

Evaluating a Farming Enterprise

By Preston Sullivan
 and Lane Greer
 NCAT Agriculture
 Specialists
 Published 2002
 Updated October 2011
 By Tammy Hinman
 NCAT Horticulture
 Specialist
 © NCAT
 IP041

Contents

Introduction..... 1
 Who Will Benefit From
 This Publication?..... 2
 Evaluating Your
 Resources. What Are
 You Starting With? 3
 Choosing an
 Enterprise 4
 Is Your Enterprise a
 Profitable One? 6
 Marketing Your
 New Enterprise..... 7
 Conclusion..... 7
 Appendices 8
 References 18
 Further Resources..... 18

This publication was supported by the Beginning Farmer and Rancher Development Program of the National Institute of Food and Agriculture, U.S. Department of Agriculture, grant number #2010-49400-21733.



The National Sustainable Agriculture Information Service, ATTRA (www.attra.ncat.org), was developed and is managed by the National Center for Appropriate Technology (NCAT). The project is funded through a cooperative agreement with the United States Department of Agriculture's Rural Business Cooperative Service. Visit the NCAT website (www.ncat.org/sarc_current.php) for more information on our other sustainable agriculture and energy projects.



There is a growing movement within the United States to get back to the land—to start developing hands-on, land-based careers. The faces of new farmers vary widely, from young college graduates to others who are starting a second career or simply retiring into farming. Those in second careers often own land and need help developing an enterprise that works with their property and goals. Those who have recently graduated still want to make a go of farming but often have the added challenge of not owning land. Determining what to grow and how to sell it are the first steps in starting a farm-based business. This publication will help the reader take these important first steps.



Do you want to begin a farm enterprise with animals, vegetables, or both? This publication will help you identify the goals, skills, and resources necessary to help you decide. Photo: Grace Kanoy, courtesy of Hostetler Dairy Farm

Introduction

There are literally thousands of books, Extension materials, and people who can tell you how to produce something—whether it's baskets, bison, or blueberries. But those resources can't help you decide whether such an enterprise is right for you and your farm. Even before you decide on an enterprise, however, it is important to evaluate whether farming is the right career choice. This publication will help the reader assess both: what to take into account when considering a career in farming and how well an enterprise will fit a new or existing farm.

For this updated publication, the author reviewed many enterprise-planning guides, condensed their salient points, and included, in appendices, the worksheets found to be most helpful. Keep in mind that the tools and worksheets in this publication are a compilation of multiple resources on this topic. The publications drawn from are available if you want to expand your research and planning. The details for locating them are included in the Further Resources section below. Just reading this publication will not be as useful as filling out the worksheets and following up to find answers to any questions you may have.

Most of the enterprise guides reviewed ask readers to assess their personal and family objectives before they go through the process of evaluating an enterprise. They all stress the importance of having a business plan, a financial plan, and a marketing plan. A business plan will outline how the business should work and generate its overarching plans. It also typically includes a financial and marketing plan. Perhaps the best thing about creating a detailed business plan is simply that it causes you to think in detail about what you are getting into. The financial plan outlines expectations in terms of costs and potential revenue for the first few years of your business. Due to the volatility of such unpredictable factors as weather and market conditions, your financial plan may not accurately reflect the reality of your farm business. Still, it is important to have the plan to help you meet your financial goals and to demonstrate to a bank or creditor that you have thought out the financial aspects of your business. A marketing plan outlines the specific markets you intend to pursue and how you intend to enter them. This publication's Further Resources section provides titles and ordering information for several useful guides on these topics. These guides are the next step in helping you determine the feasibility of your new enterprise.

Related ATTRA Publications

www.attra.ncat.org

The ATTRA publications *Planning for Profitability* and *Financing Your Farm* are especially useful accompaniments to this guide.

Other ATTRA publications also are relevant to starting a farm:

Agricultural Business Planning Templates and Resources

Finding Land to Farm: Six Ways to Secure Farmland

Market Gardening: A Start-up Guide

Start a Farm in the City

Who Will Benefit From This Publication?

Whether you want to farm full-time, part-time, or as a hobby, this publication will help you determine the size and income goals for your farm. While experts do not recommend skipping the business-planning portion of the process, this

publication will get you going on setting goals and narrowing down some enterprise options if you are having a difficult time getting started. This publication is for a range of people:

- *Those who are exploring the prospect of starting a farm.* If you are considering purchasing a farm or simply starting a farm on rented land, this publication can help you determine which enterprise to pursue; the best location for your enterprise; and what type of farm/farmland would be best-suited for your enterprise. If you have never farmed on your own, this publication can also help you assess what skills you will need to become a successful farmer.
- *New farmers who are planning their operation.* If you have already purchased a farm and are having trouble deciding what type of enterprise to start, this publication can help you think through which enterprise best suits your land, location, and personality.
- *Those who already farm and want to identify a new enterprise.* If you are already farming and would like to explore new options or enterprises, this publication can help you think through which enterprise best suits your land, location, and personality.

Choosing a Farm Business that You Like

"It is best to realize that there are some realities that make farming a challenging business. Think about these things (and if you have a family, talk with them) and what you are willing to "put up with" if you decide on a farm based business. Make two lists: What is positive about an agricultural business? What are the pitfalls that you may run into in the future? Are you (and your family) willing to struggle through the possible pitfalls of operating a farm business?"

—*Starting an Agriculture Business? A Pre-Planning Guide*, by Steve Richards

The first step in evaluating an enterprise is to determine what your personal goals are. Consider the following questions: Do I want to farm part-time, full-time, or as a hobby? How much money do I want to make from the farm enterprise? Perhaps most important, ask yourself what good things in life farming will help you achieve. Below are a few common answers

to that question. If you don't identify with any of them, what are some other reasons that you might want to start a farming enterprise?

