exist.

Before you decide to advertise in any medium, make sure that the subscriber or listener demographics of the newspaper, television station or radio station are similar to the demographics of your target market (customer).

Publicity might be considered inexpensive or free advertising. There are a number of sources of publicity and a lot of times publicity can achieve the same goals as advertising.

- *Television Publicity* - You should try and convince one or more of the local television stations that they need to do a feature story on your business or product. This feature story has the potential to reach a very large number of potential customers within a Metropolitan Statistical Area.
- *Newspaper or Magazine Publicity* is another way to reach a large audience. Again, newspapers in the target area and other publications or magazines servicing your niche market should be approached about doing a feature article on your business. In some instances, your local county Extension Agent can help you get a feature story in the local paper.
- *Radio Publicity* is another option for informing potential customers that the business exists as what activities and products are available. Again, you may get a local radio station to do a feature story on your business. Radio publicity is immediate and can be used to contact consumers when inventories are high or traffic is slow, i.e., apples are ready for picking.

It takes work and planning to obtain print and electronic media publicity. The following outlines possible methods for obtaining print and electronic media publicity:

A *media list* should be developed. The media list should include local and regional media that are directed toward potential customers. These media provide a means of advertising your product to potential consumers or even generating publicity for your products through feature stories. In addition to providing free publicity, the media list can be a valuable source of "events" for promoting the pumpkin patch's products as the media provide information on community events. Another promotional tool is to contact local radio stations and have your product be a part of an on-air promotional campaign. A gentleman in Chicago used this tactic to generate inexpensive advertising. The local radio

personalities would give one unit of his product away every hour as part of their listener appreciation program. This promotion generated hourly advertising for the cost of a bottle of product (\$2.29). A similar strategy could be used by the business. For example, if you are operating a pick-your-own pumpkin enterprise, you may want to work with a local radio station so that they give away 1 free pass that enables the winner to enjoy all the activities at the pick-your-own pumpkin enterprise as part of their listener appreciation campaign. This would generate free radio advertising for the price of a pumpkin, hay ride and other activities.

News leads should be sent to appropriate media each time there is an occasion or event associated with the pumpkin patch. Such occasions or events could be:

- the 10,000th jar sold
- new product introductions (e.g. new re-sealable container.)
- the business visited by a notable person

It is very important that the news lead be formatted to meet a particular publication. Editors are not likely to spend the time and effort to rewrite a news lead. A news lead has a better chance of being published if it is easily adapted to the specific format of the newspaper or magazine to which it is being submitted.

Key people in selected media should be identified and provided product samples, if applicable, at appropriate times, such as holidays or other occasions. An extensive list of publication editors, radio news editors and local television editors should be compiled and provided samples on holidays or special occasions. These individuals look for interesting stories focusing on the region and could promote your business via a news article or feature story.

Just like selling your business or products to consumers, you will have to sell your business or product to the media to be considered for a feature story. Before contacting television stations, radio stations or newspapers in your area there are some simple questions you should have answered to help you effectively and efficiently pitch your story. The following outlines questions that you should be able to easily and readily answer and even have in front of you when talking when you talk to individuals in the mass media⁵:

- *What is the story?* (Two sentence maximum)

- *Who is in the story?* (list the people that can be interviewed, and the area of expertise)

- *When is the best time to air your story?* (Think about the goal you want to achieve getting your story on the air. If you are trying to build participation, the story should be aired prior to your event)
- *Where will the story take place?* (What are the visuals? Will it look good on TV?)
- *Why is this a good story?* (How will the story effect the viewers or listeners)

Caution: Before you decide to advertise or promote or seek publicity for your business, via print or electronic media; make sure that the viewer or listener demographics of the media are similar to the demographics of your

Internet

The internet has created a new method of marketing products to consumers. However, it takes a plan to successfully launch and support a retail website but given its sales potential it is a must. Research has shown that over two-thirds of online users use the internet to purchase products. However, they use the web to collect information and compare products before making a purchase. According to industry research, 91% of online users use the internet to seek information, while 78% use it to research a product before making a purchase. This provides a great marketing opportunity and a venue to inform potential customers about a product's benefits. However, getting them to the website can be difficult. It is important to continually update your site and create a reason for people to want to come back. Add new recipes, have an editorial column, run specials, anything to make them want to return and return often.

A website should have a shopping cart feature that allows the customer to add items, track their purchases. Shoppers want to add stuff to their cart and have it still be there if they turn off their computers and come back later. They want to use it as a wish list and add and subtract to it as they shop and to compare items in cart.

