

# AG Alternatives

## Agriculture Business Alternatives

Revised April 2003

Agdex 811-2

### **Identifying Alternatives**

#### What are the Possibilities?

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

**N**ow that you and your family have identified criteria to sort good enterprise ideas from poor ones, you need to brainstorm some enterprise ideas. As you complete the resources inventory worksheets and the idea evaluation chart in this section, you will begin to identify suitable enterprise ideas. Look at the limitations and opportunities of your farm or land. What enterprise ideas would make the best use of your situation?

By the end of this section, you will have ranked six specific enterprise ideas in the order in which they fulfil your family goals and objectives. You can then pick one of the enterprise ideas to use in performing the marketing, production, profitability and financial feasibility evaluations.

#### **Resource Inventory**

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You need to evaluate your resource base before settling on a specific enterprise idea. The resource inventory shows both the limitations and opportunities of your current situation. As a general rule, successful businesses take advantage of resources that are underutilized. A good inventory also helps you complete the marketing and production evaluations.

The complete farm inventory includes five worksheets: *Physical Resources, Marketing Resources, Management and*

*Labor Resources, By-Product Resources, and Financial Resources.* You should also prepare a map showing the layout of buildings, fields, water resources, soil types and other resources.

If you have completed a farm inventory in the past, use it now, but don't skip this section. You will be asked to inventory resources that you might not have included on a previous farm inventory.

If this is your first resource inventory, plan on spending more than a single rainy Sunday afternoon working with it. To do a thorough job, you may have to visit a few municipal offices, test your soil, and get out a measuring tape.

#### **Physical Resources**

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Describe your physical resources in a general way in the *Physical Resources* inventory on worksheet 1, page 6. "Quality" for items such as land should include pH, general fertility and soil type. The pH and fertility can be determined by a soil test. Private testing labs can be contacted for fertility tests. Soil type can be determined from soil maps or surveys available from your municipal office. Through aerial photos or drawn maps, these documents describe the type, slope and other features of soils found on your land.

“Quality” for items such as pasture can be evaluated with the help of Alberta Agriculture, Food and Rural Development Specialists.

Water quality can be determined by tests for minerals and bacteria. If contamination is suspected, further testing can be conducted. Well capacity can be described in a general way, although if gallons per minute can be determined, the evaluation will be stronger. Surface water quality should be evaluated for its turbidity (murkiness), dissolved oxygen content, the presence of weedy aquatic species (cattails, algae, rushes, sedges) and seasonal variation.

“Limitations” of physical resources such as land include: low or high pH (below 6.0 or above 7.2), unsuitable soil textures, dominance of weedy species, inaccessibility, and steep or rough terrain. Limitations of machinery include: extreme age, deteriorated or unsafe condition, small size, and obsolete or unusual design. Limitations of water include: poor quality, low well capacity, tendency to dry during certain times of the year or inaccessibility.

To complete the “Underutilized?” column, ask yourself whether the resource is already being used fully. If you can use a resource more completely, fill in the “Underutilized” column with a “yes”, or with more detailed information about when and how the resource is underutilized.

## Marketing Resources

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An enterprise idea without a market is doomed. If you have a lot of time and money, you may be able to create your own market. Most people take advantage of existing markets. *Worksheet 2: Market Resources* (page 7) is the start of your market research for the new enterprise. The following ideas will help you complete the worksheet.

For example, to learn more about meat processing facilities, contact the plants in your area. Ask slaughterhouses about the number of animals they handle, which types of animals they handle frequently and which types they handle infrequently. Ask if they perform any other services, such as sausage making, custom cuts, saving special parts (tails, heads), wrapping and pick-up or delivery. Understand the difference between provincial health inspection and federal inspection meat of processing establishments.

Other processing plants include freezing, canning, drying, milling and tanning facilities. Ask these processors whether they have a minimum acreage or

volume for sellers and whether they use contracts. Some may require you to follow certain production practices.