- I love being/working in the outdoors.
- I want a job in which I can work with my family.
- I want to own my own business and be my own boss (and have the flexibility to do things like pick up children from school).
- I grew up farming, and it's what I know best.
- I see farming mainly as a way to make money.
- I want to grow healthy food for my family and community.
- I want to nurture and improve the natural environment of my farm.
- I want to achieve self-sufficiency/provide my own food.

As you consider your overall reasons for farming, write them down. These can be a starting point as you develop goals for your farm or new enterprise.



Photo: NCAT



Writing down the reasons why you want to farm can help you decide the type of farming enterprise that best suits your lifestyle goals. Photo: Courtesy of Fickle Creek Farm

Evaluating Your Resources. What Are You Starting With?

Before committing to a new farm or a new enterprise on an existing farm, have you determined what resources you and your farming partners bring to the operation? Resources are not just financial—they also include your experience, your land, and your marketing capabilities. The worksheet in Appendix 1 of this publication can be used as an evaluation tool to help you to make decisions on your next steps.

Experience

Have you worked on a farm before? If not, this may be the best place to start. As you decide on an enterprise, talk with other farmers and, if possible, get as much experience as you can in the enterprise areas that you decide on. Many farms offer apprenticeships or internships for a season. These work well if you can afford to take some time off and learn about the trade. They often do not pay well, just enough to get by, but they can be a great way to learn about a specific farm enterprise that you may be exploring. The ATTRA Farm Apprentice and Intern Database is a good place to start to find a farm in a specific location.

<https://attra.ncat.org/attra-pub/internships>

If apprenticing is not a possibility for you, many states have formal mentoring programs. The leader in these programs has been Minnesota Farm Beginnings Programs. It matches beginning farmers with experienced exemplary farmers with similar enterprises. This program has been such a success it has been adopted in many other states throughout the United States. For a list of state programs that offer mentoring programs, see the Further Resources section.

Land resources

If you have not purchased land but intend to buy or rent with a farming enterprise in mind, it is important to evaluate the land's productivity potential. This can be done initially by identifying its soil capabilities through the Natural Resources Conservation Service (NRCS) Land Capability classification system. The classification is based on national soil-survey data, and it is helpful if you are looking at property. You can find directions for using the classification

system at the following website: <http://websoil.survey.nrcs.usda.gov/app/HomePage.htm>.

You can also go to your county NRCS office to look at a paper copy; this can be easier initially, unless you are computer savvy and have a high-speed connection.

If you already own land, the land-capability classification will give you a general overview of what the land is capable of, but a semi-annual soil test to gauge its basic nutrients, pH, and organic matter is also important.

Markets

Marketing is an often overlooked aspect of developing a new enterprise. Before considering a market for your enterprise, it is important to evaluate your location, your personality, and the kinds of production that interest you.

For example, are you in a rural area? Do you enjoy interacting with people? If you are in a rural area with very few farmers markets or other direct markets, you may need to consider Internet-based value-added enterprises or wholesaling. If you are close to an urban area and enjoy working with people, farmers markets, restaurants, and Community Supported Agriculture (CSA) markets might be a good option.

Choosing an Enterprise

Fickle Creek Farm

Ben Bergmann and his partner, Noah Rannell, operate Fickle Creek Farm in Efland, North Carolina. Their original goal was to start a market garden. After assessing the land that was affordable for them at the time, however, they realized it could not accommodate intensive vegetable farming.

Bergmann and Rannell describe their initial farm operation as being time-friendly but financially and soil-nutrient poor. They addressed these challenges by using animals instead of mechanical and chemical inputs. Goats help to clear the land while pigs and chickens add manure to improve the fertility of the soil and remove weed seeds. The animals essentially pay for themselves while amending the soil; Bergmann and Rannell consider all the pig and chicken feed to be “fertilizer.”

They started with 12 laying hens; these led to the egg mobiles that they now rotate among their pastures. They typically follow the layers with pigs grazing and turning over rocks.

Bergmann and Rannell focused first on paying off the farm by working off-farm jobs. They started with three goals that have become guideposts for the farm: being environmentally sustainable; treating livestock humanely; and not going into long-term debt as they develop and grow the farm. They still refer to these general goals when making farm decisions, especially when it comes to debt.

The small livestock farm has grown into a 145-acre diversified livestock business. After six years of livestock grazing and manure amendments, Bergmann and Rannell are finally able to grow some specialty vegetable crops. Eventually the animals will be de-emphasized, and the market-garden aspect of the farm will be stronger. Bergmann describes the process as utilizing livestock to improve their land resource as a way to reach their ultimate goal of market gardening.



Fickle Creek Farm has used livestock to amend its soils while generating revenue for the farm. Photo: Courtesy of Fickle Creek Farm

What Factors Constitute a Successful Enterprise?

In his 1998 book *You Can Farm*, Joe Salatin suggests developing a “centerpiece enterprise” around which other income-generating enterprises can be built. For example, broiler chickens could be a centerpiece enterprise, but pastured hogs, turkeys, and eggs could be sideline enterprises that work with the infrastructure of the broiler-chickens enterprises.

According to Salatin, the following are criteria for determining a centerpiece enterprise:

- Low initial start-up cost relative to the ability to generate income
- High gross-profit margin
- Relatively low maintenance requirements
- High cash flow relative to expenses
- History of high success rates among new enterprises
- High demand and low supply in the current marketplace
- High product distinctiveness
- Relatively size-neutral profit potential

Which Enterprise Fits with Your Goals and Resources?

It may be helpful as you get started to know what enterprise possibilities exist. The Alternative Farming Information Center has developed a long list of alternative enterprises. Many of these enterprises may not suit your lifestyle, your land resources, your personal resources, or your goals. A list of these enterprises is available in Appendix 2 of this publication.