Email lists are a very important part of direct marketing. Collecting email addresses can be as simple as asking visitors to provide you that information. A website may have a sign-up list that allows customers to enter their email address and receive an email notice when an event happens. For example, a roadside stand may send out emails to customers alerting them to the fact that strawberries are ready. Start a online registration book to collect basic information (customer's name, email address, address, city, state, ZIP code and telephone number). As you fill orders to ship to consumers, it is necessary to have contact information in order to ship the product. By collecting and saving customer information you can gradually compile an extensive email and mailing list/ data base of consumers. This customer data base can then use this data base to generate future sales by periodically reminding consumer's via email about your products or send them information describing new products via advertising flyers, brochures and price lists. It is important to not abuse email as customer can become fatigued and irritated if they feel they are receiving too many emails and might consider it spam.

Word-of-Mouth Advertising appears to be a very effective way of attracting customers. It can be both positive and negative. As a general rule, people are more likely to complain about their experience than they are to compliment it. As a result, if customers are less than satisfied with quality, price, service or any other aspect of the operation, they may actually hurt business by generating negative word-of-mouth advertising. On the other hand, if customers are satisfied, they may recommend your business to family and friends. Satisfied customers are significantly more likely than unsatisfied customers to make repeat visits. Thus, it is critical that you maintain a quality product, deliver exceptional service and make the experience enjoyable for the customer. A simple formula to remember is that 20 percent of customers account for 80 percent of

your business, so generating loyal repeat customers is a critical success factor.

According to a 1999 entertainment farming survey of elementary school teachers¹¹, word-of-mouth advertising is the most common way teachers learn of field trip opportunities. Thirty-seven percent of the teachers who completed the survey indicated that they learn of field trip opportunities from talking with others.

Road Sign Advertising can provide potential customers with a variety of information about the entertainment farming operation. However, it is a good idea to investigate local and state regulations concerning road signage. Some of the information you should include on your sign includes:

- Location
- Business hours
- Special promotions
- Other attractions

In addition to containing information, your sign should “catch” the attention of motorists. The sign should be designed to attract the attention of passing motorists by using high contrast and large letters in combination with bright, easy-to-read colors (e.g., yellow writing on a navy blue background). However, the sign needs to be easy to read, as motorists will typically be passing by the sign at speeds of 30 mph or more.

Table 4 presents a guideline for creating a sign given various traveling speeds.

Distance (Ft)	Letter Width (In)	Letter Height (In)	Number of Words at Speed			
			30 Mph	40 Mph	50 Mph	60 Mph
50	3/8	1 3/4	4	2	1	0
100	3/4	3 1/2	8	5	4	3
200	1 3/8	7	15	11	8	6

300	2 3/16	11	22	16	13	10
400	2 7/8	14	30	22	17	14
500	3 1/2	17 1/2	38	28	22	18

A number of signs should be placed on busy roadways to ensure customer exposure, as well as to provide directions to the entertainment farming operation. However, the final sign needs to be spaced at a reasonable distance from the entertainment farming operation to allow motorists time to slow down safely to make the turn. The following outlines the distance needed to slow down safely at different speeds:

- at 30 mph a car needs 2/10 of a mile to slow down safely
- at 40 mph a car needs 1/4 of a mile to slow down safely
- at 50 mph a car needs 3/10 of a mile to slow down safely

According to the results of a University of Georgia direct marketing study, there is a significant correlation between the number of roadside signs and revenue. The study concluded that roadside stands with more road signs had higher weekly sales than roadside stands with few road signs. Although the study focused on roadside stand operations, the finding may be applicable to many other types of retail operations

Collateral Marketing Materials

A *logo or trademark* should be developed so it can be registered with the state and it cannot be used by another individual or company. Trademarking can be very important, as your logo can be used by other businesses if it is not trademarked. You could lose the right to use your logo if another individual or business applies for your trademark. Additional information pertaining to trademarks is available in Appendix E.

Brochures and/or Fliers. This type of marketing material is commonly referred to as collateral material and it is a necessity. Many times the brochure or flier is all that potential customers have to learn about your product and find your business. The brochure/flier is a selling tool by which information about your business and its products are relayed to potential consumers. These materials may not have a direct impact but potential customers may take the material with them and refer to it at a later date. The brochure/ flier can be used as a handout and/or mail piece. This makes the brochure or flier a very important part of your marketing material. It is important that you convey your product's desired image and its attractions in the brochure or flier as this may be your businesses only exposure to potential customers. (E.g., pick your own pumpkin at a working farm and experience a real corn maze).

A general price list can be incorporated into the brochure or flier. If you develop a brochure, the price list can be a separate insert. A price list insert is suggested if you are ordering a large number of brochures or you expect to have a price change before you deplete your supply of brochures. This will allow you to change prices without having to print new brochures. The brochure or flier should include a list of activities, products, prices, hours of operation, directions or any other pertinent business information.

