



NORTH GEORGIA
TECHNICAL COLLEGE

Agribusiness Program

Agribusiness Marketing Curriculum

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Unit 1

Lesson 1: Law of Supply and Demand

Objectives:

1. Understand supply and demand in market terms.
2. Explain how supply impacts price of a product.
3. Explain how demand impacts price of a product.
4. Give examples of how supply and demand interact to set price.
5. Explain how consumer choices impact supply and demand.

Teaching Time: 2.5 hours

References:

Steward, Jim. *Farm and Ranch Business Management*.

Deere and Company. Moline, Illinois. ISBN: 0-86691-135-9. 1992.

Introduction:

Bring in a supply of pencils and offer to sell it to the students without any instructions. Set the price at 15 cents per pencil. How many chose to purchase? Adjust the price to 5 cents per pencil and require that today's notes must be taken in pencil and will be graded. What happened to the market in this example? Today we are going to learn about supply and demand.

Discussion:

1. What determines price?

Have a conversation around price being a result of the interaction of the forces of supply and demand (give examples about hamburger on page 7-6 of the *Farm and Ranch Business Management* textbook).

2. If demand increases prices rise. If supply increases prices fall if the other variable stays constant.

3. Prices are never steady whether they are agricultural or non-agricultural products.

4. Explain the market price cycle.

- A. Higher prices decreases the demand and increases the supply
- B. Lower prices increases the quantity and decreases the supply

5. Now the market will move up and down, adjusting the quantity of supply and the quantity of demand until they reach an equilibrium price.

This is the point where the market is reset, and a new cycle begins.

6. The Law of Demand

The demand for a product is the amount of the product/service buyers are willing to purchase. The Law of Demand states that when the price of a product increases with no change in any factors other than price, less product will be taken.

- A. Low price = more quantity demanded
- B. High price = less quantity demanded

7. How does the Law of Demand work?

Use example of hotdogs on page 7-6 in the *Farm and Ranch Management* textbook). If a seller wishes to increase sales volume, then they must lower the price of the product (in this case, hotdogs).

8. Examples of how demand works

- A. Greater quantities sell at lower prices
- B. Higher profits come from selling smaller quantities at higher prices
- C. At lower prices new buyers come into the market and those already buying, buy more

Example: Compare hamburger meat at \$5.25 per pound with hamburger meat at \$3.50 per pound. At the lower price people that had not been eating hamburger would enter the market and more meat would be sold.)

- D. At higher prices some buyers stop buying all together, and the others buy less. (Reverse the last example)

9. What causes shifts in demand?

- A. Changes in such factors as:
 - Consumer income
 - Population
 - Tastes
 - Competing products and
 - Consumer expectationsmay cause changes in the purchase rate of a given product without any change in the price of the product.
- B. Such factors are called shifters, because they tend to change or shift the relationship between the price and the quantity demanded.

Example: Drop in beef prices recently occurred when Oprah Winfrey reported on Mad Cow Disease and stated she would not eat beef. This one episode caused a shift downward in demand and thus price.)

10. Summary of shift factors

- A. Population increase or decrease
- B. Taste
- C. Consumer income
- D. Price of competing products
- E. Expectation

Example: Look at the fact that there is less demand for lamb today than 20 years ago. The main reason is thought to be that most of today's consumers simply have not developed a taste for lamb as much as their tastes for beef, pork, and poultry.

SUMMARY

The Law of Demand partly explains the behavior of a wide range of individual buyers. The buyers have many differences in taste and income that can change market demand. The Law of Demand attempts to explain the market including all these differences. Shifts in the demand sometimes overshadow the effects of price changes. This has caused some who do not understand the concept of demand to doubt that the law of demand is valid. So, think of the Law of Demand, and the shift factors. Together, demand shifts and price changes account for any changes in demand for a given product. (See fig. 11 page 7.7 from the *Farm and Ranch Business Management* textbook.)

Examples:

- Gas price wars with stations across the street or down the road.
- Coupon matching from competitive stores.

Unit 2

Lesson 1: Marketing Agricultural Products

Objectives:

1. Explain the importance of promoting agricultural products and services.
2. Demonstrate procedures in merchandising agricultural products or services.
3. Develop an advertising plan for an agricultural product, business or service.

Teaching Time: 2 hours

Essential Question:

How do promoting, merchandising, and advertising work together to market an agricultural product or service?

Unit Understandings, Themes, and Concepts:

Students will gain an understanding of why marketing agricultural products is important, as well as different methods of doing so.

Primary Learning Goals:

Students will be able to explain, develop, and demonstrate a plan for marketing agricultural products.

Students with disabilities:

For students with disabilities, the instructor should refer to the individual student's 504 to ensure that the accommodations

specified in the 504 are being provided within the classroom setting.

Assessment Method/Type:

_____ Constructed Response	_____ Peer Assessment
_____ Combined Methods	_____ Selected Response
_____ Informal Checks	_____ Self-Assessment

References:

Steward, Jim. *Farm and Ranch Business Management*. Deere and Company. Moline, Illinois. ISBN: 0-86691-135-9. 1992.

Materials and Equipment:

Eraser board	Handout
LCD Projector	Computer

POWERPOINTS™:

- Advertising and Promoting Agricultural Products
- Promotion, Advertising and Marketing

Web Resource:

[Free Management Library™ - All About Advertising and Promotions](#)

TCSG KMS Performance Standards:

- a. Explain the importance of promoting agricultural products and services.
- b. Demonstrate procedures in merchandising agricultural products or services.
- c. Develop an advertising plan for an agricultural product, business, or service.

Appendices:

Appendix 1: Farming

Appendix 2: Marketing Specialist

TEACHING PROCEDURE

Lecture Notes/Activity: Lesson 1, Objective 1:

Explain the importance of promoting agricultural products and services.

The student will use **Appendix 1: Farming** for both the lesson and the activity. The instructor may want to choose activities for the students to concentrate on.

Lecture Notes/Activity: Lesson 1, Objective 2:

Demonstrate procedures in merchandising agricultural products or services.

Appendix 2: Marketing Specialist will allow the student to learn not only what the work entails (procedures) but also valuable information about the profession. Pay special attention to the second paragraph under “What Responsibilities Will I Have?”

The students will choose an agricultural product and develop concise procedures in merchandising that product or service.

Lecture Notes/Activity: Lesson 1, Objective 3:

Develop an advertising plan for an agricultural product, business or service.

The following website allows the students to draw from an array of sources to create their own advertising plan.

[Free Management Library™ - All About Advertising and Promotions](#)

SUMMARY

Evaluation

- Written test
- Daily Notes
- Class Participation
- Individual Learning Assignment
- Group Learning Activity
- Presentation Learning Activity

Individual Learning Activity

Lesson: Advertising and Promoting Agricultural Products

Assignment: Choose one of the topics below and research it. Write a report on your findings that answers the question or explains the concept and shows why it is relevant to your life.

1. Explain the importance of promoting agricultural products and services.
2. Demonstrate procedures in merchandising agricultural products or services.
3. Develop an advertising plan for an agricultural product, business or service.

Minimum Requirements:

1. Paper must be typed in 12-point font and at least one page in length. The paper may be double-spaced.
2. At least two credible references must be properly cited.
3. All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.
4. Papers will be graded on content (amount of good information, accuracy, etc.) and mechanics (grammar, spelling, and punctuation.)

Due Date:

Points/Grade Available:

Individual Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The paper should include information and issues of state and local importance.</p>	<p style="text-align: center;">35 pts.</p>
<p>Critical Analysis - logical process of analyzing and reporting information that examines and explains the topic selected. The paper should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">25 pts.</p>
<p>Organization - The paper should have an orderly structure that demonstrates a logical flow of ideas.</p>	<p style="text-align: center;">15 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the paper should meet all specifications and be executed following rules of proper written English.</p>	<p style="text-align: center;">15 pts.</p>

Group Learning Activity

Lesson: Advertising and Promoting Agricultural Products

Assignment: Choose one of the topics below and research it. With your group, prepare a presentation to teach the class your concept.

1. Explain the importance of promoting agricultural products and services.
2. Demonstrate procedures in merchandising agricultural products or services.
3. Develop an advertising plan for an agricultural product, business or service.

Your presentation should include the following:

1. A lesson plan outlining exactly what your group will teach and how the information will be taught
2. A PowerPoint™ of at least twelve slides
3. Notes containing the information the class will be responsible for (these can be printed and given to the class, written on the board, or part of the PowerPoint™). A copy of the notes will be turned in to the instructor.
4. Some type of interactive activity for the class (game, problem solving activity, interactive model, etc.)
5. Your group must also prepare an assessment for the class. This assessment can be written or oral but should show the instructor that the class understands and has retained the material being taught.

Due Date:

Points/Grade Available:

All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.

Group Learning Activity Rubric

Lesson Plan – The group submits a thorough, detailed lesson plan highlighting the content and organization of their lesson.	10 pts.
PowerPoint™ – The group presents a PowerPoint™ of at least twelve slides that contains information and pictures vital to the lesson with additional information or examples for enhancement.	20 pts.
Interactive Activity – Some type of interactive activity is used to help teach the lesson. The activity should contribute to the mastery of content and involve the entire class in some way.	15pts.
Assessment – A fair, thorough assessment is prepared and administered based on the information presented to the class. Poor grades on the assessment by a few members of the class are excusable, but if the entire class has difficulty, the points awarded in this category may be lowered at the discretion of the instructor.	15 pts.
Content – The group should cover the concept (within reason) in entirety. The group may study actual lesson plans to help decide what should be emphasized.	25 pts.
Overall Effect – The group is prepared, enthusiastic, and interesting, and the lesson flows smoothly.	15 pts.

Presentation Learning Activity

Lesson: Advertising and Promoting Agricultural Products

Assignment: Choose one of the topics below, research it, and prepare a presentation that answers the question or explains the concept and shows why it is relevant to your life.

1. Explain the importance of promoting agricultural products and services.
2. Demonstrate procedures in merchandising agricultural products or services.
3. Develop an advertising plan for an agricultural product, business or service.

Minimum Requirements:

Oral Report Option

1. Write a paper on one of the topics and orally present your work to the class.
2. Paper may be double-spaced and should be at least one page in length, resulting in a 2-5-minute presentation.
3. At least two references must be properly cited.
4. The presentation of the report will be graded secondary to the content of the paper.

PowerPoint™ Option

1. Presentation should be at least ten slides in length
2. Presentation should include at least four photos.
3. Presentation should be two to five minutes in length.
4. Grammar and spelling will be graded by the same standards as any other written assignment.
5. At least two references must be properly cited.

Poster Option

1. Prepare a poster that answers/explains one of the topics. You will present your poster to the class.
2. Your poster should include both text and graphics that help communicate your research.
3. At least two sources of information should be properly cited on the back of the poster.
4. Neatness and appearance of the poster will be graded.
5. Poster presentation should last two to five minutes.

Due Date:

Points/Grade Available:

For all presentations: All work must be original. No plagiarism! Any use of another's work or ideas without giving proper credit will result in a zero.

Presentation Learning Activity Rubric

Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The presentation should include information and issues of state and local importance.	40 pts.
Critical Analysis/Organization – The presentation shows a logical process of analyzing and reporting information that examines and explains the topic selected. The presentation should go beyond simply listing facts and must include why the concept is relevant to the student's life.	20 pts.
Presentation – The student makes a genuine effort to present, not just read the material. The student should present with confidence using techniques like eye contact and voice inflexion to make his or her point. Although content takes precedence over presentation, the experience of successfully presenting in front of a class is part of the basis of this assignment.	25 pts.
Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the presentation should meet all guidelines set forth and should be executed in proper written English. For the poster, this includes neatness and appearance.	15 pts.

Vocabulary

Advertising

Merchandising

Purchasing Agents

Lesson Evaluation

- 1) What product did you choose to market?
- 2) Briefly explain your marketing plan.
- 3) What strategies did you employ?

Teacher's Notes

[illegible]

Unit 2:

Lesson 2: Marketing Functions

Objectives:

1. Evaluate tangible and intangible markets.
2. Monitor marketing efficiency.

Teaching Time: 3 hours

References:

Steward, Jim. *Farm and Ranch Business Management*. Deere and Company. Moline, Illinois. ISBN: 0-86691-135-9. 1992.

Materials and Equipment:

Material samples

Value added examples

TEACHING PROCEDURE

Introduction and Mental Set

Agribusiness marketing is often considered to include all that is done to a product after it leaves the farm. This definition of marketing is accurate to a point, but it does separate production on the farm from marketing. The production activities affect marketing, so they are a part of the marketing process. Therefore, production is interrelated with other marketing activities and should be considered when considering the marketing of a product.

Discussion

1. Functions of Marketing

Basically, there are two general functions of marketing

- Tangible
- Intangible

2. Tangible functions

Tangible functions add value to the final product by physically clarifying the form, place, time, or possession of the product.

3. Tangible functions include

(Display and discuss transparency 7.2.1)

- Processing, grading, and packing
- Transporting and distributing
- Storing and allocating
- Buying and selling

4. Intangible functions

Intangible functions associated with customer preference affect the production and the physical marketing of the product. Intangible functions give the consumers what they want, where they want it, and when they want it.

5. Intangible functions include

(Display and discuss transparency 7.2.2)

- Pricing
- Financing
- Risk bearing
- Informing (advertising)
- Decision making

6. Marketing Efficiency

Efficient markets produce profits no larger than the minimum required to keep people in business and are not large enough to encourage others to enter the business and cause an oversupply.

7. Farmers and ranchers make more profit when they supply markets more efficiently than someone else with respect to time, place, and form.

- They store commodities when expected price increases will be more than storage cost. (Display and discuss transparency 7.2.3)
- They ship to one market rather than another if the price difference is greater than the transportation cost difference
- They dry grain if the price difference between high moisture and dried grain is more than the cost of drying

8. Higher profits come from doing these market functions more efficiently

- Bargain for higher profits
- Pool products for sale
- Cooperatively own the market or process facilities

9. Worksheet B: Tangible functions of marketing (Farm and Ranch Business management study guide).

SUMMARY

A basic understanding of marketing efficiency makes it easier for producers to recognize potential profits. High prices alone do not mean high profits. It is the combination of high prices and low costs that means more profit for the farmer or rancher.

Evaluation

Written test

Tangible Functions

Processing, grading, and packing

Transporting and distributing

Buying and selling



Image: Sketch of money bags, bundles of dollar bills, and coins.

Intangible Functions

Pricing

Financing

Risk bearing

Informing (Advertising)

Decision Making



Image: Sketch of an advertisement for clothes cleaners. It shows a man dressed in a uniform and cap who hands clothes on a hanger to a woman dressed in a dress and apron. The top of the ad reads "Delivery Service". The center of the ad reads "Cleaning and Pressing Service". The bottom of the ad reads "Cleaners".

Unit 2:

Lesson 3: Marketing Strategies

Objectives:

1. Identify the types of marketing strategies.
2. Recognize the effect of marketing strategies on income.
3. Participate in the Hedging and Contracts (Chicago Board of Trade).

Teaching Time: 2.5 hours

References:

Deere and Company. *Farm and Ranch Business Management*.
Moline, IL. ISBN: 0-86691-135-9. 1992.

Luening, Robert A. & Klemme, Richard M. & Mortenson, William P.
The Farm Management Handbook. Interstate Publishers,
Inc. Danville, IL. ISBN: 0-8134-2872-6. 1991.

Chicago Board of Trade Commodity Trading Program. The
National FFA Organization, Indianapolis, IN.

[Commodity - Learn All About Agricultural Commodities and Market Trends](#)

Materials and Equipment: n/a

TEACHING PROCEDURE

Introduction and Mental Set

From earlier lessons, it has been determined that producers of agricultural commodities are price takers. They are affected by supply and demand which cause changes in prices paid for the commodity. Yet, the individual producer has little effect on supply and demand, and therefore, little control over the price paid for the commodity. Still, to remain in business, the farmer must make a profit. Even though the individual farmers cannot set prices, he/she can sometimes control when the price for the commodity is set. This lesson focuses on the alternative methods of marketing available to the producer and how the different strategies can affect income. Also, this lesson will include participation in Commodity Trading Instructional Program sponsored by the Chicago Board of Trade through the National FFA Organization.

1. Discuss components of a marketing plan.

A. Price objective:

- Regardless of the type of marketing plan to be utilized, a price objective should be determined.
- Obviously, the producer wants to recover his/her production costs.
- In times of low market prices, production costs will not necessarily be the price objective or target price.
- The price objective may be lower than production costs.
- The target price may be set at a level that will allow for meeting short term financial obligations.
- In times of higher market prices, the target price may be considerably higher than production costs.

- B. Analysis of the prices that could be received and the risks involved in the various marketing plans because different marketing plans can result in different prices received.
- Any plan used will contain some risks.
 - Some plans contain more risks than others.
 - Those plans with higher risks also have the potential of resulting in higher prices or even lower prices.
 - A person's tolerance for risk will be a factor in formulating a marketing plan.
 - Some plans will also require a substantial amount of time to learn how the plan will operate and to follow the plan through until the commodity is actually sold.

2. Discuss price determinants.

- Have students read the first part of the section on Marketing Strategies (pp. 7-14 through 7-17) in *Farm and Ranch Business Management* textbook.
- Which two variables affect price?
- Which variable is responsible for most price variability in the short-run?
- How does price affect supply and demand?
- What is meant by elasticity?
- Explain the price cycle for hogs.
- What causes seasonal price variation?

3. Discuss types of marketing strategies and the effect of the strategies on price.

- A. Cash sale at time of delivery is probably the simplest marketing strategy since little planning is required.
- A cow sold at a livestock auction is an example.
 - Selling grain when it is harvested is another example.
 - As simple as this approach to marketing is, it can maximize risk of not receiving the target price, especially with commodities such as grain.

- Often, you will be selling at the same time as most other producers.
 - It will be a buyer's market. Thus, you expect a lower price.
- B. Pricing after harvest - when this strategy is used on crops, the crops are harvested and placed in storage.
- The sale takes place later when you think the price is right.
 - This strategy may be a costly form of speculation.
 - Even with the high risks involved, the profit can be very high, if the prices rise later.
 - However, if prices drop, you not only get less for your harvest, but you also have the added cost of storage.
- C. Forward contracts B when this strategy is used, the producer agrees to deliver a specified amount of the commodity at a specified time for a determined price.
- Forward contract prices are determined by futures prices, but the contract is somewhat simpler than dealing in the futures market.
 - The advantage to this strategy is that the producer knows the price that will be received for the commodity for up to a year before delivering the commodity.
 - Problems can arise if the producer fails to produce the quantity specified in the contract.
 - If production is lower than anticipated, the producer may then have to purchase enough of the commodity to honor the contract.
 - If supply is lower, the price at that time could be greater than the price he/she is receiving for the commodity.
- D. Hedging with futures B refer to pages 7-17 through 7-20 of the *Farm and Ranch Business Management* textbook.

- E. Agricultural commodity options refer to pages 7-17 through 7-20 of the *Farm and Ranch Business Management* textbook.
- What is a futures contract?
 - Is the futures market designed for actual delivery of the commodity?
 - What is the futures market designed to do?
 - What is the basis in the futures market?
 - What is the difference in a futures contract and a put option?
 - What advantage does a put option have over a futures contract?
- F. Have students complete corresponding worksheets on marketing strategies in the *Farm and Ranch Business Management* Student Workbook.
4. **An educational program on commodities trading sponsored by the Chicago Board of Trade is available through the National Agriculture Education Center.** This program should help students better understand trading commodities.

SUMMARY

Marketing strategies can be used to help a producer gain maximum returns. Some strategies are rather simple and are appropriate for some producers. Other strategies are complex and require more effort to learn and utilize. These strategies will not allow the producer to determine prices. However, they will allow the producer to control when the price is set.

Evaluation

- Commodities trading exercise using red beans and white beans with given values for the first trade. Students with the most end trade value sets the curve for grading.
- Written exam based on information in textbook

Unit 3:

Lesson 1: Marketing Strategies and Plans

Objectives:

1. Evaluate marketing strategies for agricultural products and services.
2. Apply benefit/cost analysis to marketing agricultural products and services.
3. Develop a marketing plan for agricultural products and services.

Teaching Time: 3 Hours

Essential Question:

What are the steps in developing a successful marketing plan? What strategies should be employed when developing a plan for effective marketing?

Unit Understandings, Themes, and Concepts:

Students will learn to develop marketing strategies for agricultural products, as well as how to make these plants financially successful.

Primary Learning Goals:

Students will be able to develop agribusiness marketing plans and apply benefit/cost analysis to ensure productivity.

Assessment Method/Type:

_____ Constructed Response	_____ Peer Assessment
_____ Combined Methods	_____ Selected Response
_____ Informal Checks	_____ Self-Assessment

References: n/a**Materials and Equipment:**

Overhead projector	Transparency
Eraser board	Handout
LCD Projector	Computer

POWERPOINTS™:

- Developing A Marketing Plan
- Developing Marketing Strategies

Web Resource:

[Mplans - Sample Marketing Plans - Agriculture Produce Farm Marketing Plan](#)

Appendices:

Appendix 3: How to Run a Cost-Benefit Analysis
Appendix 4: Definition: Cost-Benefit Analysis

TEACHING PROCEDURE

Lecture Notes: Lesson Objective 1:

Evaluate marketing strategies for agricultural products and services.

Source: Agri Marketing Technology: Selling and Distributing in the Agriculture Industry

QUESTION: What do you think are the proper procedures in marketing?

1. Analyze the market situation
 - Understand changing consumer lifestyles, tastes, and preferences.
2. Formulating a market strategy
 - Make a strategy for a specific commodity, product, or market
 - Based on systematic, coordinated decision making
 - Sometimes growers of a specific commodity organize to advertise through a community program- also called generic promoting
 - **Example:** Florida Citrus Commission promoting orange juice for meals other than breakfast
3. Developing specific action plans
 - Includes advertising and promoting to specific audiences
 - Also known as an advertising campaign
 - Often tested on a small scale to evaluate its effectiveness
 - Can be used to create a pre-consumer demand for a commodity
 - Specific Action Plans can target specific markets

- **Example:** Blue Diamond Growers of California marketed its almonds to Japan. It is second to Germany in Blue Diamond Growers almond importers.
4. Evaluating program performance
- To evaluate performance, companies often conduct surveys to determine effectiveness of a program
 - Also look at the demand for a certain product
 - If the demand for a product increases, a company will look at outside factors-media, PR, etc.- to see why demand has increased.

Activity: Lesson Objective1:

Source: AgriMarketing Technology: Selling and Distributing in the Agriculture Industry

The students will answer the following question:

How do commodity commissions identify and develop potential markets for horticulture produce and products?

Lecture Notes: Lesson Objective2:

See **Appendix 3: How to Run a Cost-Benefit Analysis.**

Apply benefit/cost analysis to marketing agricultural products and services.

QUESTION: What is a cost/benefit analysis? What is its purpose?

A cost benefit analysis is done to determine how well (or how poorly) a planned action will turn out. Although a cost benefit analysis can be used for almost anything, it is commonly done on financial questions.

Want to know whether that new machine is worth the cost? Do a cost benefit analysis. **Not sure whether that proposed marketing campaign is a good idea?** Do a cost benefit analysis. Worried about which health care plan to select for your employees? Do a cost benefit analysis. It's a great tool. This Balance Careers website above tells you how to do a cost benefit analysis right.

A cost benefit analysis is done to determine how well, or how poorly, a planned action will turn out. Although a cost benefit analysis can be used for almost anything, it is most commonly done on financial questions. Since the cost benefit analysis relies on the addition of positive factors and the subtraction of negative ones to determine a net result, it is also known as running the numbers.

A cost benefit analysis finds, quantifies, and adds all the positive factors. These are the benefits. Then it identifies, quantifies, and subtracts all the negatives, the costs. The difference between the two indicates whether the planned action is advisable. The real trick to doing a cost benefit analysis well is making sure you include all the costs and all the benefits and properly quantify them.

Should we hire an additional salesperson or assign overtime? Is it a good idea to purchase the new stamping machine? Will we be better off putting our free cash flow into securities rather than investing in additional capital equipment? Each of these questions can be answered by doing a proper cost benefit analysis.

Example: Cost Benefit Analysis

As the Production Manager, you propose the purchase of a \$1 Million stamping machine to increase output. Before you can present the proposal to the Vice President, you need some facts to support your suggestion, so you run the numbers and do a cost benefit analysis.

You itemize the benefits. With the new machine, you can produce 100 more units per hour. The three workers currently doing the stamping by hand can be replaced. The units will be higher quality because they will be more uniform. You are convinced these outweigh the costs.

There is a cost to purchase the machine and it will consume some electricity. Any other costs would be insignificant. Calculate the selling price of the 100 additional units per hour multiplied by the number of production hours per month. Add to that 2% for the units that aren't rejected because of the quality of the machine output. Also add the monthly salaries of the three workers. That's a pretty good total benefit.

Calculate the monthly cost of the machine, by dividing the purchase price by 12 months per year. Next, divide that by the 10 years the machine should last. The manufacturer's specs show what the power consumption of the machine is. You can get power cost numbers from Accounting, so calculate the cost of electricity to run the machine and add the purchase cost to get a total cost figure. Subtract the total cost figure from the total benefit value and your analysis shows a healthy profit. All you have to do now is present it to the VP, right? Wrong. You've got the right idea, but you left out a lot of detail.

See also **Appendix 4: Definition: Cost-Benefit Analysis.**

Definition: *A process by which you weigh expected costs against expected benefits to determine the best (or most profitable) strategy*

When it comes to goal setting or deciding on the best plan of attack, working up a cost-benefits analysis will help you decide which route would be best for you. A cost-benefit analysis doesn't have to be complicated. Simply draw a line down the middle of a piece of paper to create two columns. On the left, list the benefits of achieving a given goal. On the right, list what it will cost you to get there. Once you've done that, simply add up the benefits and costs columns and see which has more or assign weighted scores to each entry and total them at the bottom. Of course, you may not want to let this quick and easy analysis make the final decision for you. It may sometimes be the nearest thing to a tossup. But even a simple cost-benefit analysis can give you an idea of whether a given goal is worth investigating further.

Example: A sales director needs to decide whether to implement a new computer-based contact management and sales processing system. The sales department currently has only a few computers, and its salespeople aren't computer savvy. Any system upgrade would require extensive employee training. The company is likely to experience a drop in sales during the transition period. While total expenses, including equipment, installation and training costs, plus lost productivity, are estimated to be \$55,800, the company's analysis reveals the new computer system would increase sales capacity, boost efficiency, and enhance customer service and retention – financial benefits the company pegs at \$90,000 annually. Based on the cost-benefit estimates, the company would see a return on its investment in eight months. (Payback time: $\$55,800 \div \$90,000 = 0.62$ of a year.)

Activity: Lesson Objective 2:

Assign the students a sample market plan.

The Mplans website has a sample marketing plan from a produce company:

[Mplans - Sample Marketing Plans - Agriculture Produce Farm Marketing Plan](#)

Scenario: You are on the verge of marketing a big product for your company. However, you are not sure if the proposed marketing plan is a good idea. Perform a cost benefit analysis to determine if the plan is worthwhile.

Lecture Notes/Activity: Lesson Objective 3:

Develop a marketing plan for agricultural products and services.

The instructor will assign an agricultural product or service to each student.

Assignment: Now that you have the background knowledge, prepare and present a marketing plan on an agricultural product or service assigned.

Keep the steps in mind from the first objective. When you are finished, perform a cost benefit analysis of your plan to see if it is worthwhile. This is a great way to evaluate your plan.

SUMMARY

Evaluation

- Written test
- Daily Notes
- Class Participation
- Individual Learning Assignment
- Daily Food Log
- Group Learning Activity
- Presentation Learning Activity

Individual Learning Activity

Lesson: Marketing Strategies and Plans

Assignment: Choose one of the topics below and research it. Write a report on your findings that answers the question or explains the concept and shows why it is relevant to your life.

1. Evaluating marketing strategies for agricultural products and services.
2. Applying benefit/cost analysis to marketing agricultural products and services.
3. Developing a marketing plan for agricultural products and services.

Minimum Requirements:

1. Paper must be typed in 12-point font and at least one page in length. The paper may be double-spaced.
2. At least two credible references must be properly cited.
3. All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.
4. Papers will be graded on content (amount of good information, accuracy, etc.) and mechanics (grammar, spelling, and punctuation.)

Due Date:

Points/Grade Available:

Individual Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The paper should include information and issues of state and local importance.</p>	<p style="text-align: center;">35 pts.</p>
<p>Critical Analysis - logical process of analyzing and reporting information that examines and explains the topic selected. The paper should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">25 pts.</p>
<p>Organization - The paper should have an orderly structure that demonstrates a logical flow of ideas.</p>	<p style="text-align: center;">15 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the paper should meet all specifications and be executed following rules of proper written English.</p>	<p style="text-align: center;">15 pts.</p>

Group Learning Activity

Lesson: Marketing Strategies and Plans

Assignment: Choose one of the topics below and research it. With your group, prepare a presentation to teach the class your concept.

1. Evaluating marketing strategies for agricultural products and services.
2. Applying benefit/cost analysis to marketing agricultural products and services.
3. Developing a marketing plan for agricultural products and services.

Your presentation should include the following:

1. A lesson plan outlining exactly what your group will teach and how the information will be taught
2. A PowerPoint™ of at least twelve slides
3. Notes containing the information the class will be responsible for (these can be printed and given to the class, written on the board, or part of the PowerPoint™). A copy of the notes will be turned in to the instructor.
4. Some type of interactive activity for the class (game, problem solving activity, interactive model, etc.)
5. Your group must also prepare an assessment for the class. This assessment can be written or oral but should show the instructor that the class understands and has retained the material being taught.

Due Date:

Points/Grade Available:

All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.

Group Learning Activity Rubric

Lesson Plan – The group submits a thorough, detailed lesson plan highlighting the content and organization of their lesson.	10 pts.
PowerPoint™ – The group presents a PowerPoint™ of at least twelve slides that contains information and pictures vital to the lesson with additional information or examples for enhancement.	20 pts.
Interactive Activity – Some type of interactive activity is used to help teach the lesson. The activity should contribute to the mastery of content and involve the entire class in some way.	15 pts.
Assessment – A fair, thorough assessment is prepared and administered based on the information presented to the class. Poor grades on the assessment by a few members of the class are excusable, but if the entire class has difficulty, the points awarded in this category may be lowered at the discretion of the instructor.	15 pts.
Content – The group should cover the concept (within reason) in entirety. The group may study actual lesson plans to help decide what should be emphasized.	25 pts.
Overall Effect – The group is prepared, enthusiastic, and interesting, and the lesson flows smoothly.	15 pts.

Presentation Learning Activity

Lesson: Marketing Strategies and Plans

Assignment: Choose one of the topics below, research it, and prepare a presentation that answers the question or explains the concept and shows why it's relevant to your life.

1. Evaluating marketing strategies for agricultural products and services.
2. Applying benefit/cost analysis to marketing agricultural products and services.
3. Developing a marketing plan for agricultural products and services.

Minimum Requirements:

Oral Report Option

1. Write a paper on one of the topics and orally present your work to the class.
2. Paper may be double-spaced and should be at least one page in length, resulting in a two-to-five-minute presentation.
3. At least two references must be properly cited.
4. The presentation of the report will be graded secondary to the content of the paper.

PowerPoint™ Option

1. Presentation should be at least ten slides in length
2. Presentation should include at least four photos.
3. Presentation should be two to five minutes in length.
4. Grammar and spelling will be graded by the same standards as any other written assignment.
5. At least two references must be properly cited.

Poster Option

1. Prepare a poster that answers/explains one of the topics. You will present your poster to the class.
2. Your poster should include both text and graphics that help communicate your research.
3. At least two sources of information should be properly cited on the back of the poster.
4. Neatness and appearance of the poster will be graded.
5. Poster presentation should last a minimum of five minutes.

Due Date:

Points/Grade Available:

For all presentations: All work must be original. No plagiarism! Any use of another's work or ideas without giving proper credit will result in a zero.

Presentation Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The presentation should include information and issues of state and local importance.</p>	<p style="text-align: center;">40 pts.</p>
<p>Critical Analysis/Organization – The presentation shows a logical process of analyzing and reporting information that examines and explains the topic selected. The presentation should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">20 pts.</p>
<p>Presentation – The student makes a genuine effort to present, not just read the material. The student should present with confidence using techniques like eye contact and voice inflexion to make his or her point. Although content takes precedence over presentation, the experience of successfully presenting in front of a class is part of the basis of this assignment.</p>	<p style="text-align: center;">25 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the presentation should meet all guidelines set forth and should be executed in proper written English. For the poster, this includes neatness and appearance.</p>	<p style="text-align: center;">15 pts.</p>

Teacher's Notes

[illegible]

Unit 4:

Lesson 1: Agriculture Product Market Research

Objectives:

1. Conduct and interpret surveys to provide data for demand of agricultural products and services.
2. Research trends in the marketability of agricultural products and services.

Teaching Time: 4 hours

Essential Question:

What are the trends in agricultural marketability and how to we assess consumer demand of agricultural products?

Unit Understandings, Themes, and Concepts:

Students will gain an understanding of how market research and surveys help produces meet demands for agricultural products and services.

Primary Learning Goals:

Students will be able to conduct and interpret surveys to showcase trends in marketability and demand of agricultural products and services.

Assessment Method/Type:

_____ Constructed Response	_____ Peer Assessment
_____ Combined Methods	_____ Selected Response

_____ Informal Checks

_____ Self-Assessment

References: n/a

Materials and Equipment:

Eraser board

Handout

LCD Projector

Computer

POWERPOINTS™:

- **Market Research**

Web Resources: n/a

Appendices:

Appendix 5: Programme of Agricultural Surveys

Appendix 6: Organic Food Trends

TEACHING PROCEDURE

Lecture Notes/Activity: Lesson 1, Objective 1:

Conduct and interpret surveys to provide data for demand of agricultural products and services.

QUESTION: Why are surveys important? See the article in Appendix 3, paying special attention to section 9.1:

“Under the integrated system, a program of agricultural surveys should also be carried out, based on the census of agriculture, **to provide current operational and performance data required to complement the structural data from the census of agriculture.**”

See **Appendix 5: Programme of Agricultural Surveys.**

Activity: Lesson 1, Objective 1:

Randomly assign the students an agricultural service or product and have them conduct a survey about the product.

The survey should reflect what they have learned about consumer demand and the fundamentals of economics.

Be sure that the information gathered in the survey can be represented in graphical form.

Make sure that the services and products assigned are ones that all or almost all the students are familiar with.

The students will collect the surveys and interpret the results. The results should then be represented in graphically form.

Lecture Notes/Activity: Lesson 1, Objective 2:

Research trends in the marketability of agricultural products and services.

Vocabulary: Marketability- When a product is fit to be offered for sale, as in a market: *marketable produce*.

In the last lesson, you were able to see the consumer side of marketability. Now, it is time to be an analyst.

The students may research the trends in organic foods, or whatever product the instructor sees fit. They will then use the information they gathered and give a short presentation on their findings.

See **Appendix 6: Organic Food Trends**.

SUMMARY

Evaluation

- Written test
- Daily Notes
- Class Participation
- Individual Learning Assignment
- Daily Food Log
- Group Learning Activity
- Presentation Learning Activity

Individual Learning Activity

Lesson: Agricultural Product Market Research

Assignment: Choose one of the topics below and research it. Write a report on your findings that answers the question or explains the concept and shows why it is relevant to your life.