Under “Wholesalers”, include terminal markets for produce, brokers, distributors, supermarket warehouse, and marketing cooperatives. Under “Direct Markets”, include farmers’ markets, (where you do your own retailing), roadside stands (your own or others’), restaurants, grocers, supermarkets and other parties who may buy directly from you.

What are the possibilities for on-farm markets? Do you already operate a roadside stand? How suitable is your road frontage? Parking space? Access to pick-your-own areas? Does your municipality allow roadside stands?

To plan for direct marketing, estimate the population within a 50 kilometre radius of your own farm. This information should be available from the city or municipal planning offices in your area.

Other marketing channels may be available to you, including campgrounds, institutions, industrial plants, special export opportunities or nearby businesses. Don’t forget to note special events or attractions in your area that can be used to your marketing advantage through co-operative advertising or targeting of tourism markets.

## Test Market

Farmers’ markets can be a simple way to test market a new product on a small scale. When investigating farmers’ markets in your region, find out how many days per year they are open, the range of products they offer and the number of growers involved. Also, ask if there are any rules regarding eligibility. Many farmers’ markets require that your farm be in a certain district and that a certain percentage of the products offered be grown on your farm. The theme of the Alberta Farmers’ Market Association is “Make It, Bake It or Grow It.” Check the Alberta Agriculture website for a list of the farmers’ markets in Alberta.

## Management and Labor Resources

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Continue with *Worksheet 3: Management and Labor Resources* (page 8). Include the people who make decisions and supervise people in the management section. Include all the people who do manual labor, equipment operation, bookkeeping or other defined tasks, but who don’t decide which tasks need to be done, in the on-farm labor section.

If a person has several roles, divide his or her hours on your copy of Worksheet 3.

When listing the skills of managers and laborers, go beyond traditional skills. If your spouse has superior cooking skills, write it down as food processing may be a possibility. If a family member teaches or lectures, note it on the worksheet. These skills are important in a service, sales or educational venture.

Labor is split into two sections on the worksheet: on-farm and potential labor pool. On-farm labor includes those people currently working on the farm who will be included in the new enterprise. The potential labor pool should include all the people in your area who are available and willing to work. Examples are local agricultural workers, migrant labor, college and high school students, or homemakers. Enter all the benefits you can provide to employees on the worksheet, such as meals, housing, produce, garden space and firewood.

Pay special attention to seasonality in tallying your labor and management resources. List when your labor crunches happen and when you have slack periods that could be put to use in the new enterprise. When you select a new enterprise it's important to find out where the labor and management needs complement your existing time commitments.

## Attracting Employees

Recruiting, managing and keeping good employees is a challenge that is increasing in importance for farm managers. In many areas, farmers are finding it difficult to compete with other employers for a limited pool of available workers. Be sure you understand the availability and limitations of labor in your area, and be prepared to offer competitive wages and benefits to attract and keep the qualified employees you need.

## By-product Resources

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Sometimes the most innovative and low-cost alternative is to process your own or another business's by-products so they are marketable. In many areas, composting of municipal wastes, such as leaves and grass clipping, has become a high priority. Some farmers are finding that a leaf/grass/manure compost that is bagged and tagged sells for a decent price. Woodlot by-products, such as sawdust, bark, and wood chips, may be composted or sold "as-is" for landscaping. Sometimes, all an operation needs is a better way to process its culls and seconds. Do not leave out any waste item just because it seems worthless. Fill in the information on your copy of *Worksheet 4: By-product Resources* (page 9).

## Financial Resources

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Starting a new enterprise often requires investment for a new building, breeding stock, equipment or land. Depending on the type and stage of the enterprise the investment may be substantial. On your copy of *Worksheet 5: Financial Resources* (page 10) list the financial resources available to start a new enterprise.

As a family, decide on the maximum amount of cash, savings, and credit you are willing to spend on the new enterprise. Set upper limits based on your tolerance for risk, so you aren't tempted to risk more than is comfortable for your family.

## Evaluating the Resource Inventory

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When you complete all five worksheets, you will have a good inventory of the resources available to start up a new enterprise.