For example, if you are operating an agri-entertainment business (pumpkin patch with a Halloween theme) you might try and display or distribute brochures or fliers in the :

- 1) Area super markets - bulleting boards
- 2) Area convenience stores and gas stations - bulleting boards or tape to the door
- 3) Area schools, take a stack of brochures/fliers to the school secretary and see if she will put them in the faculty congregation area
- 4) Area preschools, take a stack and leave at the front desk for parents to see and pick up
- 5) Try to post and distribute brochures/fliers at little league sporting events
- 6) Identify other activities focused on children and children's activities and post and distribute brochures/fliers. For example, a gymnastic complex, a Karate school or Sunday school.

Again, think of your target market and try to distribute these materials in locations where potential customers frequent.

Stationery should be purchased using the company logo. Using company stationery in written correspondence portrays a professional image and an official organization. The stationary can also be used to send out news releases and official notices. The logo should be on everything associated with the business such as brochures, invoices, signs, stationery, business cards, displays, etc. These items can be referred to as your business stationery system and they must be consistent in the image they send to customers. For example, Starbucks has been diligent in the application of its identity. All visual communication (napkins, coffee bags, store fronts, tabletop promotions, etc.) used by Starbucks is consistent in the message it projects.

Mailing lists are a very important part of direct marketing. Start a registration book to collect basic information (customer's name, address, city, state, ZIP code and telephone number). As you fill orders to ship to consumers, it is necessary to collect basic information. In order to ship the product you will need to capture the consumer's name, address, state, city, zip code and telephone number. By collecting and saving customer information you can gradually compile an extensive mailing list/ data base of consumers. This customer data base can then use this data base to generate future sales by periodically reminding consumers about your products or sending them information describing new products via advertising flyers, brochures and price lists.

Another use for capturing and saving customer information is in identifying potential consumers. The information that can be captured and enter into a database can be used in generating a customer profile, a demographic description of your target market. A customer profile can provide an accurate picture of your customer. Customer profiling information can help identify areas where potential customers reside. There is a theory that "birds of a feather flock together." Therefore people residing in the same ZIP or postal codes generally share similar demographics. By profiling customers via information captured from shipping products, it is possible to estimate

VII. Marketing budget

A marketing budget is a necessity. After a creative marketing plan has been developed, money is required to effectively implement the marketing plan. Money must be allocated from the operating budget to cover marketing expenses (e.g., advertising and promotional material, market research, marketing consultants, market development and marketing personnel). The marketing budget should include the cost for all of the advertising and promotional media that will be used, travel and expenses, the cost of collecting additional research data, monitoring trends and shifts in the marketplace, developing collateral marketing material and all other marketing related expenses, table 5.

The marketing budget should be developed at the beginning of the year. For the existing business, a good place to start is using the past year's expenses. Additional marketing costs can then be included based on any new marketing or promotional strategies to be implemented in the upcoming year. However, for a new business, marketing costs will have to be estimated based on the upcoming year's marketing plan. The marketing budget costs should not be carved in stone, but should be used as a guide and modified according to the pumpkin patch's marketing needs and projected income during the year. A rule of thumb would be 5 -10 of expected annual sales or a specified set minimum. Remember that the marketing budget is a tool to help you plan and finance marketing activities. It may be important to increase or decrease your marketing budget as your marketing needs change. For example, next year you may plan to advertise on two radio stations instead of one, thus increasing your marketing expenses by 10% .

<i>Transfers (Marketing Budget):</i>	
5% of expected sales	\$9,500
<i>Expenses:</i>	
	<i>Cost</i>
Local Newspaper Advertisement	\$200.00
Food Magazine Advertisement	\$500.00
Association Membership	\$500.00
Brochures (printing)	\$600.00
Stationary (printing)	\$50.00
Business Cards (printing)	\$100.00
Samples	\$100.00
Postage	\$400.00
Other	\$50.00

Simple Marketing Check List

IV. Market plan check list

The marketing check list is to provide a simple means of tracking the company's marketing activities and to establish marketing goals. Lee Iacocca said it best "The discipline of writing things down is the first step toward achieving them." The check list should be used to record which marketing activities the company intends to pursue and to track the progress in meeting its marketing goals. For example, the company may set a goal of placing its products in two mail order catalogs over the next year. The goals would then be written and would include what part of the activity is to be pursued, as only portions of each activity might be of interest.

Let's use Tar Heel Hot Sauce as an example. Tar Heel Hot Sauce may set a goal of placing its products in two gourmet mail order catalogs featuring hot sauce products over the next year. In the space provided for goals, Tar Heel Hot Sauce should include what part of the activity it intends to pursue, as only portions of each activity might be of interest. The following is not intended to be an exhaustive listing for a businesses marketing process, however it does provide a guide line

The following check list example was completed for Tar Heel Hot Sauce.