Decide which enterprises look promising to you and, if possible, answer the following questions for each. Also check the enterprises to see if they are compatible with your resources as you go along. Make a note if the resources are not currently available but could be obtained should the enterprise be chosen. An example could be specialized harvesting or processing equipment. These questions are from the Rural Advancement Foundation International (RAFI) publication *The Farmers Guide to Developing a New Farm Enterprise*:

- Which enterprises are predominant in your area?
- Are there enterprises that interest you and have been successful in other areas in similar soil and climate conditions or enterprises that have potential in your area but have not yet been established?
- What crops or livestock have been raised on your land in the past?
- Which are the enterprise types you feel more personally compatible with: livestock, field crops, orchard crops, small fruits, vegetables, ornamentals, growing transplants, or raising seed?

While there is no recipe for success in nontraditional, high-margin farm enterprises, there are some important considerations that you should make before investing time and energy in any given enterprise. In the past, an enterprise budget may have provided all the information a farmer needed to be successful, but data may not be available to completely evaluate a new market opportunity. No two farms are alike, and a customized budget is necessary to determine the profitability of an enterprise on a particular farm (Grubinger, 1999). Most new, innovative ideas must be researched, evaluated, and, if possible, tested to find out whether they are profitable. Enterprises that show potential for success today require farmers to do their own market and cost research to determine whether they will actually work (Roehrig, no date).

Another approach is to carefully evaluate the potential for each of the enterprises you are interested in. This can be done by systematically comparing the resource needs for each enterprise to the resources you have available. Determining the resource requirements for each enterprise will probably require a good deal of homework. A good way to start is to talk with other growers in your area or elsewhere about their experience with the enterprise you are considering. Your county Cooperative Extension office also is a good source of information.

The University of Kentucky has developed a method called the PRIMER Guide to Selecting a Farm Enterprise. The letters in PRIMER represent the basic factors to consider when making a decision about new or expanded enterprises for the farm. P stands for profitability; R for resources; I for information; M for marketing; E for enthusiasm; and R for risk.

The authors say that these six factors—profitability, resources, information, marketing, enthusiasm, and risk—are the basic elements that should drive any decision to adopt a new enterprise on the farm. Their guide walks you through a series of worksheets that help determine these factors for enterprises you may be considering (Woods and Isaac, 2000). The guide is available for download (see Further Resources section).

Talk With Farmers

An excellent way to find out about different enterprises and how well they are working on farms is to conduct interviews with people in agricultural businesses that interest you. First consider people you know, or whom you may be able to get connected to through service providers within your region. Keep in mind that the farmers' time is precious, and it might be helpful to ask if you can help with farm tasks or provide another service in exchange for their time and expertise.



The Carolina Farm Stewardship Association holds an annual summer series of farm tours for farmers. Check with your local agriculture organization to see if such tours are available in your area. Photo: NCAT

Come prepared with a series of questions (Hayes, 2009). The New England Small Farm Institute (NESFI) book *Exploring the Small Farm Dream* has a series of questions that can get you started. It also has several worksheets on the planning and exploring aspect of starting a small farm. See the Further Resources section of this publication for details on getting a copy of the book from NESFI. If formal interviews are not possible, consider going on farm tours. Many agricultural organizations conduct summer farm tours.

Is Your Enterprise a Profitable One?

As you consider new enterprises for your farm, it is important to consider their profitability. Even if profitability is not your central motive or goal, it is important to know what the costs and returns will be from your enterprise. Profit is the amount of revenue left over after overhead expenses and the cost of the goods being sold have been paid.

The Minnesota Department of Agriculture *Compass Guide to Selecting a New Farm Enterprise* suggests estimating and accounting for your costs for two years because some costs are incurred up front and others come along a year or so into the operation. Consider ways of offsetting the initial cost, such as custom work or equipment rentals. Also consider how much income will need to be generated, or saved, within the first two years to offset your expenses.

When determining whether your business will be profitable, you will need to have an idea of what the costs will be to start and run it. Consider the differences between start-up costs and operating costs. The start-up costs will be incurred before your product is sold. They can include the money you spend on infrastructure and permits. Operating costs include the costs

that go into whatever you are producing, including labor, raw materials, and overhead such as land rent and insurance (Richards, 2004).

There are several tools and model budgets that can help you determine the costs of starting an enterprise, but you have to determine the costs specific to your area because they vary by region. The worksheets in Appendix 3 of this publication will provide you with a list of various start-up and operating costs. It is up to you to research the specific costs for your region and enterprise.

As your costs become clear, you will be able to determine the revenue you need to generate in order for your farm business to be profitable. In the beginning of a farm business, some off-farm income may offset living expenses, such as mortgage and insurance payments and food. Every farm is different, but having a profitability goal will help determine how much revenue you will need.

What are your income goals for the farm? Choose all of the following that apply:

- I want to break even in my first year.
- I want farming to supply all of my income.
- I want to provide supplemental income while holding a full-time job.
- I want the farm to supply enough income to work only part-time.
- I want farm income to support my family in the present and the long term (e.g., retirement income and college tuition).
- I want to make enough money farming to bring my children into the farm eventually as partners.
- I want the farm to supply enough money for health insurance.

You may have multiple answers to these questions as you start your farm. You may eventually want farming to supply all of your income, but want to break even the first year. One way to answer these questions is to put a timeline on the goals listed above that you most identify with, then fill out the second worksheet in Appendix 3 to determine the revenue you will need to generate in the short term.

Marketing Your New Enterprise

Marketing may take many forms, ranging from wholesaling to marketing a retail product directly to consumers. The marketing method you choose will have a profound effect on the price you will get for your product. How you choose a market depends on your product, your location, and your personality. If you are a smaller grower, selling directly is the ideal choice because you do not have to compete on a wholesale level with larger growers. However, this type of marketing needs to fit an individual's personality, crop mix, and available time. If you are in a rural area with little market potential, for example, you may need to consider selling value-added products over the Internet or wholesaling. If you are close to an urban area and enjoy working with people, farmers markets might be a good option. Farmers markets can be a low-risk marketing tool in the right area, but growing competition as they get more popular with farmers makes it difficult to find a niche.