### Green Light – Go

If you have underutilized physical or by-product resources, untapped management and labor resources, promising market opportunities and significant financial resources, you are in an excellent position to start a new enterprise.

### Yellow Light – Caution

If you have more limited than underutilized resources there may still be some promising opportunities. You need to be as imaginative as possible and take care to make the very best use of your limited resources.

### Red Light – Stop

If the inventory shows your resources are used to capacity and no financial resources are available, then you should question whether starting a new enterprise is realistic. A better strategy may be to reduce costs and improve income from your present farm business or job.

## Generating New Enterprise Ideas

The next step is to list six new enterprises ideas. Mix and match your resources with the potential markets you list. You can probably come up with more than six ideas, but if the ideas aren't flowing, try these exercises:

- Scan the worksheets and mark in red: underutilized physical, labor, and management resources; all potential markets; and, all potential uses for by-products.

- Consider the competition. What can you do different, better, or in co-operation with established businesses.
- Take the inventory sheets or a summary sheet and show it to farm and non-farm friends, agriculture specialists, lenders and co-workers. Seek a rural and urban perspective.
- Talk to your current buyers. Do they have any unfulfilled demands?
- Search the fanciest grocery stores and retail gift shops in your area for new ideas.
- Search out new stores and places you wouldn't normally shop.
- Ask friends to donate one copy of each direct mail catalog they receive. Read agricultural magazines, food magazines, and trade journals. Become a regular reader of the food section of your daily paper. These are ways to find out what people are buying and why.
- Ask your farm and non-farm neighbors what kinds of services they currently use and what they would like to see available.
- Talk to other farmers, especially to those who go to meetings and conferences. Have they heard about things other farmers are doing that you could do, too?
- If you have a chance to travel, keep your eyes and ears open for new ideas that you can take back home.
- As you study market trends and your competition, you should be aware of a move toward value chains in the agri-food industry. A value chain, in its simplest form, is away of responding to the demands of the customer. It's giving customers what they are asking for through the collaboration of agri-food producers, processors and retailers.

## Idea Evaluation Chart

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Pick six promising ideas and list them in the top blank row on *Worksheet 6: Idea Evaluation Chart* (page 11). Rate each idea on a scale of 1 to 10 for its ability to fulfill the goals and objectives listed in the left column. Total the rating points for each enterprises at the bottom of the chart. Select an enterprise idea with a high rating for further study.

Remember, you need the right idea, not a new idea. To work well, the idea must suit your needs and your land, create a profit and pay the bills.

### Example:

Alan and Pauline spent about two weeks to complete the resources inventory worksheets. They listed a five acre piece of hay land and a concrete block shed used to store bicycles and patio furniture as underutilized physical resources. Their main underutilized marketing resource is the city of Red Deer which is 56 km away. It has a trading population of about 270,000. The family also has good road frontage along a fairly well-travelled highway. Jim will provide year-round management and labor resources. High school students would be available in the summer.

Jim offered to research and develop an idea list. He had long discussions with family members. He also spoke to some former professors and classmates, a farming neighbor he felt comfortable with and an Alberta Agriculture specialist. He spent time looking through back issues of horticultural magazines and spent an entire day walking through Red Deer visiting nurseries, the downtown area and malls.

Jim presented six ideas to the family. They used *Worksheet 6: Idea Evaluation Chart* to rate them. Their highest-ranked enterprise was tree seedlings, which could be marketed at roadside stands or to nurseries in and around Red Deer.

## Summary

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A good enterprise idea combines underutilized resources and market opportunities. Underutilized resources may include physical, management and labor, by-product and financial resources.

Ideas for enterprise opportunities may come from friends and family, agricultural educators, other farmers, media, and informal research. Rank the ideas according to the way they fulfill family goals and objectives, make use of underutilized resources and satisfy or create a potential market.