1. Conducting and interpreting surveys to provide data for demand of agricultural products and services.
2. Researching trends in the marketability of agricultural products and services.

Minimum Requirements:

1. Paper must be typed in 12-point font and at least one page in length. The paper may be double-spaced.
2. At least two credible references must be properly cited.
3. All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.
4. Papers will be graded on content (amount of good information, accuracy, etc.) and mechanics (grammar, spelling, and punctuation.)

Due Date:

Points/Grade Available:

Individual Learning Activity Rubric

Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The paper should include information and issues of state and local importance.	35 pts.
Critical Analysis - logical process of analyzing and reporting information that examines and explains the topic selected. The paper should go beyond simply listing facts and must include why the concept is relevant to the student's life.	25 pts.
Organization - The paper should have an orderly structure that demonstrates a logical flow of ideas.	15 pts.
Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the paper should meet all specifications and be executed following rules of proper written English.	15 pts.

Group Learning Activity

Lesson: Agricultural Product Market Research

Assignment: Choose one of the topics below and research it. With your group, prepare a presentation to teach the class your concept.

1. Conducting and interpreting surveys to provide data for demand of agricultural products and services.
2. Researching trends in the marketability of agricultural products and services.

Your presentation should include the following:

1. A lesson plan outlining exactly what your group will teach and how the information will be taught
2. A PowerPoint™ of at least twelve slides
3. Notes containing the information the class will be responsible for (these can be printed and given to the class, written on the board, or part of the PowerPoint™). A copy of the notes will be turned in to the instructor.
4. Some type of interactive activity for the class (game, problem solving activity, interactive model, etc.)
5. Your group must also prepare an assessment for the class. This assessment can be written or oral but should show the instructor that the class understands and has retained the material being taught.

Due Date:

Points/Grade Available:

All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.

Group Learning Activity Rubric

Lesson Plan – The group submits a thorough, detailed lesson plan highlighting the content and organization of their lesson.	10 pts.
PowerPoint™ – The group presents a PowerPoint™ of at least twelve slides that contains information and pictures vital to the lesson with additional information or examples for enhancement.	20 pts.
Interactive Activity – Some type of interactive activity is used to help teach the lesson. The activity should contribute to the mastery of content and involve the entire class in some way.	15 pts.
Assessment – A fair, thorough assessment is prepared and administered based on the information presented to the class. Poor grades on the assessment by a few members of the class are excusable, but if the entire class has difficulty, the points awarded in this category may be lowered at the discretion of the instructor.	15 pts.
Content – The group should cover the concept (within reason) in entirety. The group may study actual lesson plans to help decide what should be emphasized.	25 pts.
Overall Effect – The group is prepared, enthusiastic, and interesting, and the lesson flows smoothly.	15 pts.

Presentation Learning Activity

Lesson: Agricultural Product Market Research

Assignment: Choose one of the topics below, research it, and prepare a presentation that answers the question or explains the concept and shows why it's relevant to your life.

1. Conducting and interpreting surveys to provide data for demand of agricultural products and services.
2. Researching trends in the marketability of agricultural products and services.

Minimum Requirements:

Oral Report Option

1. Write a paper on one of the topics and orally present your work to the class.
2. Paper may be double-spaced and should be at least one page in length, resulting in a two-to-five-minute presentation.
3. At least two references must be properly cited.
4. The presentation of the report will be graded secondary to the content of the paper.

PowerPoint™ Option

1. Presentation should be at least ten slides in length
2. Presentation should include at least four photos.
3. Presentation should be two to five minutes in length.
4. Grammar and spelling will be graded by the same standards as any other written assignment.
5. At least two references must be properly cited.

Poster Option

1. Prepare a poster that answers/explains one of the topics. You will present your poster to the class.
2. Your poster should include both text and graphics that help communicate your research.
3. At least two sources of information should be properly cited on the back of the poster.
4. Neatness and appearance of the poster will be graded.
5. Poster presentation should last two to five minutes.

Due Date:

Points/Grade Available:

For all presentations: All work must be original. No plagiarism! Any use of another's work or ideas without giving proper credit will result in a zero.

Presentation Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The presentation should include information and issues of state and local importance.</p>	<p style="text-align: center;">40 pts.</p>
<p>Critical Analysis/Organization – The presentation shows a logical process of analyzing and reporting information that examines and explains the topic selected. The presentation should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">20 pts.</p>
<p>Presentation – The student makes a genuine effort to present, not just read the material. The student should present with confidence using techniques like eye contact and voice inflexion to make his or her point. Although content takes precedence over presentation, the experience of successfully presenting in front of a class is part of the basis of this assignment.</p>	<p style="text-align: center;">25 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the presentation should meet all guidelines set forth and should be executed in proper written English. For the poster, this includes neatness and appearance.</p>	<p style="text-align: center;">15 pts.</p>

Teacher's Notes

[illegible]

Essential Question:

What are the trends in agricultural marketability and how do we assess consumer demand of agricultural products?

Lesson Evaluation

The students should research the trends in organic foods. They will then use the information they gathered to give a short presentation on their findings. Students should identify the marketability of the product they chose and the demand for the product by its customers.

Unit 5:

Lesson 1: Agriculture Business and Interpersonal Relationships

Objectives:

1. Explain how interpersonal relationships and networking can improve business relationships.
2. Examine the scope of sales and trade organizations and how they are designed to promote a product.
3. Determine the benefits of participation in trade organizations.
4. Evaluate the benefits of participation in community and professional organizations.

Teaching Time:1.5 hours

Essential Question:

**What skills are needed and are further developed through participation in a community or professional organization?
How do those skills come into play with trade organizations?**

Unit Understandings, Themes, and Concepts:

Students will gain an understanding of the benefits and components of networking, both on a personal and organizational level.

Primary Learning Goals:

Students will be able to explain various types of professional organizations available for networking, as well as skills needed to form successful interpersonal relationships.

Assessment Method/Type:

_____ Constructed Response	_____ Peer Assessment
_____ Combined Methods	_____ Selected Response
_____ Informal Checks	_____ Self-Assessment

References: n/a

Materials and Equipment:

Overhead projector	Transparency
Eraser board	Handout
LCD Projector	Computer

POWERPOINTS™:

Interpersonal Skills & Networking

Web Resource:

[USDA Agricultural Marketing Service - Organic Labeling](#)

Appendix 7: Supporting Relationships for Farm Success

TEACHING PROCEDURE

Lecture Notes: Lesson 1, Objective 1:

1. Explain how interpersonal relationships and networking can advance business relationships.

See **Appendix 7: Supporting Relationships for Farm Success.**

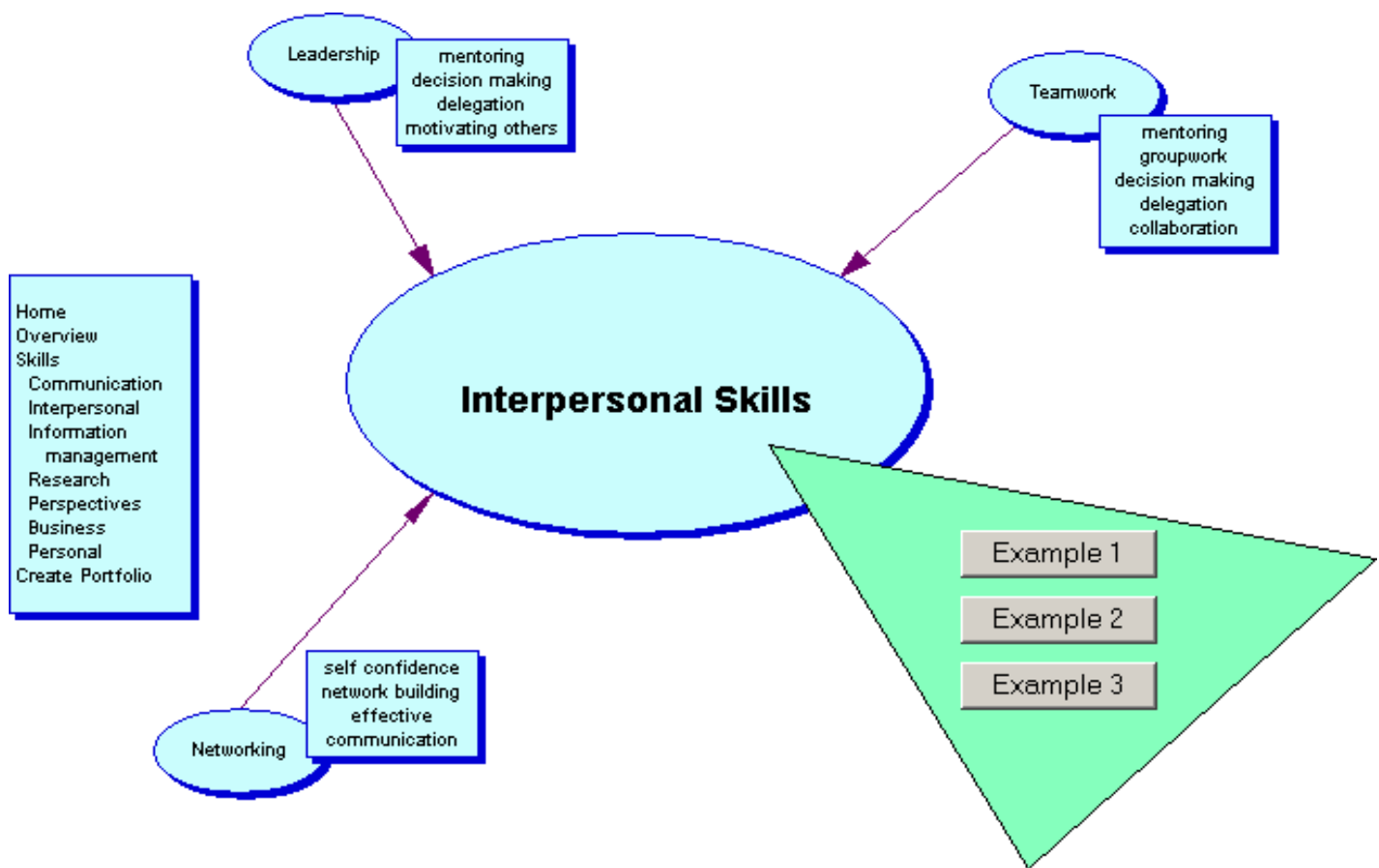


Image: Diagram depicting components of interpersonal skills. The following is a detailed description of the image:

- In the center is a large oval containing the words "Interpersonal Skills."
- To the upper right of the large Interpersonal Skills oval at the 10 o'clock position is a small oval containing the word "Leadership"; the Leadership oval has an arrow pointing toward the large Interpersonal Skills oval.
- Partially superimposed over the right of the small Leadership oval is a small rectangle containing the words "mentoring", "decision making", "delegation", and "motivating others."
- To the upper of the large Interpersonal Skills oval at the 2 o'clock position is a small oval containing the word "Teamwork."
- Partially superimposed over the lower right of the small Teamwork oval is a small rectangle containing the words "mentoring", "groupwork", "delegation", and "collaboration."
- To the lower right of the large Interpersonal Skills oval is a large triangle containing 3 small rectangles, each with the word "Example"; the triangle's apex is partially superimposed over the large Interpersonal Skills oval at the 4 o'clock position.
- To the lower left of the large Interpersonal Skills oval at the 8 o'clock position is a small oval containing the word "Networking."
- Partially superimposed over the right of the small Networking oval is a rectangle containing the words "self confidence", "network building", and "effective communication."
- To the right of the large Interpersonal Skills oval at the 9 o'clock position is a rectangle containing the words "Overview Skills." Below Home Overview Skills and indented 2 spaces are the words "Communication", "Interpersonal", "Information management", "Research", "Perspectives", "Business", and "Personal". Below these words and extended 2 spaces are the words "Create Portfolio." [End of description of image.]

Leadership is:

- The process of successfully influencing the activities of a group towards goal achievement.
- A leader has the ability to influence others by presence, charisma, command of language, expertise, and engendering respect to achieve group objectives ethically.
- Background skills required are mentoring, decision making, delegating appropriately, motivating others, using persuasive and clear communication, and being empowered by knowledge.

Examples:

- Group work, taking a leadership role (e.g., physics lab)
- Leading a committee (e.g., SciSoc) or team (e.g., soccer)
- Mentoring a junior student (e.g., a third-year student mentoring a first-year student)

Networking is:

- The ability to actively seek, identify and create effective contacts with others and maintain those contacts for mutual benefit. Background skills required are self-confidence, effective communication, building, maintaining, and expanding networks and collegial relationships.

Examples:

- Involvement with clubs and societies (e.g., PhySoc)
- Attending seminars, workshops, and conferences (e.g., discipline seminars)

Teamwork:

- Involves group problem solving, cooperation with others, responsiveness to others' ideas, harmonious engagement in collaborative learning, taking individual responsibility within the group for developing and achieving group goals. Background skills required are mentoring, group work, decision making, delegation, and collaboration.

Example: Working with a group of people towards a common goal (e.g., Lab project, posters, etc., sporting teams)

Mentoring is:

- Being a trusted advisor and helper who has experience in a particular field, who actively supports and guides someone who is less experienced in this area in the development of their knowledge and experience base, or the achievement of their career or personal goals.
- A protected, non-judgmental relationship which facilitates a wide range of learning, experimentation, and development; and
- A relationship that may be formal or informal, but must involve trust, mutual respect, and commitment as both parties seek to work together to achieve a goal.
- Tutoring, coaching

Group work is:

- Any activity in which students work together.
- Any activity which has been specifically designed so that students work in pairs or groups, and may be assessed as a group (referred to as formal group work); or
- When students come together naturally to help each other with their work (referred to as informal group work).
- Peer group activity in lab classes, tutorials etc.

Decision making is:

- Taking responsibility for a decision and its outcomes; and
- Identifying appropriate evidence and weighing up that evidence to make a choice.
- Choosing a research topic for a group activity

Delegation is:

- Taking responsibility for determining when it is appropriate to ask someone else to decide or carry out a task.
- Giving someone else the discretion to make decisions that you have the authority to make; and
- The process by which authority and responsibility is distributed from the project leader to an individual working on the project.

Collaboration is:

- Working cooperatively and productively with other team members to contribute to the professional outcomes of the team; and
- Task-related interactions with colleagues that involve sharing, assistance, and interdependence.
- Allocating tasks in planning for an event (e.g., a club activity like the annual dinner)
- Working with peers in studying for exams

Network building is:

- Creating contacts with other persons and maintaining those contacts.
- Acquiring and maintaining information of persons that can operate as contacts for specific purposes if needed; and
- Using contact persons in an ethical manner for the purpose of meeting specific goals, e.g., collaboration in projects, finding information, etc.
- Setting up and maintaining a peer study group

Motivating others is:

- Selling ideas and winning commitment to goals.
- Generating enthusiasm and energy by being positive: 'we can do this'.
- Maintaining a positive attitude even when things aren't going well.
- Encouraging others to come up with solutions.
- Involving the whole team.
- Including everyone: listening and taking views on board.
- Giving people new challenges and trusting them to deliver.
- Encouraging others to perform well.
- Being prepared to support others in taking agreed, calculated risks; and
- Not blaming others when things go wrong: avoiding creating a 'blame culture'.
- Actively encouraging enthusiasm (e.g., giving the half time pep-talk to the team)

Activity: Lesson 1, Objective 1:

Invite a local agribusiness owner or employee to speak to the class on the importance of interpersonal skills and networking in the business world. Have the students compile a list of questions based upon the concept map and the notes given in class.

Lecture Notes: Lesson 1, Objective 2:

Examine the scope of sales and trade organizations and how they are designed to promote a product.

The following USDA site about “About Organic Labeling” contains everything that the instructor needs when it comes to explaining the objective. The instructor can pull from any section of this article and discuss it with the class.

[USDA Agricultural Marketing Service - Organic Labeling](#)

Activity: Lesson 1, Objective 2:

Using the information learned from the article, have the student design a plan to promote an organic product. This may require some background research into organic products, allowing the students to reach beyond the curriculum a bit.

Along with the plan, the student should write a short essay about how sales and trade affected his or her marketing plan.

Lecture Notes/Activity: Lesson 1, Objective 3:

Determine the benefits of participation in trade organizations

Using the article below, highlight with the students the benefits of participation in trade organizations.

[USDA Agricultural Marketing Service - Organic Labeling](#)

Then discuss:

QUESTION: What would be the disadvantages faced by a company that did not participate in a trade organization?

QUESTION: Why are trade organizations so important to the economy?

QUESTION: What would happen to the economy if trade organizations no longer existed?

QUESTION: Why are trade organizations especially important to agriculture companies?

QUESTION: What benefits are there to organic product companies who engage in a trade organization? – Heavily pull from article

Lecture Notes/Activity: Lesson 1, Objective 4:

Evaluate the benefits of participation in community and professional organizations.

- * This objective draws upon the previous objective, so it is permissible to perform an activity that accumulates all the activities in the previous objectives of Lesson 1:**

Students, now that you are well versed in networking's role in the Agribusiness world, please prepare a short essay on what you believe the benefits are with participating in community and professional organizations. These benefits can certainly vary but draw upon what was learned in Lesson 1 (i.e., interpersonal skills, leadership skills, awareness of the inner workings of a company, etc.).

Then, you will compile a 2–3-minute presentation on your opinion.

SUMMARY

Evaluation

- Written test
- Daily Notes
- Class Participation
- Individual Learning Assignment
- Daily Food Log
- Group Learning Activity
- Presentation Learning Activity

Individual Learning Activity

Lesson: Agricultural Business and Interpersonal Networking

Assignment: Choose one of the topics below and research it. Write a report on your findings that answers the question or explains the concept and shows why it is relevant to your life.

1. Explain how interpersonal relationships and networking can further business relationships.
2. Examine the scope of sales and trade organizations and how they are designed to promote a product.
3. Determine the benefits of participation in trade organizations.
4. Evaluate the benefits of participation in community and professional organizations.

Minimum Requirements:

1. Paper must be typed in 12-point font and at least one page in length. The paper may be double-spaced.
2. At least two credible references must be properly cited.
3. All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.
4. Papers will be graded on content (amount of good information, accuracy, etc.) and mechanics (grammar, spelling, and punctuation.)

Due Date:

Points/Grade Available:

Individual Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The paper should include information and issues of state and local importance.</p>	<p style="text-align: center;">35 pts.</p>
<p>Critical Analysis - logical process of analyzing and reporting information that examines and explains the topic selected. The paper should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">25 pts.</p>
<p>Organization - The paper should have an orderly structure that demonstrates a logical flow of ideas.</p>	<p style="text-align: center;">15 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the paper should meet all specifications and be executed following rules of proper written English.</p>	<p style="text-align: center;">15 pts.</p>

Group Learning Activity

Lesson: Agricultural Business and Interpersonal Networking

Assignment: Choose one of the topics below and research it. With your group, prepare a presentation to teach the class your concept.

1. Explain how interpersonal relationships and networking can further business relationships.
2. Examine the scope of sales and trade organizations and how they are designed to promote a product.
3. Determine the benefits of participation in trade organizations.
4. Evaluate the benefits of participation in community and professional organizations.

Your presentation should include the following:

1. A lesson plan outlining exactly what your group will teach and how the information will be taught
2. A PowerPoint™ of at least twelve slides
3. Notes containing the information the class will be responsible for (these can be printed and given to the class, written on the board, or part of the PowerPoint™). A copy of the notes will be submitted to the instructor.
4. Some type of interactive activity for the class (game, problem solving activity, interactive model, etc.)
5. Your group must also prepare an assessment for the class. It can be written or oral but should show the instructor that the class understands and has retained the material taught.

Due Date:

Points/Grade Available:

All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.

Group Learning Activity Rubric

Lesson Plan – The group submits a thorough, detailed lesson plan highlighting the content and organization of their lesson.	10 pts.
PowerPoint™ – The group presents a PowerPoint™ of at least twelve slides that contains information and pictures vital to the lesson with additional information or examples for enhancement.	20 pts.
Interactive Activity – Some type of interactive activity is used to help teach the lesson. The activity should contribute to the mastery of content and involve the entire class in some way.	15 pts.
Assessment – A fair, thorough assessment is prepared and administered based on the information presented to the class. Poor grades on the assessment by a few members of the class are excusable, but if the entire class has difficulty, the points awarded in this category may be lowered at the discretion of the instructor.	15 pts.
Content – The group should cover the concept (within reason) in entirety. The group may study actual lesson plans to help decide what should be emphasized.	25 pts.
Overall Effect – The group is prepared, enthusiastic, and interesting, and the lesson flows smoothly.	15 pts.

Presentation Learning Activity

Lesson: Agricultural Business and Interpersonal Networking

Assignment: Choose one of the topics below, research it, and prepare a presentation that answers the question or explains the concept and shows why it is relevant to your life.

1. Explain how interpersonal relationships and networking can further business relationships.
2. Examine the scope of sales and trade organizations and how they are designed to promote a product.
3. Determine the benefits of participation in trade organizations.
4. Evaluate the benefits of participation in community and professional organizations.

Minimum Requirements:

Oral Report Option

1. Write a paper on one of the topics and orally present your work to the class.
2. Paper may be double-spaced and should be at least one page in length, resulting in a two-to-five-minute presentation.
3. At least two references must be properly cited.
4. The presentation of the report will be graded secondary to the content of the paper.

PowerPoint™ Option

1. Presentation should be at least ten slides in length
2. Presentation should include at least four photos.
3. Presentation should be two to five minutes in length.
4. Grammar and spelling will be graded by the same standards as any other written assignment.
5. At least two references must be properly cited.

Poster Option

1. Prepare a poster that answers/explains one of the topics. You will present your poster to the class.
2. Your poster should include both text and graphics that help communicate your research.
3. At least two sources of information should be properly cited on the back of the poster.
4. Neatness and appearance of the poster will be graded.
5. Poster presentation should last two to five minutes.

Due Date:

Points/Grade Available:

For all presentations: All work must be original. No plagiarism! Any use of another's work or ideas without giving proper credit will result in a zero.

Presentation Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The presentation should include information and issues of state and local importance.</p>	<p style="text-align: center;">40 pts.</p>
<p>Critical Analysis/Organization – The presentation shows a logical process of analyzing and reporting information that examines and explains the topic selected. The presentation should go beyond simply listing facts and must include why the concept is relevant to the student’s life.</p>	<p style="text-align: center;">20 pts.</p>
<p>Presentation – The student makes a genuine effort to present, not just read the material. The student should present with confidence using techniques like eye contact and voice inflexion to make his or her point. Although content takes precedence over presentation, the experience of successfully presenting in front of a class is part of the basis of this assignment.</p>	<p style="text-align: center;">25 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the presentation should meet all guidelines set forth and should be executed in proper written English. For the poster, this includes neatness and appearance.</p>	<p style="text-align: center;">15 pts.</p>

Teacher's Notes

[illegible]

Essential Question:

**What skills are needed and are further developed through participation in a community or professional organization?
How do those skills come into play with trade organizations?**

Vocabulary

Networking
Teamwork
Motivation
Leadership
Mentoring
Delegation
Collaboration

Lesson Evaluation

- 1) the process of successfully influencing the activities of a group towards goal achievement
- 2) the ability to actively seek, identify and create effective contacts with others and maintain those contacts for mutual benefit.
- 3) involves group problem solving, cooperation with others, responsiveness to others' ideas, harmonious engagement in collaborative learning, taking individual responsibility within the group for developing and achieving group goals
- 4) being a trusted advisor and helper who has experience in a particular field, who actively supports and guides someone who is less experienced in this area in the development of their knowledge and experience base, or the achievement of their career or personal goals
- 5) any activity in which students work together
- 6) taking responsibility for a decision and its outcomes
- 7) taking responsibility for determining when it is appropriate to ask someone else to make a decision or carry out a task
- 8) working cooperatively and productively with other team members to contribute to the professional outcomes of the team
- 9) creating contacts with other persons and maintaining those contacts, acquiring and maintaining information of persons that can operate as contacts for specific purposes if needed
- 10) selling ideas and winning commitment to goals

Word Bank			
Collaboration	Decision Making	Delegating	Group Work
Mentoring	Motivating others	Network building	Networking
Teambuilding	Leadership		

Lesson Evaluation Key

- 1) Leadership
- 2) Networking
- 3) Teambuilding
- 4) Mentoring
- 5) Group Work
- 6) Decision Making
- 7) Delegating
- 8) Collaboration
- 9) Network building
- 10) Motivating others

Unit 5:

Lesson 2: Salesmanship and Customer Service

Objectives:

1. Describe the attributes needed to become an effective salesperson.
2. Demonstrate skills of an effective customer service person.
3. Identify the steps in conducting and completing a sale.
4. Demonstrate effective communication skills needed to develop positive working relationships in agribusiness.
5. Demonstrate techniques used to present information to groups.
6. Compare and contrast agricultural sales techniques.

Teaching Time: 2 Hours

Essential Question:

How does effective communication impact the effectiveness of a salesperson/team?

Unit Understandings, Themes, and Concepts:

Students will gain an understanding of communication techniques and skills used in agribusiness.

Primary Learning Goals:

Students will be able to identify, describe, and demonstrate skills needed to be an effective agricultural salesperson and develop positive relationships in agribusiness settings.

Assessment Method/Type:

<input type="checkbox"/> Constructed Response	<input type="checkbox"/> Peer Assessment
<input checked="" type="checkbox"/> Combined Methods	<input type="checkbox"/> Selected Response
<input type="checkbox"/> Informal Checks	<input type="checkbox"/> Self-Assessment

References: n/a**Materials and Equipment:**

Overhead projector	Transparency
Eraser board	Handout
LCD Projector	Computer

POWERPOINTS™:

- Sales_1_What_is_Selling
- Sales_2_Sales_and_Service
- Sales_3_Sales_and_Service
- Sales_4_Sales_and_Service
- Sales_5_Sales_and_Service
- Sales_6_Sales_and_Service
- Sales_7_Customer_Objections
- Sales_8_Sales_and_Service

Web Resources:

- [Iowa State University Extension and Outreach - Ag Decision Maker - Marketing](#)
- [ATTRA - Resources for Information on Alternative Farming Methods](#)
- [ATTRA](#)

Appendices:

Appendix 8:	Sales Strategy
Appendix 9:	Direct Marketing
Appendix 10:	Is Your Agribusiness Project Feasible?
Appendix 11:	Evaluating a Rural Enterprise
Appendix 12:	Business Planning Resources
Appendix 13:	Solution Selling for Agriculture
Appendix 14:	Farm & Family Connections: Communication in the Family
Appendix 15:	Making Effective Presentations
Appendix 16:	Agribusiness Ethics

TEACHING PROCEDURE

Lecture Notes: Lesson Plan 1.3, Objective 1

Using **Appendix 8: Sales Strategy**, describe the attributes needed to become an effective salesperson.

*Instructor could have students first make a word splash of what they think the attributes are. Then, the instructor could reveal his/her list.

1. RESULTS ORIENTATION:

- Identifies actions needed to complete tasks and obtain results.
- Maintains focus on goals
- Identifies and acts on removing potential obstacles to successful goal attainment
- Implements thorough and effective plans and applies appropriate resources to produce desired results
- Follows through on all commitments to achieve results

2. INFLUENCING OTHERS:

- Personally affects others' actions, decisions, opinions, or thinking.
- Effectively impacts others' actions
- Gains commitment from others to achieve desired results
- Analyzes others' opinions and leads them to understand and willingly accept desired alternatives
- Persuades others in a positive manager

3. SELF- MANAGEMENT:

- Prioritizes and completes tasks in order to deliver desired outcomes within allotted time frames.
- Independently pursues business objectives in an organized and efficient manner
- Prioritizes activities as necessary to meet job responsibilities
- Maintains required level of activity to achieving goals without direct supervision
- Minimizes workflow disruptions and time wasters to complete high-quality work within a specified time frame

4. GOAL ACHIEVEMENT:

- The overall ability to set, pursue and attain achievable goals.
- Establishes goals that are relevant, realistic, and attainable
- Identifies and implements required plans and milestones to achieve specific business goals
- Initiates activity toward goals without unnecessary delay
- Stays on target to complete goals regardless of obstacles or adverse circumstances

5. INTERPERSONAL SKILLS:

- The ability to interact with others in a positive manner.
- Initiates and develops business relationships in positive ways
- Successfully works with a wide range of people at varying levels of organizations
- Communicates with others in ways that are clear, considerate, and understandable
- Demonstrates ease in relating with a diverse range of people of varying backgrounds, ages, experience, and education levels

6. PROBLEM SOLVING:

- The ability to identify key components of a problem to formulate a solution or solutions
- Analyzes all data relative to a problem
- Divides complex issues into simpler components to achieve clarity
- Selects the best options available to solve specific problems
- Applies all relevant resources to implement suitable solutions

7. DECISION MAKING:

- The ability to analyze all aspects of a situation to gain thorough insight to make decisions.
- Analyzes data necessary for decision-making
- Makes major decisions impacting strategic outcomes appropriately and effectively
- Makes decisions in a timely manner
- Demonstrates ability to make unpopular and difficult decisions when necessary

Activity: Lesson Plan Objective 1:

*Outside reading/short movie: "Death of a Salesman"

Lead a discussion about the difficulty of the life of a salesman.

Incorporate the vocabulary/attributes that the main character demonstrates or fails to demonstrate.

Lecture Notes/Activity: Lesson Plan Objective 2 (Combines with Objective 1)

Demonstrate skills of an effective customer service person.

Assign each student an agricultural product that increases crop production. Have them do research on the product and compile a profile on the product; they need to make sure they are well versed enough to sell the product.

1. Number off the students (1,2,3, etc.)
2. The even numbers will be the customers first, and the odd numbers will be the sellers first.
3. The salespeople will each take a turn presenting their product and telling the class why their product is the most efficient at increasing crop production. (Be sure that they skillfully demonstrate the attributes).
4. The customers should have a list of questions that challenge the salesperson and his/her knowledge of the product as well as the attributes in Objective 1.
5. After all the odd numbers have presented, the even numbers will present, and the roles are reversed.

6. At the end of all the presentations, have the customers rate the salespeople from each **round and vice versa**.

******The scale the teacher uses varies, but be sure the students rate based upon, but not limited to, the attributes in Objective 1.**

Lecture Notes: Lesson Objective 3:

Iowa State University Extension and Outreach - Ag Decision Maker - Marketing

Identify the steps in conducting and completing a sale.

Agribusiness Marketing Resource Center
Value-added Agriculture Profile
Iowa State University

Direct Marketing of Agriculture Produce

OBJECTIVES:

After completion of this objective, the students will be able to:

1. Explain the advantages and disadvantages of direct marketing.
2. Describe the variety of direct marketing to best reach a group of customers.
3. Describe the steps in conducting a market evaluation for a product a producer wants to sell directly to a consumer.
4. Identify the fundamental steps in developing a marketing plan.
5. Define product differentiation and explain a producer's motivation for product differentiation of value-added agriculture products.

APPENDIX 9:

Direct Marketing. Katherine Adam, Radhika Balasubrahmanyam,
and Holly Born. ATTRA Publication

VISUAL MASTERS (VM):

See PowerPoints™: V-A Lesson 03.ppt and VM Lesson 3.pptx.

INTEREST APPROACH:

Ask students: Do you own a car or truck? How did you buy your vehicle? Did you buy it directly from the owner or from a car dealer? If you are the vehicle seller, what are the advantages of selling your vehicle directly to an individual? What are the disadvantages? Why do people trade in their vehicle instead of selling it directly? What are the advantages, if any, of buying a brand-new vehicle directly from a car manufacturer instead of a local dealership? How is the situation above similar to that of agricultural products direct marketing?

QUESTIONS:

1. Why Direct Marketing?

Answer: Consumers tired of tasteless supermarket produce and factory-raised meat want fresh food with flavor, as well as more control over their food supply, and are willing to pay a premium price for it.

Direct marketing can give the farmer a larger share of the food dollar and possibly a higher return on each unit sold, offset to some extent by loss of economies of scale. For some farmers, adding value or marketing some minimally processed farm products directly to the consumer is a way of enhancing financial viability. Farmers who are unable to compete in or are locked out of distant markets can build a thriving local business.

Provide some examples of direct marketing in your community, county, or state to add value to agricultural commodities.

2. What are the qualities of a successful marketer?

Answer:

- Not afraid to take risks
 - Takes pride in the product and is not shy about saying so
 - Willing to plan, research and experiment
 - Flexible
 - Independent
 - Creative
 - Thrifty

From *Market What You Grow* by Ralph J. Hills, Jr.

3. What does good marketing require?

Answer: Marketing is much more than simply knowing how to dispose of agricultural commodities. The marketer must have a clear understanding of ever-changing consumer wants and needs. Producers have traditionally taken whatever price they could get while wholesale and retail distribution networks undertook the business of marketing.

Marketing begins well before the first seed is planted. For farmers working outside the conventional system, the importance of marketing cannot be over-emphasized. Consumer-focused marketing is the most important factor that determines the success of an enterprise.

Marketing is not just about selling. It requires a clear and astute understanding of what consumers want and the ability to deliver it to them through the most appropriate channels for a profit. It includes the planning, pricing, promotion and distribution of products and services for consumers, both present and potential. According to specialty vegetable grower Don Anderson, "Knowing what's happening in the marketplace is the difference between the farmer who makes it and the farmer who doesn't make it."

4. What is Enterprise Evaluation? How does it relate to direct marketing agricultural products? What questions should be answered by an enterprise evaluation?

Answer: A good marketing strategy begins with making sure the enterprise is right for you and is feasible. It requires a review and evaluation of your present situation, goals, possible enterprises, physical, financial and marketing resources, and market potential. The evaluation helps you answer some key questions: Is this really what you want to do? Is there a market for the product? Do you have the necessary skills to do it? Are you going to develop the market? Or will you raise a crop for which there is a pre-existing market? Will it be profitable? Can you expand in the foreseeable future? A sample feasibility study for an agricultural enterprise may be found in **Appendix 10: Is Your Agribusiness Project Feasible?**

5. What kinds of activities are conducted during an Enterprise Evaluation? What other questions should be answered to go forward with your direct marketing plan?

Answer:

- Start by listing your business and personal goals. Prioritize them.
- Is this going to be a full-time enterprise?
- Is your family involved and supportive?
- Inventory physical resources like land, soil, machinery, water, buildings, livestock etc.
- Define constraints.
- Is family or off-farm labor available?
 - Is your spouse involved in the planning? A spouse's knowledge of medicinal herbs or cooking could spin off into an additional on-farm enterprise.
 - Do you have access to financial resources in the form of savings, credit or investment by family or friends?
 - What crops will grow well in your area and fetch the price you need?

- What are the marketing resources in your region? Check out the farmers' markets and the retail stores. Is a roadside stand feasible? Talk to others who have one. Are there restaurants, grocery stores and supermarkets willing to buy locally raised produce or meat?
- Who are your potential customers? Would they like to buy direct-marketed products, or do they prefer buying at mass retail outlets where price is the main consideration? Is there scope in your business plan for consumer education? Have you considered the potential for entertainment farming and tourism? What information and resources do you need to help you along the way? How can you best access such resources?