The Appalachian Sustainability Agriculture Project (ASAP) has developed a market assessment for farmers who are evaluating new markets. The questions in the assessment should help you get started in narrowing down market options. The assessment is available in Appendix 4 of this publication. For more information on entering new markets, see the ASAP publication *Marketing your Farm*, which is listed in the Further Resources section. Most small farms have multiple markets just as they have multiple crops. This helps to spread risk. Keep this in mind as you assess the markets in your area.

tourist-destination area could be a potential marketing opportunity for their farm. After talking with area chefs, they began focusing their production on specialty vegetables, mainly lettuce mixes and herbs. They have refined this business into a bit of an art form. Their lettuce mixes are impeccably packaged, and their communication system has been refined into a weekly supply list for chefs to order from. Their tenets of marketing are to provide a quality product; to deliver the product clean and professionally packaged; and to have a delivery radius that makes it worthwhile for their farm.

As their business has grown, so have such other marketing directions as farmers-market sales and selling cut flowers and organic bedding plants. They have also invested in a used bean harvester and started wholesaling larger quantities of organic green beans to grocery stores. These marketing strategies are complementary to their restaurant business, however.



Martin and Christa Stosiek have found a lucrative restaurant market in their region. They have responded to this market by providing a consistent and high-quality product. Photo: Courtesy of Markristo Farm

Markristo Farm

Markristo Farm is a family-run vegetable farm in the upper Hudson Valley of New York. Martin and Christa Stosiek started a 2-acre, you-pick berry farm more than 20 years ago. Their goals are based on maintaining a lifestyle that allows for time with family. The lucrative restaurant market has enabled them to maintain their lifestyle goals. After trying to market their bumper crop of blueberries to nearby restaurants, they quickly realized that their proximity to restaurants in the Berkshire

Conclusion

Farming can be a rewarding occupation and lifestyle, but it is not without challenges. First, it is important to understand your lifestyle goals and what is possible on the land you intend to farm. Then, with the aid of the worksheets in this publication, you will be able to narrow down enterprise options to one that fits your personality, location, and land capabilities. With some experience, planning, and enthusiasm for your enterprise, you will be well on your way to realizing your small-farm goals.

Determining Your Skills and Resources:

Appendix 1

This worksheet will help you assess your skills and resources in six areas that are crucial for starting a farm. If you have business partners, fill out this worksheet together. Check whether you rank high, medium, or low in the skills or resources listed below. Compare your results with your partners'. Do your strengths and weaknesses complement theirs? Low ratings may indicate that you need to do one or more of the following:

- Take additional training
- Improve your plans or develop alternatives
- Consider different farming sites

| Personal Resources: | Rating: | Low | Medium | High | Don't know |
|--|----------------|------------|---------------|-------------|-------------------|
| Clear sense of your goals | | | | | |
| Ability and desire to maintain personal/professional connections with potential customers, financiers, and service providers | | | | | |
| Financial backing or resources | | | | | |
| Management skills (managed a business in the past?) | | | | | |
| Mechanical/construction/maintenance skills | | | | | |
| Access to land (either own or rent) | | | | | |
| Access to equipment (either own or borrow) | | | | | |
| Production Experience: | Rating: | Low | Medium | High | Don't know |
| Garden experience specific to the region where your farm is located | | | | | |
| On-farm experience | | | | | |
| Experience with livestock | | | | | |
| Experience operating equipment | | | | | |
| Personal Preferences: | Rating: | Low | Medium | High | Don't know |
| I like hard work. | | | | | |
| I like taking risks. | | | | | |
| I am a good problem solver. | | | | | |
| I enjoy an outdoor and physical lifestyle. | | | | | |
| I enjoy working alone. | | | | | |
| I enjoy working with partners. | | | | | |
| My current job is flexible. | | | | | |
| Farm-Site Characteristics | Rating: | Low | Medium | High | Don't know |
| Note: If you are looking for land, this can be used as a check sheet when you are evaluating each property. | | | | | |
| Soil quality (e.g., drainage, topography, texture, and organic matter) | | | | | |
| Length of growing season | | | | | |
| Availability of and access to irrigation water | | | | | |
| Structures on the farm for storage, sales, and washing | | | | | |
| Accessibility of major roadways | | | | | |

| | | | | | |
|---|----------------|------------|---------------|-------------|-------------------|
| Prior stewardship (i.e., soil fertility, water quality, and on-site wastes) | | | | | |
| Minimal wildlife pressure | | | | | |
| Market Potential/Demographics | Rating: | Low | Medium | High | Don't know |
| Local population (metropolitan areas within 60 miles) | | | | | |
| Relative income level of this population | | | | | |
| Access to nearby farmers markets, grocery co-ops, grower co-ops, restaurants, and natural-food stores | | | | | |
| Access to wholesale markets (within 60 miles) | | | | | |
| Potential market niches (e.g., organic, pick-your-own, and specialty crops/livestock) | | | | | |
| Your commitment to product quality and customer satisfaction | | | | | |
| Infrastructure and Information Support | Rating: | Low | Medium | High | Don't know |
| Availability and quality of labor | | | | | |
| Affordability of local property taxes | | | | | |
| Zoning for agriculture | | | | | |
| Proximity of farm-supply stores, dealers, ag agencies, vets, equipment repair, processors, etc. | | | | | |
| Activity of local grower organizations | | | | | |
| Supportiveness of nearby farms and neighbors | | | | | |

List of Alternative Enterprises

Appendix 2

This list was developed by the Alternative Farming Information Center (AFIC). AFIC also offers links to other alternative-agricultural resources on its website, www.nal.usda.gov/afsic/pubs/altlist.shtml.