## References

The Ag-Alternatives factsheets have been adapted with permission from: *Farming Alternatives – A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

## For More Information

### Ag-Alternatives Series:

*Personal and Family Considerations: Where do You Want to Be?* (Agdex 1834-10)

*Identifying Alternatives: What are the Possibilities?* (Agdex 811-2)

*Marketing: Will it Sell?* (Agdex 848-5)

*Production Requirements: Do You Have the Resources?* (Agdex 811-4)

*Financial Feasibility: Can You Afford to Do It?* (Agdex 811-3)

*Profitability: Will it Make Money?* (Agdex 811-6)

*Decision Making: Will You Start a New Enterprise?* (Agdex 811-5)

For these factsheets and other publications, call Alberta Agriculture, Food and Rural Development's Publications Office at 1-800-292-5697.

## Publications:

Alberta Agriculture, Food and Rural Development has a series of publications, *Ag-Venture Business Profiles*, that provide "Industry at a Glance" information on agriculture opportunities. Request your free copy from Alberta Agriculture at 1-800-292-5697, or check the website at <http://www.agric.gov.ab.ca>

## Websites:

Alberta Agriculture, Food and Rural Development's website at <http://www.agric.gov.ab.ca>

Diversification information at <http://www.agric.gov.ab.ca/diversify>

## Phone:

To access specialists, information and services within Alberta Agriculture, Food and Rural Development, contact the Alberta Ag-Info Centre at 1-866-882-7677.

# Worksheet 1: Physical Resources

Item	Quantity (or size)	Quality (or age)	Limitations	Underutilized?
Buildings				
Tillable land				
Pasture				
Machinery/ equipment				
Water – surface – well				
Other				

## Worksheet 2: Market Resources

Item	Capacity (or size, or populations)	Distance	Limitations	Potential (high, medium, or low)
Slaughterhouse				
Processing plants – freezing – canning – drying – tanning – milling				
Wholesalers – brokers – distributors – supermarket warehouses – marketing co-operatives				
Direct markets – farmers markets – roadside stands				
On-farm – road frontage – existing stand – storage – other				
Nearest town(s)				
Nearest city				
Population in 50 km radius				
Other				

## Worksheet 3: Management and Labor Resources

Resource	Season(s) Available	Hours per Week	Skills	Underutilized?
Management				
On-farm labor				
Potential labor pool				
Benefits you can offer employees				



## Worksheet 4: By-product Resources

By-product	Quantity	Quality	Limitations	Potential Uses
Animal by-products				
Crop by-products				
Woodlot by-products				
Chemical wastes				
Processing by-products				
Machinery and tires				
Other				

# Worksheet 5: Financial Resources

Source	Amount	Comments
Cash		
Savings		
Family credit		
Commercial credit		
Other		
Total		

## Worksheet 6: Idea Evaluation Chart

List six ideas in the enterprise idea boxes. Rate each on a scale 1 to 10 for its ability to fulfil the goals listed below:

### Enterprise Ideas

Commodity or enterprise is preferred by family						
Has special features preferred by the family						
Makes use of physical resources presently						
Has a potential market						
Makes use of underutilized management and labor resources						
Uses existing by-products						
Family financial resources can cover start-up						
<b>Total Points</b>						

## Worksheet 6: Idea Evaluation Chart (Example)

List six ideas in the enterprise idea boxes. Rate each on a scale 1 to 10 for its ability to fulfil the goals listed below:

	Bed & Breakfast	Country Tea House	U-pick Vegetable Farm	Tree Seedlings	U-pick Fruit Farm	Commercial Vegetable Growing
Commodity or enterprise is preferred by family	10	5	5	10	9	10
Has special features preferred by the family	9	4	3	9	5	8
Makes use of physical resources presently	10	8	4	10	10	10
Has a potential market	8	5	5	10	8	8
Makes use of underutilized management and labor resources	10	6	10	10	5	6
Uses existing by-products	8	10	6	10	8	0
Family financial resources can cover start-up	9	10	5	9	5	3
<b>Total Points</b>	64	48	41	68	50	35