6. How is market research conducted to ensure someone's direct marketing idea is feasible?

Answer: Get all the information you can about sources, marketing, production, processing, packaging and sales. This will require a good bit of systematic research. Check the libraries in your area. Read all the USDA and Extension publications you can lay your hands on as well as trade journals and periodicals, books on market gardening and seed catalogs.

- Talk to your Extension agent, visit the local stores (gourmet and otherwise) and supermarkets to see what is selling, and why one product appears more appealing than another.
- Talk to customers, local stores, food clubs, specialty distributors, ethnic stores, restaurants and other prospective outlets in your region.
- What do they want? Is there an unfilled niche? With your production, labor, and marketing resources, will you be able to fill this niche?

Find out what your prospective competitors are doing. Look for ways to improve on what they are offering.

- Useful exercises for defining the competition and customer base:
Larkin, Geraldine Larkin. *12 Simple Steps to a Winning Market Plan*. Probus Pub Co. Chicago, Illinois.
ISBN 10: 1557382972. ISBN 13: 9781557382979.
1992.
- For use in researching the market for new farm-based enterprises:
[ATTRA - Resources for Information on Alternative Farming Methods](#)
- See also **Appendix 11: Evaluating a Rural Enterprise**.
- Resources for information on doing your own market research:
[ATTRA](#)

What kinds of information should be collected when conducting marketing research? Idea?

- Information from market research helps to formulate a market strategy and project profitability.
- Two levels of information may be obtained:

General:

- Food shopping habits.
- What are some trends in lifestyles? convenience? Emphasis on family time and home cooked meals?
- What is the ethnic and racial makeup of population? What are its food preferences?
- What are the trends in food safety, health, and nutrition?
- What are the marketing trends? Growth in organics? An emphasis on freshness?

Specific:

- Who are the buyers? What are their ages, incomes, and lifestyles?
- What are their wants?
- Size of the market? Number of buyers?
- Number of competitors? What their successes and weaknesses?
- What price can you expect?
- How much of the market can you expect to hold?
- What are packaging and labeling requirements?
- What are the barriers to market penetration for your products?

7. What is a marketing plan?

Answer: Marketing is an essential element of a small agricultural enterprise. The marketing environment will ultimately exert a strong influence on the nature of the business. The crop grown will be determined less by the farmer's personal tastes than by what the market will absorb at a price the farmer is willing to take. A good market plan broadly aims to define the consumer, the products, or services they want and the most effective promotion and advertising strategies for reaching those consumers. It clarifies objectives, appropriate actions, projected income, pricing structures, costs, and potential profitability.

See also **Appendix 12: Business Planning Resources.**

8. What are the elements of a marketing plan?

Answer: The following are elements of a marketing plan:

- Marketing situation—a summary of your present situation, what and how you are currently selling, who your customers are, what their needs are, your competition, your own strengths, and weaknesses, how you are promoting your product, what the current food and marketing trends are, etc.

- Marketing objectives—a summary of your short- and long-term goals, product diversification, additional market segments (alternative outlets) to tap. Objectives should be realistic and measurable. For example, you would like to increase sales by 10 percent within the next year.
- Marketing strategies—ways to achieve your goals, what you will produce, how you will promote and advertise the new product, the channels of sale, how you plan to beat your competition.
- Budgets—include estimated costs and return based on sales, and strategies for monitoring and curtailing costs.
- Action plan—immediate steps.

Examples:

- Look in the Yellow Pages for graphic artists to design logo
 - Shortlist names of newspapers for a press release
 - Assign person to deliver products to market; etc.
- Evaluation—a summary of progress on marketing objectives. The frequency of evaluation depends on the plan and could be each month, every six months or annually.
 - Objectives and strategies are a dynamic part of the planning process and change, depending on the market situation and competition.

9. What is Niche Marketing?

Answer: A target group whose market responses are similar to each other but different from other groups.

What makes a niche market worthwhile for the farmer?

- There must be accessible information about the group.
- The group must be reachable through clearly identified information channels.
- The group must be big enough and sufficiently profitable to make it worth targeting.

- The nature of a niche market is that it tends to disappear after a while.

10. What is product differentiation? Why make a single product into so many different varieties?

Answer: Everyday agricultural examples of product differentiation are microwave popcorn and various fruit juices. Retailers have known for years that they can increase their sales of their fundamental product by changing the taste, texture, fat content, vitamin content, etc. Just count how many different types of microwave popcorn are on the shelf in your local grocery store. Another example is cream cheese: there is regular, 1/3rd less fat, fat free, cream cheese with chives, cream cheese with strawberries, and cream cheese with pieces of ham. Identify the differentiation that has occurred in the fruit juice market over the past ten years.

Other ways to differentiate your product are by producing it earlier in the season; marketing it as low-spray or organic or naturally raised; and by adding value to it in some other way. Cut flowers arranged into bouquets, garlic turned into decorative braids or wreaths; pre-washed and bagged vegetables, bunched fresh herbs—these are a few simple ways to add value to products.

CONCLUSION

Value-Added Agriculture:

- Can involve all the steps between the producer and the consumer.
- Gives the seller an opportunity to be a “price maker” and not a “price taker.”
- Ask students to look for Value-Added Direct Marketing business examples in their community.
- If there are none, direct your students to find them in your state or ask them to look for possibilities in your community or county.

Activity: Lesson Objective 3:

See **Appendix 13: Solution Selling for Agriculture.**

Activity: Chooses a major agricultural company: DowAgro Sciences, AgCo, etc.

1. Look at their recent sales trends, their mission/philosophy, and their target customers.
 - What problems has the company faced recently in sales?
 - Has the customer base changed?
 - What are the major competitors?
 - How can the company better complete the sale?
2. Formulate a solution to better market and sell the product to customers.
3. Have the students dress in business attire to present the solution via PowerPoint™.

*Grade on the logic of the solution and the extent to which the student performed the research.

Lecture Notes: Lesson Objective 4:

Demonstrate effective communication skills needed to develop positive working relationships in agribusiness.

QUESTION: What do you feel are effective communication skills in agribusiness? What are ineffective communication skills, skills that build negative relationships in agribusiness?

- Have students make a word wall that divides the two categories into two categories.

ANSWER:

A. Effective Communication Skills:

See **Appendix 14: Farm & Family Connections: Communication in the Family.**

- The need for integrity, work ethic, cooperation, and dedication in a free market economy
- Respect for other cultures in the international world of trade
- Dedication and persistence are a component of entrepreneurship
- Meeting and responding to social problems are responsibilities of business
- The ethical aspect of following regulations over personal gain
- Caring, listening, compromise and respect are all part of the human relations aspect of business management
- Responsibility and respectful communication's skills include listening and being open to others' ideas, pride in a good work ethic in school, home and jobs, responsible use of time to accomplish tasks, caring for others by helping and sharing information and skills
- Respect and caring are both parts of human relationships and effective communication
- Positive character traits (such as integrity, perseverance, cooperation, respect, responsibility) are significant to potential

employers

- With supervision roles comes increased responsibility and the need to be caring toward those reporting to the supervisor
 - Self-motivation is key to supervisory placements.
 - Dealing with difficult people requires patience, understanding, compassion, and respect

B. Negative Communication Skills:

- Being closed-minded
- Intolerant of other cultures
- Disrespect to higher positioned supervisors
- Inconsistency in relations
- Negligence in assignments
- Not maintaining relations
- Inability to accommodate all personality types
- Inability to compromise

QUESTION: Do you think that communication skills are highly valued by employers? How highly?

- **Just to demonstrate how highly effective communication is valued by potential employers:**
- *The National Food and Agribusiness Management Education Commission* values **Interpersonal Communications Skills** more highly than any other skill.

Activity: Lesson Objective 4:

Conduct a mock business meeting discussing the introduction of a new and innovative printing machine that will revolutionize your company's ability to communicate with the community and market your product. The product is extremely costly

1. There will be two parties: the instructor and the class.
2. The instructor, or the boss, is against the addition of the machine because of the extremely high cost
3. The class, the company members, is for the addition of the machinery because they feel it will revolutionize the company.
4. The class must professionally, positively, and effectively communicate their ideas to you and persuade you to buy the new machinery.
5. Try to be firm in your position and challenge their skills in remaining positive and open-minded.
6. Have the students write about what communication techniques seemed to be effective and which techniques seem to be negative.

Lecture Notes: Lesson Objective 5:

Demonstrate techniques used to present information to groups

QUESTION: What are effective presentation techniques for conveying information?

See **Appendix 15: Making Effective Presentations** for sample effective presentation techniques.

Activity: Lesson Objective 5:

1. Assign an agricultural profession to each student; allow him or her to create the company they work for, if necessary, but make sure the profession is related to agriculture.
2. The students will give a brief, ***informative*** presentation of their professions and what they entail. They may want to create a fictional background and related experience with the company as well.
3. Be sure to designate an intended audience for the students, or perhaps tell the students that they are presenting at an agricultural conference.
4. Grade based upon how well they cater to the audience, the amount of preparation, and their conveyance of the necessary information.
5. The information you want them to convey and the presentation level you expect them to perform on is completely up to the instructor. It is important that they have experience catering to an audience and making an informal speech.

Lecture Notes/Activity: Lesson Objective 6:

Compare and contrast agricultural sales techniques.

There tends to be three main forms of sales techniques:

- Verbal Communication
- Written Communication
- Interactive Communication: between the salesperson and the customer.

The instructor may want to define each category and provide examples of each.

Allow the students to create a vend diagram of the three categories, having the similarities overlap. ASK:

- Which form is the most effective? Why?
- In what situations would you use each form?
- Is there a form that is compatible with any/all situations? Why or why not?
- Which form do you feel most comfortable with? How can you improve on the other forms?
- Which form do you feel is most often used in an agribusiness/agrisales?

SUMMARY

Evaluation

Written test
Daily Notes
Class Participation
Individual Learning Assignment
Group Learning Activity
Presentation Learning Activity

Individual Learning Activity

Lesson: Salesmanship and Customer Service

Assignment: Choose one of the topics below and research it. Write a report on your findings that answers the question or explains the concept and shows why it is relevant to your life.

1. Describe the attributes needed to become an effective salesperson.
2. Describe skills of an effective customer service person.
3. Identify the steps in conducting and completing a sale.
4. Describe effective communication skills needed to develop positive working relationships in agribusiness.
5. Describe techniques used to present information to groups.
6. Compare and contrast agricultural sales techniques.

Minimum Requirements:

1. Paper must be typed in 12-point font and at least one page in length. The paper may be double-spaced.
2. At least two credible references must be properly cited.
3. All work must be original. No plagiarism! Any use of another's ideas without giving credit will result in a zero.
4. Papers will be graded on content (amount of good information, accuracy, etc.) and mechanics (grammar, spelling, and punctuation.)

Due Date:

Points/Grade Available:

Individual Learning Activity Rubric

Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The paper should include information and issues of state and local importance.	35 pts.
Critical Analysis - logical process of analyzing and reporting information that examines and explains the topic selected. The paper should go beyond simply listing facts and must include why the concept is relevant to the student's life.	25 pts.
Organization - The paper should have an orderly structure that demonstrates a logical flow of ideas.	15 pts.
Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the paper should meet all specifications and be executed following rules of proper written English.	15 pts.

Group Learning Activity

Lesson: Salesmanship and Customer Service

Assignment: Choose one of the topics below and research it. With your group, prepare a presentation to teach the class your concept.

1. Describe the attributes needed to become an effective salesperson.
2. Describe skills of an effective customer service person.
3. Identify the steps in conducting and completing a sale.
4. Describe effective communication skills needed to develop positive working relationships in agribusiness.
5. Describe techniques used to present information to groups.
6. Compare and contrast agricultural sales techniques.

Your presentation should include the following:

1. A lesson plan outlining exactly what your group will teach and how the information will be taught.
2. A PowerPoint™ of at least twelve slides.
3. Notes containing the information the class will be responsible for (these can be printed and given to the class, written on the board, or part of the PowerPoint™). A copy of the notes will be turned in to the instructor.
4. Some type of interactive activity for the class (game, problem solving activity, interactive model, etc.)
5. Your group must also prepare an assessment for the class. This assessment can be written or oral but should show the instructor that the class understands and has retained the material being taught.

Due Date:

Points/Grade Available:

Group Learning Activity Rubric

Lesson Plan – The group submits a thorough, detailed lesson plan highlighting the content and organization of their lesson.	10 pts.
PowerPoint™ – The group presents a PowerPoint™ of at least twelve slides that contains information and pictures vital to the lesson with additional information or examples for enhancement.	20 pts.
Interactive Activity – Some type of interactive activity is used to help teach the lesson. The activity should contribute to the mastery of content and involve the entire class in some way.	15 pts.
Assessment – A fair, thorough assessment is prepared and administered based on the information presented to the class. Poor grades on the assessment by a few members of the class are excusable, but if the entire class has difficulty, the points awarded in this category may be lowered at the discretion of the instructor.	15 pts.
Content – The group should cover the concept (within reason) in entirety. The group may study actual lesson plans to help decide what should be emphasized.	25 pts.
Overall Effect – The group is prepared, enthusiastic, and interesting, and the lesson flows smoothly.	15 pts.

Presentation Learning Activity

Lesson: Salesmanship and Customer Service

Assignment: Choose one of the topics below, research it, and prepare a presentation that answers the question or explains the concept and shows why it is relevant to your life.

1. Describe the attributes needed to become an effective salesperson.
2. Describe skills of an effective customer service person.
3. Identify the steps in conducting and completing a sale.
4. Describe effective communication skills needed to develop positive working relationships in agribusiness.
5. Describe techniques used to present information to groups.
6. Compare and contrast agricultural sales techniques.

Minimum Requirements:

Oral Report Option

1. Write a paper on one of the topics and orally present your work to the class.
2. Paper may be double-spaced and should be at least one page in length, resulting in a two-to-five-minute presentation.
3. At least two references must be properly cited.
4. The presentation of the report will be graded secondary to the content of the paper.

PowerPoint™ Option

1. Presentation should be at least ten slides in length
2. Presentation should include at least four photos.
3. Presentation should be two to five minutes in length.
4. Grammar and spelling will be graded by the same standards as any other written assignment.
5. At least two references must be properly cited.

Poster Option

1. Prepare a poster that answers/explains one of the topics. You will present your poster to the class.
2. Your poster should include both text and graphics that help communicate your research.
3. At least two sources of information should be properly cited on the back of the poster.
4. Neatness and appearance of the poster will be graded.
5. Poster presentation should last two to five minutes.

Due Date:

Points/Grade Available:

For all presentations: All work must be original. No plagiarism! Any use of another's work or ideas without giving proper credit will result in a zero.

Presentation Learning Activity Rubric

<p>Content - offers current information on the topic chosen, thoroughly covers each aspect of the question, and demonstrates understanding and mastery of the lesson. The presentation should include information and issues of state and local importance.</p>	<p style="text-align: center;">40 pts.</p>
<p>Critical Analysis/Organization – The presentation shows a logical process of analyzing and reporting information that examines and explains the topic selected. The presentation should go beyond simply listing facts and must include why the concept is relevant to the student's life.</p>	<p style="text-align: center;">20 pts.</p>
<p>Presentation – The student makes a genuine effort to present, not just read the material. The student should present with confidence using techniques like eye contact and voice inflexion to make his or her point. Although content takes precedence over presentation, the experience of successfully presenting in front of a class is part of the basis of this assignment.</p>	<p style="text-align: center;">25 pts.</p>
<p>Mechanics - spelling, grammar, punctuation, font size, double spacing, citation, etc. Essentially, the presentation should meet all guidelines set forth and should be executed in proper written English. For the poster, this includes neatness and appearance.</p>	<p style="text-align: center;">15 pts.</p>

Teacher's Notes

[illegible]

Essential Question:

How is effective communication utilized in sales?

Vocabulary

Direct marketing

Niche Marketing

Interpersonal

Enterprise Evaluation

Lesson Evaluation

Write the letter of the correct answer at the end of each sentence.

- 1) The ability to analyze all aspects of a situation to gain thorough insight to make decisions.
- 2) The ability to identify actions necessary to complete tasks and obtain results.
- 3) The ability to prioritize and complete tasks in order to deliver desired outcomes within allotted time frames.
- 4) The ability to identify key components of a problem to formulate a solution or solutions.
- 5) The ability to interact with others in a positive manner.
- 6) The ability to personally affect others' actions, decisions, opinions or thinking.
- 7) The overall ability to set, pursue and attain achievable goals.

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">A. Decision makingB. Goal SettingC. Influencing othersD. Interpersonal skillsE. Problem SolvingF. Results OrientationG. Self-Management |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Lesson Evaluation Key

- 1) A
- 2) F
- 3) G
- 4) E
- 5) D
- 6) C
- 7) B

Unit 5:

Lesson 3: Ethical Practices in Agribusiness

Objectives:

Explain ethics in agribusiness. Be able to apply ethical decision making based on agribusiness scenarios.

Teaching Time: 2 hours

Essential Question:

What role do ethics play in Agribusiness Marketing?

Unit Understandings, Themes, and Concepts:

Students will gain an understanding of ethics as they pertain to agribusiness.

Primary Learning Goals:

Students will be able to explain the role of ethics in agribusiness marketing and be able to apply situational ethical decision-making practices.

Assessment Method/Type:

<input type="checkbox"/> Constructed Response	<input type="checkbox"/> Peer Assessment
<input checked="" type="checkbox"/> Combined Methods	<input type="checkbox"/> Selected Response
<input type="checkbox"/> Informal Checks	<input type="checkbox"/> Self-Assessment

References: n/a

Materials and Equipment:

Overhead projector

Eraser board

LCD Projector

Transparency

Handout

Computer

Web Resource:

YouTube™ video ethics in sales

Lecture Notes: Lesson 3, Objective 1:

Explain ethics in agribusiness.

QUESTION: What does it mean to be ethical?

ANSWER: To be in accordance with the rules or standards for right conduct or practice.

To explore agribusiness ethics, explore the article in **Appendix 16: Agribusiness Ethics** and pay special attention to the **fourth paragraph**.

Activity: Objective 1:

Present the students with different scenarios that challenge ethics in Agribusiness.

Note: The article stated that some problems in Agribusiness are not addressable by standard business ethics alone.

Possible ideas:

- Confronting animal rights activists tactfully
- Dealing with rising popularity for “going organic”
- Differing views on ethics in engineering ethics in genetic engineering

SUMMARY

Evaluation

Written test

Daily Notes

Class Participation

Individual Learning Assignment

Group Learning Activity with ethics scenarios

Presentation Learning Activity on Ethics in Agribusiness

Teacher's Notes

[illegible]

Essential Question:
What role do ethics play in agribusiness?

Vocabulary

Ethics

Lesson Evaluation

- 1) Define ethics.
- 2) List three scenarios that call for ethics in agribusiness.
 - i.
 - ii.
 - iii.
- 3) Explain a situation where you have exhibited good ethics.
- 4) Using the following scenario, what steps would you take as an employee of the company in the marketing department?

Scenario: The leader of your marketing team has just announced that you have a new client coming to visit the office. He is a small agribusiness owner and will need limited marketing. In order to offset the cost, you overheard the team leader telling another team leader that he is going to “mark-up” some of the services in order to look better to the company president. What should you do in this situation?

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Appendix 8:	Sales Strategy
Appendix 9:	Direct Marketing
Appendix 10:	Is Your Agribusiness Project Feasible?
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Appendix 12:	Agri-Business Planning Program
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Appendix 1

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The Topic: *Farming*



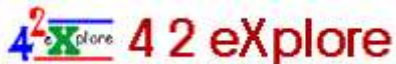
The Basics

Easier - Farming was once the chief way of life in nearly every country. People cannot live without food, and nearly all their food comes from crops and animals raised on farms. Many other materials such as cotton and wool also come from plants and animals raised on farms. Not many people farm for a living any more, but farming remains the most important occupation in the world.

Harder - Prior to the twentieth century, the typical American family lived on a small farm. They raised hogs, cattle, sheep, chickens, and planted corn, fruits, garden vegetables, hay, and wheat. Everyone worked long and hard, but the results were often meager. Families barely harvested enough food for themselves. This situation began to change during the last half of the 1800's and it changed remarkably in the next century.

Scientific methods and labor-saving machinery have made farming increasingly productive. The development of improved plant varieties and fertilizers has helped double and even triple the yields of some major crops. Scientific livestock care and breeding have helped increase the amount of meat and products that animals produce. At the same time, the use of tractors and other modern farm equipment has sharply reduced the need for farm labor.

As farming has become less important as a way of life in the United States, it has become more important as a business enterprise. Today's successful farmers are expert not just in agriculture but also proficient in accounting, marketing, and finance. Farms that are not run in a businesslike fashion have great difficulty surviving.



[Farms Around the World](#)

<http://www.benicia.k12.ca.us/Henderson/fawproject.htm>

A web-project based on the children's book, *Flat Stanley* by Jeff Brown. Students contacted farms or ranches around the world who have agreed to host their 'paper student' for a period of two weeks or so.

[Family Farm](#)

<http://www2.kenyon.edu/projects/famfarm/whatis/whatis.htm>

What is family farming? Where does our food come from? How do farmers relate to their environment? What is life like in a farm community? How has farming changed through history? What will shape farming in the future?

Appendix 2

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Marketing Specialist

A marketing specialist ensures that the appropriate communication messages and mediums are used to meet sales targets. They oversee the promotion of a company's or client's products or services, including the marketing of existing or new products or services. Additionally, they work with suppliers on

training/education, pricing, inventory management, quality of communication pieces, reporting, trade shows coordination and more.

WHAT RESPONSIBILITIES WILL I HAVE?:

- Plan, develop and direct distribution of product
- Develop and execute marketing programs
- Develop a marketing strategy for the organization
- Be responsible for internal and external communications
- Coordinate and execute special events
- Work with suppliers to ensure distribution programs
- Create incentive programs for sales people and suppliers
- Monitor brand performance and use information gained to recommend actions
- Provide financial analysis and business planning
- Conduct market research on products
- Develop a marketing budget and adhere to outlined expenses
- Work with all other functions of the business to carry out business goals

RECOMMENDED HIGH SCHOOL COURSES:

The following high school courses are recommended: agricultural education, science and mathematics.

EDUCATION/TRAINING REQUIRED:

A bachelor's degree in agricultural business, marketing, journalism, communications, education or business administration is required.

[Find Potential Universities/Colleges >](#)

Future Job Market Outlook:

FAIR**GOOD****EXCELLENT**

Typical Employers:

Employers may include seed, feed, fuel, fertilizer, plant, animal pharmaceuticals and equipment companies as well as advertising agencies. There are also opportunities for self-employment.

Suggested Professional Organizations and Associations:

- State Agribusiness Associations
- National Agri-Marketing Association
- National Association of Farm Broadcasting
- American Agricultural Editors Association
- North American Agricultural Journalists

Average Annual Full-Time Salary:

\$50,215

Salary data is provided by the AgCareers.com Compensation Benchmark Review™. These salaries should be considered as examples and are provided for educational and exploratory purposes. The salary information provided should not be used as a benchmark. Actual salaries are influenced by numerous variables including but not limited to demographics, size and scope of the role, level of experience, qualifications, and education of the worker.

See available jobs

Related Careers

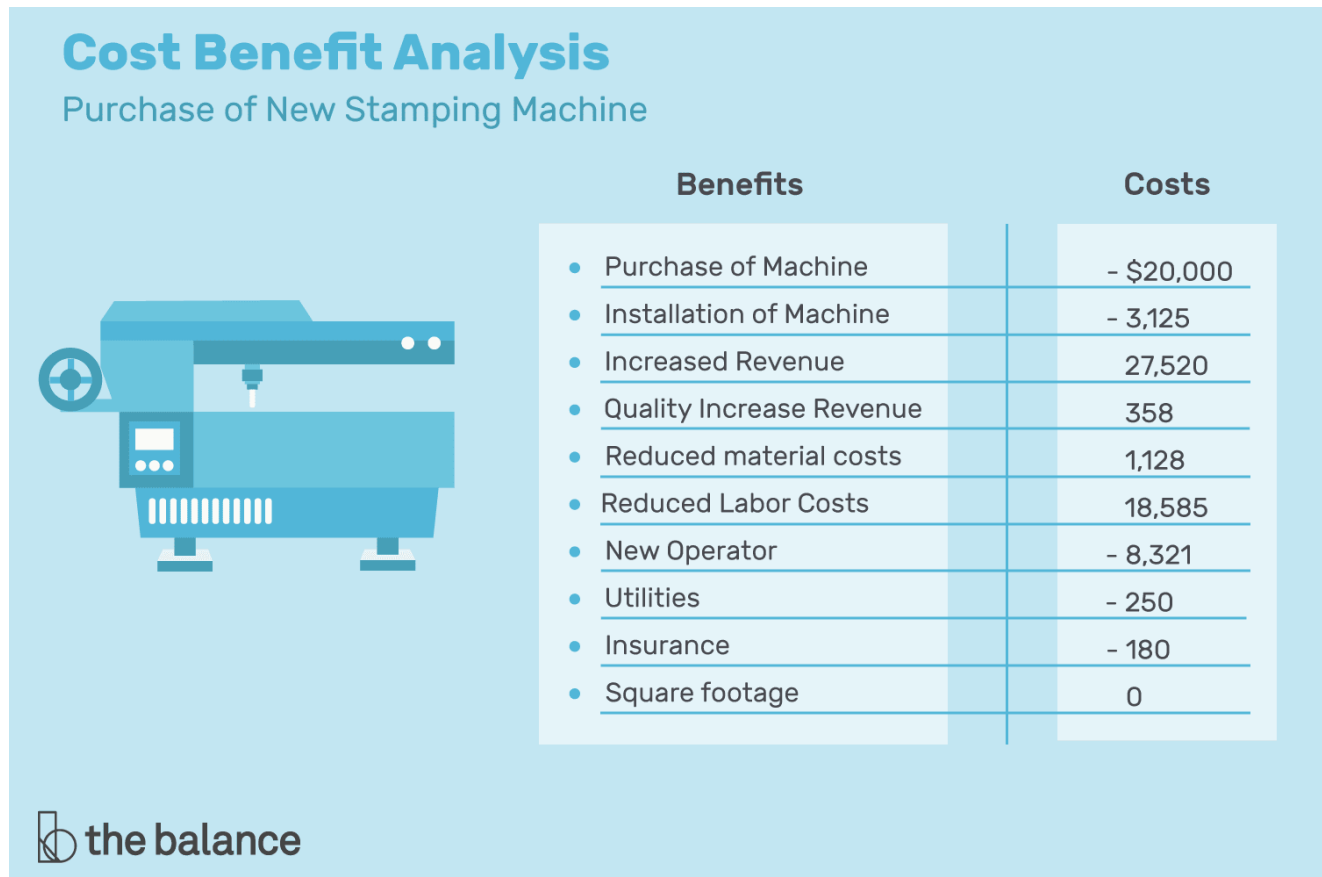


Appendix 3

How to Run a Cost-Benefit Analysis

 thebalancecareers.com/cost-benefit-analysis-2275277

F. John Reh



By

F. John Reh

F. John Reh wrote about business management for The Balance, and has 30 years of experience as a business manager.

A cost-benefit analysis is a key decision-making tool that helps determine whether a planned action or expenditure is literally worth the price.

The analysis can be used to help decide almost any course of action, but its most common use is to decide whether to proceed with a major expenditure. Since it's based on adding positive factors and subtracting negative ones to get a net result, it is also known as "running the numbers."

The Basics

A cost-benefit analysis finds, quantifies, and adds all the positive factors involved in a proposed course of action. These are the benefits.

Then all the negatives, or costs, are identified, quantified, and subtracted.

The difference between the two indicates whether the planned action is advisable. The real trick to doing a cost-benefit analysis well is making sure you include all the costs and benefits and properly quantify them.

Should we hire an additional sales person or assign overtime, or will we be better off putting our free cash flow into securities or investing in additional capital equipment? Both of these questions can be answered by doing a proper cost-benefit analysis.

First Stab at a Cost-Benefit Analysis

Say you are a production manager and you are proposing the purchase of a \$1 million stamping machine to increase output. Before you can present the proposal to the vice president, you need some facts to support your suggestion. You need to do a cost-benefit analysis.

First, you list the benefits. The machine will produce 100 more units per hour. The machine will replace three workers currently stamping by hand. The units will be of higher quality because they will be more uniform.

You calculate the selling price of the 100 additional units per hour multiplied by the number of production hours per month. Add another two percent for the units that aren't rejected because of the higher quality of the machine output. Then add the monthly salaries of the three workers. That's a pretty good total benefit.

Then there are the costs. The machine costs \$1 million and it will consume electricity. That's about it. You calculate the monthly cost of the machine by dividing the purchase price by 12 months per year and divide that by the 10 years the machine should last.

The manufacturer's specs tell you what the power consumption of the machine is and you can get power cost numbers from accounting. You figure the cost of electricity to run the machine and add the purchase cost to get a total cost figure.

You subtract your total cost figure from your total benefit value and your analysis shows a healthy profit.

You're ready to present your analysis to the vice president, right? Wrong. You've got the right idea, but you left out a lot of detail.

A Better Example

Take another look at the benefits first. Don't use the selling price of the units to calculate the value. The sales price of any item includes many additional factors that will throw off your analysis if you include them, not the least of which is a profit margin.

Instead, get the activity-based value of the units from accounting and use that number.

You added the value of the increased quality by factoring in the average reject rate, but you may want to reduce that a little because even a machine won't always be perfect.

Finally, when calculating the value of replacing three employees, be sure to add overhead costs and benefits costs in addition to their salaries. Accounting is your source for the exact number of the company's "fully burdened" labor rates.

You may have overlooked other details. For instance, you may be able to buy feedstock for the machine in large rolls instead of the individual sheets needed when the work is done by hand. This should lower the cost of material, another benefit.

Now reconsider the costs. In addition to its purchase price and any taxes you will have to pay on it, you must add the cost of interest on the purchase. Even if the company buys the machine outright, you will have to include a sum in the lost interest it would have earned if the money had not been spent.

Check with finance to find out the amortization period. The machine may last ten years but the company may not keep it on the books that long. It may amortize the purchase over as little as four years if it is considered capital equipment. If the cost of the machine is not enough to qualify as capital, the full cost will be expensed in one year. Adjust the monthly purchase cost of the machine to reflect these issues.

There may still be some details you overlooked.

More Costs

The devil is in the details. In this case, here are some of the overlooked costs:

- Floor space: Will the machine fit in the same space currently occupied by the three workers?
- Installation: What will it cost to remove the manual stampers and install the new machine? Will you have to cut a hole in a wall to get it in or will it fit through the door? Will you need rollers or machinists with special skills to install it?
- Operator? Somebody has to operate the machine. Does this person need special training? What will the operator's salary, including overhead, cost?
- Environment: Will the new machine be so noisy that you have to build soundproofing around it? Will it increase the company's insurance premiums?

An Accurate Conclusion

Once you have collected all the positive and negative factors and have quantified them you can put them together into an accurate cost-benefit analysis.

Some people like to add up all the positive factors, then add up all the negative factors, and find the difference between the two. Others prefer to make a running list that combines both factors. That makes it easier for you or anyone reviewing your work to see that you have included all the factors on both sides of the issues.

For the example above, the cost-benefit analysis might look something like this:

Cost-Benefit Analysis: Purchase of New Stamping Machine

(Costs shown are per month and amortized over four years)

1. Purchase of Machine -\$20,000
includes interest and taxes
2. Installation of Machine -3,125
including screens & removal of existing stampers
3. Increased Revenue 27,520
net value of additional 100 units per hour, 1 shift/day, 5 days/week
4. Quality Increase Revenue 358
calculated at 75% of current reject rate
5. Reduced material costs 1,128
purchase of bulk supply reduces cost by \$0.82 per hundred
6. Reduced Labor Costs 18,585
3 operators salary plus labor o/h
7. New Operator -8,321
salary plus overhead. Includes training
8. Utilities -250
power consumption increase for a new machine
9. Insurance -180
premiums increase
10. Square footage 0
no additional floor space is required

Net Savings per Month \$15,715

Your cost-benefit analysis clearly shows the purchase of the stamping machine is justified. The machine will save your company more than \$15,000 per month, almost \$190,000 a year.

This is just one example of how you can use a cost-benefit analysis to determine the advisability of a course of action and then support it with facts.

Appendix 4

Cost-Benefit Analysis

E entrepreneur.com/encyclopedia/cost-benefit-analysis

Aman Jain | 3 min read

Definition: *A process by which you weigh expected costs against expected benefits to determine the best (or most profitable) course of action*

When it comes to goal setting or deciding on the best plan of attack, working up a cost-benefits analysis will help you decide just which route would be best for you. And a cost-benefit analysis doesn't have to be complicated. You simply draw a line down the middle of a piece of paper to create two columns. On the left, list the benefits of achieving a given goal. On the right, list what it will cost you to get there. Once you've done that, you can simply add up the benefits and costs columns and see which has more, or assign weighted scores to each entry and total them at the bottom. Of course, you may not want to let this quick and easy analysis make the final decision for you. And it may sometimes be the nearest thing to a tossup. But even a simple cost-benefit analysis can give you an idea of whether a given goal is worth investigating further.

An example is a sales director who needs to decide whether to implement a new computer-based contact management and sales processing system. The sales department currently has only a few computers, and its salespeople aren't computer savvy. Any system upgrade would require extensive employee training. The company is likely to experience a drop in sales during the transition period.

While total expenses, including equipment, installation and training costs, plus lost productivity, are estimated to be \$55,800, the company's analysis reveals the new computer system would increase sales capacity, boost efficiency and enhance customer service and retention--financial benefits the company pegs at \$90,000 annually. Based on the cost-benefit estimates, the company would see a return on its investment in eight months. (Payback time: $\$55,800 \div \$90,000 = 0.62$ of a year.)

CHAPTER 9

PROGRAMME OF AGRICULTURAL SURVEYS

WCA 2010 envisages the census of agriculture being the central component of the system of integrated agricultural censuses and surveys. Previous chapters have focused on the core and supplementary modules of the census of agriculture. This chapter presents a broad overview of the programme of agricultural surveys to be developed based on the census of agriculture. Some possible topics for the programme of agricultural surveys are identified and a brief description of the content of each survey is provided.

Introduction

9.1. Throughout this publication, emphasis has been given to the census of agriculture as a part of the system of integrated agricultural censuses and surveys. The census of agriculture provides structural data on agriculture, with the key data collected in the core module, and more detailed items collected in the sample-based supplementary module(s). Under the integrated system, a programme of agricultural surveys should also be carried out, based on the census of agriculture, to provide current operational and performance data required to complement the structural data from the census of agriculture. Previous chapters have focused on the census of agriculture; in this chapter, the programme of agricultural surveys is examined.

9.2. Agricultural censuses involve the collection of data from agricultural holdings, which can provide the basis for establishing sampling frames for agricultural sample surveys. For example, the agricultural census could provide a frame of holdings growing cassava for use in a cassava production survey, or a frame of holdings with pigs for a survey of pig breeding. In the context of the agricultural census, the programme of agricultural surveys refers to surveys of agricultural holdings based on the agricultural census. For more information on using the agricultural census to establish sampling frames for the programme of agricultural surveys, see paragraphs 10.16–10.37.

9.3. Other types of agriculture-related surveys, not based on the agricultural holding unit, are not considered in this chapter. Surveys on food consumption, income and expenditure, rural labour force, and household food security provide important agriculture-related data, but usually have a wider scope than just agricultural holdings. Often, they cover all rural households. Some agriculture-related surveys cover other types of units altogether – for example, a survey of agricultural service establishments – and these are also not discussed here.