Field Crops

Feed and Forage

- Bird seed (sunflower, proso millet, canary grass, etc.)
- Forage brassicas - turnips, rutabagas
- Kochia
- Medics
- Sainfoin
- Switchgrass

Fiber, Fuel, Edible and Industrial Oils

- Borage
- Broomcorn
- Canola
- Castor beans
- Comfrey
- Corn (for oil)
- Cuphea
- Flax
- Guayule
- Jojoba
- Kenaf
- Lesquerella
- Lupine
- Meadowfoam
- Milkweed
- Perilla
- Safflower
- Sesame
- Sunflowers
- Vernonia

Food Grains, Pseudocereals, Legumes, etc.

- Adzuki beans
- Amaranth (food and feed)
- Barley
- Buckwheat
- Dry edible beans (fieldbeans)
- Einkorn
- Emmer
- Field peas (food and feed)

- Garbanzo beans (chickpeas)
- Hops
- Indian corn
- Jerusalem artichokes (food and feed)
- Kamut
- Lentils
- Malting barley
- Mung beans
- Organically grown grains of all types
- Peanuts
- Pearl millet
- Popcorn, white and colored
- Psyllium (medicinal)
- Quinoa
- Seed production - registered and certified seed, turf-grass, etc.
- Sesame (seeds)
- Sorghum (syrup)
- Soybeans, including natto soybeans for tofu, tempeh; and edible soybeans (edamame)
- Spelt
- Triticale
- Wheatgrass
- Wild rice

Specialty and Ethnic Vegetables

- Asparagus
- Baby vegetables
- Cabbage
- Carrots
- Celery
- Chinese water chestnuts
- Cole crops (broccoli, cauliflower, Brussels sprouts, kohlrabi)
- Corn, miniature
- Fenugreek
- Edible flowers
- Garlic
- Gourds, ornamental
- Gourmet vegetables
- Greenhouse production for out-of-season crops

- Heirloom varieties of any vegetable
- Herbs - culinary and medicinal
- Horseradish
- Luffa gourds
- Mushrooms - agaricus, shiitake, oyster, morel, etc.
- Onions (transplants, shallots, sweet, early)
- Organically grown vegetables of all types
- Oriental vegetables
- Peas and pea shoots
- Peppers - specialty types (purple, hot, etc.)
- Pumpkins
- Red beets
- Salad greens - mesclun
- Sprouts (alfalfa, bean, etc.)
- Squash
- Sweet corn
- Sweet potatoes
- Tomatoes - specialty types
- Truffles
- Wasabi

Fruits and Nuts

- Apples, esp. Heirloom varieties
- Asian pears
- Brambles - blackberries, raspberries, loganberries, blackraspberries, etc.
- Blueberries
- Cranberries, currants
- Elderberries
- Gooseberries
- Kiwi, hardy
- Lingonberries
- Melons - specialty types
- Paw paw
- Rhubarb products
- Strawberries, day-neutral types
- Table grapes, seeded and seedless
- Wine grapes for home-brewing market

Horticultural/Nursery

- Bedding plants - annual flowers, herbs, etc.
- Field grown cut flowers
- Field grown mums
- Flowers for drying
- Greenhouse production
- Hydroponic production
- Organically grown bedding plants and fruit trees

- Potted annuals
- Native plants/wild flowers and seeds
- Regionally hardy shrubs and perennial flowers

Agroforestry/Forest Products

- Bamboo
- Christmas trees
- Firewood
- Sawlogs
- Tree seed collection
- Wild nuts

Livestock/Animals

Game-Related

- Beefalo (hybrid of buffalo and beef)
- Buffalo (American Bison)
- Deer - fallow deer, red deer
- Elk (wapiti) for meat and antlers
- Fish bait - worms, minnows
- Pheasant for release/restocking programs and meat

Exotic Livestock/Minor Breeds/Special Uses

- Alpacas and llamas for pack animals, hair, and pets
- Boar
- Butterflies (for gardeners)
- Fox, red, silver, and blue
- Goats for milk, meat, and hair (Angora)
- Horses - draft horse breeding, miniatures, exotics
- Mink
- Mules and donkeys
- Ostriches, rheas, emus
- Rabbits for meat, lab animals, and hair (Angora)
- Reindeer
- Sheep/Lambs for meat, wool, milk (for cheese)
- Veal, conventional and certified
- Water buffalo
- Worms (for composting)
- Yaks

Poultry

- Balut (duck eggs partially incubated)
- Chicken eggs partially developed (for Asian markets)
- Doves
- Duck - meat and paté
- Free range poultry of all types
- Geese

- Guinea fowl
- Organically raised poultry of all types
- Peafowl/Peacocks (feathers)
- Pigeons
- Quail/Squab
- Turkey

Aquaculture/Fishfarming

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

Pet and Medicine-Related

- Dogs (guardian)
- Guinea pigs
- Pet foods - crickets, mealworms, etc.

Farm and Home Enterprises:

Services

- Antique shop/antique restoration
- Boat storage
- Direct marketing operations - U-pick, Community Supported Agriculture (CSA), farmstand
- Child care in country setting
- Composting services and products
- Custom machinery work
- Custom planting and care of window boxes and container annuals
- Custom planting and care of vegetable gardens
- Custom slaughter
- Farm sitting
- Gift shops
- Pet motels for both large and small animals
- Religious services held on farm (e.g., sunrise Easter services and weddings)
- Restaurant
- Seed and supplies distributor

- Small engine repair
- Taxidermy

Recreation and Education

- Barn dances
- Bed and breakfast
- Campground
- Chuck wagon
- Fee hunting and fishing/game farms
- Hunting, fishing, and nature-hike guides
- Lectures on herbs, gardening at farm
- Museum of old farm equipment on working farm
- Petting zoo
- Sleigh rides with work horses
- Tours for public, school children
- Trail rides
- Vacations on farm
- Wagon trains

Value-Added Products/On-Farm Processing

- Cheese
- Cider and other apple products
- Confections and candles
- Corn snack foods
- Crafts
- Dried flowers (e.g., cultivated, arid, and wild)
- Dried Fruits
- Fresh or stone-ground grains
- Furniture (e.g., outdoor chairs and picnic tables)
- Honey and beeswax products
- Meat processing (e.g., jerky)
- Sawmill
- Soapmaking
- Tanning hides
- Toys from wood
- Wheatweaving
- Winemaking
- Wool processing and spinning

