

Marketing and Economics for Small-acreage Properties

Lesson Description

Many small-acreage owners toy with the idea of making a buck off their properties. Some want their enterprises to supply a bit of extra income, while others want their enterprises to provide adequate income to support the family. In all cases, it is important for the small-acreage owner to realize that transforming a home into a successful small business venture requires a complete reexamination of the goals previously set for the property. This includes evaluating their natural resources, personal resources, family resources, and personal strengths and weaknesses.

Many small businesses find that their rate of return is higher and their profit margin is greater when they use a direct-marketing method. This lesson introduces a number of direct-marketing methods, including benefits and barriers for each method.

It also stresses the importance of planning in any business venture. Most businesses develop a complete business plan to guide their enterprise, seeking help from the appropriate professionals. Business plan development can be lengthy and complex, and it is not the intent of this lesson to teach participants how to fully develop a business plan. Instead, participants will learn that developing a business plan can be helpful during the planning process for their small enterprise.

Lesson Objectives

1. Understand that creating small business enterprises on their properties will require a reexamination of their properties' resources, their goals, their families' goals, and their personal strengths and weaknesses.
2. Be able to describe several direct-marketing methods, including the pros and cons of each method.
3. Gain a basic knowledge of business plans.
4. Understand the keys to success for a small enterprise.
5. Know how to access the resources available to a small business enterprise.



Module 7, Lesson 1

Marketing and Economics for Small-acreage Properties

Lesson Handouts

1. Personal Evaluation Activity Sheet – fill out including family members
2. Testing Possibilities Activity Sheet – will help you narrow possible enterprises for your property
3. Proposed Enterprise Development Activity Sheet – three (or more) proposed enterprises

Supplemental Resources

Evaluating a Rural Enterprise – ATTRA

Overview of Small Farm Direct Marketing – University of Florida Extension

What Can I Do with My Small Farm – OSU Extension



Personal Evaluation Activity Sheet, page 1 of 2

For each of the following 25 statements, check the appropriate box indicating whether you agree, somewhat agree, somewhat disagree or disagree with the statement as it pertains to your personality.

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

Once you have checked boxes for all the statements, total the numbers of responses in each column.



Testing Possibilities Activity Sheet

Brainstorm a list of possible enterprises for your property. Don't worry about feasibility. Simply list the potential enterprises.

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____

Now, evaluate each option using a SWOT (strengths, weaknesses, opportunities and threats) analysis. Use the space below and/or additional scratch paper to write out the SWOT characteristics. You may want to focus on some of the more promising enterprises.

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____
- 6. _____
- 7. _____
- 8. _____
- 9. _____
- 10. _____



Module 7, Lesson 1

Proposed Enterprise Development Activity Sheet Instructions

The following completed Proposed Enterprise Development Activity Sheet is a sample you can use as a teaching aid. This sample represents the first stage in the process a participant would complete to determine the viability of a small-acreage enterprise.

We have provided three examples of mission statements that can be good models for growers. Often, participants' ideas are not fully formed initially. They may have pictures of their missions in their minds, but lack the words to describe them. It may be useful to compare or juxtapose the slogans below that represent starting thoughts with the mission statements we provided to help your participants understand the difference.

Product	Slogan (starting thoughts)	Mission statement (preferable)
Free-range chickens	Home on the Western range, these chickens are natural and free-spirited!	Provide a locally raised, fresh poultry product for friends, family and other interested community members.
Asparagus	After winter comes asparagus...	Our farm will provide a fresh and bountiful supply of asparagus for local residents. We will be a "pick-your-own" destination for weekend outings for families.
Parsnips	Yesterday, today and tomorrow, this roots for you!	Enrich consumers' lives by providing the only source of local and sustainably grown parsnips at our local farmers' market.

There are also several intentional errors or inconsistencies in the sample responses. The inconsistencies were left in as reality checks to help your participants think about the proposed enterprises in the context of realistic plans for their enterprises. After discussing the sample enterprises in class, direct participants to complete their own Proposed Enterprise Development Activity Sheet.

A partial list of intentional errors in the free-range chicken example:

- Hormones are not used in any commercial poultry production, so this is not a selling point for free-range chickens.
- Chicks cannot be purchased for 50 cents each. Most commercial hatcheries sell them for \$1.25 to \$1.75 each, depending on the number ordered.
- The cost of butchering is probably not valid. Most commercial, licensed facilities will charge more. Do-it-yourself butchering for resale purposes may not accommodate the number of birds specified. This will vary by local regulations, etc.
- While chicks are readily available for purchase in March, they may not be available later in the year unless you have made prior arrangements with the hatchery.