9.4. The programme of agricultural surveys outlined in this chapter is wide-ranging, and includes periodic agricultural production surveys, as well as in-depth surveys such as cost of production and time use. It is not possible in this volume to give a detailed description of all possible agricultural surveys. Instead, the most important types of agricultural surveys are highlighted.

9.5. The intention is not to recommend the surveys each country should carry out. Each country has its own way of organizing the national survey programme for agricultural and other statistics. Most countries conduct periodic agricultural production surveys, but other agricultural surveys are conducted according to national priorities and data requirements, taking into consideration cost and other constraints. Countries are encouraged to plan the programme of agricultural surveys prior to the agricultural census, to ensure that the census is integrated into the agricultural statistics system and that the census meets the needs of the programme of agricultural surveys.

9.6. Some survey topics shown in this chapter are also given as themes for the census supplementary modules in Chapter 4. Here, the agricultural surveys provide current data or more in-depth data than is possible in a census supplementary module. For “livestock”, for example, the

agricultural census provides data on the structure and population dynamics of livestock herds, whereas the programme of agricultural surveys includes data on livestock production and sales, as well as detailed data on feed and livestock breeds. Other agricultural survey topics, such as “time use” and “cost of production”, are not covered by the agricultural census.

9.7. The boundary between a “census supplementary module” and an “agricultural survey” is often blurred. A country may not be able to do a particular census supplementary module in conjunction with the core census module, but may include the data from that module in a survey carried out some time after the agricultural census. Also, a survey done a few months after the agricultural census could be considered as a census supplementary module or part of the programme of agricultural surveys.

9.8. Data under the different headings are inter-related and a specific agricultural survey will normally collect a variety of data on related topics. For example, in an aquacultural survey, there would be interest in relating aquacultural data with data on land, crops and livestock, as well as studying labour inputs and other agricultural practices. Some issues, such as gender, are of interest to most surveys. Household food security elements may also be important for some surveys. Sometimes, a particular survey topic can be attached to an existing survey; for example, a survey of post-harvest losses could be undertaken as a supplement to an annual production survey every few years.

Inter-censal structural survey

9.9. Agricultural censuses are normally carried out every ten years, covering those aspects of agriculture that change slowly over time: the so-called “structural” data. Countries undergoing rapid agricultural development may find that structural changes happen quickly, and structural data may be needed more frequently than every ten years.

9.10. Some countries may wish to conduct an agricultural census every five years, based on the modular approach described in this publication. Sometimes, a “mini-census” is conducted in the middle of the decennial inter-censal period to provide certain key structural data. A modular approach could be used: for example, if cropping patterns were changing rapidly, the core module of the mini-census could focus on land use and crops, with sample-based supplementary modules on crops and agricultural practices undertaken to provide more detailed data.

9.11. Usually, countries do not have enough resources for a five-yearly agricultural census, and need to collect additional structural data between censuses through sample surveys. The type of data collected in an inter-censal structural survey depends on the nature of agricultural development in the country. For example, if the livestock industry was developing rapidly, the inter-censal structural survey could repeat the census supplementary module on livestock. Elements from other modules related to livestock, such as household food security and farm labour, could also be included. Sometimes, the main interest in an inter-censal structural survey is on changes for particular crop or livestock types, and the inter-censal survey could focus on those.

Crops

9.12. The agricultural census provides data on the presence of each temporary and permanent crop (core module), and the area and production of each crop, use of fertilizer, and source and type of seed inputs (supplementary module). A variety of crop surveys are usually needed to complement these data.

9.13. The key requirement is for annual or seasonal data on the production of major crops. This could require a single crop production survey or, more commonly, a series of surveys. For example, a country may need to carry out a semi-annual rice production survey, as well as annual cassava and coffee production surveys, with each survey timed to coincide with the crop harvest. A particular crop production survey could have several elements: for example, an interview with producers to collect information such as area planted, varieties used and inputs, and a crop-cutting component to estimate the yield based on sample plots.

9.14. Crop production surveys may be a part of a comprehensive crop forecasting system. This could involve, for example: (i) a survey of planting intentions conducted just before planting; (ii) a survey of crop plantings taken just after planting is finished; (iii) a survey of crop conditions carried out sometime before the harvest, and (iv) a crop production survey undertaken after the harvest.

9.15. Other types of crop surveys, based on agricultural holdings, may be required from time to time:

- Survey of post-harvest losses. A survey of post-harvest losses for rice producers, for example, measures the losses during harvesting, on-farm processing, transportation and storage. Such surveys are important to measure the effect of post-harvest losses on food supplies.
- Survey of farm food stocks. This looks at the quantity of, for example, maize held in stock by maize producers, and is important for assessing household food security in countries where farmers produce mainly for their own consumption.
- Survey of crop marketing. A survey of wheat producers, for example, could be run to understand how farmers market their surpluses.
- Special survey of a specific crop. An in-depth survey of, for example, fruit growers could highlight the problems faced in further developing the fruit production industry.

Livestock

9.16. In the agricultural census, the core module provides data on the number of animals by livestock type, while the livestock supplementary module includes data on the structure of livestock herds (age, sex and purpose), livestock population dynamics (births, deaths, etc.), and types of feed.

9.17. The key requirement for additional livestock data is for periodic livestock production surveys. Usually, a series of specific surveys is needed. For example, quarterly surveys of holdings with cattle may provide data on cow milk production, while annual surveys of holdings with sheep may provide data on wool production. Often, data from these surveys are supplemented by information from other sources – such as livestock marketing boards, or surveys of abattoirs, meat packing plants, butchers or dairies – to provide a comprehensive picture of livestock production.

9.18. Regular surveys may be needed for feed statistics to measure the quantity and composition of feed for different livestock types, and the seasonality of feed availability. Surveys can also be used to estimate the production of fodder crops, often using crop cutting experiments to measure nutritive values. Data on stocking rates are also often collected as a way of assessing fodder utilization.

9.19. Other types of in-depth surveys of livestock include: surveys on the structure of livestock herds, especially specific breeds of animals; and surveys of the value of sales for each type of livestock product.

Aquaculture

9.20. In the agricultural census, data are limited to aquacultural activities carried out in association with agriculture. If aquaculture is important in a country, an aquacultural census should be undertaken in conjunction with the agricultural census, to provide structural data on the type of production facility, type of water, sources of water, type of organism, and aquacultural machinery (see Chapter 7). This can provide the basis for further aquacultural surveys.

9.21. Periodic surveys of aquacultural producers may be needed to provide aquacultural production data. An in-depth aquacultural survey could also be conducted to further explore the topics covered in the aquacultural census. Items collected could include:

- specific species of aquatic organisms cultivated;
- identification of pens, cages, hapas and floating rafts, and measurement of the number of units, area and depth;

- more information on tanks and raceways, including the number of units and the volume of water;
- seed and juvenile production of the aquatic organisms;
- type and source of aquafeeds, use of fertilizers, and use of biocides;
- cost of production of aquacultural products;
- more information on the integration between agriculture and aquaculture, such as sharing inputs and the use of agricultural products as inputs to aquaculture.

Farm management and cost of production

9.22. Farm management surveys provide detailed data on all aspects of decision-making on holdings. Data related to investments, assets, organizational structure and allocation of resources are usually collected. Farm management surveys are often carried out in conjunction with cost of production surveys.

9.23. Cost of production surveys measure the cost structures of specific agricultural activities, and provide key data for compiling the production accounts for agriculture and for assessing the competitiveness of particular agricultural industries. Cost of production surveys are usually specific to particular agricultural activities, such as tobacco production or goat meat production. Costs of production include operational costs – such as inputs, fuel, transport, interest, taxes and labour – as well as fixed costs such as land and equipment.

Time use

9.24. Time use surveys provide information on how people spend their time. Time use data show the time spent on different types of activities, such as working, education, home-making and recreation. Time use surveys have many uses, including assessing paid and unpaid work and analysing social issues.

9.25. Time use surveys normally have a full national coverage, but a time use survey specific to agricultural holdings could be useful in countries where it is difficult to measure the contribution of household members to work on the holding. A time use survey could collect data on the time spent by each household member on activities such as: land preparation; planting, maintaining or harvesting crops; post-harvest crop activities; feeding animals; and providing support services to agricultural workers. This would be especially useful for measuring the role of women in agriculture.

Appendix 6

Organic Food Trends

 agmrc.org/food/organic-food-trends



Organic agriculture, a worldwide growth industry, can be a profitable, sustainable business for agricultural producers interested in going through the certification process necessary to enter this market. Organics have continued to expand during the last few years, and industry experts are forecasting steady growth of 6 percent or higher (OTA 2018).

USDA adopted national standards for organics in October 2002. The USDA National Organic Program (NOP) regulates all organic agriculture in the United States.

To contact Land-Grant University professionals working in and around organic agriculture, the [National Organic Agriculture Directory](#) is available, published and updated by Iowa State University in 2021.

Production

According to the *2016 Certified Organic Survey* (NASS 2017), the United States has 5 million acres used for organic production. Of that amount, 2.7 million acres were planted to organic crops and 2.3 million acres were organic pasture or rangeland.

While there were organic farms or ranches in all 50 states, 38 percent of all organic commodity sales came from California's 2,713 farms. Other states with large numbers of certified and exempt organic acres were Alaska, Montana, New York, Wisconsin, Oregon, Idaho, Colorado, Texas and Vermont.

Transitioning to Organics

Organic agriculture has attracted conventional producers, who make the transition due mainly to the price premiums in the market. While transitioning to organics can be confusing, many resources are now available to help producers make the change.

The USDA maintains a [list](#) of accredited certifying agents (ACAs), with 75 U.S.-based ACAs as of 2021. Individuals wishing to transition to organic should verify that the agency they select is an approved certifier. Certifiers should be contacted early and often for assistance in complying with their individual requirements and procedures. Markets should be identified, and only certified organic processors and handlers used for organic certification compliance.

Sales

The total value of farm-level organic sales reached \$7.6 billion in 2016, up from \$6.2 billion in 2015. Organic crops accounted for \$4.2 billion in sales and organic livestock, poultry and their products accounted for \$3.4 billion. California led the nation in organic sales, with 36 percent, or \$2.8 billion, of all U.S. sales.

Milk and eggs were the top two certified commodities sold. Milk, valued at \$1.4 billion, was up 18 percent from 2015 and eggs, at \$816 million, increased 11 percent. Broiler chickens ranked third, with sales of \$750 million. Among crops, the top selling commodities were apples, lettuce and strawberries. [Statistical source](#).

A study conducted by the Organic Trade Association (OTA) surveyed manufacturers, distributors and retailers about the organic industry. The survey indicated that U.S. sales of organic products, both food and non-food, have grown to \$49.4 billion in 2017, increasing 6.4 percent in the last year. Organic food sales alone rose 6.4 percent, totaling \$45.2 billion. Organic non-food sales rose 7.4 percent, totaling nearly \$4.2 billion.

Exports and Imports

In January 2011, the Commerce Department's U.S. Census Bureau began creating agricultural product trade codes for exported and imported organic products. As of 2016, the number of trade codes for exported organic products totaled 33 and the number of trade codes for imported organic products totaled 35. Most of the trade codes for organic exports are for fresh fruits or vegetables, while most of the organic import codes are for coffee, olive oil, tea and wine.

In 2017, the U.S. Census Bureau analyzed data available for 2016 showed that the 33 commodities being tracked at that time accounted for more than \$548 million in export sales. Top exports were apples, grapes and lettuce.

International Sales

Canada and Mexico accounted for 70 percent of the value of tracked U.S. organic exports in 2016. Top imports were bananas, coffee and olive oil, as well as corn and beans for the increasing demand for organic livestock feed.

Marketing

- Economic Research Service (ERS), USDA.
 - [Growth Patterns in the U.S. Organic Industry](#), *USDA ERS*, October 2013.
 - [Organic Trade](#), Fruit and Tree Nuts Outlook, 2016
- [National Organic Program](#)
- [Organic Marketing Resources](#), Appropriate Technology Transfer for Rural Areas (ATTRA), NCAT - A listing of resources, including prices, sales data and trends, for organic food and fiber products.
- [Organic Price Report](#), Rodale Institute - Price Index on fruits, grains, herbs and vegetable in several U.S. market places.
- [Organic Products](#), Foreign Ag Service (FAS), USDA.
- [Organic Resource Guide](#), Ag Marketing Service (AMS), USDA - Provides an overview of the USDA programs and services available to the public that either directly or indirectly support organic agriculture.
- [Organics](#), Food Navigator-USA - Organic news topics on food and beverages are featured.
- [Program Handbook](#), National Organic Program, AMS, USDA - The National Organic Program launched an online version of its handbook, a resource to clarify existing Federal organic requirements and offer best practices to help the regulated industry comply.
- [U.S. Organic Trade Data: 2001 to 2016](#), *Organics: World Markets and Trade*, FAS, USDA, March 2013 - Exports of “selected” organic products expanded to nearly \$450 million in 2012, with apples accounting for virtually all of the growth. Canada and Mexico remain top markets for the vast majority of the selected organic trade.

Production

- [2016 Certified Organic Production Survey](#), NASS, USADA, 2017.
- [2008 Organic Production Survey](#), Census of Agriculture, National Ag Statistics Service (NASS), USDA, 2010.
- [Organic Production](#), Alternative Farming Systems Information Center, National Ag Library, USDA.
- [Organic Livestock Feed Suppliers](#), ATTRA, NCAT.
- [Organic Production](#), ERS, USDA - This site includes data on the certified organic farmland acreage and livestock in the United States.
- [Organic Risk Management](#), University of Minnesota, 2010 - This free online manual and website will help organic farmers understand the risks in organic production and make choices that minimize those risks.
- [Understanding Organic Pricing and Costs of Production](#), ATTRA, NCAT, 2012 - This new ATTRA publication provides resources to compare organic and conventional agriculture prices, discusses organic production costs and offers tips on how to set organic crop prices. It also includes case studies of successful organic farmers and ranchers in Illinois, Massachusetts and Washington.

- [USDA-Certified Organic Operations](#), AMS, USDA - This database lists the organic production and handling operations around the world that were certified as of January 2017. A search feature allows users to search by certifying agent, country, products produced, etc.

Transitioning to Organic

- [Accredited Certifying Agents \(ACAs\)](#), AMS, USDA - Currently, 85 certifying agents are USDA-accredited and authorized to certify operations to the USDA organic standards. Of these, 49 are based in the U.S. and 36 are based in foreign countries.
- Farmer Transition Hotline, Midwest Organic and Sustainable Education Service (MOSES) - Call 888-551-GROW (4769) to get an answer to your questions about organic farming and soil building, weed and pest control, livestock and certification paperwork.
- [Guide for Organic Crop Producers](#), ATTRA, NCAT, 2012 - This guide explains the USDA organic regulations as they apply to crop production.
- [Guide for Organic Livestock Producers](#), ATTRA, NCAT, 2012 - This guide explains the USDA organic regulations as they apply to livestock producers.
- [Midwest Organic and Sustainable Education Service \(MOSES\)](#) - Through a toll-free organic farmers' hotline, workshops, organic certification services and other methods, MOSES provides educational resources for organic farmers. Specific resources include the "Guidebook for Organic Certification," 26 pages of common certification questions and answers.
- [Organic Certification of Farms and Businesses Producing Agricultural Products](#), ATTRA, NCAT, 2012.
- [Organic 101: Five Steps to Organic Certification](#), USDA Blog, 2012.

Links to Other Sites

- [National Organic Program](#), AMS, USDA.
- [Organic Agriculture Program](#), Iowa State University Extension - The Organic Agriculture Program educates producers, consumers and policy makers in the research and extension activities in organic agriculture both on-farm and in the universities.
- [The Organic Center](#) - A center that seeks to "generate credible, peer reviewed scientific information and communicate the verifiable benefits of organic farming and products to society."
- [Organic Trade Association](#)

Sources

[2016 Certified Organic Survey](#), National Ag Statistics Service (NASS), USDA, 2017.

[Accredited Certifying Agents \(ACAs\)](#), Agricultural Marketing Service (AMS), USDA.

Emerging Issues in the U.S. Organic Industry, Economic Research Service (ERS), USDA, 2009.

Growth Patterns in the U.S. Organic Industry, *Amber Waves*, ERS, USDA, October 2013.

National Organic Program, AMS, USDA.

The North American Market for Organic Food and Drink, Organic Monitor, 2010.

Organic Agriculture: 2007 (United States), 2007 Census of Agriculture, NASS, USDA, 2009.

Organic Market Report, Soil Association, United Kingdom (UK), 2012 - This report is the definitive guide to organic trade in the UK.

Organic Production, ERS, USDA.

Organic Trade Association.

Supporting Relationships for Farm Success:

A Toolkit for Agricultural Service Providers



THE UNIVERSITY OF
MAINE
Cooperative Extension



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Introduction

As a service provider, you are often called upon to provide technical expertise to farmers. In some cases, there may be issues related to non-technical, interpersonal skills that pose challenges to implementing the technical advice you give. The specific interpersonal skills considered here are communication, decision making, goal setting, and time management.

Each of these skills matter for farm success:

- Decision-making skills that are involved in integration of a new crop or enterprise;
- Goal-setting skills that are needed before applying for a loan;
- Time management skills that are required to plan multiple growing seasons;
- Communication skills that are necessary to plan for and operate a successful agricultural operation.

These are skills that are important for a farm's success, and are skills that can be learned. When a farmer looks to you to improve their technical skills, you may not feel familiar enough with these non-technical skills to make recommendations or ask for the farmer's perspective. These skills may not be part of the typical conversation in one of your farm consultations.



You can use the Toolkit to guide you from the starting point of effective inquiry to the end point of making an action plan.

The Toolkit is designed to help you, the service provider, better understand farmer development and ways to respond to farmer concerns related to non-technical skills. The reason for this is because it is not uncommon that the barriers to implementing changes on the farm are not related to the information or ideas you've presented based on your expertise. Instead, the barriers may be these non-technical skills. The Toolkit It is intended to support you in building confidence to be a "guide," rather than an expert in these areas.

Organizationally, the Toolkit is divided into four parts: 1) a farmer typology, 2) tips for acting as a guide, 3) a resource list, and 4) a consultation checklist. The typology and tips provide helpful ways to think about where individual farmers are personally and professionally. The resources are designed to help you assist farmers in self-directed skill development with information that can be found online. The checklist is for your use in one-on-one consultations and includes prompts and spaces for notes. How do communication, decision making, goal setting, and time management play a role in the types of questions and concerns the farmer is bringing to their meeting with you?

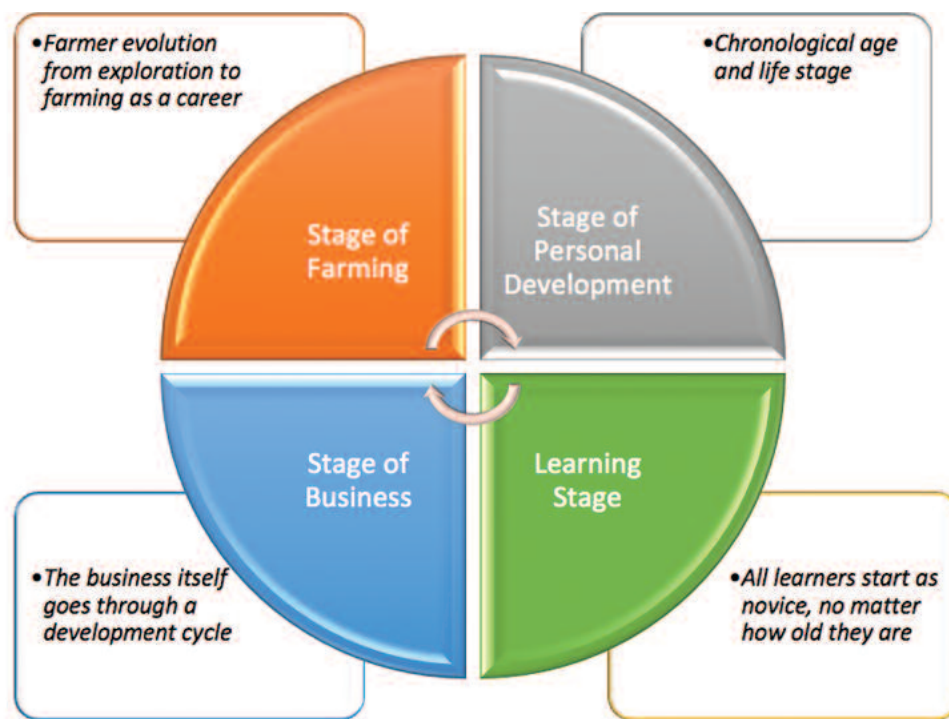
ask good questions → make an action plan

You can use the Toolkit to guide you from the starting point of effective inquiry to the end point of making an action plan. Use it to work with farmers to assess their challenges, guide them through a process of inquiry, and develop a strategy to best meet their needs.

Farmer Typology

Typologies can be useful to help better understand farmers, and here we consider a farmer's development by sharing four different stage models: stage of farming, stage of personal development, stage of business, and learning stage. Each of these is described below, followed by examples of how they can be applied.

Integrated Stages of Farmers and Farm Business



Stage of Farming

The stages of farming describe an approximate trajectory for farmers as they start with a formal interest in agriculture to having full-fledged careers that undergo refinement. These stages are adapted from the Northeast New Farmer Network typology for new farmers that was created in 2001.¹

Prospective Farmers have not begun to farm independently.

- **Recruits** might consider a career in production agriculture, for example, students in

vocational or agricultural programs in high school or college.

- **Explorers** are investigating a farming future, and may be gathering information, for example, first-year apprentices or farm workers.
- **Aspiring** are actively committed to becoming a farmer through engagement in training and planning. These may be folks who grew up on a family farm and are planning to take it over, or those with enough farm experience to be looking to lease land.

Once farmers begin to farm independently, they are formally “beginning farmers,” as described by the

¹ Northeast New Farmer Network. (2001). Gaps in new farmer programs and services. NESFI: Northeast New Farmer Reports. Available at http://www.smallfarm.org/uploads/uploads/Files/GAPS_IN_NEW_FARMER_PROGRAMS.pdf.

Prospective	Start-up	Establishing	Strategizing	Refining
"Prospective" farmers have not begun to farm independently.	"Start-up" farmers have been farming for three years or less. Their land access may not be fixed and their markets and enterprises are still in development.	"Establishing" farmers are investing in infrastructure and have chosen markets and enterprises.	"Strategizing" farmers are making adjustments to their business. These farmers are accessing advanced mentorship, financial analysis and strategic advising.	"Refining" farmers have likely gone through at least one "strategizer" phase. Their business is established and stable. They may or may not be in their first 10 years of farming.

USDA definition, "has not operated a farm or ranch, or who has operated a farm or ranch for not more than 10 consecutive years." Beginning farmers fall into several categories based on their stage of commitment and competency in various aspects of farm management.

The stages of beginning farming, as outlined in the figure, are:

- **Start-Up**, usually on the land for three years or less
- **Establishing**, varies from four to ten years
- **Strategizing**, usually within four to ten years
- **Refining**, can be beyond year ten, and include farmers who are established, who may be exiting, re-strategizing, and potentially retiring.

Understanding the stage of farmer development is helpful to guide the farmer to the appropriate resources for their chosen farming path. Below are some questions to consider in talking with a farmer about the stage they are in. See the "Tips" section of this Toolkit for recommendations about open-ended questions.

Considerations for Prospective Farmers

- Has the farmer identified their readiness for a farming career? In what ways?

- What experience(s) do they bring to farming?
- Has the farmer done any type of self-evaluation? This might include a farming aptitude test, a skills assessment, personality tests or other tools.
- Has the farmer participated in a business planning or training program?
- How does the farmer's intended enterprise draw on their existing skills?
- Does the farmer bring transferable skills to farming?

Considerations for Start-Up Farmers

- How does the farmer describe their goals for the farm?
- How has the farmer used their business plan?
- How is the farmer integrating the demands of work, personal health, and family life?
- How much time is dedicated to farm start-up, outside interests, off-farm work, family or other activities?
- Is the farmer employing transferable skills?

Considerations for Establishing Farmers

- How has the farmer approached growth, debt management, commitments to family, community, and off-farm job?

- Does the farmer have employees, apprentices, or others that they supervise?
- Has the farmer determined ways to make decisions and manage their time that they view as efficient and effective?
- Does this farm have an annual evaluation and planning process?

Considerations for Strategizing Farmers

- How is the farmer approaching the challenges associated with changes to the business?
- Are these changes calling for new skills or support?
- Does the farmer need help to change the ways they make decisions or manage their time?
- How has the farmer evaluated their goals?
- Is the farmer finding tools and resources to help with their specific challenges?

Considerations for Refining Farmers

- How is the farmer being supported?
- Are there skills or knowledge that the farmer still needs?
- Is the farmer interested in sharing their best practices with others?

Stage of Personal Development

Stages of personal development are important to consider when working with farmers. In the human life cycle, the ages 0-18 are a time for personal development for the individual within the context of a larger system (immediate family, friends, systems like schools and playgrounds, the family farm if applicable, and the larger society as a whole). From 18 onward is a growth phase as the person becomes more independent, with a greater sense of self and personal preferences, still within societal contexts. In the middle years (21-50), there is team building as romantic partnerships may lead to commitments like marriage, farm purchases, and possibly children. In maturity (ages 50-70), the individual sustains, having reached a level of productivity built on a

foundation from earlier years. In maturity, focus is on quality of life. After 60, there may be a drive to change oneself and/or change the current trajectory. This might mean transitioning the farm to successors, retiring, or working alongside children. One of the largest demographics entering farming are second career farmers, so a farmer's personal "maturity" may align with the beginning stages of farmer development.

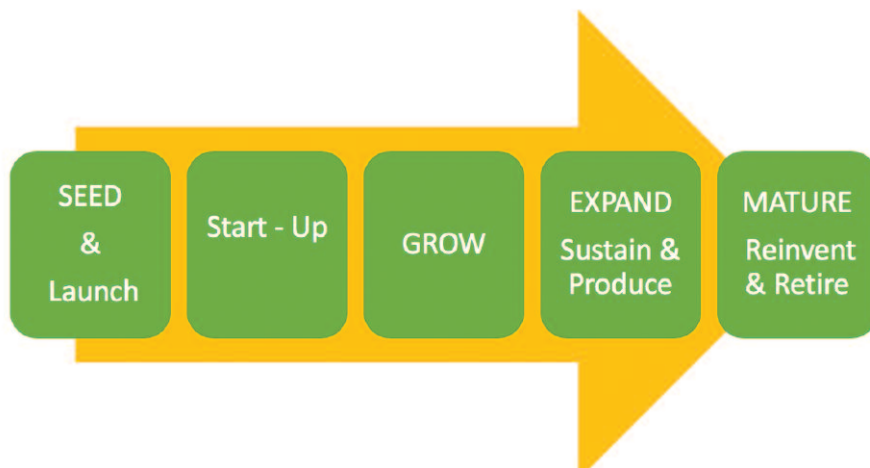
“Your primary goal is to hear what brings this farmer to the situation, letting them know they are heard.”

Business Stage

The stages of business are outlined below. When taken hand in hand with the farming stage, and the personal stage of the farmer's development, it can be helpful to ask clarifying questions to get a better sense of where a farmer can use assistance. How do existing skills (or needed skills) related to communication, decision making, goal setting, or time management play into the functioning of the business?

Consider these points across the business stages:

- How do formative experiences in a farmer's personal development influence the farmer's perspective about farming? How might formative experiences influence communication, decision making, goal setting, and time management in relationship to the stage of the business?
- Does the farm have a business plan or other document to guide their launch and growth? Is there a plan to revisit this plan annually?
- Is the farmer bringing skills acquired in other jobs to the farm (i.e. extensive human resources experience, marketing, etc.)?



Business (Farm) Stages

- How has this farm grown through stages of life as well as business? How is the evolution of the business timed with marriages, partnerships, children, etc.?
- How have the personal goals of the farmer developed alongside the goals for the farm?
- What is the farmer's vision for the legacy of the farm? Has a succession plan been developed?

Learning Stage

What is the farmer's learning stage?

Farmer learning stages describe the level of skill and competence in relationship to a task or enterprise. Based on the Dreyfus Model of Skill Acquisition², the learning stages range from “novice” to “expert.”

After the farmer states their area of focus for the meeting, use some of the “tips to encourage sharing” to learn more. How do you and (more importantly) the farmer perceive the farmer's learning stage with respect to the area of focus?

Using the Learning Stages

Now that you are familiar with the five farmer learning stages, this section will provide examples of how knowing the learning stage might influence your approach to a consultation with farmers in each of the learning stages.

In each of the learning stages, skills build upon each other. What a novice knows is the core upon which skills are built through experience and learning.

Expertise is a combination of experience, practice, and learning. Like rings of a tree, a farmer builds skills as a novice move outward through the learning stages to advanced beginner, competence, proficiency, and expertise.

Novice –These farmers may need specific examples of how each skill area can impact the viability of their business. These farmers don't know “what they don't know.” Therefore, you might want to simplify the jargon you use, ask questions to better understand their farming experience, and provide context for your comments related to their area of focus. For instance, communication can impact marketing choices. A shy farmer may use their weekly farmer's market to test out how to engage with customers to sell their products. This may help

² Dreyfus, S. E. (1981). Four models v. human situational understanding: Inherent limitations on the modelling of business expertise. USAF Office of Scientific Research, ref F49620-79-C-0063.

Learning Stages

Novice	Advanced Beginner	Competent	Proficient	Expert
A novice has limited exposure to the strategies related to communication, decision making, goal setting, or time management in the context of farming.	An advanced beginner has developed some skills in communication, decision making, goal setting, or time management in the context of farming.	Someone who is competent has gained experience in communication, decision making, goal setting, or time management in the context of farming.	Someone who is proficient has gained experience with, implemented and evaluated tools in communication, decision making, goal setting, or time management.	An expert has tried and true techniques in communication, decision making, goal setting, or time management.
<p><i>This group may include both farmers and farm workers in the first 5 years of farming.</i></p> <p><i>This group may also include new farmers who have had other career experience that did not draw deeply on the four skill areas.</i></p>	<p><i>This group may include farmers, farm workers and farm managers. It may also include new farmers who had other employment experience that required them to develop in one or more of the skill areas.</i></p>	<p><i>This group may have explored various approaches to the skill areas and is beginning to find what works for them.</i></p> <p><i>This group may include farmers, workers and managers. It may also include new farmers who had previous experience that helped them to develop strengths in the four skill areas.</i></p>	<p><i>This group is ready to share this information with others, and hone their skills further.</i></p> <p><i>This group may include farmers, farm workers and farm managers who have developed strengths in the four skill areas within the course of their farming career.</i></p>	<p><i>This group models good behavior for their employees and integrates teaching these skills into their day-to-day operations.</i></p> <p><i>In general, this group will not include beginning farmers in their first 10 years.</i></p>

them improve their communication skills in a low-risk manner and be prepared to be skilled enough to make a successful pitch to a wholesale market and be better able to maintain that relationship.

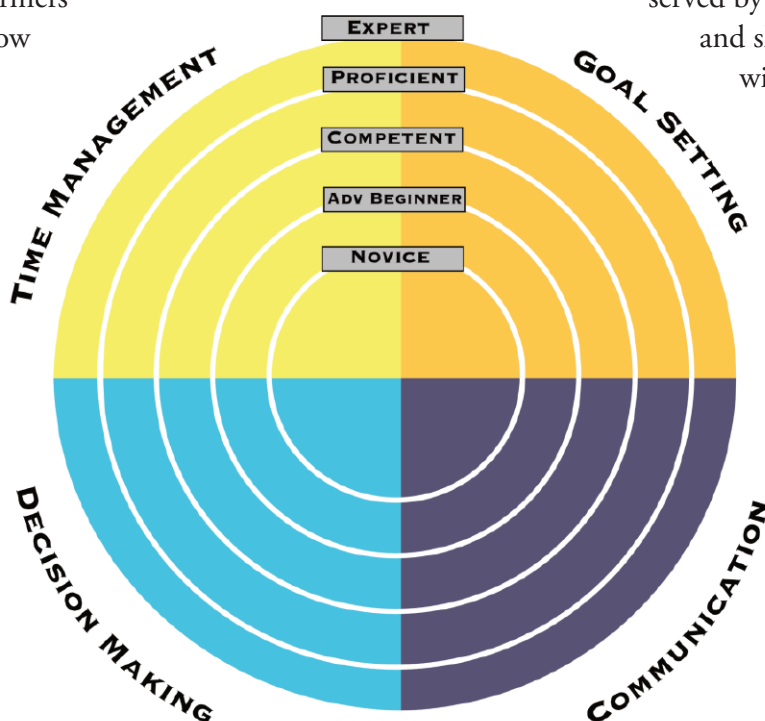
Advanced Beginner — These farmers may have a sense of how the four skill areas can impact their success and have a better understanding of how the skills fit into the production and marketing aspects of their farm. A self-assessment may be helpful to this group in identifying what aspects of the four skill areas are challenging for them and the existing resources available for improvement. These farmers may be poised to add employees or may be finding that managing aspects of the farm are pulling them away from production. Working with farmers to understand how their goals and time management can improve their ability to manage diverse tasks could be helpful.

Competent — These farmers likely have a sense of how the four skill areas can impact their success. A self-assessment may be helpful to this group to identify which aspects of the four skill areas are weak

links for them and the existing resources available for improvement. For instance, time management may be an increasing concern as the demands of their farm change. This could be due to their farm team expanding or their market channels changing. In conversation, it might help to ask the farmer to identify how their area of focus has challenged them on aspects of the farm they thought were running well.

Proficient — These farmers are ready to take the tools and skills they have developed and begin to actively model and teach them. They may need resources to help them improve their teaching techniques, such as a better understanding of adult learners. They may also need help to understand the strengths of their own decision making process and how to use that process to address the area of focus that is the subject of your meeting.

Expert — These farmers may be best served by opportunities to teach and share their experiences with other farmers. You might consider asking them to mentor other farmers or be a speaker at an event where their expertise can be highlighted.



Tips for Acting as a Guide

Your Role as a Guide

An effective guide is an active listener. In an active listening situation, the guide gives their full attention to the speaker. Your primary goal is to hear what brings this person to the situation, letting them know they are heard, understood, and safe. How can you help the farmer frame the central question(s) they need to ask?

For you to consider this time well spent, what do you need to leave here with?

Expectations

At the start of your consultation, it is helpful to discuss shared expectations for the meeting. These may include the duration of the meeting, agreements about taking calls during the meeting, what you anticipate can be accomplished, who will take notes, and whether you anticipate a follow up visit. An effective conversation opener is: “For you to consider this time well spent, what do you need to leave here with?”

Words and Phrases to Avoid

“Why”

Asking why something happened or why a particular decision was made can be tempting. This approach can trigger a defensive answer which may distract from assessing the situation. Try one of the other Effective Listening Techniques from the table on page 13.

“I know what you mean” Or “I’ve heard that before” Or “That happened to me once...” Or “In my experience...”

These phrases are barriers to communication and convey assumptions that the farmer might take as a cue(s) to stop talking.