Evaluating a Farming Enterprise

Appendix 3

This form can be used to determine one-time start-up costs, either for starting a new farm or for expanding enterprises or adding new ones on existing farms.

| Fixed Costs: <i>List below all of your fixed costs for the farm</i> | Estimated, or Researched, Amount: |
|---|--|
| Mortgage (or rent) | |
| Property taxes (if not included in your mortgage) | |
| Insurance (liability; health; and vehicle if it's used for the farm) | |
| Office expenses | |
| Fees or permits | |
| Utilities (these might be variable) | |
| Machinery costs (one-time purchase, not including depreciation) | |
| Other: | |
| Other: | |
| Other: | |
| Total Fixed Costs: | |
| Variable Costs: <i>List below all of your variable costs for the farm</i> | |
| Seeds | |
| Animal purchase (for animal farms) | |
| Feed for animal farms | |
| Soil fertility costs (compost, manure, and cover-crop seeds) | |
| Greenhouse costs (soil mix, flats, and cost of the structure if it must be built) | |
| Marketing costs | |
| Pest management | |
| Labor | |
| Machinery repair/upkeep | |
| Fuel: | |
| Other: | |
| Other: | |
| Total Variable Costs: | |
| Total Costs: | |

The following is an example based on the author's Nana Louie Farm.

| Fixed Costs: <i>List below all of your fixed costs for the farm</i> | Estimated, or Researched, Amount: |
|--|--|
| Mortgage (or rent) | \$450 x 12 = \$5,400 |
| Property taxes (if not included in your mortgage) | n/a |
| Insurance (liability; health; and vehicle if it's used for the farm) | \$300/yr |
| Office expenses | \$50 |
| Fees or permits | n/a |
| Utilities (these might be variable) | \$200 |
| Machinery costs (one-time purchase, not including depreciation) | Rototiller rent = \$400 |
| Other: | |

| | |
|---|----------------------------|
| Other: | |
| Other: | |
| Total Fixed Costs: | \$6,350 |
| Variable Costs: | |
| Seeds | \$200 |
| Animal purchase (for animal farms) | |
| Feed for animal farms | |
| Soil fertility costs (compost, manure, and cover-crop seeds) | \$600 |
| Greenhouse costs (soil mix, flats, and cost of the structure if it must be built) | \$500 |
| Marketing costs | \$100 |
| Pest management | \$50 |
| Labor | Not counting at this point |
| Machinery repair/ upkeep | |
| Other: | |
| Other: | |
| Other: | |
| Total Variable Costs: | \$1,450 |
| Total Costs: | \$7,800 |

Determining the Costs Listed Above

Seed catalogs can help you get an idea of how much your seed will cost. Johnny's Select Seeds, for example, has some nice tools to help you, including a handy seed calculator to determine the quantities you'll need. It will help you figure out how many seeds you need for a certain length of row (for example, 100 feet of beets). The seed calculator is available at www.johnnyseeds.com/SeedCalculator.aspx.

Livestock

The price of livestock will depend on the type of livestock farm. Talk with other farmers in your area who might be willing to share some information about the costs of running their business. Go to livestock auctions and call feed elevators for pricing information.

Equipment

If you do not have a tractor, you can try shopping around to see what you might want to spend on one. If you are going to use a tiller, note that while it is smaller and cheaper it will require you to put in more labor per acre.

Marketing

If you are planning to sell at a farmers markets, you may want to call around to see what the costs are to join the market. They generally include a market-entrance fee and a daily fee to sell. Other marketing costs might include a website, business cards, invoices, and price-list printing.

Pest Management

This can be difficult to determine before the farm is operating. It is a good idea to talk with farmers who have similar enterprises in the area to see what they might spend in an average year for pest-management tools. If you have a particular enterprise in mind, there are a host of enterprise-budget examples available that could give you an estimate of pest-management costs.

Labor

For a general diversified farm, it is difficult to know how much time you will spend initially on a typical enterprise. Eventually, farm records will help you determine how much time the enterprise takes. For the purposes of budgeting, however, decide how much time you need, or want, to spend on your farm. Do you intend to hire labor? That should go into the equation, as well.

Meeting Your Income Goals

As you start a new farm business, how much do you need to make to get by? How much do you need to make to meet your income goals? The worksheet below helps you to identify how much revenue your new enterprise will need to generate to be profitable.

The profit you need to make from your product will depend on the immediate income goals of the farm. These will likely change as your farm becomes more profitable. Revisiting your farm-income goals on an annual basis is a helpful exercise.

| | |
|---|----|
| Factors to Consider in Farm Profitability: | \$ |
| Family living expenses | |
| Loan payments (if you have them) | |
| Income taxes (if you are working full time on the farm) | |
| Reinvesting in the farm (retained earnings) | |
| Other: | |
| Other: | |
| Total Desired Profit: | |

The following is an example based on the author's Nana Louie Farm.

| | |
|---|----------|
| Factors to Consider in Farm Profitability: | \$ |
| Family living expenses | 10,000 |
| Loan payments (if you have them) | 0 |
| Income taxes (if you are working full-time on the farm) | 0 |
| Reinvesting in the farm (retained earnings) | \$3,000 |
| Other: | |
| Total Desired Profit: | \$13,000 |

| Costs from Costs Table: | + | Desired Profit | = | Amount Needed to Pay Costs and Profit (the Margin) |
|--------------------------------|----------|-----------------------|----------|---|
| Example: | | | | |
| \$7,400 | + | \$13,000 | = | \$20,400 |
| | + | | = | |

Farm Marketing Assessment

Appendix 4

This marketing assessment has been adapted from a tool the Appalachian Sustainable Agriculture Project developed for farmers who are interested in expanding sales or entering new markets. Consumer demand for fresh, local food has created increased opportunities for farm sales through on-farm direct marketing of products, Community Supported Agriculture (CSA) programs, and farmers markets. Demand from grocers, K-12 schools and other institutions, and wholesalers also has increased sharply. In order to approach new markets, it is important to understand the capacity, strengths, and potential barriers of your current farm operation.