Proposed Enterprise Development Activity Sheet Instructions (continued)

A partial list of intentional errors and missing information in the asparagus example:

- The selling price is probably not sufficient to make a profit, nor is it representative of current prices.
- There are insurance issues and potential risks and liabilities associated with using Girl Scouts to harvest the crop. Also, they may not be available!
- The participant needs to determine the local expected production from one-quarter acre for asparagus.
- The cost of the plants is not included in the example.

A partial list of intentional errors and missing information in the parsnip example:

- Parsnip seed germination is poor, even with fresh seed. The seeding rate is two to three times as great as the number of plants desired. Thus, the cost of seed will be higher, and the farmer may need to pay for additional workers for thinning the crop if germination is good.
- Will the proposed enterprise produce enough parsnips to cover the cost of a booth at a farmers' market?
- Are five varieties of parsnips actually available? Most catalogs only show one or two varieties.



Module 7, Lesson 1

Sample Proposed Enterprise Development Activity Sheet, page 1 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
What is your product/service?	Free-range Chickens	Asparagus	Parsnips
As a producer, why do you think someone would buy your product/service?	They are paying \$5 per pound in the farmers' market this summer and sell out every week.	People love them in the early spring.	This was my father's favorite vegetable.
As a consumer, why would you want to buy the product or service?	They're healthy and have no hormones added.	When they first come in, it reminds me of new life. When they are steamed with fresh herbs, it's wow!	They're wonderful with pot roast.
Write a mission statement for your proposed enterprise.	Provide a locally raised, fresh poultry product for friends, family and other interested community members.	Our farm will provide a fresh and bountiful supply of asparagus for local residents. We will be a "pick your own" destination for weekend outings for families.	Enrich consumers' lives by providing the only source of local and sustainably grown parsnips at our local farmers' market.
Write a short-term goal for your enterprise (something you can achieve in one year).	Raise 60 free-range chickens and sell them to friends and neighbors to see how to do it.	Plant several kinds of asparagus in various spots in my garden to see how to best locate them for market production on my land.	Plant five raised beds (3 feet x 12 feet) of parsnips and put a different variety into each bed to determine the best variety for my area.

Sample Proposed Enterprise Development Activity Sheet, page 2 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
Write a long-term (three- to five-year) goal for your enterprise.	Produce 60 free-range chickens every eight weeks from March to November.	Develop an all-season asparagus U-Pick business and sell from a farm stand off one-half acre of ground.	Raise one-quarter acre of parsnips annually for direct-market sales in the local farmers' market.
What marketing methods will you use?	Friends and neighbors will know I am raising free-range chickens. I will take orders.	Advertise in local FREE newspapers; place roadside signs during the harvest season; work with local Girl Scouts to sell cookies at the farm stand; and pick asparagus for the local food bank as a service-learning project.	There are no other parsnip growers in the local farmers' market. I will have the whole market!
Describe the customers that you are targeting for your product/service.	People that want to eat healthy and have disposable income to purchase chickens.	<ol style="list-style-type: none"> 1. Citizens and families that enjoy fresh asparagus in my community. 2. The poor, to provide them with a highly nutritious fresh vegetable. 	People that come to the farmers' market.
Who are your competitors? What products do they provide, where, and how much?	There are not enough people raising local chickens right now. They sell from \$4.50 to \$7 per pound, depending upon feed costs. If I don't fill all my orders, I can go to the farmers' market and sell chicken futures (take orders one week and deliver them the next).	Grocery stores, other growers, home asparagus growers and frozen foods. I can sell asparagus U-Pick for \$1 per pound and make a profit, I think!	None, just wash and clean the roots when they come out of the ground and sell them at the farmers' market from tubs where the parsnips are stored in coolers and placed on ice for display. I should get at least \$1 per pound.