“But” or “However” or “Should” or “Could” or “Would”

These are phrases which can often draw attention back to you (the listener). As an active listener, your goal is to have the attention remain with the speaker. It may be helpful to try using “And” in places where you feel like you want to say “But.” For example, “This business plan is so helpful in giving me an idea of your farm goals and I’ll need additional information to assess whether our programs are the right fit for your funding needs.”

Next Steps: What are you Trying to Accomplish?

As a guide, you can help the farmer find solutions. One strategy is brainstorming. Brainstorming is a group creativity technique to generate a large number of ideas to solve a problem. This technique can be useful in helping a farmer or farm team explore new approaches.

Brainstorming Guidelines

1. Generate 10-20 ideas. No idea is crazy; say anything (the craziest idea can become the root of a valuable strategy).
2. Don’t discuss or critique ideas during brainstorming.
3. Every idea should be met with the response, “Yes or...” or “Yes and...”
4. Include all stakeholders – encourage participation and engagement.
5. Suspend assumptions and disbelief.

Effective Listening Techniques

Active Listening Skills

Ask Open-Ended Questions — see Tips to Encourage Sharing (at right)

Restate — “Let me see if I’m clear about this, ---”
I heard you say, “_____” Is that accurate?

Summarize — “So it sounds to me as if...”

Minimal Encouragers — Prompts such as “umm-hmm,” “Oh,” “I understand,” “Then?”

Reflect — Instead of just repeating, reflect the feelings of the speaker, “This seems really important to you.”

Emotion Labeling — “Are you feeling frustrated...worried...anxious...”

Validate — Acknowledge the feelings, problems & issues the speaker is facing. “I appreciate your willingness to talk about such a difficult issue.” “I’m sorry that happened to you.”

Clarify — “Am I understanding you correctly?” “Could you tell me more about the sequence of events?”

Silence — Allow for comfortable silences to slow down the exchange or diffuse difficult interactions.

Examples

I’d like to hear your thoughts on this topic

It would be helpful to hear your perspective

How will _____ change your farm?

What have you been thinking about while waiting for this conversation to take place?

What do you think would happen if you...?”

What do you want to see happening differently?

If you could change anything, what would it be?

Tell me more about....

You said, “_____” Can you say more or explain?

When you use the word “_____” what do you mean?

What matters to you most?

Can you say more about your concern with “_____”

What is it that concerns you about this?

What leads you to say that?

What information might you need that would help you understand my concerns?

Analyze the Possible Options

1. How big is this decision? The bigger the decision, the more time, tools, and discussion may be needed.
2. How could these strategies play out? As the farmer to pick five strategies. For additional tools, see the Decision-Making section of the Resources in this Toolkit.
3. For this strategy to be successful, what does it have to accomplish or serve?
5. As a follow-up question at the next meeting: How did the decision hold up?

Provide Guidance through Feedback

As a guide, your role is to help the farmer clarify their thoughts and in doing so, identify possible solutions. Feedback can be helpful. However, it might redirect the conversation away from the speaker finding a direction that fits them best. Before offering feedback, clarify whether your feedback is meant to offer insight or add context to the speaker's point of view. Clarifying questions can include:

- What ideas do you have to address this?
- Is there a specific way you would like my help?
- Have you seen someone else facing this? How did they approach it?

Ask before you share information, observations, or insights: "I have some information that might help with that, would you like to hear it?"

If the answer is yes, then keep the following in mind so that the feedback loop stays open. This will allow the farmer to correct you if there is something you may have heard incorrectly.

- **Limit your focus**—Pick two or three points of improvement or change to discuss.
- **Prepare your thoughts**—Reflect on what has been said and what you have heard. Using the Consultation Checklist in this Toolkit, jot down some themes. Check for accuracy. Because I heard you say _____, I might suggest _____ tool.

- **Keep it positive**—start off your feedback with a positive comment about their effort, progress, or ideas. "That sounds like a really effective strategy, and I'd like to add..."
- **Focus on improvement**—What concrete things can the farmer do to change the situation in a positive way? "If you spend 20 minutes each day record keeping, this will help us figure out your yields."
- Use "I" statements – "Our time for today's meeting is almost over and I'd like to hear what you have to say. When can we schedule additional time to talk?"

Make a Referral

To ensure that you have a good sense of the existing supports the farmer has, it can be helpful to ask, "who else have you been in touch with?" It may be appropriate to make a referral to another agricultural service provider, local counselor, or other resource.

- **Verify the need**—Restate what need you hear the farmer stay and ask, "Is this accurate?" Ensuring that you understand the needs of the farmer is key to providing an effective referral.
- **Ask for permission**—"Would it be okay if I call _____ and give them your contact information?" "Would you like me to introduce you to _____ through email so you two can discuss the situation?"
- **Explain the referral**—What the agency/organization does, why or how calling them will be helpful. Suggest the farmer write down some notes prior to making the contact.
- **Know your limits**—There may be no referral to make. Consider the best use of your time and the farmer's time in addressing the area of focus and the desired outcome.
- **Get to know the network**—The Beginning Farmer Resource Network (BFRN) of Maine's website is a great place to start so you can avoid making a "dead-end" referral. extension.umaine.edu/beginning-farmer-resource-network

Types of Referrals

- **Individual**—In this case, you are aware of a resource that will be helpful to a farmer. You can give the farmer the organization’s website as well as a contact name and information for the appropriate staff person. Note: consider the farmers level of skill and/or personality. If the farmer is a novice or you feel they could use the support, consider bridging the referral with an email of introduction.
- **Provider**—in this case the service provider makes contact with an agency representative and explains the nature of the farmer’s situation. The service provider then asks the agency to make contact with the farmer.
- **Research**—in other cases you may need to do more research prior to making referral. If this is the case, be sure to clearly explain the timeline in which you’ll do the research, how you’ll communicate what you find, and your time frame to get the information.

Following Up

- You told me you’d like to have _____ done. By when would you like to have it done? What resources do you need to make it happen? Should you “do” it or “delegate” it? Ask the farmer how they prioritize tasks. If appropriate considering introducing the Action Plan tool in the Resources Section of this Toolkit. You can provide the farmer with a copy so it can be filled out during the follow-up consultation.
- If the farmer was unable to complete an action item:
 - Set a deadline or timeframe. Work with them on setting realistic deadline.
 - Consider whether something else needs to be done or learned first that is preventing completion or progress.
 - Ask, “what motivates you?” Consider whether a follow-up meeting is a motivator to complete the task.

Resources

Communication

- Ladder of Inference
- Passive, Aggressive & Assertive Communication
- Using “I” Statements
- University of Maine Cooperative Extension bulletin #6103, *Effective Communication* extension.umaine.edu/publications/6103e
- University of Maine Cooperative Extension bulletin #6102, *The Art of Great Meetings* extension.umaine.edu/publications/6102e
- *Non-Violent Communication Tips & Tools* mainenvcnetwork.org
- Community Mediation: voanne.org/mediatell *Communicating with Your Elders about Farmland Transfer* landforgood.org/communicating-elders-farm-transfer
- *Free Personality Tests* mindtools.com/pages/article/newCDV_51.htm
- *Nonviolent Communication: A Language of Life* by Marshall B. Rosenberg, Ph.D.
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- **Identifying Weak Links on Your Farm**
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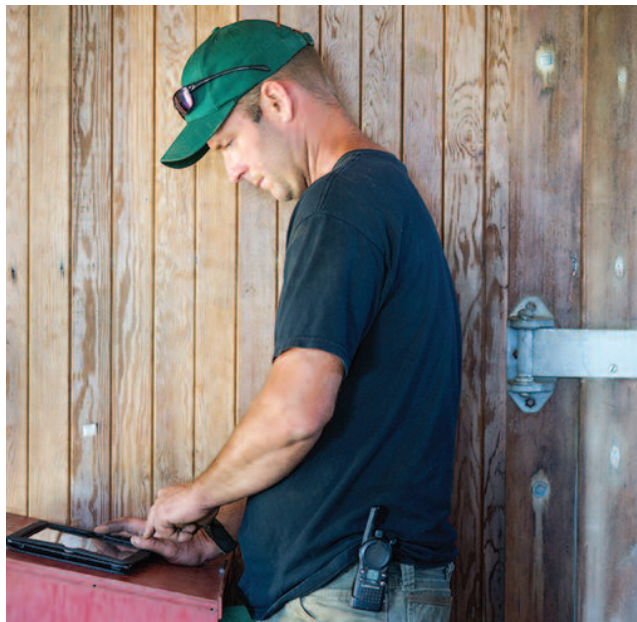
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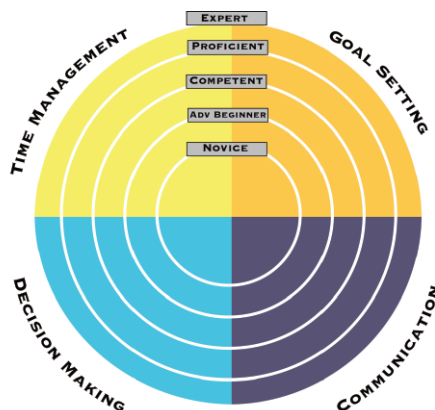


One-on-One Consultation Checklist

What is the farmer's stage of farm development?

After a discussion about stages of development, select the stage that best represents this farmer:

- ☐ Prospective
- ☐ Start-up
- ☐ Establishing
- ☐ Strategizing
- ☐ Refining



Conversation Openers

What would you like to focus on today? What would you like to accomplish with our discussion?

Farmer States their Area of Focus:

- 1 What are some key phrases or words that the farmer uses to describe the area of focus?
 - 2 How has the farmer tried to address the stated focus? What have they done or who else have they talked to help improve the area of focus?
 - 3 Do you believe there is a more critical area of improvement that the farmer would be best served to identify and address first? Can you guide them to identifying this critical area with a question such as, How are things going with _____?
 - 4 Are there aspects of communication, decision making, goal setting, or time management in the farmer's area of focus?
- If **yes**, "how would you rate your ability in each of the skill areas in relation to the problem or need?"

	Self-rating (1-5) 1-novice, 2-adv beg, 3-competent, 4-proficient, 5-expert	Skill Areas <ul style="list-style-type: none"> ● Communication: Identify the relationships and roles on the farm and tools to improve communication between family members, farm partners, employees, customers and other decision makers. ● Decision-making: Utilize existing tools to prioritize tasks and plan in advance. Have a clear understanding of management roles and responsibilities, and criteria on what decisions can be made by the person in charge and which require all stakeholders' input. ● Goal-setting: Develop farm goals that integrate quality of life values and relationship goal criteria into farm decision making. ● Time Management: Utilize existing resources to assist farmers in optimizing farm roles and responsibilities.
Communication		
Decision Making		
Goal Setting		
Time Management		

After completing the self rating, the nested model on the reverse page may be used. Ask the farmer to place a dot where they feel their skill level is in each of the four areas. This can be a useful discussion tool.

<p>Brainstorm what aspects of the skills would help to address the area of focus: (Use the active listening tips; reference the Farmer Typology to inquire about specific challenges in the skill area, etc.)</p>
<p>Feedback: (referrals made; handouts recommended; further planning suggested, etc.)</p>
<p>Next Steps: (follow-up call; action plan, etc.)</p>

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Illustrations by Abby Sadauckas and Leslie Forstadt

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Appendix 8

Sales Strategy: 7 Effective Strategies for Top Salespeople

 mailshake.com/blog/sales-strategy/

Sujan Patel

June 7, 2021



Whether you work at a Fortune 500 company, a startup, or a small family-owned business, there's one universal truth — *we all want more sales*.

Closing deals is the lifeblood of any great company, and if you're not actively growing, you're slowly fading away. With that in mind, we rounded up the top seven sales strategies to help you close more deals and bring in more revenue.

But first, let's take a closer look at what a sales strategy really is, and what that means for your business.

What is a Sales Strategy?

In simple terms, **a sales strategy is the plan a company follows to sell its products and services**. It's likely that the sales strategy will evolve over time for various reasons. Sometimes the shift in strategy is small and related to internal performance. Other times it's a bigger shift and is related to market conditions or competitive threats.

Ultimately, a sales strategy will answer a handful of critical questions:

- What are we selling exactly?
- Who are we selling to?
- How are we going to get the word out about what we're selling?
- Why are we selling this way?

The answers to these questions will vary by industry and organization. What shouldn't change is the specificity of each answer. The better you and your team know the sales strategy, the easier it'll be to execute on it.

Why is it Important To Have a Sales Strategy?

Having a rock-solid sales strategy comes with myriad benefits. Some benefits will enhance the customer experience, others will improve the sales team's performance, and all of them will — hopefully — improve the company's bottom line.

Arguably the most important reason for having a documented sales strategy is to provide leaders with a benchmark for success. Having a defined strategy gives the entire sales organization a target and agreed-upon methods for hitting it.

Once you have a strategy and communicate it clearly, you'll find that it's easier for frontline leaders and directors to develop a path, set up key performance indicators (KPIs), and drive the outcomes needed week after week to hit strategic goals on time.

Types of Sales Strategies

There are two main types of sales strategies, and both play an important role in any effective sales organization:

1. Inbound sales strategy

Inbound sales stem from potential customers who reach out directly to the organization. They're aptly titled because it's the customer that's taking the initiative to express their interest in your products or services. They're the ones proactively reaching out to speak to someone about answering their questions, seeing a demo, or making a purchase.

More often than not, it's up to the marketing team to generate inbound leads via advertisements, brand awareness campaigns, or from business development reps proactively reaching out to drum up interest. From there, sales development reps take those leads and help qualify them before passing them up to closers.

2. Outbound sales strategy

Outbound sales strategies are pretty much the opposite of inbound. In this scenario, it's your sales team reaching out via cold or warm methods such as email, phone calls, and social selling. The goal of outbound sales is to identify prospects, connect with them, generate interest, advertise a potential solution, and close the deal.

Each strategy has its own merits, which is why many organizations opt for a hybrid approach that leverages both in some capacity.

7 Effective Sales Strategies for Top Salespeople

Now that we've established what exactly a sales strategy entails, let's look more closely at seven sales strategies high-performing sales reps use to close more deals:

1. Keep the Focus Tightly on ROI

Why does anyone buy anything? The simple answer to that question is return on investment (ROI). Purchasing goods, services, or software provides returns in the form of time saved, money saved, or access to some other type of opportunity.

Top salespeople know that clearly articulating the ROI of their products and services to the prospective customer is everything. In his book, the Psychology of Selling, Brian Tracy writes, "People buy for their own reasons, not for yours."

As a sales rep, it's entirely up to you to build a relationship that helps you understand their needs. By asking the right questions, providing value, and conveying a sense of authority, it's possible to get prospects to lower their guard and open up about their problems or goals.

When prospects do open up, ask open-ended questions and dig deep to determine exactly what solving their problems or helping them achieve their dreams would mean. More importantly, try to discover how much they'd pay for it (and how eager they are to act). From there, keep the focus on ROI by painting a picture of how the results they'd gain from your product or service would change their life.

2. Talk About Results, Not Product

Sales reps need to be experts in the product or service they're selling. They need to be able to answer difficult technical questions and explain how things work.

But your pitch shouldn't focus on the ins and outs of the product or service – instead, it needs to relay value to a potential buyer.

This is a trickier skill to master. Remember that when it comes to B2B selling, conversions are king.

In order to appeal to that winning philosophy, sales reps must understand their prospects' goals, challenges, pain points, plans, budgets, and timelines. Only then are they truly able to position their services as a solution.

When it comes to a results-based pitch, you need to go for cold, hard evidence. Look at how far their client is from their goal, what they need to do to get there, and how your product or service can speed up or ease this process.

But then consider how else your product could or service help their business outside of their immediate challenge.

Use case studies to demonstrate what could be possible in the organization if only they had your product or service – and your own expertise – in their arsenal.

3. Use Lead Scoring to Prioritize Your Prospects

A major pain point for many sales reps is wasting time on prospects who are never going to buy.

It might seem like you're onto a good thing, as you enjoy a humorous email correspondence or message back and forth at lightning speed on LinkedIn.

But then they disappear into the ether, never to be heard from again. Meanwhile, a lead who genuinely did want to buy is feeling neglected and looking elsewhere.

This is where qualification comes in. But once your leads are qualified, how do you prioritize them?

Lead scoring is the perfect solution when you're juggling a large quantity of leads. This will help you prioritize your prospects, based on how likely each deal is to close quickly.

So how does lead scoring work?

It's a simple concept that uses a point system which ranks prospects on a scale of one to ten.

If you land a new lead with the job title of CEO, the fact they top the decision making hierarchy would likely see them assigned a ten. Someone on manager level, meanwhile, may get a four or five, because they would most likely need to convince other internal stakeholders before signing on the dotted line.

Once you've scored all your leads, your outreach efforts can begin, starting with the highest scores.

4. Use Storytelling

Storytelling has been a buzzword in marketing for years, and now it's entered the domain of sales.

Why is storytelling such a useful tool when it comes to selling?

It's all about how our brains are hardwired.

As Stanford Graduate School of Business professor Jennifer Aaker told The Guardian, "research shows our brains are not hard-wired to understand logic or retain facts for very long.

“Our brains are wired to understand and retain stories,” she explained. “A story is a journey that moves the listener, and when the listener goes on that journey they feel different. The result is persuasion and sometimes action.”

This means that by using storytelling as a segment of your sales strategy, you’re tapping into thousands of years of evolution that have left your prospect’s brain ready and waiting to soak up stories.

There’s no part of the sales process that doesn’t benefit from storytelling.

Use it to tell prospects who you are, to get your sales message across. Use it to tell them how you could help them, and how you’ve helped similar brands in the past. Use it when it comes time to renew their contract and you need to report back on how their first year with your product or service has gone.

5. Develop a Consistent Sales Message

What differentiates your solution from those of your competitors?

What value do you create for your customers?

These are the points you need to hit – and hit well – in every single pitch. They make up your sales message.

The good news is this gets easier the more you pitch. You can hone and refine your messaging depending on your feedback and your strike rate.

In the early days, consider doing a little A/B testing around how you get these points across in order to find out which method of contact or phrasing are the most effective.

It’s super important to remember that your sales message needs to have meaning to your potential customers.

Take differentiating yourself from the competition, for example.

You’re confident you have the best product on the market – it has 10 more features and 20 more integrations than your closest rival. But just rattling this off may not strike the chord you need it too.

Instead look at the specs of your product that will mean the most to the buyer. If you know they rely on Salesforce – and your solution has a Salesforce integration that no one else has mastered – focus on that. If you’re selling to a supply chain manager, and your product has real time stock stats, make a really big deal of that.

Ultimately, you need to use storytelling. Give your lead examples of when your product would be much more useful than your competitors, in their own day-to-day setting.

Simply listing everything your solution can do may also overwhelm the buyer and make them feel like it's much more than they actually need – and that they could get a better deal elsewhere.

6. Create the Urgency to Change

It's not uncommon for prospects to stall out in the sales process. Maybe they flake out after the demo, or they get cold feet after your proposal. Every section of the funnel is a new opportunity for a contact to go dark on you. So what can you do about it?

For starters, you work to instill a sense of urgency. Some of your prospects may have dealt with the problem you're trying to solve for them for years — even decades. It's easy to see why they'd be thinking, "what're a few more months going to hurt?" It's up to you to figure out if that's the case and — if it is — to motivate them to make a change sooner.

One way to instill a sense of urgency to change is to run the numbers on what solving the problem would mean for them. If your solution costs a few hundred dollars a month and the problem is costing them thousands each month, then some simple math might motivate them to make a change. You can also focus on creating an offer that's hard to refuse or that has time restrictions. Don't lie, but if your prices are going up or if you may be discontinuing a package altogether, make it clear to your prospect.

7. Automate Follow-up Processes

The tech is now out there to allow you to boost your manpower infinitely without hiring any extra sales reps.

By using automation tools, you can save valuable time at many stages of the sales cycle – and follow-up processes are the best place to start.

It's no secret that following up on leads and opportunities can use up the bulk of a sales rep's day.

Employ the right technology and processes, and this will be done for them – allowing them to spend their time where it is most needed, and boost productivity in the meantime.

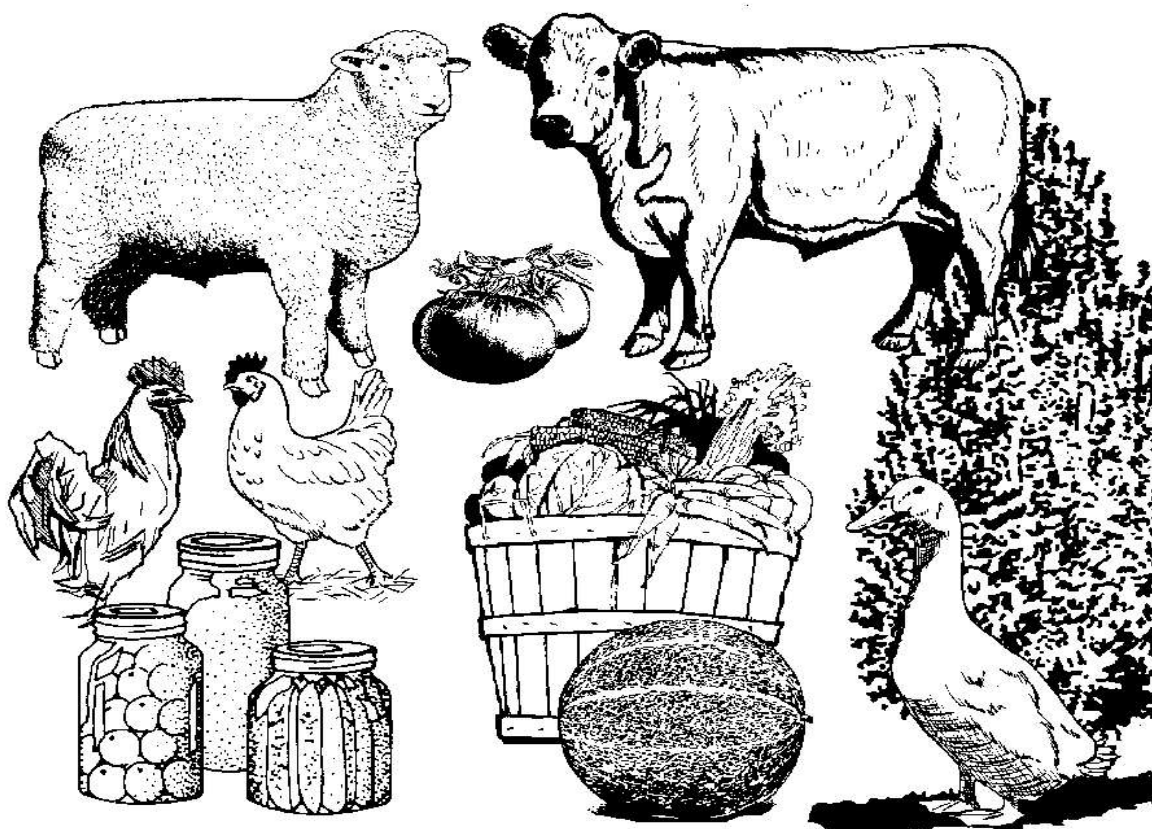
Leveraging Mailshake's Lead Catcher system is an easy win here. Mailshake automatically drives your cold email campaigns and alerts you when someone replies or engages. That way, you can take over and send a personalized email in the moment that's more likely to result in a booked meeting or a closed deal.

Taking the Lead

Deploying a winning sales strategy doesn't necessarily mean you have to spend tons of money on software or reinvent the way your sales team does business. Sometimes it can mean implementing a simple, but effective tool like Mailshake. Other times it might mean making little tweaks to the strategies you deploy. The options are infinite, and that's half the fun of succeeding in sales.

ATTRA is the national sustainable agriculture information center funded by the USDA's Rural Business -- Cooperative Service.

Abstract: *This publication on direct marketing alternatives – with emphasis on niche, specialty and value-added crops – features many farm case studies, as well as information on enterprise budgets and promotion/publicity. A new section discusses implications of Internet marketing and e-commerce for agriculture.*



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**By Katherine Adam, Radhika
Balasubrahmanyam, and Holly Born
NCAT Agriculture Specialists
November 1999**

Introduction

Many growers, especially new ones, are inclined to start production without giving a second thought to the business of marketing. Good marketing is an absolute must for a successful agricultural enterprise. Some would even argue that it ranks higher in importance than production itself—especially for farmers planning to diversify. After all, what good is a product if one cannot sell it consistently for a profit?

Diversification out of commodity crops may mean becoming familiar with, or even creating, new marketing systems. Existing marketing channels very often do not accommodate the new producer well—especially the small producer.

This publication describes direct marketing of produce (and to a lesser extent livestock) and lists additional resources for those who are interested.

ATTRA has more information on marketing animal products. Some farmers may use direct marketing for particular products while simultaneously participating in traditional markets. No two growers are the same, and the reader will have to determine through trial and error what works best.

Alternative marketing

Formal research on alternative marketing mechanisms has been scattered and hard to access by producers. It is mostly experiential and unrecognized by the agricultural establishment and official information channels. Small farmers and grassroots farm groups are the most likely to

develop and use innovative marketing methods (1). The assumption that farmers must either “get big or get out” is being challenged, however, by the emergence of alternatives. It is possible for innovative farmers to stay small or medium-sized and make a comfortable and successful living from agriculture (2).

Present system

Less than 2% of the U.S. population farms, a fact often cited as proof of the extraordinary efficiency of U.S. agriculture. Technical strides in production and processing have made more food available to more people around the year. For better or for worse, farmers are constrained by a highly specialized system characterized by a few large farmers and processors, and a production and distribution system increasingly integrated at all levels for the sake of efficiency and economies of scale.

Vertical integration of markets and consolidation of processing are especially pronounced in the livestock industry, where a handful of firms control broiler production, as well as hog and cattle slaughter. By 1996, almost 100% of broiler production was by contract (3). Since 1996 hogs sold to packers by “pre-arranged agreements” (contracts) have increased from 17% to over 60%, according to a study by agricultural economist Glenn Grimes of the University of Missouri (4). In many cases, the products are specified in such great detail in the contract that the farmer is not selling an agricultural product, but is selling his labor (5).

Exploring alternatives

Sustainable farming, which received a boost following the farm crisis of the 1980s, has given impetus to diversified, decentralized systems in which farmers take greater control of marketing by bypassing traditional channels and marketing

When Mike and Jennifer Rupprecht sell beef direct to consumers, they make approximately \$200 more per animal than if they had sold it to a large packing plant. Their consumers save at least \$250 over what it would cost them to buy the equivalent amount in steak, roasts and hamburger in the store...

...The Minnesota Department of Agriculture estimates that in 1994, more than \$31 million were generated through the state's 354 custom meat plants in sales and processing fees, from directly marketed meat. Of this, farmers received an estimated \$22.1 million.

From The Land Stewardship Letter, November-December 1995.

directly to consumers at the local and regional level. Foods that do not require much processing before consumption—like fruits, vegetables and meat—are ideal for one-on-one marketing. Direct marketing is often quite unorthodox and may take the form of roadside stands, pick-your-own operations, farmers' markets, and sales to restaurants, upscale retail or specialty stores—even supermarkets and institutional food service. Prospects for direct farmer-consumer interaction are particularly promising at the rural-urban fringe, where producers can take advantage of specialty market niches and the demand for local and ethnic food and non-traditional products, while promoting agricultural tourism and education.

Why direct marketing?

It is the excesses of the conventional marketing system that have forced the return of direct marketing. Consumers tired of tasteless supermarket produce and factory-raised meat (and with increasing concerns about food safety issues) want fresh food with flavor, as well as more control over their food supply, and are willing to pay a premium price for it.

Direct marketing, also called “shopping with a human face,” promises “vine-ripened tomatoes that won’t bounce if dropped and are full of the flavor you remember (6).”

Direct marketing can give the farmer a larger share of the food dollar and possibly a higher return on each unit sold, offset to some extent by loss of economies of scale. For some farmers, adding value or marketing some minimally processed farm products directly to the consumer is a way of enhancing financial viability. Farmers who are unable to compete in, or are locked out of, distant markets can build a thriving local

business. However, finding the right niche and marketing directly to the public is a hard and labor-intensive job requiring time and effort, creativity, ingenuity, sales expertise, and the ability to deal with people in a pleasant and positive manner. Agricultural producers must be absolutely sure they are ready for the job.

Importance of marketing

For too long, farmers have thought of marketing as simply how to dispose of their products. Locked into producing a very small number of major crops and insulated from the market, they have not been required to have a clear understanding of ever-changing consumer wants and needs. Producers have traditionally taken whatever price they could get while wholesale and retail distribution networks undertook the business of marketing.

Marketing does not begin *after* production, but well *before* the first seed is planted. For farmers working outside the conventional system, the importance of marketing cannot be over-emphasized. Consumer-focused marketing is the single most important factor that determines the success of an enterprise. Marketing is not just about selling. It requires a clear and astute understanding of what consumers want and the ability to deliver it to them through the most appropriate channels *for a profit*. It includes the planning, pricing, promotion and distribution of products and services for consumers, both present and potential. According to specialty vegetable grower Don Anderson: “Knowing what’s happening in the marketplace is the difference between the farmer who makes it and the farmer who doesn’t make it” (7).

Enterprise evaluation

A good marketing strategy begins with making sure the enterprise is right for you and is feasible. This will require a review and evaluation of your present situation, goals, possible enterprises,

What are the qualities of a successful marketer?

Takes pride in the product and is not shy about saying so
Flexible
Creative

Not afraid to take risks

Willing to plan, research and experiment
Independent
Thrifty

From Market What You Grow by Ralph J. Hills, Jr.

Market development

There are four basic ways to create a market (8):
✓ market penetration, where the producer uses more of his current product mix to meet the needs of the market. This could mean boosting sales by improving linkages between the buyer and seller and serving more customers in the existing market or by increasing consumption per customer.

✓ market development, where the producer looks for new uses or new markets for the product.

✓ product development, where a new product is produced for the existing market. This could be something that is less expensive to produce, or value added to the original product or crop so that it meets the customer's needs better.

✓ diversification, where the grower raises new products for completely new markets.

physical, financial and marketing resources, and market potential. The evaluation should help you answer some key questions, chiefly: Is this really what you want to do? Is there a market for the product? Do you have the necessary skills to do it? Are you going to develop the market? Or will you raise a crop for which there is a pre-existing market? Will it be profitable? Can you expand in the foreseeable future? A sample feasibility study for an agricultural enterprise may be found on the University of Georgia Extension website at:
<http://www.ces.uga.edu/pubed/b1066-w.html> (9).

♠ Start by listing your business and personal goals. Prioritize them.

♠ Is this going to be a full-time enterprise?

♠ Is your family involved and supportive?

♠ Inventory physical resources like land, soil, machinery, water, buildings, livestock etc. Define constraints.

♠ Is family and/or off-farm labor available?

♠ Is your spouse involved in the planning? A spouse's knowledge of medicinal herbs or

cooking could spin off into an additional on-farm enterprise.

♠ Do you have access to financial resources in the form of savings, credit or investment by family or friends?

♠ What are some of the crops that will grow well in your area and will fetch the price you need?

♠ What are the marketing resources in your region? Check out the farmers' markets and the retail stores. Is a roadside stand feasible? Talk to others who have one. Are there restaurants, grocery stores and supermarkets willing to buy locally raised produce or meat?

♠ Who are your potential customers? Would they like to buy direct-marketed products or do they prefer buying at mass retail outlets where price is the main consideration? Is there scope in your business plan for consumer education? Have you considered the potential for entertainment farming and tourism?

♠ What information and resources do you need to help you along the way? How can you best access such resources?

Market research

Following this preliminary survey, begin to identify and define your product. Get all the information you can about sources, marketing, production, processing, packaging and sales. This will require a good bit of systematic research. Check the libraries in your area. Read all the USDA and Extension publications you can lay your hands on as well as trade journals and periodicals, books on market gardening and seed catalogs.

Talk to your Extension agent, visit the local stores (gourmet and otherwise) and supermarkets to see what is selling, and why one product appears more appealing than another. Talk to customers, local stores, food clubs, specialty distributors, ethnic stores, restaurants and other prospective outlets in your region. What do they want? Is there an unfilled niche? With your production, labor and marketing resources, will you be able to fill this niche?

Why market research?

Information from market research helps to formulate a market strategy and project profitability. Two levels of information may be obtained:

General:

Food shopping habits;

What are some trends in lifestyles? convenience? Emphasis on family time and homecooked meals?

What is the ethnic and racial make-up of population, what are its food preferences?

What are the trends in food safety, health and nutrition?

What are the marketing trends? Growth in organics? An emphasis on freshness?

Specific:

Who are the buyers? What are their ages, incomes and lifestyles?

What are their wants?

Size of the market, number of buyers;

Number of competitors; are they successful? What are their weaknesses?

What price can you expect?

How much of the market can you expect to hold?

What are packaging and labeling requirements?

What are the barriers to market penetration for the products you have in mind?

Find out what your prospective competitors are doing. Look for ways to improve upon what they are offering. Useful exercises for defining the competition and customer base can be found in Geraldine Larkin's book *12 Simple Steps to a Winning Market Plan* (see **Resources**). For use in researching the market for new farm-based enterprises, Judy Green of Cornell University has compiled a list of agricultural alternatives. (For a copy of this list, request the ATTRA information on evaluating a rural enterprise.) Information on doing your own market research is also available from ATTRA.

You can either start small and grow bit by bit, or you can start in a big way from the very beginning. Either way, you must be prepared to do your homework and get to know your markets to be successful. One way to identify potential markets that exist in your area is by using the "30-mile market technique" (12). Most customers of direct marketers are believed to live within 30 miles of the point of sale. Market research within this radius will unearth useful information about production possibilities and the presence of competitors. Detailed market analysis and research is imperative before you promote and sell your product. Not only does it

reduce business risk by providing credible information, it can help identify problems in the market as well as little-known opportunities for profit. By knowing the size and makeup of your market, its geographic location, demographic and behavioral characteristics, it will be easier to create the appropriate marketing strategy and you will avoid wasting time and money marketing to the wrong people.

Marketing plan

Marketing is an essential element of a small agricultural enterprise. The marketing environment will ultimately exert a strong influence on the nature of the business. The crop grown will be determined less by the farmer's personal tastes than by what the market will absorb at a price the farmer is willing to take. A good market plan broadly aims to define the consumer, the products or services they want, and the most effective promotion and advertising strategies for reaching those consumers (13). It clarifies objectives, appropriate actions, projected income, pricing structures, costs and potential profitability. A step-by-step business planning tutorial for a direct marketing enterprise is available at <http://fbimnet.ca/bc/>.

A market plan alone does not guarantee success, but it does indicate that many of the factors that affect the profitability and continued survival of the operation have been given consideration. A market plan is usually part of a larger business plan that includes production, financial, staffing and management plans. The process of writing a business plan is not within the scope of this paper but listed at the end of this section are resources to help you find more information on the subject.

A good place to start is the Small Business Administration, a federal agency that operates small business institutes and development centers, SCORE (Service Corps of Retired Executives) and publishes business publications. Each state has an SBA office that may be approached for help with developing a marketing or business plan.

Elements of a marketing plan are (14):

✓Marketing situation—a summary of your present situation, what you are currently selling and how, who your customers are, what their needs are, your competition, your own strengths and weaknesses, how you are promoting your product, what the current food and marketing trends are, etc.