The following questions are designed to help you assess your current marketing strengths as well as identify areas for growth in new or existing markets—whether you plan to expand sales or are considering starting up a new farm.

Capacity

How much acreage do you currently have in production? _____

Do you own, rent, or otherwise have access to land for potential expansion? Yes No

How many varieties of vegetables or livestock do you grow each year? _____

How long does your vegetable or livestock production last? _____

Do you use season-extension techniques? Yes No

Do you have greenhouses? Yes No

Do you have a walk-in cooler? Yes No

If you do not have a cooler, what do you use for post-harvest cooling? _____

Do you have a delivery vehicle? Yes No

If yes, what type of vehicle do you use for delivery? _____

Is the vehicle refrigerated? Yes No

What is the distance between your farm and the markets you are interested in selling to? _____

Keeping Records

Do you have record-keeping systems in place? Yes No

Do you keep track of previous crops? Yes No

Do you keep track of your previous yields? Yes No

Do you keep track of your previous sales and customers? Yes No

Do you have an invoicing system? Yes No

Do you have a product traceback system in place? Yes No

Certification

Are you certified organic? Yes No

Are you certified Naturally Grown? Yes No
Do you have Good Agricultural Practices (GAP) food-safety certification? Yes No
Have you attended food-safety training? Yes No
Do you carry product liability insurance? Yes No

Communications

Are you accessible via cell phone? Yes No
Do you have an email account that you use regularly? Yes No
Does your farm have a website? Yes No
Do you have a price list for your products? Yes No
If you have a price list, how often is it updated? _____
Do you have a newsletter? Yes No

Sales and Promotion

Do you have experience with direct sales? Yes No
Are you in a location that has lucrative direct markets? Yes No
Do you enjoy the prospect of selling your product to the public? Yes No
Are you interested in selling to the public on your farm? Yes No
Are you capable of creating effective displays and signs for your product? Yes No
Do you have experience selling to grocers and restaurants? Yes No
Do you have experience selling to institutions? Yes No
Are you consistent and timely in your sales calls and deliveries? Yes No
If yes, how often? _____
Have you researched your current and potential customers' needs? Yes No
Do you currently have a specific farm logo or brand? Yes No
Do you currently advertise your products? Yes No
If yes, what form of advertisements do you use? _____

What's Next?

- Highlight or circle the questions that you answered “yes.”
- If you answered “no” to the questions in the Capacity section, you will need to build some capacity on your farm before you start marketing to places that expect a consistent supply of products.
- If you answered “no” to a lot of the questions in the “Keeping Records” section, you may need to develop a record-keeping system to become certified organic or to enter into a wholesale market.
- If you answered “no” to a lot of the questions in the “Certification” section, you may want to enter into a market where certification is not required in order to receive a price premium, such as a CSA or farmers markets.
- If you answered “no” to a lot of the questions in the “Communications” section, consider which communication strategies are most important to your farm business and to the markets you want to pursue.
- If you answered “no” to a lot of the questions in the “Sales and Promotion” section, you may need to get experience in these areas before pursuing direct markets, or you may want to consider wholesaling your products.

References

Hayes, Kathryn. 2009. *Exploring the Small Farm Dream*. 2nd ed. New England Small Farm Institute, Belchertown, MA.

Grubinger, Vern. 1999. *Sustainable Vegetable Production from Start-Up to Market*. Natural Resource, Agriculture, and Engineering Service Cooperative Extension, Ithaca, NY. Publication number: NRAES-104

Klonsky, Karen and Patricia Allen. 1980. *Family Farm Series Publications: Farm Management—Considerations in Enterprise Selection*. Agroecology Program, UC Santa Cruz, CA.

Richards, Steve. 2004. *Starting an Agriculture Business? A Pre-Planning Guide*. Department of Applied Economics and Management. Cornell University College of Agriculture and Life Sciences, Ithaca, NY.

Jason Roehrig. No date. *The Farmers Guide to Developing a New Farm Enterprise*. Rural Advancement Foundation International-USA, Pittsboro, NC.

Salatin, Joel. 1998. *You Can Farm: The Entrepreneur's Guide to Start & Succeed in a Farming Enterprise*. Polyface, Inc., Swoope, VA.

Woods, Tim and Steve Isaacs. 2000. *A PRIMER for Selecting New Enterprises for Your Farm*. Agriculture Economic Series. University of Kentucky College of Agriculture, Lexington, KY.
www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf

Further Resources

Enterprise Evaluation Resources

Starting an Agriculture Business? A Pre-Planning Guide

This 2004 publication by Steve Richards of Cornell University's College of Agriculture and Life Sciences is intended to help agricultural business operators (and future business operators) decide which enterprise is best for them to pursue with a full-fledged business plan.

www.agmrc.org/media/cms/AgBizPrePlanningGuide_91D3019CA30CE.pdf

Agricultural Diversification Compass

This 2011 online tool by the Minnesota Department of Agriculture helps farmers consider new enterprises.
www.mda.state.mn.us/protecting/sustainable/mfo/-/media/Files/protecting/sustainable/compass.ashx

Exploring the Small Farm Dream: Is Starting an Agricultural Business Right for You?

This 2003 book, revised in 2009, by Kathryn Hayes and a number of other authors, includes a short course and a

decision-making workbook designed to show what it would take to start and manage a farm as a viable business. It is available from the New England Small Farm Institute, Belchertown, MA. www.smallfarm.org/main/bookstore

Marketing Resources

Marketing Your Farm

This overview by Appalachian Sustainable Agriculture Project of marketing strategies used by family farms aims to help new farmers determine which enterprises are right for their farm.

http://asapconnections.org/media/ag_marketing_handout.pdf

Keys to Success in Value-Added Agriculture

This 2004 ATTRA publication is based on a series of interviews with farmers employing value-added marketing strategies.