Module 7, Lesson 1

Sample Proposed Enterprise Development Activity Sheet, page 3 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
How can you collaborate with the competition or produce a complementary product?	I know some other free-range chicken growers. I can sell them product when they run out or take extra chickens when they have too many.	There are several asparagus operators in my area. We could place a joint add in the newspaper during the season.	There is no local competition. Most of the parsnips come from the Imperial Valley or Sacramento Valley of California and are shipped in. I guess the local produce company might be interested.
What is your production plan?	Start raising chickens the first year in the spring and see how they sell when they mature.	Plant one-quarter acre in spring, to establish plants. Do not harvest until spears are established.	Prepare five raised beds with good compost and provide soil that is deep, loose and fertile. Plant both short- and deep-rooted varieties that mature in 80 to 120 days. Harvest after the first frost.
What are your production costs?	I have a chicken house that can be cleaned and refurbished. Feed will be used to supplement the bugs and weeds they eat. The chicks cost about 50 cents each. It will cost \$1.25 per head for butchering.	I plan to also purchase 20 plants of three types of commercial varieties. Fertilizer, cultivation with my 4-wheeler and watering systems will need to be considered.	Cost for seed is about \$3 per packet. I will need five varieties; watering and labor for hoeing weeds during the growing season; and to purchase a cooler and tubs for storage.
Determine a selling price for your product/service.	\$5 per pound	\$1 per pound	\$1 per pound
What methods of payment will you accept?	Cash or barter	Cash or barter	Cash or barter

Proposed Enterprise Development Activity Sheet, page 4 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
How will you fund your enterprise?	Out of my pocket	Out of my pocket	Out of my pocket
Who will provide the labor for your enterprise? How many paid staff will you hire? What benefits will you provide?	I will do it with my family.	I can grow the asparagus, but will need help with the harvest. U-pick, Girl Scouts and family members will be used at peak times.	I can harvest this myself in the autumn and only dig up what is needed each week. Parsnips store well in the ground. If I don't sell them all, I can bring roots to the market in the spring to sell the first couple of weeks.
How will you manage your enterprise? Who is responsible for which elements?	I can do it all the first year and then will see after that.	I can do it all until the harvest comes. I will detail responsibilities to my family during the growing season.	This requires the least input of the three enterprises that I am considering. I can do it all myself.
What's your contingency plan? What will you do in case of flood, drought, insect or disease infestation, etc.?	The biggest issue that I am worried about is attacks by local dogs or natural predators. Free range chickens will eat the bugs and can get out of floods. I will keep the chicken house clean and disinfect it between each batch of chickens. I will have no other birds on my property.	I will plant in a way that there is good air circulation and use companion plants, such as borage, dill, coriander and fennel to discourage insect pests. I do not live on a floodplain, and I can irrigate up to a half-acre according to CC&Rs and county codes.	The biggest concern will be moles and voles that eat root crops. I will plant varieties that are resistant to canker. The raised beds are in my garden and I will rotate parsnip crops with other crops that are not root crops, so that no insects or diseases are carried over each year.

Module 7, Lesson 1

Proposed Enterprise Development Activity Sheet, page 1 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
What is your product/service?			
As a producer, why do you think someone would buy your product or service?			
As a consumer, why would you want to buy the product/service?			
Write a mission statement for your proposed enterprise.			
Write a short-term goal for your enterprise (something you can achieve in one year).			

Proposed Enterprise Development Activity Sheet, page 2 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
Write a long-term (three- to five-year) goal for your enterprise.			
What marketing methods will you use?			
Describe the customers that you are targeting for your product/service.			
Who are your competitors? What products do they provide, where, and how much?			

Module 7, Lesson 1

Proposed Enterprise Development Activity Sheet, page 3 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
How can you collaborate with the competition or produce a complementary product?			
What is your production plan?			
What are your production costs?			
Determine a selling price for your product/service.			
What methods of payment will you accept?			

Proposed Enterprise Development Activity Sheet, page 4 of 4

	Proposed Enterprise #1	Proposed Enterprise #2	Proposed Enterprise #3
How will you fund your enterprise?			
Who will provide the labor for your enterprise? How many paid staff will you hire? What benefits will you provide?			
How will you manage your enterprise? Who is responsible for which elements?			
What's your contingency plan? What will you do in case of flood, drought, insect or disease infestation, etc.?			

Module 7, Lesson 1

Marketing and Economics for Small-acreage Properties Glossary page 1 of 3

Agritourism: Any activity, project or program that encourages people to visit working farms or ranches for the purpose of enjoyment, education or active involvement in the farm's or ranch's activities. It is often used as a business strategy to promote products of the farm or ranch and to generate additional income on the farm or ranch.

Average yield: A measure of the amount of production you can expect in your area from an acre of a crop or the production of milk, eggs, fiber or meat from an animal over a set time frame.