✓Marketing objectives—a summary of your short and long term goals, product diversification, additional market segments (alternative outlets) to tap. Objectives should be realistic and measurable—e.g., you would like to increase sales by 10% within the next year.

✓Marketing strategies—ways to achieve your goals, what you will produce, how you will promote and advertise the new product, the channels of sale, how you plan to beat your competition.

✓Budgets—include estimated costs and return based on sales, and strategies for monitoring and curtailing costs.

✓Action plan—immediate steps (e.g., look in the yellow pages for graphic artists to design logo, shortlist names of newspapers for a press release, assign person to deliver products to market, etc.)

✓Evaluation—a summary of progress on marketing objectives. The frequency of evaluation depends on the plan and could be each month, every six months or annually.

Objectives and strategies are a dynamic part of the planning process and change depending on the market situation and competition.

Domestic food demand - some trends to keep an eye on:

Demography: There will be fewer new U.S. households formed through the year 2010. There will be a greater proportion of single-person households as well as families without children. Households with two adults and one child will fall from 25% of the total to 20% over the next 15 years. *The Packer's* annual *Fresh Trends* survey found that one-person households already account for 25% of buyers. This information implies larger demand for single-serve products and produce, and higher per capita food spending in one and two-person households.

Health and nutrition (10):

#1) Products perceived to be fresh will have the strongest competitive advantage. According to a survey reported in *The Packer's* 1997 supplement "Fresh Trends," 17% of the respondents had purchased one or more new fresh vegetables every year.

#2) Shoppers are looking for taste and may be less willing to compromise this for health. So, if a product is both healthy and tasty, it is guaranteed to be a winner.

#3) Since 1990, the claims "natural" and "grown without pesticides" are the only two labels that have grown in importance relative to others.

#4) Aging baby boomers will push new product positionings and define the market for health foods.

#5) More and more consumers will recognize the connection between nutrition and health.

Safety (11):

The buzzword in 1999 is "local." "Country of Origin" labelling was overwhelmingly (85%) favored by produce consumers participating in the Packer Survey. In fact, 63% favored *mandatory* labelling. This can only work to the advantage of local producers.

Niche marketing

Anyone can pick a bunch of vegetables or fruits, set up a stand at the local farmer's market *et voila!* a direct marketer is born. However, what is it that differentiates a successful marketer from the rest of the pack? James McConnon, Business and

Economics Specialist at the University of Maine Coop Extension says that in order to survive in a world of mass retailers, it is absolutely imperative to find and fill a niche that is not filled by the mass retailer

(Wal-Mart, Safeway) (15). In addition, he lists three other survival strategies: good promotion, good service, and good customer relations.

The following section focuses on creative marketing tips, including specialty and value-added marketing, using examples of farmers who have built a successful direct marketing business.

What is a niche market?

- ✓ A target group whose market responses are similar to each other, but different from other groups.

What makes a niche market worthwhile for the farmer?

- ✓ There must be accessible information about the group.
- ✓ The group must be reachable through clearly identified information channels.
- ✓ The group must be big enough and sufficiently profitable to make it worth targeting.
- ✓ The nature of a niche market is that it tends to disappear after awhile. Frieda Caplan, whose company introduced the kiwi to America, stopped selling kiwis in 1990 because over-supply and falling prices had eliminated the niche.

Product differentiation

A very elementary way of differentiating one's product is to take it directly to the consumer. It is relatively easy for a direct marketer to promote a product as farm-fresh and different from the one sold at the mass retail store. Other ways to

differentiate your product are by producing it earlier in the season, marketing it as low-spray (see box) or organic or naturally-raised, and by adding value to it in some other way. Cut flowers arranged into bouquets, garlic turned into

decorative braids or wreaths, prewashed and bagged vegetables, bunched fresh herbs—these are a few simple ways to add value to products.

Consumer concerns with pesticides in food, freshness, nutrition, and flavor have turned the organic food movement into a multi-million dollar industry. The changing racial and ethnic mix of the population signals an increase in the demand for exotic and unusual vegetables and meats. Not least exciting of all is that people are rediscovering the pleasure of fresh ingredients from local farms—a more meaningful connection to the land (16).

The one advantage that direct marketers have over retailers is the ability to build their relationships with customers over time. Indeed, good marketing is *about* building trust and personal loyalty in the relationship. Good sellers know and use the customer's name. Consumers who feel an emotional bond to the grower are likely to remain loyal, even though the product is available at the grocery store at a cheaper price.

Marketing gimmicks will not hold customers unless accompanied by an excellent product and superior service. Conventional marketing wisdom has it that 80% of sales come from 20% of

Blemishes Only Skin Deep, says Orchardist

ATTRA specialist Guy Ames of Ames Orchard and Nursery markets his low-spray apples as ecologically raised. Ames, committed to growing healthy food for the community, is forced to spray for the plum curculio, an insect he is unable to control entirely through organic means. He uses Imidan once or twice during the season (unlike conventional growers who rely heavily on more persistent pesticides, spraying up to 12-14 times in the season for a cosmetically perfect product). Part of Ames' marketing strategy is to educate consumers to disregard minor blemishes on fruit and instead appreciate its freshness and wholesome flavor. Buyers can get a taste of the produce at the Fayetteville, AR, farmers' market three times a week in season.

(see Resources for publications on eco-labeling.)

customer base. The grower must build a core customer base and let them know how important they are. Word-of-mouth advertising is the most effective and inexpensive way to attract new customers (17). Stay on top of consumer trends. The best-made product in the world will not sell if it isn't something people want.

Education of the consumer plays a big part in salesmanship. Most people, for instance, are oblivious to the environmental and health benefits of livestock raised on forage.

Conveying information about the farm, how the product is raised and why it is raised the way it is, the effect of recent weather on the crops, and other farm-centered conversation is important. Not only is this good for business, it also is a small step toward the development of consumer awareness of the farm and of social and health issues. Once customers know that you are providing healthy food, they gladly take on the responsibility to support local farmers. Help *them* help *you* run your business successfully and profitably.

Write up your farm or company's mission statement and display it to your customers and

employees. Let them know why you are in business and the direction you'd like to go. A simple mission statement may read like this: "Helping people stay healthy with fresh, locally grown food!"

Keep up with trends. Flexibility allows you to adapt your product mix to market fashion and trend. Remember, by the time you read that "crop X" is THE hot thing this year, it's probably already too late to cash in on it. You have to be the first to capture, or better yet, create the next hot thing. Visit specialty stores and restaurants — even if you aren't interested in selling to them — to find out what food items professionals see as the trends to watch. Food fashions get started by upscale restaurants and trickle down to the consumer gradually. Read what your target customers are reading.

Food and food trade magazines and women's magazines, in particular, offer great information. Another source is medical research on the health benefits of various foods, as reported in the popular press (also an excellent source of promotional information in today's health-conscious society).

Some resources you can use to educate the consumer about the benefits of fresh fruits, vegetables, and meat are:

☎ Nutrition Action Health Letter

Center For Science in the Public Interest

Suite 300, 1875 Connecticut Avenue NW, Washington DC 20009-5728

202-332-9110; e-mail cspi@cspinet.org, <http://www.cspinet.org>

☎ Produce For Better Health Foundation

1500 Casho Mill Road

Newark, DE 19711

302-738-7100

<http://www.dole5aday.com>

PBHF has been licensed by the National Cancer Institute to promote the 5-a-day Program developed by NCI. PBHF is sponsored by the produce industry.

☎ Mothers and others

40 West 20 Street

New York, NY 10011-4211

e-mail: Mothers@mothers.org, <http://www.mothers.org>

West Coast Office: e-mail: WestCoast@mothers.org

(Publishes The Green Guide. Its primary project aim is to build demand for a better quality food system, to open the marketplace to make it more responsive to consumer needs, and to create market opportunities for regional, sustainably produced food.)

An eggssample of creative marketing

According to Jeff Ishee, a farmer with many years of marketing experience under his belt, if only people knew how commercial layers are managed, they would be flocking to the local market to buy free-range or humanely produced eggs. Laid by hens that are allowed to roam free and have access to fresh air and a rich and varied diet, these eggs have a rich yellow yolk compared to the pale watery insides of factory-produced eggs, and a freshness and good taste that only old-timers recall from their childhood.

To take advantage of the market potential for farm-fresh eggs, talk to buyers about the differences between eggs raised naturally and those sold at the store. Explain why your product is nutritionally superior (a little research helps—see box above), present your point of view pictorially, display photographs of your hens and let the consumers connect. The education helps not just to aid in consumer awareness, but is also a great sales booster. People who feel responsible for their health and recognize instinctively the value of your product will be back for more. And they won't mind paying more for your eggs!

Specialty crops and diversification

Because an enterprise has a better probability of survival if it has a range of products to sell, diversification (especially into a mix of specialty or high-value crops) will benefit many producers. Specialty crops are generally not produced and sold in mass quantities. They have a high cash value per acre, grossing between \$4000–\$20,000 per acre. They are not necessarily exotic and include crops that need a lot of care to raise (and are therefore outside the traditional wholesale loop). They may be crops with special attributes like vine-ripened tomatoes or lean meat, or those raised especially for ethnic markets (7).

David and Lisa Reeves Waterfall Hollow Farm, AR

Niche marketing with grass-fed beef (18)

☞ The two defining characteristics that differentiate the Reeves from other beef cattle farmers are their product and market. When they first set out to direct market, they were determined to give the public an opportunity to eat the kind of beef they grew for themselves. Convinced that there was a niche market for clean, range-grown beef, they proceeded to sell a product that was free of unwanted chemicals, growth hormones, and antibiotics.

The Reeves maintain that conventional wisdom does not apply in the marketing of grass-fed beef. Beef raised entirely on grass has the leanness of wild game and the flavor of sweet beef. It is not heavily marbled as is grain-fed beef. The cattle are butchered between the ages of 18–20 months—the younger the steer, the more delicate and tender the meat. Not much fat needs to be trimmed off the carcass and the beef is sold with cooking instructions and recipes.

It took some time and some “crushingly expensive mistakes” for the Reeves to learn how to tap into their niche market. Glossy advertising in the local tourist guides (*Bon Appetit*, *Eureka Springs Dining Guide*, *Guide to Local Businesses*), press releases and bulk mailings brought few or no sales. The poor response convinced them that they were better off addressing themselves exclusively to the small percentage of meat-eaters who frequent health food stores or similar establishments and who would buy organic meat. On the down side, of course, was the fact that many health food stores themselves steer clear of red meat because of perceived health risks. Their mission is now to:

convince them that there are people out there who will joyfully eat clean, “range”-grown beef, precisely because of the health benefits. We show them photos,

and describe the ranch and the lives of our cattle. We point out the obvious that beef is a very high-quality, nutrient-dense source of protein and obscure nutrients like B12, folic acid and zinc, that it is utterly delicious and deeply satisfying.

Today, their main wholesale outlet is the Ozark Cooperative Warehouse in Fayetteville, Arkansas. The warehouse itself markets only their ground beef but trucks orders to buying clubs—groups of private individuals in 11 states—and allows the Reeves to ship on their truck. This is an enormous bit of luck because it allows them to ship their product out of state for very little expense. The other, and more costly alternative, would be to use delivery services like UPS and Federal Express, which do not have freezer trucks and require insulated packaging.

Lisa notes that they really ought to invest more time and effort into in-store presentations and demonstrations. They've refrained from this partly because they do not wish to offend vegetarians present in the store and partly because they are still uncomfortable playing the role of salespeople.

Yet, store managers have found their obvious naiveté and lack of sophistication refreshing, their "hemming and hawing and just talking about their product" different from the spiel of professional sales people. The couple do not make "cold" calls but prefer to write a letter of introduction in advance before paying a visit to the store.

Their ideal marketing strategy would entail getting to know all the mainstream grocery stores

with alternative clientele, and health food stores within a three-hour driving radius, contact them on a regular basis—perhaps weekly, bi-weekly or monthly—and keep the stores regularly stocked with their product. So far, they have been able to sell everything they produce without actively marketing. Recently, they have been in contact with ranchers in Missouri and Arkansas who share their philosophy. The Reeves hope to buy some of their cattle or contract with them to grow beef animals, and expand the marketing end of their business soon.

Joan and Richard Wrench, Helena, MT

Montana-based growers Joan and Richard Wrench have been raising garlic as a specialty crop since 1971. They currently give about 8 seminars a year at universities and through USDA, available at reasonable cost, to teach other farmers how to create a plan for farm independence through raising specialty crops. They are willing to help individual growers or groups wanting to establish a specialty crop enterprise with developing a market and business plan. They may be reached at 406-752-3127 between 8-9:30 am MST.

James and Alma Weaver, Kutztown, PA

The Weavers grew tobacco and cattle on their 80-acre farm for several years before making the switch to specialty farming. The change has permitted them to survive in agriculture when other less flexible operators have been forced to bail out. The Weavers raise approximately 100 different kinds of herbs, a range of flowers, several varieties of ornamental colored corn, more than 100 varieties of peppers, 54 varieties of heirloom tomatoes, 30 different vegetables including some odd-sounding heirloom varieties like Cherokee Trail of Tears beans, Speckled Mennonite lettuce, and Amish Moon and Stars watermelons (19).

Steve Salt, Kirksville, MO

☞ Steve Salt (20), a Missouri-based farmer who raises 600 kinds of vegetables, fruits, and herbs for sale at farmer's markets, restaurants, and via

household subscriptions, has a book coming out in November 1999 on specialty ethnic produce. Salt says that Asians, Middle-Easterners, Mediterranean Europeans, and Latin Americans, all of whom have a higher per capita consumption of fresh fruit and vegetables than Americans of northwest European heritage, also have a strong tradition of buying their produce unpackaged, at open air markets where they can examine or taste it before purchase. Supermarkets have been unable to cater to the needs of these people, and Salt writes that raising produce for ethnic markets offers a promising specialty niche

where the small grower can compete profitably with the big growers. In addition to direct retail sales, he recommends small-scale (wholesale) marketing to ethnic restaurants and grocery stores (21).

A wide variety of Asian vegetables, once a stronghold of the ethnic market, more and more cross over into the mainstream produce section. Primary markets are ethnic stores, grocery store chains and restaurants. Market data is hard to obtain partly because the truck farmers who raise crops for ethnic markets have generally operated outside conventional channels. Some information on prices and availability may be obtained from *The Packer* and *Produce Business* (see **Resources**).

Frieda Caplan, an authority on specialty produce (see her home page at <http://friedas.com/about.cfm>) says that consumer education is extremely important when marketing specialties to the general public. This is no less true of Asian vegetables, the popularity of which has been fueled by ethnic restaurants and educational campaigns by retailers to demystify the preparation of Asian foods through user-friendly packaging and recipes. For a brief summary on market potential, refer to the publication *The U.S. Market For Miscellaneous Oriental Vegetables* by Mihir Desai (listed in the **Resources** section).

Value-added marketing

Value-added is a relatively new term in direct marketing jargon. Simply put, it means processing or modifying the product through

“cooking, combining, churning, culturing, grinding, hulling, extracting, drying, smoking, handcrafting, spinning, weaving, labeling, and packaging” (22). Other ways to add value to an agricultural product include:

- ♣growing something in a way that is acknowledged as safer, or
- ♣adding a component of information, education or entertainment

The customer is spared the additional work and the producer charges extra for adding value. Take

garlic, for example. Sold in bulk it brings \$4/lb. When braided, it may bring up to \$7/lb as a decorative item. Adding value holds the promise of additional income especially in the off season, but it is certainly more labor-intensive and requires more management, more investment in equipment, and an awareness of legal and regulatory issues pertaining to on-farm processing. Value-added products do not have the same economies of scale as mass-produced goods, and their success hinges heavily on the producer’s retail strategy, especially advertising and promotion.

An alternative agricultural specialty currently attracting a great deal of attention is agritourism. Although not every family is willing or able to entertain the public, for those who enjoy meeting new people or hosting groups, a farm entertainment enterprise is a good opportunity for selling on-farm processed items.

On-farm processors must be aware of regulations governing their enterprise. If a food product is being produced, usually a commercial kitchen is required. Specific regulations vary by state. A good overview may be found in a recent book by Neil Hamilton (see **Resources** section). Many farmers find it easier to lease space in an approved food processing facility, rather than spend the \$100,000 or more required to build and maintain a commercial kitchen on-farm. You should be aware that most states prohibit small children from entering a commercial kitchen, or anyone who is ill, or domestic meal preparation taking place there. A separate packaging facility may be needed. There are specific labeling requirements to be met, and additional regulations may apply in the case of interstate sales. Your state agriculture department and county health department are good places to start gathering information.

An organization that can provide information on developing food products is the Institute of Food Technologists (see **Resources**). In some places, governments, university centers or non-profit organizations (examples that come to mind are Minnesota's Agricultural Utilization Research Institute, the University of Nebraska's Food Processing Center, Iowa's Wallace Technology Transfer Foundation) assist rural micro-enterprise or other home-based food processing businesses in getting started. University food technology departments may be able to provide handbooks and guides for value-added food processing, technical assistance, and funding opportunities, as well as information on rules, responsibilities and marketing options.

Food processing incubators (FPI) have been a popular rural development strategy. FPIs, for a fee, provide commercial kitchen space and processing equipment, as well as technical assistance with product formulation and packaging. Some include peer group counseling to talk over manufacturing or marketing issues.

Arcata Economic Development Corporation

☞ In Humboldt County, California, the Arcata Economic Development Corporation (AEDC) constructed the Foodworks Culinary Center to help develop micro industry in the region (23). The Center served as an incubator for 12 local gourmet and specialty food companies and includes 1000 sq. feet of shared commercial kitchen space in addition to each company's personal kitchen, 4000 sq. feet of warehouse space, and central office services.

Products being made by the companies include baklava, pastas, Finnish coffee bread, smoked salmon and garlic cream cheese spread, tofu products, ice-cream and toppings, jams, flavored honey and chocolate confections. Tenants have formed a marketing cooperative and a mail order catalog featuring the products was made available to promote them all across the country. For more information, call (707) 822-4616.

Little is known yet about the economic impact of FPIs, as they are a relatively new concept. Duncan Hilchey at Cornell's Farming Alternatives Program (see list of organizations under Resources) has conducted case studies of four incubators to get a better understanding of their working and impact. His findings are due to be published early in 2000. Advance copies may be requested. Meanwhile, those interested in exploring this subject further should get a copy of the publication called *Establishing a Share-Use Commercial Kitchen* from:

Bob Horn
Next Level Training Network
University of Colorado at Denver
Campus Box 128, PO Box 173364
Denver, CO 80217-3364
800-873-9378 (cost is \$58 plus \$4 s&h)
(303) 556-6651 FAX

Elizabeth Ryan, who sells a wide variety of value-added products—such as cider, fruit sauces, chutneys and salsa—at farmer's markets in and around New York City says that one way to make on-farm processed goods more profitable is to give farmers access to a commercial processing plant on a time-share basis. This kind of support has traditionally been unavailable to value-added enterprises.

Small farmers with specialty meat products have had particular difficulty finding and gaining access to USDA-certified processing plants. Arkansas-based graziers Lisa and David Reeves searched for three years to locate a good USDA-inspected facility to process their direct-marketed beef. Large processors, although certified by the USDA, will not differentiate between the small farmer's product and the large volume of meat they process and so are not a real option. (In other words, the farmer cannot retain ownership of the product.) USDA certification is mandatory for interstate sales and in states that lack an

ATTRA's Value-added and Processing Series

Overview: Adding Value to Farm Products
Small-Scale Food Dehydration
Grain Processing
Small-Scale Oilseed Processing
Soyfoods

inspection program (24).

Pricing and profitability

If you don't have a percentage of people walking away from you at market, you're selling too cheap, says Tim Kornder, a farmer from Belle Plaine, Minnesota. Setting a price is one of the more challenging tasks faced by the direct

marketer. How does one know how much a pound of tomatoes or a head of lettuce is worth? On what information are these pricing decisions based?

In general, prices are set by production and marketing costs at the lower end, while the upper limit is set by what your customers are willing to pay, how much competition you have, and your own desired profits. It pays to figure your costs and set your prices accordingly, rather than just going by what others are charging; steady, consistent prices encourage steady, consistent customers.

Knowing your costs of production, both fixed and variable, is the first step in pricing strategy. Keeping good records for each item that you produce allows you to assess the profitability of each item in your product mix. Variable costs refer to costs directly associated with that item. These include costs such as field preparation and seed that will be there, even if nothing is harvested, as well as expenses directly related to yield such as harvest and packaging costs.

Fixed costs, or overhead, include costs such as loan repayments, property taxes, insurance, and depreciation and maintenance on buildings and equipment, which will be there even if nothing is grown. In addition, it is important to include some kind of wage or salary for yourself in your fixed costs. Don't forget marketing costs. It's usually easiest to include these in overhead. For the small producer, the biggest marketing cost is probably his or her time spent in finding and serving customers, doing promotions, making deliveries, and so on. Other costs could include advertising, free samples, and fuel and vehicle

upkeep. These fixed costs are allocated to each item you produce, perhaps by the percent of total

acreage or total production that each item accounts for. So if 10% of your land were in corn, then 10% of your total overhead would be included in the costs to produce that corn, for example.

Break-even analysis

The break-even point refers to the price and quantity sold that will just cover all costs, leaving zero profit. At this price and sales level, while no profits are made, you won't be losing money. The break-even point is calculated as follows:

$$\begin{aligned} &\text{Sales Price} \times \text{Quantity Sold} \\ &= \text{Revenues} \\ &- \text{Variable Costs per unit} \times \text{Quantity Sold} \\ &= \text{Contribution Margin ("contribution} \\ &\quad \text{that the item makes to covering} \\ &\quad \text{fixed costs. This concept is useful} \\ &\quad \text{because it is often very difficult to} \\ &\quad \text{decide what part of fixed costs can be} \\ &\quad \text{assigned to a particular item. Rather} \\ &\quad \text{than trying to figure out that your} \\ &\quad \text{rutabaga crop accounts for 5\% of the} \\ &\quad \text{cost of your tractor, you can figure} \\ &\quad \text{out which items contribute the most} \\ &\quad \text{and plan your product mix accordingly).} \\ &- \text{Fixed Costs} \\ &= \text{Zero, or you can substitute a desired} \\ &\quad \text{profit margin, such as 5\% of sales.} \end{aligned}$$

Understanding this concept allows you to experiment with different combinations of prices and quantities, as well as different levels of variable and fixed costs, to assess potential profitability of various items. If you can't sell a product for more than cost, you had better not grow it in the first place. The new grower can start the educational process by studying wholesale prices and comparing those with retail rates at the store.

USDA's Agricultural Marketing Service publishes daily wholesale prices for produce, which may be accessed at <http://www.ams.gov/marketnews.htm>. Some growers call wholesalers for current prices; others check in with local chefs and local retail stores, especially on comparable specialty items. Wholesalers usually market up by 50%, while retailers mark

up by as much as 100%. This kind of information is useful in setting a realistic price for direct-

marketed products. Keep in mind, however, that stores sell “loss leaders,” items that are not marked up, which serve to draw in buyers.

How much would you have to sell to break even at these prices? What about at farmers’ market prices? Or you can start by estimating how much of each item you think you can sell, and then figuring what price you would need to break even. Is that price reasonable for the markets you plan to access? If the price is too high, how much would you have to reduce your costs or increase your sales in order to break even at a more reasonable price? If it appears that the break-even requirement is met, then you can begin figuring how high your prices can go. Again, base your estimates on research. For example, you could talk to growers at markets you won’t be attending, so that they won’t be giving information to a competitor. How much of each item do they sell over the season?

Cost-plus pricing is an easily used option. Once variable costs are figured per unit of the item produced, you just add a percentage of unit cost to the cost to get the price. That percentage should be enough to cover fixed costs and your desired profits. A 40% markup is about average for a direct marketer, although perishable items and items with higher storage costs are marked up higher (27). For more information and assistance with pricing, Extension and your local small business development center should be able to help.

Beginning lessons in pricing strategies are often best learned at farmers’ markets. Direct marketer Andy Lee says that he usually takes a quick walk around just before the market starts to note other displays and prices. Being the only organic grower at many of the markets he sells in, he marks his prices about 10% higher, especially if he sees that his products seem as good as or better than the others. Lee’s high prices may discourage some buyers but usually, he says, customers don’t complain once they taste the “delicious homegrown goodies” (17).

In one survey of 3000 customers, people were asked to rate the eight most important factors in their decision to buy sweet corn. Price ranked fifth behind freshness and other quality

considerations (25). Less than 15% of the sample thought price was a significant factor in purchasing corn. Roadstand growers who experimented with two piles of corn, one priced at \$3.50 and the other at \$3.00, found that the more expensively corn sold out faster than the cheaper corn. The reason may be that people assumed the higher-priced corn was fresher (25). The above experiment may have turned out the way it did because of the factors unique to corn, but it suggests that price may not be the only consideration for a prospective buyer.

Growers emphasize the importance of setting a price at the beginning of the season and holding on to it. Customary pricing, as it is called, compels the buyer to disregard price and base their purchase on other considerations. Laurie Todd, a small-scale grower based in New York, says that people will pay top dollar only if quality and service are guaranteed (26). To attract consumers, he suggests giving samples so that people can taste the product, using attractive displays and packaging, and emphasizing the product’s uniqueness. Like other growers, he does not recommend that you lower prices even when your competitors are reducing theirs. Full-time growers complain about hobby growers who don’t price realistically and virtually give away their produce for free. Many markets try to educate growers not to undercut the next person.

Growers who hold their price all season have the option of multiple-unit pricing to move extra

Clearly marked prices are a must to let customers know exactly how much a grower is charging.

volumes or attract buyers who want to buy in bulk for canning or freezing.

Mark Brown, Massachusetts

✍ Mark Brown of Brown’s Provin Mountain Farm in Feeding Hills, Massachusetts, tries to set

retail prices twice as high as wholesale rates and says he likes to remain within “reasonable” range of store prices while making sure his production and sales costs are covered (27). In the event of lower prices, either from a sale or a

market glut, Brown prefers to retain his base price and add extra value to his product instead of reducing his price. So, when the competition is selling corn for \$2.75/dozen (0.23 cents an ear), Brown maintains his base price of 35 cents an ear and sells 6 ears for \$2 with a seventh tossed in for free, or \$3.75/dozen with two ears free. Brown finds that more people buy 14 ears for \$3.75, and he still makes 4 cents/ear more than his competitors.

Finally, this advice from growers:

- Don't sell your goods for a lower rate at the end of the day;
- Compete fairly on quality and service, never undercut;
- Don't badmouth other growers;
- Raise a good product and ask for a good price.

Direct marketing alternatives

Ordinarily, retail markets command the highest price per pound of product, while wholesale markets move more of the product than retail markets but at lower prices. Farm sales and farmers' markets, You-Pick, mail-order are typically low-volume markets. Restaurants, retail stores, cafeterias, health food stores, and caterers constitute mid-volume markets, where prices are better than wholesale but on the lower end of retail. Smaller farmers may find that selling to low- and mid-volume markets works best for them. Mid-volume markets, especially, offer the advantage of small to medium crop production as well as medium to better prices (28).

Some direct marketing options are outlined here. State departments of agriculture or Cooperative Extension may have published guidebooks outlining the laws and regulations for direct marketing in the state. Check with local authorities before starting.

Organizing and selling at farmers' markets

There has been an explosive growth in the number of farmers' markets around the country. In the mid-seventies, there were fewer than 300 markets in the United States. Two decades later,

there are more than 2,400 farmers' markets, with approximately 1 million people visiting them each week. The Madison, WI, farmers' market is first in the nation to have a website advertising the market. See <http://www.madisonfarmersmarket.com/>.

Several states have centralized information on farmers' markets, and a number of state-wide farmers' market associations have been formed. A comprehensive address list of farmers' markets is available on the Internet at <http://www.hort.purdue.edu/newcrop/FarmMARKET/FMIndex.html>. Guides for organizing and selling at farmers' markets are published by the Cooperative Extension Service in some states.

A publications list including direct marketing and other information published by the Hartford Food System may be requested (see **Resources**). A new publication offers guidance on selling local produce to school systems. Florida A&M University has initiated the "School Lunch Project" to assist small farmers in marketing to institutional food programs. A network of small farmers cooperatively produces and markets selected produce items to institutional buyers.

Many states offer help in promoting locally grown fruits and vegetables, sometimes with a special logo. City government, tourist departments and chambers of commerce can often be enlisted to help promote farmers' markets.

Farmers' markets seem to work best for growers who offer a wide variety of produce of the type desired by customers. Consumers want markets to be easily accessible with good parking facilities. A little related entertainment never seems to hurt—seasonal festivals, street musicians, tastings, demonstrations, etc. Sales help must be pleasant and courteous, willing to answer questions. Farmers interested in this marketing method can find opportunities for creative selling and fresh ideas through participating in the local farmers' market association and direct marketing meetings.

Additional information on farmers' markets is available from ATTRA.

Community Supported Agriculture (CSA)

Community Supported Agriculture (CSA) plans operate in several different ways. One involves a single farmer selling "subscriptions" or "shares" at the beginning of the season and then

delivering, on a regular schedule, baskets of whatever is produced. Another method involves consumers who band together to rent land and hire a farmer to raise food for them. A new book, *Sharing the Harvest*, provides case histories, models, and strategies for starting a CSA (see **Resources**). The CSA of North America (see list of Associations) can provide more information on how CSAs work, including a video, *It's Not Just About Vegetables*, and accompanying handbook.

An e-mail networking list on CSA was started in February 1996 and subscription is free. To subscribe, send a message to:
listproc@prairienet.org.

In the body of the message, type subscribe csa-l followed by your first name and your last name.

For an overview of Community Supported Agriculture, ask for ATTRA's publication on CSAs.

On-farm sales and agri-tourism

On-farm sales include pick-your-own (P-Y-O) and roadside stands or farm markets. Pick-your-own began in response to the 1974 energy crisis, appealing to customers (mainly families) who had the time and the necessary expertise to process their own foods in quantity. More recently, PYO enterprises have been integrated into the growing "farm entertainment" sector.

Marketing strategies may include educational tours, an on-farm market with opportunities to buy fresh produce or value-added products, ready-to-eat food, festivals, classes, seasonal events such as a personalized pumpkin patch, or agricultural mazes. A buffalo ranch, besides selling hides and meat, charges admission to view the animals.

The Rombach Farm, Chesterfield, MO

Beginning each July, the Rombach Farm becomes a pumpkin wonderland. From late September on, partner Steve Rombach works 7 days a week. Besides pumpkins, apples, and squash, the farm market sells sweet corn (in season) and other vegetables, handcrafted yard furniture, and yard ornaments. Most of the family's remaining 700 acres (100 acres have been lost to development) remain in soybeans and wheat. The biggest profit, however, is from farm stand sales.

Many of the pumpkins are raised on the farm, rotated with wheat. Rombach is thinking of strip cropping pumpkins with wheat, however (because the wheat is not ready when pumpkins must be planted). He uses one field near the house as a display area after the wheat is harvested. The mid-size 20-lb. pumpkin is his best seller, but bigger ones are popular. Few are bought for pie-making. Those left unsold after Thanksgiving are composted in the woods, where wildlife enjoy them. The bulk market for canning does not exist here.

Besides family labor, Rombach hires a lot of part-time help and depends on good friends to volunteer in creating seasonal displays. These elaborate displays are extremely creative and colorful—employing small buildings, 10-ft. high mounds of pumpkins, and Halloween figures. They attract up to 1000 cars a day at the peak of the season. They are not dismantled until the final two weeks "because so many schools come." Backdrops are corn shocks or castor bean plants. Rombach is now looking into offering hayrides.

Insurance is high. The farm carries 5-6 policies, including an umbrella liability policy. Many repairs, seed orders, fertilizer, etc. are undertaken in the off season.

The Rombach farm has been totally rebuilt since 1993, when Missouri River flooding put it under seven feet of water. Initially, the farm enterprises included Christmas tree sales, and acres of U-pick strawberries. But Rombach says they lost money on the trees and PYO customers "trampled too much." Children would throw the berries

around. He now does retail sales only. (A few items offered at the farm market are procured from other farmers.)

Rombach's grandfather started hosting parties in the pavillion in 1928; his parents began the retail sales. Steve Rombach, his brother, and a cousin incorporated in 1993, the year they rebuilt by starting the pumpkin venture. Rombach's father, who is retired, now works for him. Mrs. Rombach works off the farm (29).

Such enterprises work best when farms are within thirty miles of a major population center, preferably on or near a good road. Pick-your-own is most adapted to crops which require stoop labor to harvest. Plans and layout for farm markets are published in the NRAES booklet *Facilities for Roadside Markets*, available from Cornell and in *Bypassing the Middleman*, from Rodale Press (see **Resources**).

In addition to the expected parking, restrooms, harvesting instructions, creative signage, and playgrounds, adequate liability insurance must, of course, be in place.

Direct marketers can get liability insurance through the North American Farmers' Direct Marketing Association (NAFDMA) (30). Comprehensive information on legal issues for all types of direct marketing is available in *The Legal Guide for Direct Farm Marketing* (1999) by Neil Hamilton (see **Resources**).

In some areas of the country, fee hunting is combined with farming. One Nebraska farmer combines fee hunting with hunting lodge accommodations (and a gift shop) during the slow winter season on his 1500-acre grain farm. A publication of interest is *Agritourism in New York:*

Opportunities and Challenges in Farm-Based Recreation and Hospitality, available from Cornell Media Services at Cornell University (607-255-2080) for \$13.85. (This publication is currently being reprinted.) For more information, ask for ATTRA's publication *Pick-Your-Own and Agri-Entertainment*.

Selling to restaurants and stores

According to some reports, over 50% of American meals are now eaten away from home. This would appear to be a growing market for direct sales of produce. However, most high-volume meal servers (institutional food service and restaurant chains) require huge volumes, typically procured through centralized purchasing. It is still possible, however, to find

an individually operated restaurant buying some foods locally. High quality is a prime requisite for sales to such restaurants. Such specialty crops as herbs, garlic, mushrooms, salad greens, cut flowers, and edible flowers for restaurants may be grown on very small parcels of land. One of the main requirements for selling to an upscale restaurant seems to be developing a good relationship with the chef.

In some instances sales by local farmers to local institutions may be arranged. The Hartford Food Project (see list of organizations) has a publication describing creation of such marketing channels.

ATTRA has some additional information on marketing to restaurants and specialty stores.

Mail order and home delivery

Mail order sales generally involve value-added products or (primarily in Florida and the West Coast) fresh fruits. Value-added products are often decorative, rather than culinary. Home delivery of fresh farm products was much more common in the U.S. fifty years ago than it is today. The sight of a horse-drawn farm wagon loaded with bushels of apples, squash, potatoes, and live chickens making its way slowly through a residential neighborhood while the farmer (or his children) knocked on doors was not unusual. But it is still possible for farmers to meet consumers at the doorstep and deliver quality

food. This method is currently most used by dairy and meat producers. Nowadays arrangements are made in advance by telephone and meats are usually frozen. Some CSAs home deliver.

Marketing on the Internet

Plans for selling groceries on the Internet are taking their place along with other forms of e-commerce. Most such plans ask the consumer to pick up an

Harps Supermarket, Fayetteville, AR, has joined the ValuPage website offering Web Bucks to customers who print out coupons from the web page and purchase certain products. Web Bucks may then be used to buy anything else in the store. This is a premium for customers to visit the website. See <http://www.valupage.com>. Customers may also sign up for regular e-mailed coupons.