- Develop a company and product name.

Goal: Research and develop a name. Check company and product registration to make sure that the name is not taken and that the name can be reserved. Register name with the North Carolina Secretary of State.

Was goal accomplished? ___ Yes ___ No. X Partially

What needs to be accomplished? Need to register the name with the Secretary of State

- Develop a marketing budget.

Was goal accomplished? X Yes ___ No. ___ Partially

What needs to be accomplished?

- Develop business stationary systems (brochures, invoices, signs, stationary, business cards, displays, etc.).

Goal: Need to develop business material. Need to obtain product photographs for the brochure and web site. Need to develop a company logo to incorporate into all business materials and label.

Was goal accomplished? ___ Yes X No. ___ Partially

What needs to be accomplished? Need to meet with graphic artist to design logo

- Develop a list of media you would like to contact during the next year. The list should include local, regional, national and international media directed toward potential consumers. This would include news lead sources, newspapers, magazines, radio stations and television stations.

Goal: Investigate local print media. Determine what media exists and who they target. Investigate radio stations servicing the area. Determine what audience the radio stations serve. Identify contact with each media outlet for future advertising and promotional activities. Investigate local television shows that focus on the area. Morning shows highlight area businesses in special segments, i.e., cooking segment. Contact local cable provider to determine the feasibility of local advertising.

Was goal accomplished? ___ Yes ___ No X Partially

What needs to be accomplished? Need to contact local television stations to identify cooking segment contact.

Explore promotional activities - see about giving Tar Heel hot sauce away as part of radio stations call in promotions. Obtain list of food editors in area.

- Develop a list of key people who will be provided product samples at appropriate occasions.

Goal: Compile a detailed list of food editors and store buyers.

Was goal accomplished? X Yes ___ No ___ partially

What needs to be accomplished?

- Develop a list of trade shows you plan to attend.

Goal: Investigate the specialty food industry to identify specialty food show in the South East. Determine when the shows start, cost of obtaining a booth, how to register and the types of attendees the shows generally draw . Talk to other specialty food businesses and ask their opinion of each show. Develop a short list of shows that Tar Heel will attend.

Was goal accomplished? ____ Yes ____ No X Partially

What needs to be accomplished? Have developed a list of southeastern trade shows. Have not contacted other specialty food businesses to determine which shows are viable and which are not.

- Develop a list of specialty and gourmet shops you plan to call on during the next year.

Goal: Drive around and call area Chambers of Commerce to identify specialty shops that may be willing to carry Tar Heel Hot Sauces. Contact the North Carolina Specialty Food Association and ask for a list of specialty food shops. Contact the Center for Agribusiness and Economic Development to see if they have a list of specialty food stores.

Was goal accomplished? X Yes ____ No ____ Partially

What needs to be accomplished?

- Develop a list of mail order catalogs you plan to contact during the next year.

Goal: Identify all mail order catalogs that market specialty foods. Contact each catalog to who they target, see if they would consider a new hot sauce product and determine how to get products included in the catalog.

Was goal accomplished? ____ Yes ____ No X Partially

What needs to be accomplished? Have developed a list of mail order catalogs, have not contacted any of them about getting Tar Heel Hot Sauce included.

- Develop a list of gift basket companies you want to contact during the next year.

Goal: Tar Heel has identified and contacted five gift basket companies.

Was goal accomplished? X Yes ____ No ____ Partially

What needs to be accomplished?

- Develop Tar Heel's Web site and update it regularly.

Goal: Find a web developer and develop a functional web site. The web site will promote products as well allow customers to purchase products online. Need to

contact and five web developers. Have each developer submit a bid for the web site and make a selection. Have web site up by end of calendar year.

Was goal accomplished? ___ Yes ___ No X Partially

What needs to be accomplished? Have not found a web developer.

- Start compiling a mailing list, including both businesses and consumers. A good place to start is with current customers. Keep name and contact information for anyone or any business who orders a product through the mail, catalogs, telephone or website.

Goal: Develop a working mailing list. Want to develop a spreadsheet to track who is buying what and how often. Will use this to market new products and promote existing products.

Was goal accomplished? X Yes ___ No ___ Partially

What needs to be accomplished?

- Develop a list of specialty food brokers you want to contact during the next year.

Goal: Identify five specialty food brokers. Select a broker to carry Tar Heel Hot Sauces.

Was goal accomplished? X Yes ___ No ___ Partially

What needs to be accomplished?

This simple check list provides a means of developing marketing strategies, recording them and tracking their implementation. It is important to set goals, work toward them and successfully complete them. Remember, as a entrepreneur, it is up to you to successfully market your products and services. You have to be your company's cheerleader.