Barter: To trade goods or services without the exchange of money.

Business plan: A written plan used to chart a new or ongoing business' strategies, sales projections and key personnel in order to obtain financing or to provide a strategic foundation on which a business can grow.

Community-supported agriculture (CSA): A direct-marketing system in which consumers buy a share of the production from one or more producers. In buying shares of the production, consumers also buy some of the risk of agricultural ventures. A partnership between consumers and farmers in which consumers pay for farm products in advance (a share), and farmers commit to supplying regular deliveries of a variety of in-season products.

Contingency plan: A course of action to be followed if a preferred plan fails or an existing situation changes. It is a plan or procedure that will take effect if an emergency occurs; an emergency plan.

Custom livestock: Livestock, poultry, milk or egg products raised to be sold directly to consumers.

Direct marketing: Marketing directly to customers with out involving retailers, wholesalers, agents or other intermediaries.

Economics: The social science that deals with the production, distribution, and consumption of goods and services, and with the theory and management of economies or economic systems.

Farmers' markets: Off-farm sales by farmers directly to consumers at a set meeting place.

Financial plan: A financial plan usually consists of three primary financial statements (balance sheet, income statement and cash flow statement) created within a business plan. It can also refer to an annual projection of income and expenses for a company. A financial plan can also be an estimation of cash needs and a decision on how to raise the cash, such as through borrowing.

Fixed costs: Costs that do not vary with the number of goods produced. Sometimes called overhead, fixed costs include costs such as loan repayments, property taxes, insurance, and depreciation and maintenance on buildings and equipment.

Goals: The purpose toward which an endeavor is directed; an objective.

Going rate (also called corresponding price): The average sales price for a crop, animal or value-added product in your community or the market location.



Marketing and Economics for Small-acreage Properties Glossary **page 2 of 3**

Gross profit: Total revenue of a business, minus the cost of the goods it sold. Gross profit does not include sales and labor expenses.

Input levels: The cost to grow or produce a product.

Institutional customers: Customers that are actually institutions, such as schools, prisons or medical centers.

Labeling: Any written, printed or graphic representation that is present on the label of a product, accompanies the product, or is displayed near the product at its point of sale.

Labor plan: Plan for the workforce needed for an enterprise. They are generally done on a yearly basis, with plan updates done as needed. "Workforce" includes family members.

Management plan: A document created to communicate the management aspects of an endeavor in order to establish a coordinated effort. The best management plans are those that are understood by all members of an effort. The management plan can serve as the initial chartering document to begin the endeavor, or be the intermediary plan that conveys and implements authority from a parent document, such as a charter or mission statement. Management plans have a generally accepted structure of: Introduction, Roles and Responsibilities, and Schedule.

Marketing: The commercial processes involved in promoting, selling and distributing a product or service. The total of activities involved in the transfer of goods from the producer or seller to the consumer or buyer, including advertising, shipping, storing and selling.

Mission statement: A summary describing the aims, values, and overall plan of an organization or individual.

Net profit: Income after **all** expenses and taxes have been deducted.

Operating expenses: The costs incurred for producing a product; the costs of all inputs purchased or hired in the production of a product.

Permaculture: An approach to landscape design and management that emphasizes the integration of plants, animals, people and structures to not only provide food and shelter, but to also achieve environmental and human well-being. It is a combination of the terms "permanent" and "agriculture."

Product: Any commodity, finished consumer good or service produced by the farm.

Production cost: Combined costs of raw material and labor incurred in producing goods.

Roadside stands: On-farm direct-marketing method, where fruit, produce or value-added farm products are available for sale to consumers.

Selling price: The price at which something is offered for sale.



Module 7, Lesson 1

Marketing and Economics for Small-acreage Properties Glossary page 3 of 3

Sustainable agriculture: According to the 1990 Farm Bill, “an integrated system of plant and animal production practices that satisfies human food and fiber needs, enhances environmental quality and the natural resource base upon which agriculture depends, makes the most efficient use of nonrenewable resources and on-farm resources, integrates natural biologic cycles and controls, maintains the economic viability of farm operations, and enhances the quality of life for farmers and society as a whole.”

Target market: The particular segment(s) of the market that a product is directed toward; the group of customers towards which you are gearing your product and marketing efforts.

U-pick: Direct-sales method, where consumers come to the producer and pick their own fruit or produce.