Internet order at their local supermarket.

High-value, nonperishable, low-weight, specialty food products and nutritional supplements have

been available from a growing number of websites for some time. Delivery is by conventional package delivery systems; this form of e-commerce may be considered another another form of mail-order.

Another way to utilize the WWW is to have a farm or business homepage purely for advertising purposes (perhaps cooperatively packaged). Examples include the Madison, WI, farmers market website mentioned previously and the Virtual Virginia Agricultural Community, at: <http://www.vvac.org>, which facilitates regional communication. The Minnesota Land Stewardship Project's on-line directory of CSA farms (with e-mail and website contacts) is at <http://www.misa.umn.edu/lsp.php.html>.

According to Jennifer-Claire V. Klotz (USDA/AMS), who spoke at the October 1999 National Small Farms Conference in St. Louis, 92 million potential customers are now on the Internet, one-third of them making purchases.

Internet users tend to be older, with above-average educations and higher incomes. Interestingly,

Internet users share these characteristics with direct market customers in general.

Farms can do business on the Internet either by maintaining their own individual websites, or participating in a directory listing. Research providers and costs; look at bartering to get a website designed. Look at Internet marketing as an opportunity to attract a new clientele, but first determine whether existing customers are on the Internet. Do they have e-mail? Be aware of certain barriers to Internet buying:

- pricing (include shipping costs)
- potential return hassles
- credit card concerns of customers
- privacy issues
- navigating the site

Do everything possible to show you are honest and reputable. Do not sell or lease e-mail addresses. Have a privacy statement that you won't sell customer information.

Customers like a website that is easy to use, quick to download, and updated frequently. Be cautious about graphics that take a long time to come up on screen. At least give customers the option to bypass graphics.

Look into ways to increase search engine results for your site, so that it appears in the first five or ten that come up. (There is a way to bid on "ebay" to get you into the top 5.)

Klotz advises that existing customers (for example, at your farmers' market) should be approached slowly for information for your database. Remember that "customers are selfish and there is a lot of competition on the Net." Invite people to your website; don't ask for the customer's e-mail addresses right away. Have a prize lottery to get customers' names and addresses for your mailing list. Or have on-line coupons they can print out (10% off, etc.). Then ask for their e-mail address so they can receive your newsletter.

With another individual or business website, offer something if they put in a link. Call the local press (Food or Business section, not Agriculture), and offer an interview.

Put your web address everywhere — on all stationery and items that go out. Offer freebies (samples) when filling orders. Have a raffle. Develop a kids e-mail mailing list and send birthday cards. Send fall holiday greetings. List your competitors' prices (shown to be effective). Bid on words for headings (eBay, etc.) to make the top five results from browsers. Make your website interesting. When creating your web page, call the first page "index" to aid search engines.

Constantly test and evaluate your site.

Promotion and publicity

Associations such as the Organic Trade Association (OTA) help promote members through materials and a calendar of events.

Promotions help to increase sales per customer and the number of clients, and enhance the image and visibility of the farm, company and/or product. For an overview of promotion strategies and advertising, refer to *Sell What You Sow!*, *The New Farmers' Markets* and Extension publications such as the Pacific Northwest Cooperative Extension series *Farmer-to-Consumer Marketing* (especially no. 3., *Pricing and Promotional Strategies*) (see **Resources**). Promotions come in different shapes and sizes but they all have some common characteristics.

- ♣ They draw attention and communicate information;
- ♣ They provide an incentive or premium to the consumer;
- ♣ They invite the consumer to buy.

Word-of-mouth advertising by satisfied customers is priceless and cannot be purchased or engineered except by providing good service and a good product. Because an estimated 80% of business comes from return buyers, the focus is on rewarding loyal customers by offering discounts, gift certificates or a free service.

Coverage by the local newspaper or radio/television station can bring in more sales than any paid advertisement. Events on the farm — a Halloween festival for children,

Some Home Pages for U.S. Farms

Claymont Court, Shepherdstown, WV
<http://www.claymont.org>

Cromwell Valley CSA
<http://www.earthome.org>

Earthlands North Quabbin Farm
<http://www.tiac.net/users/elandspc/>

Eco Farms, Lanham, MD
<http://www.ecofarms.com>

Glen Oshira, Hawaii
<http://www.smallfarms.com>

Howell Farm, Titusville, NJ
<http://www.americanmaze.com/PR98Howell.htm>

Massachusetts Farm Directory
<http://www.massgrown.org>
<http://www.massgrown.org/youpick.com>

Peacework Organic Farm, Newark, NY
<http://www.gvocsa.org>

Three Sisters Farm, Sandy Lake, PA
<http://www.bioshelter.com>

Dog Wood Knob Farm, Mt. Vernon, KY
<http://www.geocities.com/RainForest/8450/>

Mountain Gardens, Burnsville, NC 28714
<http://gardens.webjump.com>

Tate Family Farm/Goat Lady Dairy
 Climax, NC
<http://www.goatladydairy.com>

Wollam Gardens, Jeffersonton, VA 22724
<http://www.wollamgardens.com>

Angelic Organics, Caledonia, IL 61011
<http://www.AngelicOrganics.com>

Elixir Farm, Brixey, MO
<http://www.elixirfarm.com>

Inn Serendipity, Browntown, WI 53522
<http://members.aol.com/innseren/public/innserendipity.html>

Susan's Garden, Plattsburg, MO
<http://ianwhite.stanford.edu/susansgarden/>

Camas Meadow Farm, Noti, OR
<http://members.aol.com/camasfarm/>

Emandal, Willits, CA
<http://emandal.com>

availability of a new and unusual food item, a cider-tasting contest — may lure reporters in search of human-interest or weekend-event

stories. Invite the local newspaper's food editor over for a dinner of grass-fed beef, or pastured chicken so she or he can taste the difference from supermarket fare. While writing up a press release, look for the news peg that makes the

story – an accomplishment, an award, anything that seems interesting or valuable to the community. Give the press plenty of notice, good photo opportunities, and always return phone calls.

Paid advertising is the non-personal promotion of an idea, product or service directed at a mass audience. Its aim is to generate an increase in sales, induce brand recognition and reinforce the "unique selling point," inform potential customers about the availability of a product, and create demand for that product. An advertisement should emphasize benefits, not objects. What will people get from your product or from a visit to your farm? High-quality, fresh, delicious produce or meat? Family fun? Friendly service? You can either advertise continuously through the season to maintain your presence in the marketplace, or you can advertise just before a product is available.

Advertising budgets generally range between 4 and 10 percent of sales. Let's say you rely heavily on radio spots for continual advertising during the six months you are open (31). If projected sales are \$50,000 and you commit 4% to the advertising budget, this means you have \$2,000. If 60% of this is allocated to continual advertising through the 6-month marketing season, you have \$1,200 for that period. The balance of \$800 would be allocated to each of those months depending on the percentage of seasonal sales that occurs in that month. If 50% of sales occur in July, then \$400 would be allocated to that month over and above the base budget for April. This amount can be used for other forms of promotion such as direct mailings, or newspaper ads. If competition is high, ad budgets may need to increase. Re-evaluate an ad campaign if it does not bring about a quick increase in sales.

Attractive road signs are another effective form of advertising. Signs that are legible to the speeding

motorist are a way to induce people to stop and visit the roadside market or farm-stand. Signs should have a logo and should reflect the kind of goods being sold—more upscale if they are high-priced and a 'no-frills' sign if otherwise. Signs that advertise an unusual or out-of-the ordinary product will draw the curious to the farm. The first sign should be placed a good distance (at

least 2500 feet) before the market to give the motorist time to decide whether or not to stop. Keep signs neat and well-maintained.

Direct mail is advertising with a personal touch and requires an up-to-date and extensive mailing list. Postcards with pictures of your farm, a logo and a promotional message may be sent just before a farm festival or when produce is available. Direct mailing is only as effective as its mailing list (i.e. its targeting of people who will buy your product).

Mailing lists should be revised each year. Target groups of people likely to buy your product (e.g., members of a health food store or co-op). A mailing list can be developed by asking people to sign up for mailings. Also, ask them where they heard about your product or farm. This information will help you plan future advertising.

Peggy Frederick, Whitney Point, NY

☞ Peggy Frederick of Strawberry Valley Farm in Whitney Point, New York, mails customers a specially-designed card listing the vegetables and strawberries available for U-pick. For Christmas, she sends out the "giftbox" brochure which lists gift items from the farm's bakery and consignment gift shop.

Ellie MacDougall, Maine

☞ In her catalog, Ellie MacDougall, a Maine-based grower, inserts a little promotional mailing on behalf of a local turkey grower, who in turn sells her poultry and turkey stuffing seasonings (32). Many of her seasonings and

vinegars are cross-sold by produce growers at other markets and farm stands.

The catalog is a marketing tool that serves many purposes. Common elements of a catalog are (33):

- ✓ It should *tell a story*. It should differentiate your business from others and explain why and how you are different.
- ✓ It should *work like a reference*, providing detailed information about the product, service and business.
- ✓ It should *be a sales tool*. In addition to providing information, it must promote your product, service and business.
- ✓ It should *create a good first impression*.

Business cards have a way of sticking around in people's wallets long after they have been distributed. Print and hand out business cards with your name, phone number, farm location and product.

The Internet offers a whole new world of marketing opportunities. Its key features are 24-hour accessibility by anyone with Internet capabilities and greatly expanded reach without the costs and limitations of direct mail. Customers may be able to place an order on line, but the chief value is the publicity an attractive website can bring to a producer. Another advantage is making your on-line catalog available to Internet users.

The first North American Agricultural Internet Marketing Conference "Internet Goes Ag, Making it Work For You!" was held in October 1996, in Chicago. An excellent source of information and current resources is the Washington State University Extension (King County) publication *Internet Marketing for Farmers* (available on-line at <http://king.wsu.edu/Ag/internetmarketing.htm>). More information on

e-commerce is available from USDA's Small Farm Center (see **Resources**).

Papa Geno's Herbs, Lincoln, NE

☞ Within six months of setting up a Web page and beginning an e-mail newsletter, Gene Gage

of Papa Geno's Herbs found that plant orders from the Internet had surpassed those from his traditional mail-order catalog (34). Size of the average order through the Internet was higher. Gage sends his e-mail newsletter out 15 times a year. Advertising on e-mail is cheaper, he says. It would cost him 50 cents to send a post card to each customer. Direct mailings to 40,000 people would cost him \$20,000. The same people,

assuming they had access to a computer, could be reached by e-mail for \$5. Each day he receives 100 messages via e-mail. These are in addition to the orders that an employee takes in from her home. The hard work involves spending 20-40 hours a week online, for business and "schmoozing." Gage is constantly on the lookout for links to add to his web page and spends hours giving advice free of charge as resident herb expert of America Online and the gardening site Garden Escape. One disadvantage is that he has had several bad checks from Internet customers, a problem he has never had to face in retail and paper catalog sales.

A lively and regular newsletter, written in the first person, discussing upcoming produce, recipes, farm events and life on the farm, makes the reader feel more involved and connected. Ideas for content may come from customers or from employees.

Flickerville Mountain Farm and Groundhog Ranch, Flickerville, PA

☞ Cass Peterson and her late husband, Ward Sinclair, who farmed with great flair and ingenuity for several years, published an annual newsletter for subscribers to their CSA called *The Groundhog Report*. With just the right touch of wry humor, the publication put together by the former *Washington Post* reporters informed consumers about prices and included tips on cooking vegetables, news from the farm, and quotable quotes.

When creating a newsletter, consider the following (35):

- ☞ What items do you want to promote?
- ☞ What should you say to induce readers to buy?

- ☛ Are readers made to feel included and important?
- ☛ Have necessary details such as farm hours, phone number, deadlines, etc. been included?
- ☛ Is the newsletter uncluttered and visually pleasing?

Including a map of how to get to the farm is always helpful. Newsletters may also be sent to the news media or published as an insert in the regional newspapers.

Angelic Organics, Caledonia, IL

☛ Kimberly Rector, formerly of Angelic Organics, a biodynamic farm northwest of Chicago used packaging to promote and educate people about the product (36). An artist by training, Rector chanced upon a motif for the farm, and used it on specially crafted paper labels with the farm logo and information about the product, on packaging for specialty items such as herbs, on signs designed for the farm stand and at the farmers' markets, and on specially-designed point of purchase posters. That increased demand for produce. Rector recommends retail packaging as a plus for farmers' markets and sales to stores.

Single event promotions like harvest festivals, Easter egg hunts, and Halloween costume contests can be combined with ongoing promotions like school tours or Friday happy hours or open house. Publicize the promotions well ahead to ensure a good turnout.

Lost Nation Orchard and Cider Mill

☛ The Lost Nation Orchard and Cider Mill is a good example of the use of a mix of sales strategies. In addition to creating a striking cider label with a logo to enhance their presence on store shelves, partners Michael Phillips and David Craxton promote Lost

Nation as a community farm (37). People trade labor for cider, helping to pick wild apples, label jugs or dig planting holes for new orchards. Phillips and Craxton write occasional press releases promoting apple tastings and harvest festivals, or providing early-season tips

to growers. They also run ads regularly in these newspapers. The format generally remains the same, but photographs and text may vary. Advertising budgets average 5% of gross receipts. The idea behind their marketing strategy is to promote the experience of authentic country life, its fun and friendliness and generosity of spirit, in their advertisements, their brochures, at their annual harvest festival, at the school tours hosted on Friday mornings,

and on the Lost Nation trading cards - educational cards with a little snippet of information that is handed to the consumer with each purchase. All in all, it makes for a wonderful tourist experience. The ideas, the insight and the creativity behind the marketing package, says Phillips, happened only because they loved and believed in what they were doing.

Conclusion

Finally, some parting advice to people considering direct marketing or processing of farm products. First of all, do something you love and enjoy doing. Success will follow. Invest time and, if necessary, money in research. Try to have a well-considered plan before proceeding but don't be rigid. Learn as you go. Start small and keep your costs and debt as low as possible. Provide a reliable supply of high quality products and build a good relationship with your customers. Take time to listen to their wants, identify market possibilities, and find a unique market niche for your product. Be adaptable to shifting market opportunities. Ensure diverse markets, so that if one fails, you can fall back on the others. Set a fair price and avoid competing directly with big business, especially on price.

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Kirksville, MO 63501-9734
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Southampton, MA 01073
(413) 529-0386
(888) 884-9270
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The electronic version of Direct Marketing is located at:
<http://www.attra.org/attra-pub/directmkt.html>

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www.attra.ncat.org

DIRECT MARKETING: RESOURCES

BUSINESS MANAGEMENT SERIES

ATTRA is the national sustainable agriculture information center funded by the USDA's Rural Business -- Cooperative Service.

Sustainable Farming programs, such as those as Cornell University and the University of California, are often the best sources of recently published guides, as are private initiatives such as the Hartford Food Project. Increasingly, such information is most easily accessed through the Internet. Extension personnel in several states say that all their current publications are listed (and should be accessed) on their websites, as did other organizations.

For out-of-print Extension publications, a U.S. Government Documents repository (generally located at a major landgrant university) or private library may provide access.

Publications which inform small farmers and specialty growers on direct marketing options include The Business of Herbs, Small Farm Today, Growing for Market, and the new electronic publication Sustainable Farming Connection at <http://sunsite.unc.edu/farming-connection>.

A variety of conferences on marketing and agriculture are held every year around the country. The largest is the national North American Farmers' Direct Marketing conference held at the beginning of each year. The Year 2000 conference will be held on February 10-12 Cincinnati, OH. For information on conferences or proceedings, contact Vicki Parker-Clark at (208) 667-6426. (There is no conference website this year.) Information on the annual Mid-Atlantic Direct Marketing Conference, usually held in mid February, may be obtained from Dr. Ramu Govindasamy at Rutgers Coop Extension at 732-932-9171, ext. 25.

Publications

Beck-Chenowith, Herman. No date. Free-range Poultry Production & Marketing. [3-ring binder]. Back Forty Books, Creola, OH. 120 p.
Order for \$39.50 + \$4.50 s/h from Back Forty Books, 26328 Locust Grove Road, Creola, OH 45622. Call (740) 596-4379 for information about short courses for farmers.

Byczynski, Lynn. 1997. The Flower Farmer; An Organic Grower's Guide to Raising and Selling Cut Flowers. Chelsea Green Publications, VT. Chelsea Green Publications, VT.
P.O. Box 428
205 Gates Briggs Bldg.
River Junction, VT 05001.
800-639-4099

Campidonica, Mark. 1997. How to Find Agricultural Information on the Internet. Publication 3387. University of California.

Walks readers through real life examples of how farmers and others have used e-mail and the Internet to improve their business. Available for \$15 ppd from:
UC DANR Communication Services
6701 San Pablo Avenue
Oakland, CA 94608-1239
800-994-8849 or 510-642-2431
Internet address is www.sarep.ucdavis.edu/

CAPAP (ed.). 1990. The Alternative Field Crops Manual. Center for Alternative Animal and Plant products, Minnesota.
Provides information on the production of many minor or new field crops. Costs \$45. Also available is the Alternative Agricultural Opportunities, a bibliography listing over 1600 articles on alternative plants and animals. Cost is \$5. Contact:

CAPAP
352 Alderman Hall
1970 Folwell Avenue
St. Paul, MN 55108.
612-625-4707; FAX 612-625-4237
<http://capap.coafes.umn.edu>

Publications: (continued)

Desai, Mihir. 1994. The U.S. Market For Miscellaneous Oriental Vegetables. A Lac Tech Report, U.S. Agency for International Development, Washington, D.C. 20523. Available free from USAID.

Economic Research Service (ERS) ed. No date. Agricultural Research and Development, Public and Private Investments Under Alternative Markets and Institutions. AER-735. ERS-NASS, Virginia. (703) 605-6900. A copy may be obtained by sending a check or money order for \$29.50 to: ERS-NASS
5285 Port Royal Road
Springfield VA 22161
800-999-6779
See publication at www.econ.ag.gov/
Order from ers.nass@ntis.fedworld.gov

Engel, Allison and Engel, Margaret. 1991. Food Finds—America's Best Local Foods and the People Who Produce Them. Harper Perennial, New York, NY. 346 p.

Gibson, Eric. 2000 [in press]. The New Farmers Markets. New World Publishing, Vista, CA.

Gibson, Eric. 1996. Farmers Markets 96: The What's Hot/What's Not Guide for Growers and Managers. New World Publishing, Vista, CA. 12 p.
Interviews with market managers and vendors from around the country. Available for \$5 from:
New World Publishing
3037 Grass Valley Highway #8185
Auburn CA 95602
916-823-3886

Gibson, Eric. 1994. Sell What You Sow! The Grower's Guide to Successful Produce Marketing. 302 p. Available for \$25.50 from New World Publishing (see above address).

Gregson, Bob and Gregson, Bonnie. 1996. Rebirth of the Small Family Farm. IMF Associates, WA. 65 p.
The book focuses on what to grow and how to sell it. Available for \$9.95 (\$10.65 for WA residents) from:
IMF Associates
PO Box 2542
Vashon Island, WA 98070.

Growing For Market (ed.) Marketing Your Produce: Ideas For Small-Scale Farmers.
Fairplain Publications
P.O. Box 365
Auburn, KS 66402.

Grubinger, Vernon. 1999. Sustainable Vegetable Production from Start-Up to Market. NRAES. Cornell Cooperative Extension, Ithaca, NY. \$49.85.

Hakenson, Dan. 1995. The Small Commercial Garden: How to Make \$10,000 A Year In Your Backyard. 198 p. Send \$20.90 (ND residents \$20.98) to:
PC-Services
PO Box 7294
Bismarck, ND 58507-7294.
800-871-4296.

Hall, Charles R. And Johnson, Jeff L. 1992. A Guide To Successful Direct Marketing. Texas Agricultural Extension Service, Texas A&M University, College Station, Texas. 32 p.
Send \$12 by check payable to:
Account 5500 Texas Extension Education Foundation
Attn: Charles Hall
464 Blocker Building
College Station, TX 77843-2124
409-845-1772

Hall, Stephen F. From Kitchen to Market; Selling Your Gourmet Food Specialty. Upstart Publishing. Available for \$24.95 from:
Upstart Publishing
155 N. Wacker,
Chicago, IL 60606.
800-235-8866.

Hamilton, Neil D. 1999. The Legal Guide for Direct Farm Marketing. USDA/SARE grant. 235 p.
Order for \$20.00 from:
Agricultural Law Center
Drake University
Des Moines, IA 50311
515-271-2947

Henderson, Elizabeth with Robyn Van En. 1999. Sharing the Harvest: A Guide to Community Supported Agriculture. Chelsea Green Publishing, White River Junction, VT. \$25.00.

*Order from Chelsea Green Publ., 205 Gates-Briggs Bldg., P.O. Box 428, White River Junction, VT 05001. (800) 639-4099
<http://www.chelseagreen.com>*

Publications: (continued)

Ishee, Jeff. 1997. *Dynamic Farmers' Marketing*.

Bittersweet Farmstead, 130 p.

Bittersweet Farmstead

P.O. Box 52

Middlebrook, VA 24459

Describes how family farmers can make the best of the explosive growth in farmers' markets. Copies may be obtained by calling 540-886-8477. Send 14.95 plus \$2.50 shipping and handling.

Island Meadow Farm (ed.) *Fifty Small Farm Ideas*.

Send \$3.75 to:

Island Meadow Farm

295 Sharpe Road

Anacortes-Fidalgo Island, Washington, 98221.

Jenkins, R.P. 1991. *Establishing and Operating A Farmers' Market: A Manual for Sponsors, Boards of Directors, and Managers of Farmers' Markets*. University of Tennessee Agricultural Extension Service. 24 p.

Order as Pub. 847 from:

Wanda Russell, Co-op Ext.

(423) 974-7360

Jozwik, Francis X. *How To Make Money Growing Plants, Trees and Flowers: A Guide to Profitable Earth-Friendly Ventures*. Andmar Press. 180 p.

Andmar Press

P.O. Box 217

Mills, WY 82644.

Also by the same author:

Perennials For Profit or Pleasure: How To Grow and Sell in Your Own Backyard. 80 p.

Kamoroff, Bernard. 1992. *Small-Time Operator: How to Start Your Own Small Business, Keep Your Books, Pay Your Taxes and Stay Out of Trouble!* Bell Springs Publishing, Laytonville, CA 95454. 188 p.

Larkin, Geraldine A. 1992. *12 Simple Steps to a Winning Marketing Plan*. Probus Publishing Co., Chicago, IL. 217 p.

Lee, Andy. 1993. *Backyard Market Gardening: The Entrepreneur's Guide to Selling What You Grow*. Good Earth Publications. 351 p.

Good Earth Publications

P.O. Box 898

Burlington VT 05482

Practical guide on growing food for income. Describes membership gardens, CSA, growing for restaurants, producers' cooperatives, farmers' market etc. To order call 802-425-3201 or e-mail goodearth@igc.apc.org.

Makus, L.D. et al. 1993. *Planning Your Business*. CIS 978. University of Idaho, Coop. Extension System. Ord. #422 Available for 50 cents from:

Ag. Publications

Idaho Street

University of Idaho

Moscow, ID 83844-2240.

208-885-7982.

<http://info.ag.uidaho.edu/catalog/Catalog.html>

Also available are:

Makus, L.D., J.F. Guenther, and J.C. Foltz. 1992.

IS942. *Pricing Nontraditional Products and Services*. Cooperative Extension, University of

Idaho. 4 p. Ord. #386. *and:*

Parker-Clark, V.J. 1992. *Marketing Your Produce Directly To Consumers*. University of Idaho, Coop. Extension System. 6 p. Ord. # 620.

Parker-Clark, V.J. 1989. *Assessing the Potential for Farm and Ranch Recreation*.

EXT699, Ord. #596. \$1.00.

Smathers, R.L. 1992. *Understanding Budgets and the Budgeting Process*. CIS 945. University of Idaho Coop. Extension, Moscow, ID. 5 p. *Order*. 389. \$1.00.

Maue, Patricia et al. 1995. *Growing Your Own Specialty Food Business - From Farm to Kitchen to Market*. Publication of the NYS Small Business Development Center, Ulster County Community College, Stone Ridge, NY.

MSAWG (compiler). 1996. *Direct Marketing Resource Notebook*. Midwest Sustainable Agriculture Working Group.

Contains over 100 pages of practical information on direct marketing with examples of farmers, contacts for state and federal marketing regulations in the midwestern states, and other resources. Send check for \$20 (NE residents add \$1 per copy) payable to:

Nebraska Sustainable Agriculture Society An update of this book is being planned for 2000.

PO. Box 736

Hartington, NE 68739

402-254-2289.

Mississippi's Southern Rural Development Center produced the Food Processing Industry—Resource Directory (1997) as a step toward addressing food processing development issues in the southern region. SRDC #205 is currently out of print, but hard copies, when available, will be \$10 from:

SRDC

Box 9656

Mississippi State, MS 39762.

601-325-3207

Publications: (continued)

NRAES. No date. Facilities For Roadside Markets. Northeast Regional Agricultural Engineering Service (NRAES) Cornell University Ithaca, NY 14853-5701.

The booklet, NRAES-52, is available for \$5.50. Also available from NRAES are:

Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises (NRAES-32) for \$8 plus \$3.50 s&h and Produce Handling For Direct Marketing (NRAES-51) \$7 plus s&h. Write to:

NRAES
152 Riley-Robb Hall
Cornell University
Ithaca, New York 14853.
607-255-7654; FAX 607-254-8770

Nebraska Extension (ed.) Setting Up Your Own Business: Financing Your Business (NebFact 96-278). Note: Only available from NE county extension offices. See www.ianr.unl.edu/pubs.

Nebraska Sustainable Agriculture Society. No date. The Direct Market Resource Notebook. Hartington, NE 68739.

To order, send \$20 to:
NSAS, P.O.
Box 736,
Hartington, NE 68739.
402-254-2289.

O'Neill, Kelly. 1997. Emerging Markets for Family Farms. Center for Rural Affairs, Walthill, Nebraska. 62 p. Available for \$7 from:
CRA
PO Box 406
Walthill, NE 68067-0406.
402-846-5428.

Pacific Northwest Coop. Extension (ed.) 1980. Farmer-to-Consumer Marketing: An Overview. Published by Washington State University Coop Extension, Oregon State University Coop Extension, University of Idaho Coop. Extension and the USDA. Also available are:

- ✓1. *Farmer-to-Consumer Marketing: An Overview*
- ✓2. *Farmer-to-Consumer Marketing: Production and Marketing Costs*
- ✓3. *Farmer-to-Consumer Marketing: Merchandising, Pricing and Promotional Strategies*
- ✓4. *Farmer-to-Consumer Marketing: Place of Business and Product Quality*
- ✓5. *Farmer-to-Consumer Marketing: Personnel Management*

✓6. *Farmer-to-Consumer Marketing: Financial Management*

Order on-line at:

http://caheinfo.wsa.edu/pub_home-page/pub.html

Packer, The (ed.) [Yearly]. The Packer's Produce Availability and Merchandising Guide. The Packer, Lenexa, Kansas.
Information about display and promotion, post-harvest handling of major vegetable and fruit crops. Also publishes Fresh Trends annually.

Contact:

The Packer 2000 Guide
Circulation Department
10901 West 84th Terrace
Suite 20, Lenexa, KS 66214.
800-255-5116.

Visit <http://www.thepacker.com>. The 2000 guide will be available in June.

Richards, Keith and Wechsler, Deborah S. 1996. Making It On The Farm. Increasing Sustainability Through Value-Added Processing and Marketing. Southern Sustainable Agriculture Working Group. For copies, send check for \$12 payable to SSAWG Publications
PO Box 324
Elkins, AR 72727

Rocky Mountain Institute (ed.) 1987. "Marketing," How To Survive As A Small Farmer. Rocky Mountain Institute. 40 p.
Rocky Mountain Institute
1739 Snowmass Creek Road,
Snowmass, CO 81654

Salatin, Joel. 1995. Salad Bar Beef. Polyface, Inc., Swoope, VA. 368 p.

Salatin, Joel. 1993. Pastured Poultry Profits. Polyface, Inc., Swoope, VA. 330 p.

Salt, Steve. 1999. Specialty Ethnic Produce. Order from Steve Salt, Green Valley Farm, Kirksville, MO. E-mail: saltsgvf@istlaplata.net.

Schermerhorn, R. W. 1991. Is Your Agribusiness Project Feasible? University of GA Cooperative Extension, Athens, GA. 15 p. At:
<http://www.ces.uga.edu/pubed/b1066-2.html>.

Schmidt and Acock. Marketing Fruits and Vegetables. #570. Mississippi State Extension, Mississippi State, MS 39762.

Publications: (continued)

Smith, Lauren K. and Cathy Roth (ed.) 1993. To Market! To Market!: Promotional Ideas That Will Bring Customers to Your Farmers' Market. AG-MARK. Cooperative Extension, University of Massachusetts, Pittsfield, MA. 20 p. To order a copy of this booklet, send \$1.50 to:

*US Extension Bookstore
Draper Hall, B32010
Amherst, MA 01003-2010
413-448-8285. (no phone orders)*

Sullivan, G.H. et al. 1981. Direct Farm to Consumer Marketing: A Profitable Alternative for Family Farm Operations. #HO-160. Purdue University Extension Service, West Lafayette, IN 47907. Sustainable Agriculture Research & Education. 1999. Farming for Profit, Stewardship & Community. Tipsheet #2: Add Value Through Marketing. <http://www.sare.org/san/tipsheet/tip2.htm> 3 p.

University of California (ed.) 1999. Specialty and Minor Crops Handbook. Publication #3346. Division of Ag. and Natural Resources, Oakland, CA. *Available from the Small Farm Center for \$30 (see list of organizations for address).*

University of California (ed.) No date. Growing Across the Seasons: A Season and Harvest Extension Guide for the Small-Acreage Farmer. UC Extension. Available for \$13.73 ppd from: *UC Coop Extension
11477 E. Avenue
Auburn, CA 95603
Should I Sell at the Farmer's Market available from UC Davis Coop Extension, Davis, CA 95616*

University of Delaware (ed.) No date. Guide to Planning the Farm Retail Market. University of Delaware Cooperative Extension. 85 p. Available from: *University of Delaware
College of Agricultural Sciences
Ag. Experimental Station Cooperative Extension
Newark, DE 19717-1303*

University of Illinois Urbana-Champaign College of Agriculture(ed.) 1990. A Grower's Guide to Marketing Fruits, Vegetables and Herbs in Illinois. Available from: *Cooperative Extension Publications
69 Mumford Hall
1301 West Gregory Drive
Urbana, IL 61801*

University of Wisconsin (ed.) No date. Direct Marketing of Farm Produce and Home Goods. Coop Extension. Available from: *Extension Publications
630 W. Mifflin St. Room 170
Madison, WI 53703-2636
608-262-3346*

Wallin, Craig. 1989. Backyard Cash Crops: The Sourcebook for Growing and Selling Over 200 High-Value Specialty Crops, Homestead Design, Inc., Friday Harbor, WA. 231 p.

Whatley, Booker T. 1987. How To Make \$100,000 Farming 25 Acres. Regenerative Ag. Association, Emmaus, PA. 1987. *Focuses on location, crop selection and mix, and marketing. Gives insight on marketing strategies, equipment, high value crops. Available for \$22.50 from: American Botanist Sellers
P.O. Box 532, Chillicothe IL 61523.
309-274-5254; FAX: 309-274-6143.*

Directories:

National Organic Directory (400 + p)
Available for \$50.95 (CA residents add \$3.48)
from: *CAFF
PO Box 363
Davis, CA 95617
800-852-3832
(lists farmers, buyers, and brokers, sustainable agriculture publications, organic certification groups, state laws etc.)*

Agencies/Associations:

Alternative Farming Systems Information Center
National Ag. Library
10301 Baltimore Avenue, Room 304
Beltsville, MD 20705-2351
301-504-6559;
E-mail: afsic@nal.usda.gov

Farming Alternatives Program
17 Warren Hall
Cornell University
Ithaca, NY 14853
607-255-9832

Food and Agricultural Products Research and Technology Center
Oklahoma State University
Stillwater, OK
The Center's objective is to help develop successful value-added enterprises in OK. For a free fax subscription to the Food Fax Newsletter, fax a request to Peter Muriana at 405-744-6313 or call him at 405-744-5563.

Agencies/Associations: (continued)

Food Processing Center
University of Nebraska
60 Filley Hall
Lincoln, NE 68583-0928
402-472-5791

Contact Allis Burney

The Entrepreneur Assistance Program helps prospective manufacturers with issues like product development, food safety, market research and selection, packaging and label design, business risk protection, product pricing, image development, regulatory issues, etc.

Hartford Food System (Mark Winne)
509 Wethersfield Ave.
Hartford, CT 06114
860-296-9325; FAX: 860-296-8326

Institute of Food Technologists
221 N. LaSalle St., Suite 300
Chicago, IL 60601
800-IFT-FOOD

Missouri Alternatives Center
628 Clark Hall
Colombia, MO 65211
573-882-1905 or 800-433-3704

Provides information on alternative crops, small farm options and alternative rural opportunities.

National Farmers Direct Marketing Association
14850 Countryside Drive
Aurora, OR 97002
503-678-2455

Organic Farmer's Marketing Association
8364 S. State Road 39
Clayton, IN 46188
317-539-6935; E-mail: cvof@iquest.net
Publishes The Organic Organizer.

Restorative Development Initiative
Collective Heritage Institute
826 Camino de Monte Rey, Suite A6
Sante Fe, New Mexico 87505
505-986-0366; FAX 505-986-1644

Program linking family farmers, including native American growers, directly with progressive companies and markets to facilitate the creation of an alternative agricultural economy outside the commodities market.

Small Farm Center
University of California
Davis, CA 95616-8699
916-752-8136

Published the Specialty and Minor Crops Handbook that describes seed sources, cultivation, production and marketing alternatives for 62 crops. A bimonthly newsletter called Small Farm News is also published. Also available are Considerations in Enterprise Selection, How to Determine Your Cost of Production, Direct Marketing and Quality Control, Marketing Cooperatives, and Setting Up a Roadside Stand, three booklets that cover marketing opportunities for small farmers, and the Small Farm Handbook (169 pp, \$24.55) an easy to follow book for prospective farmers, new farmers and farmers who want to start new enterprises.

USDA/RBS Program
Stop 3201, 1400 Independence Avenue S.W.
Washington, D.C. 20250-3201
202-690-4730

(Rural Business-Cooperative Service (RBS) helps farmers and other rural residents develop cooperatives to obtain supplies and services at lower cost and to get better prices for the products; advises rural residents on developing existing resources through cooperative action to enhance rural living; helps cooperatives improve services and operating efficiency; informs members, directors, employees, and the public on how cooperatives work and benefit their members and their communities; and encourages international cooperative programs. RBS also publishes research and educational materials, including the Farmer Cooperatives magazine).

Periodicals:

Acreage Advisor
15400 N 56th St.
Lincoln, NE 6814-9706
402-785-2220

Bimonthly 24-page publication geared toward the small farm and acreage owner. One year subscription is \$9.95. Contact Phil Pfeiffer.