<https://attra.ncat.org/attra-pub/viewhtml.php?id=271>

General Beginning Farmer Information

Northeast Beginning Farmers Project

This project, housed at the Cornell Small Farms Program, has a website, online courses taught by experienced Extension educators, and such informational resources for new farmers as *Guide to Farming in NY* and farming videos.

<http://nebeginningfarmers.org>

Building a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses

The Minnesota Institute for Sustainable Agriculture developed this guide in 2003 to help ag and other business owners create a holistic business plan.

<http://conservancy.umn.edu/handle/115840>

So You Want to Start A Farm? Resources for the Beginning Farmer

This website offers resources and tips from Midwest Organic and Sustainable Education Service.

www.mosesorganic.org/attachments/productioninfo/fsbeginningfarmer.html

Beginning Farmer Mentoring Program Examples

Alabama Sustainable Agriculture Network

runs a Farmer-to-Farmer program that links experienced farmer-mentors with beginning growers. The program requires new farmers to pass on what they have learned to others. For more information, call 256-520-2400.

www.asanonline.org/mentorprogram.htm

Appalachian Sustainable Agriculture Project supports farmers and rural communities in the mountains of western

North Carolina and the southern Appalachians with education, mentoring, promotion, and community and policy development. For more information, call 828-236-1282. www.asapconnections.org

Carolina Farm Stewardship Association provides “farm incubators”—educational farms where new growers can lease a parcel of land and gain access to equipment and advanced knowledge without having to buy it. The program also offers business-planning assistance. www.carolinafarmstewards.org/sustainable.shtml#growers

Colorado Building Farmers program is an Extension-based initiative that includes an intensive beginning farmer course as well as mentoring connections for people who are serious about farming. www.extension.colostate.edu/boulder/ag/CBF.shtml

The Food To Bank On program connects beginning sustainable farms in northwest Washington with training, mentors, and market support while providing fresh, high-quality food to Whatcom County’s hungry. For more information, call 360-647-7093, extension 114.

Georgia Organics’ Farmer Mentoring & Marketing program teams established farmers with new farmers to pass on knowledge and expertise in sustainable growing. The program provides in-depth workshops and training in production, marketing, and financial planning. For more information, call 678-702-0400. www.georgiaorganics.org/aboutus/programs.aspx

Idaho-Rural Roots supports sustainable and organic agriculture and community-based food systems in the Inland Northwest. Its Cultivating Success™ program provides beginning and existing farmers with the planning and decision-making tools, production skills, and support necessary to develop a sustainable small farm. www.cultivatinguccess.org

The Intervale Center of Burlington, Vermont, offers two programs for new farmers. The Intervale Farms Program leases land and facilities to small organic enterprises and provides technical support from more experienced farmers. Success on Farms works one-on-one with state farmers to strengthen their businesses. For more information, call 802-660-0440. www.intervale.org

Iowa Beginning Farmer Center coordinates education programs and services for beginning and retiring farmers. The center helps farm families develop knowledge and skills in financial management and planning, legal issues, tax laws, technical production, leadership, sustainable agriculture, health issues, and environmental matters. Call 877-232-1999 or email bfc@iastate.edu. www.extension.iastate.edu/bfc

Land Stewardship Project sponsors Farm Beginnings classes each fall in Minnesota, Illinois, Nebraska, North Dakota, and Wisconsin. In the winter, participants learn goal setting, financial planning, marketing, and sustainable-farming techniques from established farmers and other professionals. In spring and summer, participants work with specific farmers and attend farm field days. For more information, call 612-722-6377. www.landstewardshipproject.org/farmbeg.html

Maine Organic Farmers and Gardeners Association operates a Journeyperson Program with hands-on, mentored training to help farmers find land and a situation in which they can develop their business. The association also offers a Farmer-in-Residence Program at the 250-acre Common Ground Education Center in Unity, Maine. For more information, call 207-568-4142 or email Andy Marshall at amarshall@mofga.org. www.mofga.org/Programs/Journeypersons/tabid/228/Default.aspx

Minnesota Food Association’s New Immigrant Farmer Project provides training for new immigrants and aspiring farmers in gardening, microfarming, production farming, marketing, and land-use planning. For more information, call 651-433-3676. www.mnfoodassociation.org/newimmigrant.aspx

New England Small Farm Institute offers information and training for aspiring, beginning, and transitioning farmers. Their Growing New Farmers program in Belchertown, Massachusetts, provides services and resources for new farmers throughout the Northeast. For more information, call 413-323-4531. www.smallfarm.org/main/for_on_farm_mentors

New Entry Sustainable Farming Project helps immigrants and others with agricultural backgrounds to begin commercial agricultural enterprises in Massachusetts. For more information call Jennifer Hashley at 617-636-3793 or email jennifer.hashley@tufts.edu. www.nesfp.org

USDA Farm Service Agency offers two financing programs for land purchases by beginning and socially disadvantaged farmers. The new Farm Bill provides for the Land Contract Guarantee Program and the Direct Farm Ownership Loan Program. The Beginning Farmer and Rancher Land Contract Guarantee Program was created because traditional methods of farm entry and farm succession are no longer adequate to meet current challenges. For more information, contact your local Farm Service Agency office. www.fsa.usda.gov

Evaluating a Farming Enterprise

By Preston Sullivan and Lane Greer

NCAT Agriculture Specialists

Published 2002

Updated October 2011

By Tammy Hinman

NCAT Horticulture Specialist

© NCAT

Rich Myers, Editor

Robyn Metzger, Production

This publication is available on the Web at:

www.attra.ncat.org

IP 041

Slot 101

Version 110211