Value-added processing: Any activity or process that enhances the value of a product. Generally applied to those activities or processes that occur on the farm or ranch where the original ingredients were grown or raised. It may be combining, churning, grinding, hulling, extracting, drying, smoking, spinning, weaving, labeling or packaging. It could also be growing or raising something in a way that is acknowledged as safer, better for health or better for the planet. It could even be adding a component of education or entertainment.

Variable costs: The costs of labor, material or overhead that change depending on the volume of production units.



Marketing and Economics for Small-acreage Properties

Web sites for further information

KEY RESOURCES:

WSU Small Farms Team, <http://smallfarms.wsu.edu/>

OSU Small Farms, <http://smallfarms.oregonstate.edu/>

Washington State Department of Agriculture Small Farm and Direct Marketing “Green Book”,
<http://agr.wa.gov/Marketing/SmallFarm/>

Tilth Producers of Washington (comprehensive resource list), <http://tilthproducers.org/farmer-resources/>

ATTRA: National Sustainable Agriculture Information Service master publication list,
<http://attra.ncat.org/publication.html>

Beginning Farmers (comprehensive resource list of farm related publications and educational opportunities), <http://www.beginningfarmers.org/>

Local Harvest (market your products), <http://www.localharvest.org/>

North American Farmers’ Direct Marketing Association, <http://www.farmersinspired.com/>

DiGiancomo, G., Morse, D., and King, R., 2003, Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses, Minnesota Institute for Sustainable Agriculture and the Sustainable Agriculture Network,
<http://www.sare.org/publications/business/business.pdf>

Additional websites:

AERO Montana, <http://aeromt.org/>

Agricultural Marketing Resource Center Business Development,
http://www.agmrc.org/business_development/

Agri-business Council of Oregon, Agritourism Workbook,
http://www.agmrc.org/commodities_products/agritourism/agritourism_checklists/online-agritourism-resources/

Alberta Agriculture and Food, Pricing Horticulture Products,
[http://www1.agric.gov.ab.ca/\\$department/deptdocs.nsf/all/agdex918](http://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/agdex918)

Farm Credit Service, <http://www.fcsamerica.com/default.aspx>

Farm Service Agency, <http://www.fsa.usda.gov/>

Land Stewardship Project Farm Beginnings, <http://www.landstewardshipproject.org/farmbeg.html>

Natural Resources Conservation Service Environmental Quality Incentives Program,
<http://www.nrcs.usda.gov/wps/portal/nrcs/main/wa/programs/financial/eqip/>

New England Small Farm Institute, <http://www.smallfarm.org/>

NxLevel (tools for entrepreneurs), <http://www.nxlevel.org/>

Oregon Tilth, <http://www.tilth.org>



Module 7, Lesson 1

Oregon State University Agricultural Enterprise Budgets,
http://oregonstate.edu/dept/EconInfo/ent_budget/

Penn State Agricultural Alternatives (budget information), <http://agalternatives.aers.psu.edu/>

Purdue University Agricultural Innovation & Commercialization Center Business Planner,
https://ag.purdue.edu/extension/smallfarms/Pages/business_planning.aspx

Rural Roots, <http://ruralroots.org>

Small Business Administration, <http://www.sba.gov>

Small Farms, USDA, <http://afsic.nal.usda.gov/farms-and-community/small-farms>

Sustainable Agriculture Research and Education Marketing Strategies for Farmers and Ranchers,
<http://www.sare.org/publications/marketing/market01.htm>

USDA Agricultural Marketing Services, <http://www.ams.usda.gov/AMSv1.0/>

USDA Farm Loan Programs, http://www.usda.gov/documents/FARM_LOAN_PROGRAMS.pdf

USDA NRCS Environmental Quality Incentives Program,
<http://www.nrcs.usda.gov/PROGRAMS/EQIP/>

USDA Rural Development, <http://www.rurdev.usda.gov/>

University of California, Davis Small Farm Center Research,
<http://www.sfc.ucdavis.edu/research/research.html>

University of California Sustainable Agriculture Research and Education Program,
<http://sfp.ucdavis.edu/>

Utah State University Small Acreage Program, <http://extension.usu.edu/smac/>

Western Resource Conservation and Development, <http://www.westernrcd.org/>

West Virginia University Extension Service Farmers' Market Vendor Resource Center,
<http://www.wvu.edu/~agexten/farmman2/frmmrktres.htm>