American Fruit Grower
American Vegetable Grower
Meister Publishing Co.
37733 Euclid Avenue
Willoughby, OH 44094
216-942-2000

Periodicals: (continued)

The Business of Herbs
439 Ponderosa Way
Jemez Springs, NM 87025-8036
505-829-3448; FAX 505-829-3449
E-mail: olives@jemez.com
Bimonthly, \$20 per year.

Country Journal
P.O. Box 500
Mt. Morris, IL 61054

Farm Direct Marketing Digest
P.O. Box 4612
Pasco, WA 99302
509-547-5538; FAX 509-547-5563

Farmers Market Monthly and Farmers Market Outlook
PO Box 4220
Culver City, CA 90231
310-673-8366

Bi-monthly newsletters on California's farmers markets. Carries farmer profiles, updates on new crops, legal and regulatory issues, interviews with chefs, authors, policy-makers and others with and interest in farmers markets. Annual subscription costs \$20.

Farming Alternatives Newsletter
c/o Farming Alternatives Program
17 Warren Hall
Cornell University
Ithaca, NY 14853
607-255-9832

Gourmet News
PO Box 1056
Yarmouth, ME 04096

The Gourmet Retailer
3301 Ponce de Leon Boulevard, Suite 300
Coral Gables, FL 33134
305-446-3388

Growing for Market
Fairplain Publications
P.O. Box 365
Auburn, KS 66402
Subscription is \$24/yr.

Labels: Linking Consumers and Producers

Free monthly electronic newsletter from the Institute for Agriculture and Trade Policy that provides news, events and resources related to the labeling of products for environmental, social and regional sustainability. To subscribe, send e-mail to majordomo@igc.apc.org. Leave subject blank. In body, type subscribe label-news.

MFA Marketing Digest
Minnesota Food Association
2395 University Avenue, Room 309
St. Paul, MN 55114
612-644-2038

Contact: Anne deMeurisse
Reports information of interest to small-scale food producers and processors who are creating a sustainable food system in Minnesota. Features profiles of producers, processors and buyers.

Maine Organic Farmer and Gardener
PO Box 2176
283 Water Street
Farrell Building, 4th Floor
Augusta, ME 04338
207-622-3118
The March-May issue 1996 is full of marketing and production ideas from the Farmer-to Farmer conference. Back issues are available for \$4.50.

The Packer
10901 West 84th Terrace
Suite 20
Lenexa, KS 66214
800-255-5116
Gives weekly news about marketing and production of fruits and vegetables. Produces The Packer's Produce Availability and Merchandising Guide with information on vegetable and fruit crops, display and promotion, post-harvest handling, major production areas and other useful details.

Produce Business
Phoenix Media Network
P.O. Box 810425
Boca Raton, FL 33481
561-447-0810
A monthly magazine available for \$48. Ask for Fran.

Rural Enterprise
P.O. Box 878
Menomonee Falls, WI 53052-0878
414-255-0100
(discontinued but some back (1986-1992) issues still available. \$3 each.)

Periodicals: (continued)

Small Farm Digest

USDA-CSREES

Mail Stop 2220

1400 Independence Avenue S. W.

Washington, DC 20250-2220

800-583-3071; FAX 202-401-5179

smallfarm@reeusda.gov

Free quarterly newsletter on farm-related trends and developments, announcements, etc. Also available from this office is the "Getting Started in Farming" series and other factsheets. See

<http://www.reeusda.gov/smallfarm>.

Small Farm Today

3903 Ridgetrail Road

Clark, MO 65243-9525

800-633-2535

Specialty Crop Digest

Homestead Design, Inc.

P.O. Box 1058

Bellingham, WA 98227

360-676-5647

Stockman Grass Farmer

P.O. Box 2300

Ridgeland, MS 39158-2300

800-748-9808

University of Wisconsin Coop Extension

Direct Marketing Newsletter

c/o John Cottingham

Ag. Marketing Specialist

717 Pioneer Tower

University of Wisconsin, Platteville

Platteville, WI 53818-3099

608-342-1392

Videos and Audios:

High-Value Marketing. 1992. Farmer-To-Farmer Series. Rodale Press, Emmaus, PA.

To order, send \$29.95 to:

Farm Videos, c/o Rooy Media

7407 Hilltop Drive, Frederick, MD 21702

301-473-8797

Contact Rooy Media for other titles in the series.

Gerber, Michael. 1995. The E Myth Seminar.

Nightingale-Conant Corp., Niles, IL

(Six sound cassettes on how to run a business.

Suggests that most businesses are started by people who want to turn a beloved interest into an occupation.)

Databases and listservs:

Foodline is a trio of databases providing international coverage of food marketing, technical and regulatory information. Foodline: International Food Market Data is a bibliographic database of global market information from approximately 250 food and beverage and related publications, Foodline: Food Science and Technology, which consists of abstracts from over 550 journals, books, reports and papers; and Foodline: Current Food Legislation, a database summarizing provisions of current food additive regulations and food composition and labeling standards for the U.S. and seven European Union countries.

The USDA's market news service gives daily or weekly updates on wholesale produce/herb/cut flower prices.

<http://www.ams.usda.gov/marketnews.htm>

The Maine Organic Farmers and Gardeners Association started a bi-weekly price report in 1996. Prices are compiled by interviewing 20 farms about what they are charging for currently available organic produce. Items for which retail and wholesale prices are listed include vegetables, berries, tree fruit, herbs, bunched flowers, seedlings, and organic meats. Report available by mail for \$10 per season from:

MOFGA,

PO Box 2176,

Augusta, ME 04338.

The Massachusetts Department of Ag. Has information on farmers' markets and direct marketing, mail order businesses at their website www.massgrown.org

For 12 years of research reports, including marketing, try the SARE database at www.sare.org/san/projects/.

New Crop Resource Online Program at

<http://www.hort.purdue.edu/newcrop> provides a look at new and specialty crops.

A discussion group about marketing is available on the Internet. To subscribe to direct-mkt, send the following message to majordomo@reeusda.gov
subscribe direct-mkt

For a similar discussion group for small farmers, send message to majordomo@reeusda.gov Leave subject blank. In the body, type: subscribe
smallfarm-mg

Organic Farmers Marketing Association web site has a public page and a private page where certified organic farmers can discuss markets, prices and other subjects. The private page is open only to members of the Organic Farmers Marketing Association. Send \$25 to:

OFMA

PO Box 159

La Farge, WI 54639

Or look up <http://www.iquest.net/ofma/>



Databases and listservs: (cont.)

SMALLFARM-MG is a listserve that identifies small farm contacts, farmers and others interested in strengthening the capacity of small and mid-size farmers to improve their income through a systems approach. To subscribe, send mail to majordomo@reeusda.gov. Leave subject blank. In the body, type subscribe smallfarm-mg Sustainable Farming Connection is an interactive website with innovative production and marketing information. Visit <http://sunsite.unc.edu/farming-connection>
Contact:

USDA
AMS, F&V Division
Market News Branch, Room 2503
South Building,
PO Box 96456
Washington DC 20090-6456
<http://www.ams.usda.gov/marketnews.htm>

A privately published report called the Organic Market News is available for \$65/year by mail and \$75 by fax. Contact

Farmer's Information Network
PO Box 2067
Santa Clara, CA 95055
408-247-6778

Another is the Organic Food Business News Fax Bulletin available for \$205 and published by:

Hotline Printing and Publishing
P.O. Box 161132
Altamonte Springs, FL 32716
407-628-1377

A private website promising Today's Market Prices has, as of October 1999, "reopened the registration to consult" their daily and historical prices database, free of charge. See <http://www.todaymarket.com> for culinary herbs, fruits, and vegetables.

The CA-based federal-State Market News Service gives daily reports of prices and supplies, annual summaries of shipments and prices.


California Department of Food & Agriculture
Division of Marketing Services
State Market News Service
1220 N Street
Room 126
Sacramento, CA 95814
(916)654-1240
<http://www.cdffa.ca.gov>

Compiled by Katherine Adam, Radhika Balasubrahmanyam, and Holly Born

November 1999

Notes:

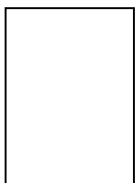
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3. Do you know of any related research that would add to the information presented here?
4. Do you know a good related website not listed in this publication?
5. Please add any other information, or comments that you wish to share.

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Is Your Agribusiness Project Feasible?

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Considerable change is occurring in Georgia's agriculture. Some farmers face difficult financial times as a result of such factors as limited market opportunities for traditional commodities, volatility in commodity prices, price increases for most input items, changes in farm policy and programs, and unfavorable weather conditions. In addition, considerable acreage has been removed from production or shifted from one enterprise to another, resulting in decreased demand for farm inputs. Impacts related to declining levels of both on-farm and off-farm business activity are being felt by farmers, input supply firms, marketing firms and other firms supplying services to the agricultural sector.

Rural communities have been affected, severely in some cases, by changes in agriculture-related business activity. Some rural communities are experiencing economic growth rates comparable to urban and suburban areas. Other rural communities are experiencing a decline in growth rates. A decline in business activity because of a decline in demand for consumer goods and services and agricultural inputs supplied by local businesses results in a general decline in the local tax base. Local governments depend on their tax base to fund public services such as schools, hospitals, waste disposal, fire and police protection, and roads.

In short, multifaceted changes are occurring that are affecting Georgia's agriculture and rural communities. To cope with these changes, Georgia's farmers and agribusiness firms that depend on agriculture must constantly search for alternative types of enterprises and/or alternative methods of producing and marketing goods and services. While conducting this search it is critical to recognize that before any new enterprise or method of producing and marketing a product is

initiated, it should be determined whether the proposed venture is financially viable; that is, will it be profitable? A feasibility study is designed to determine whether a specific proposal has a profit potential and is financially sound.

This publication reviews the types of situations requiring feasibility analyses and discusses what is involved in conducting a feasibility analysis. It is also designed to serve as a guide for conducting adequate and meaningful feasibility studies.

Types of Situations Requiring a Feasibility Analysis

It is important to conduct a feasibility analysis any time a firm considers significant change in its present operating situation because one purpose of conducting the analysis is to avoid costs associated with making a wrong decision. If the analysis identifies a "good" business opportunity, a completed feasibility study is an ideal document for planning purposes and can be used for securing necessary financing.

The following situations may require a feasibility analysis before a final operational decision is made:

- When a farmer or group of farmers is considering producing or marketing a new commodity.
- When a group of farmers is considering a new venture, such as the formation of a cooperative to purchase farm inputs or to collectively market the production of the group's members.
- When a farmer or agribusiness firm is considering diversifying operations. Many farmers and agribusiness firms have diversified into alternative enterprises in an attempt to reduce reliance

on one product or one group of products, to lower overhead costs, and to more fully utilize existing production resources, facilities or distribution channels.

- When a firm is considering a geographical expansion of its market area. Many agribusiness firms have expanded their market area to gain a larger market share and achieve a greater ability to negotiate price with buyers and/or sellers.
- When a firm is considering the international market. Many agribusiness firms are interested in the export market as a means of expanding output. There are many differences between export markets and domestic markets, and many incur additional costs.
- When a firm is considering a new service or product line. For example, many of Georgia's input supply firms have added services and products because their customers suggested a need. Many of these products or services have been added without the benefit of a feasibility analysis to determine if the addition would be profitable.
- When a farm or agribusiness firm is considering adoption of new technology, a new production system, or new tillage or conservation practices. Adoption of new technology is often required for agricultural operations because of changing sanitation requirements, pollution standards and environmental concerns.
- When a firm is considering a new location. This may be the result of changing conditions at the firm's present location, including wage rates, adverse public opinion regarding pollution control or a decline (or increase) in production of the raw product because of altered competitive conditions compared to other areas.
- When a firm is considering expansion or modernization of present facilities. This desire may stem from expanded demands for goods or services, from an attempt to gain economies of size in the production process or from a desire to update obsolete facilities to better compete with other firms.
- When the firm is considering a combination or alliance of firms to improve the operating position and further the common interest of these firms. This situation includes mergers, acquisitions or consolidations. The need for this type of reorganization may result from a decline in volume handled by the agribusiness firms, a change in the market structure that requires larger volume or the need

to ensure a supply of inputs or a market for the firm. Duplication of effort can often be eliminated and costs reduced if two or more firms are consolidated.

This list indicates that the term "feasibility" is broad and covers many situations that develop for farmers and individual agribusiness firms. Consequently, the content of and the methodology followed in conducting any given feasibility study varies considerably. This publication reviews the content of a complete feasibility study and outlines an analysis for a new enterprise. However, this study and analysis can also be related to analyzing partial projects, such as an agribusiness firm building a new facility to complement its ongoing business or adding a new service to better serve its clientele. Appendix A summarizes the elements of a complete feasibility analysis in outline form. Appendix B provides a listing of various types of feasibility studies that have been conducted by members of the University of Georgia Center for Agricultural and Economic Development and the Department of Agricultural and Applied Economics. This listing demonstrates the breadth of types, methodologies and technical designs of feasibility studies as well as the variety of subjects investigated using feasibility studies.

Conducting a Complete Feasibility Analysis

A feasibility study can be divided into two major phases: An analysis of directly influencing factors and an analysis of environmental conditions.

Analysis of Directly Influencing Factors

This phase of a feasibility study is designed to provide basic information required to determine the economic viability of the proposed enterprise. The information will likely be required for loan applications and helps determine whether the enterprise can earn profits and generate sufficient cash flow to repay the loan. In other words, this phase of a feasibility study is designed to answer three questions:

1. What factors must be considered to determine whether the proposed venture should be pursued?
2. How much will it cost to enter the business and what facilities will be needed?
3. How much profit can be made and when can this profit be expected?

The analysis of directly influencing factors can be divided into market determination, raw product supply and the production process.

Market Determination

Determining the market for a product or service is the most difficult part of the analysis to conduct in most feasibility studies. The degree of difficulty is related to the accessibility of potential customers. For example, a farm supply or marketing cooperative considering adding a service for its members may survey its existing membership to secure an indication of demand for the service. However, if the same firm is considering the initiation of a market development program for a product produced by its members, potential customers will need to be identified.

Availability of a market is critical to the success of any business venture. If a market does not exist for a product or service, then there is no economic rationale for producing the product or offering the service and the feasibility analysis can be terminated.

For the remainder of this publication, the term “product” is defined broadly to include a physical product or a service.

Analyzing market potential for a product involves determining current and potential consumption of the product, types and locations of available markets, types of available distribution systems, ways the market can be entered, types of buyers within the market, types of selling arrangements used and the level of prices charged for the product. The following items should be analyzed to determine market potential.

Consumption: Current product consumption and trends must be determined for both the proposed product and competing products. In what forms, qualities and volumes is the product consumed? Which segments of the population consume the product? Are these segments getting larger or smaller?

Markets: Knowledge about the market a firm expects to serve must be obtained. If a firm is considering supplying a new product to its current customers, they may be its market, but the firm may want to expand its market by attracting new customers. Are these markets domestic or international? What will it cost to serve these markets? Who is currently serving these mar-

kets? How will competitors react if another firm enters the market? At what capacity are current competitors operating? Can a new firm compete with existing firms or potential entrants?

Distribution System: Determine the type of distribution system appropriate for the proposed business. Will it be necessary to perform any delivery activities? Will transportation of the product to the market be required? If so, what methods are available? What delivery schedules will be required? Should the firm provide transportation services? If so, should equipment be purchased or leased? What will be the cost of providing distribution services?

Market Entry: Determine how the product will be introduced into the market. Will the product be marketed under the firm’s brand or a buyer’s (wholesaler or retailer) brand? What will get the buyer’s attention: lower prices, advertising and promotion, or some other method? How long will it take to build the market to the desired sales volume? What costs are associated with entering the market?

Buyers: Identify buyers. What types of buyers (retail stores, wholesalers, farmers, manufacturing institutions or others) are expected to purchase the product? What volume is each buyer expected to purchase? Where are the buyers located? What product specifications will buyers require? Have potential buyers indicated an interest in the product? What kind of commitment will potential buyers make to buy the product? How reliable are buyers of this product? What kind of payment schedules will be encountered?

Selling Arrangements: The types of selling arrangements that may be encountered also needs to be addressed. What kinds of selling services must be provided with the product, and what costs will be involved? Should a sales force be maintained or should a broker be used? Should the firm have sales offices? If so, where should they be located? How many salespeople should the firm have? What type of compensation plans should be implemented for salespeople? What will be the cost of providing these selling activities?

Prices: A critical element of the analysis is the price the firm can expect to charge for the product. This can be determined in part by analyzing past prices and price trends. Price projections can then be developed

in light of expected future consumption. Expectations of buyers and other suppliers of the product should be included in the price predictions.

Price prediction is often a difficult task. The process becomes increasingly difficult the further into the future prices are predicted. If prices are characterized by a large amount of variation, future price projections should reflect this historic variability. Often, the process of projecting prices involves determining a relevant range of prices; then you can determine how sensitive financial success is to the level of prices.

Raw Product Supply

This part of the analysis determines availability of raw product inputs for the proposed enterprise. Examples of inputs include fat cattle for a meat packing plant, feeder cattle and feed grain for a feedlot, vegetables for a packing shed or a processing plant, oilseeds for a crushing facility and grain for a feed mill.

Four factors need to be considered when analyzing raw product supply.

Minimum Size Facility: A minimum facility size is necessary to produce output at an acceptable per-unit cost for many products. Most agribusiness firms operate multi-facilities and one of these limits the rest. For example, the processing plant in an integrated broiler operation is usually the limiting facility and all other facilities (such as the hatchery, grow-out and feed mill) must be geared to the processing plant. Thus, if the minimum facility size for a broiler processing plant is 12,000 birds per hour, then all other facilities and operations in the integrated organization must be designed to provide 12,000 birds per hour to the processing plant. In general, the minimum economic size of a facility can be determined by a cost analysis of existing plants or by synthesizing a model facility from specifications provided by equipment companies.

Plant Requirements: The minimum economic size of the facility can be used to determine the required amount of raw product. If, for example, consideration is being given to establishing a 20 head per-hour meat packing plant that will operate eight hours a day, five days a week, 52 weeks a year, then about 41,600 head will be required to operate at capacity. Procurement for the previously integrated broiler processing facility would require about 25 million broilers annually. The

plant must be provided with adequate raw product to facilitate operation at or near capacity if the plant is to be financially viable.

Availability of Required Inputs: After the required amount of raw product is established, determine if this quantity is available in the needed quality and at an affordable price. There is usually a maximum distance from the facility within which the firm must obtain its raw product. In some cases, this distance is determined by the effect on quality of time from harvest to processing. In other cases, transportation costs define the area within which the facility can draw its raw product. For example, most poultry processing facilities limit their production area to 25 miles from the plant.

With these factors in mind, you can determine the availability of raw product. A survey of the defined production area (the drawing area for the facility) is usually necessary. This survey will initially be an analysis of statistical production data for the area to determine if there is enough production of raw material to support profitable operation of the facility. The survey may also include direct contact with area growers to determine future production plans and future price expectations.

Where present volume of production is below facility needs, the survey should focus on potential producers to determine their willingness to begin production of the raw product. For example, the poultry processing plant would require production from about 200 broiler houses. The survey attempts to determine if potential producers in the area have or would be willing to build 200 broiler houses.

Assurance of Future Input Supply: It is not sufficient to know that adequate production for plant needs currently exists in the area. There must be some assurance of future availability of required inputs. Is the source of raw material dependable? What explicit arrangements can be made for procurement? Would growers sign long-term contracts to ensure an adequate source of supply? It is also important to identify the current market use of the raw product and to determine what degree of market entry appears possible. Can the proposed business compete with this alternative use?

The amount of raw material needed to operate the proposed facility at an efficient level can be established

from the Raw Product Supply stage of a feasibility study. This stage of the study will also show whether this raw product is currently available at an acceptable price and if this supply source is dependable.

Production Process

This phase of a feasibility study analyzes the production component of the proposed activity. It assesses specific facility needs, capital requirements, cost and quantity of labor needed, necessary financing, and the potential costs and returns associated with the business venture.

Facility Determination: Determining the minimum size of the controlling facility was discussed under the “Raw Product Supply” section. The facility determination phase of the analysis expands this to include specific facility needs for the entire operation. In this stage, special emphasis must be placed on current technology that the enterprise must consider to compete within the desired business environment.

Also, place special attention on prevention of potential problems that could arise from such social concerns as waste management and air and water pollution. The type and cost of technology required to meet these concerns has become increasingly important as a basic element of feasibility studies.

Investment Capital: Once specific facility needs have been determined, the cost of developing the facility can be estimated. How much capital will be required to meet initial investment needs? Costs of the necessary facilities are based on estimates from equipment companies, construction companies and utility companies.

Labor: Labor requirements can be estimated after facility needs are determined. (Information on how many employees are required to operate the proposed facility is usually available from the companies providing the facilities.) By comparing facility needs to the available local labor force, the issue of adequate labor can be addressed. Two important cautionary points need to be raised. First, identify any special skills necessary to meet labor requirements. Second, it is important to recognize that a given level of local unemployment is not necessarily an indication of the available labor force or of willingness to work at a particular type of work.

Labor needs also involve availability of management and technically trained people. This factor can have a major influence on success or failure of the undertaking. Such talent may be difficult to find in some locations. These key people should be identified during the feasibility study. If they are not available locally, identify them elsewhere and make arrangements for relocating them.

Cost of Operation: This phase analyzes information about wage rates, management costs, raw material input costs, utility rate structures, and fixed costs including depreciation, interest, taxes and insurance. This analysis is used to develop cost budgets for the various phases of the operation. These budgets should provide an estimate of per-unit cost of operation.

Profitability: The profitability of the operation can be projected using the estimates of costs and expected prices. A projected income statement must be prepared to determine the profitability of the operation. Preparation of a break-even chart is recommended. This chart will show the level of production where the proposed enterprise will be able to exactly cover all costs of operation. The chart can be used to determine break-even points for alternative output price levels, wage rates and raw product costs. The break-even chart provides information on the minimum level of production and minimum output price that must be attained to achieve the break-even point.

Working Capital: Completion of the projected income statement does not represent the end of the feasibility study. Another important item to include in the study is the cash flow summary. Provision for adequate working capital is one of the most critical items for the successful operation of a business. A cash flow summary determines the firm's cash needs and the sources available to meet these needs.

It is important to know how much capital will be needed for day-to-day expenses such as wages, inventories, utilities and raw product, when this capital will be required and its source. Will operating capital be generated from customer receipts, borrowing, membership equity or other sources? A cash flow summary is also required to determine the appropriate size and duration of loans, probable payback periods, and the amount of interest and principal that can be paid back in each period. Many new businesses find themselves

in poor operating condition because they failed to provide for working capital.

The production process stage of a feasibility study provides information on what facilities are needed, how much these facilities will cost, what operational items such as labor, utilities and raw product will cost, how much profit can be expected and how much working capital will be required to operate the business.

In summary, the analysis of directly influencing factors will help the firm avoid costs associated with making a wrong decision and provides a valuable planning tool to implement the new business venture. It analyzes factors that directly affect the success of the operation, such as:

- Assurance that an adequate, profitable market can be secured for the output of the operation.
- Assurance that a sufficient supply of quality raw products can be procured at an acceptable price.
- Determination of facility needs, capital requirements, financing requirements and potential costs and returns from the operation. Analysis of these factors will determine whether the venture will be financially sound and profitable. Knowing that the proposed venture may be unprofitable is as important (if not more so) than confirming the potential for success.

Analysis of Environmental Conditions

A complete feasibility study analyzes the availability of facilities and services that the firm feels are essential to create an acceptable environment in which the plant can operate and its management and labor force can live. This phase of the feasibility study deals with factors affecting the location of the facility. These factors are considered after the general location, as affected by supply of raw product and availability of markets, is determined.

For example, a vegetable packing plant has decided to locate in a specific area of a state and now wants to choose the specific city or town in which to build the plant. The following is a brief outline of factors to consider in this phase of the analysis:

- Availability of a site with required physical characteristics, access to the major production area of the raw product, access to necessary transportation

services and availability of the site on acceptable financial terms.

- Local services in the community, including availability of and rates for electrical power, gas service, telephone service, water and sewer service, fire protection, police protection, medical services, cultural and recreational facilities, postal service, financial services, educational facilities and vocational training facilities. The consideration given to these factors depends on the degree of use the proposed facility expects to make of each service. For example, if the facility will require the import of personnel, such factors as recreation facilities, schools, medical facilities and available housing are important. It is also important to evaluate the availability and rate structure for the use of all required utilities.
- Type of governmental structure, including an analysis of property tax assessment policies, types of taxes, tax rates, zoning ordinances, building codes and pollution and sanitation regulations.
- Transportation facilities, including available transportation modes, adequacy of facilities, record of performance, cost and rates, and regulations or tariffs. This indicates the general type of factors that a new business should analyze before making a specific location decision. The individual factors that should be emphasized depend upon the particular needs of the firm.

Summary

Georgia's agriculture is changing rapidly. To adjust to these changes, farmers and agribusiness firms must constantly search for alternative enterprises and alternative methods of producing and marketing their products. This search must be done in a systematic manner to ensure that alternatives are financially feasible before they are selected. A feasibility study is designed to determine whether a specific alternative is financially viable.

A complete feasibility study analyzes such factors as market potential, raw product supply and the production process as well as such environmental conditions as the availability of facilities and services required by the proposed venture. The venture has the potential to be profitable if all of these factors are analyzed adequately and are determined to be favorable.

It is important to recognize that all business ventures involve an element of risk. Although in any business venture some possibility of failure always exists, a well-prepared feasibility study can substantially reduce the probability of a bad decision.

Management is the final profit-determining factor. The firm must have competent management to follow through on the functions of planning, organizing, directing, staffing and controlling in order to ensure a profitable undertaking.

Finally, recognize that individuals directly involved with the proposed project may have difficulty maintaining an objective perspective. Consider obtaining an objective evaluation from an outsider knowledgeable about the proposed business activity.

The University of Georgia Cooperative Extension is a knowledgeable source for most types of agricultural and agribusiness enterprises and may be able to provide assistance in the evaluation process. Your county Extension agent may have sample feasibility studies and may know of others with professional expertise available to provide technical input to the study.

APPENDIX A

Conducting a Complete Feasibility Analysis

I. Analysis of Directly Influencing Factors

A. Market Determination -- determines potential market for the proposed product.

1. Consumption -- analyzes consumption trends of the proposed product and competing products and determines form, quality and volume requirements.
2. Markets -- determines type, location and cost of serving potential markets.
3. Distribution system -- determines type, method and cost of distribution system for the product.
4. Market entry -- determines method and cost of introducing the product to consumers.
5. Buyers -- determines type of buyers and requirements and costs of selling to these buyers.
6. Selling arrangement -- determines type of selling arrangements, including delivery schedules, pricing arrangements and payment schedules.

7. Prices -- projects expected prices for the product.

B. Raw Product Supply -- determines economic availability of sufficient raw product.

1. Minimum economic size of controlling unit -- cost analysis of existing plants or synthesized models.
2. Plant requirements -- determines quantity of raw product required to support controlling unit.
3. Availability of requirements -- determines if required quantity of raw product is available, and is of suitable quality at an acceptable price.
4. Assured supply of requirements -- determines if required raw product supply can be expected in the future.

C. Production Process -- determines facility needs, capital and financing requirements, and potential costs and returns.

1. Facility needs -- determines specific facilities (buildings, equipment and rolling stock) required.
2. Investment capital needs -- determines initial investment requirements for facilities.
3. Labor needs -- determines specific quantity and types of labor required.
4. Cost of operation -- develops budget to include costs of labor and management, raw material and operational and fixed components.
5. Profitability -- determines potential profit by estimating returns and comparing with cost budgets. Also includes break-even analysis and preparation of projected income statement, balance sheet and cash flow statement.

II. Analysis of Environmental Conditions

- A. Availability of site -- determines adequacy of site in physical and economic terms.
- B. Availability of services -- determines adequacy and cost of required services such as utilities, financial services and educational services.
- C. Governmental structure -- determines type of governmental policies, such as assessment policies, taxes and zoning ordinances, as they affect operations.
- D. Availability of transport facilities -- determines adequacy and cost of transportation facilities to be used by the firms.

Appendix B

Feasibility Studies for Further Reading

The Center for Agribusiness and Economic Development (CAED) has the following studies on the Center's website, <http://caed.uga.edu/publications>. The studies, completed 2009 – 2011, evaluate the economic feasibility of proposed agribusiness projects and finished business plans.

Feasibility of a Solar Power System, North Georgia, FR-11-11. George Shumaker, Gary Hawkins, and Kent Wolfe. December 2011.

Feasibility of a Solar Power System, South Georgia, FR-11-10. G. Shumaker, K. Wolfe, and A. Luke-Morgan. December 2011.

Feasibility of an Integrated Poultry Processing Operation, FR-11-09. Audrey Luke-Morgan and Kent Wolfe. December 2011.

Distillery Feasibility Study, FR-11-08. Audrey Luke-Morgan and Kent Wolfe. August 2011.

Feasibility of a Small, Special Attribute Peanut Production and Processing Facility, FR-11-07. Ward Black, John McKissick, and Nathan Smith. July 2011.

Feasibility of Value-Added Honey Production, FR-11-06. Audrey Luke-Morgan and Kent Wolfe. August 2011.

Feasibility of a Local Processing Facility, Central Georgia, FR-11-05. Audrey Luke-Morgan and Kent Wolfe. August 2011.

Feasibility of a Local Processing Facility, Northeast Georgia, FR-11-04. Audrey Luke-Morgan and Kent Wolfe. August 2011.

Feasibility of a Local Poultry Processing Facility, FR-11-03. Kent Wolfe, Audrey Luke-Morgan, Sharon Kane, and Jim Daniels. March 2011.

Community Kitchen Feasibility Analysis, FR-11-02. Kent Wolfe and Audrey Luke-Morgan. January 2011.

Feasibility of Retained Ownership and Processing of LSK (Loose Shelled Kernel) Peanuts, FR-10-03. George Shumaker. September 2010.

Ag Center Feasibility Study, FR-10-02. Kent Wolfe. March 2010.

Feasibility of a Small Scale Soybean Crushing Operation, FR-10-01. George Shumaker, Audrey Luke-Morgan, Kent Wolfe, Sharon Kane, and John McKissick. May 2010.

Feasibility of a Multi-Species Meat Processing Facility, FR-09-11. Kent Wolfe, Audrey Luke-Morgan, Jim Daniels, and John McKissick. May 2009.

Feasibility of a Wood Pellet Plant, FR-09-10. George Shumaker, Kent Wolfe, Audrey Luke-Morgan, Sharon Kane, and John McKissick. November 2009.

Feasibility of Expanding Value-Added Fruit Production, FR-09-09. Kent Wolfe, Audrey Luke-Morgan, Jim Daniels, Sharon Kane, John McKissick. November 2009.

Feasibility of a Local Processing Facility, FR-09-08. Audrey Luke-Morgan, Kent Wolfe, and Jim Daniels. August 2009.

Feasibility of a Local Poultry Processing Facility, FR-09-07. Audrey Luke-Morgan, Kent Wolfe, and Jim Daniels. August 2009.

Feasibility of a Two-Million Gallon Per year Biodiesel Plant, FR-09-06. George Shumaker, Sharon Kane, Audrey Luke-Morgan, and John McKissick. September 2009.

Feasibility of a Multi-Species Processing Facility, FR-09-05. Kent Wolfe, Audrey Luke-Morgan, Jim Daniels, and John McKissick. May 2009.

Creamery Feasibility Study, FR-09-04. Kent Wolfe, Audrey Luke-Morgan, and Sharon Kane. April 2009.

Feasibility of a One-Million Gallon Per Year Ethanol Plant, FR-09-03. George Shumaker, Kent Wolfe, Audrey Luke-Morgan, and John McKissick. May 2009.

Feasibility of a Wood Pellet Plant, FR-09-02. George Shumaker, Kent Wolfe, Audrey Luke-Morgan, John McKissick, and Sharon Kane. May 2009.

Pomegranate Processing Feasibility Study, FR-09-01. Kent Wolfe, Audrey Luke-Morgan, Jim Daniels, Sharon Kane, John McKissick, Karina Martino, and Vahe Heboyan. May 2009.





Evaluating a Rural Enterprise

Marketing and Business Guide

Abstract: Evaluating an enterprise boils down to asking a series of good questions. Among these questions are: Do I have the resources to do this? Do I really want to do this? Do I have the experience and information to do this? How much profit can I make? How will I market the products? This publication seeks to provide enough information to help you judge whether a new enterprise is right for your operation. Additionally, we provide a resource section of additional information on relevant topics.

By **Preston Sullivan** and **Lane Greer**
NCAT Agriculture Specialists
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INTRODUCTION

This publication is for people who already live in rural areas and want to add new enterprises to their operations. New farm enterprises today are often non-traditional – everything from adding pastured poultry to a beef operation to starting a bed-and-breakfast in the barn to making a cornfield maze to attract tourists.

This publication won't tell you what will make the most money. Every person and every piece

of land is different and there is no single prescription to tell you what enterprise is right for you. Any new enterprise will, however, require an investment of your time, money, and other resources. And there will always be risks involved.

There are thousands of books, Extension materials, and people who can tell you *how* to produce something, whether it's baskets, bison, or blueberries. But these resources can't help you decide whether that enterprise is right for you and your farm.

We reviewed many enterprise planning guides and have condensed their salient points in this publication. Most of these guides ask entrepreneurs to assess their personal and family objectives. They all stress the importance of having a business plan, a financial plan, and a marketing plan. The business plan will outline how the business should work and generate plans for operation. Perhaps the best thing about a detailed business plan is that it causes you to think in detail about what you are getting into. The **Resources** section at the end of this publication provides titles and ordering information for several useful guides to help determine the feasibility of your new enterprise.

Two of the very best of these publications are *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm Based Enterprises*, a work-

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book from Cornell University, and *A Primer for Selecting New Enterprises for Your Farm*, a Kentucky Extension Service publication. These guides discuss alternative enterprises and introduce a step-by-step process to assess the objectives, resources, markets, production demands, and profitability of new enterprises. Both include a lot of useful worksheets to help with these assessments. See the **Resources** section for more information on how to order these publications.

EVALUATING YOUR RESOURCES

Before committing to a new enterprise, there are always fundamental questions that ought to be addressed. These may be practical (What are the business/management skills of those involved?), organizational (Does everyone involved agree on how the business should be run?), or philosophical (Does everyone involved know, understand, and agree on the objectives, both short- and long-term?). The following are typical of the kinds of questions suggested in the sources we reviewed.

Marketing

Where am I going to sell the products?
Who is the customer?
What is the size of the potential customer base?
Where do the customers live, and how will their location influence my selling to them?
What are the customers' needs and desires?
Am I going to sell directly to consumers?
Am I going to wholesale to the commodity market?
What are the seasonal price fluctuations I can expect?
What are the quality standards that I must meet?
How many hours will it take to research direct markets?
Are there legal or food-safety considerations?

Personal

Do I have time to devote to this new enterprise?
Does the workload correspond with the time of year I want to work?

Will the new enterprise complement my current enterprises?

Do I have written objectives describing the desired outcome?

Do I have the skills and experience necessary to do this?

Do I like to supervise people?

Have I managed a business before?

Do I have enough personal energy to do this?

Can I count on my family members for support?

Do I care what the neighbors think about my new enterprise?

Why do I want this enterprise?

After you have determined that the enterprise is something you really want to do, consider these additional questions (for land-based enterprises):

Land

What is the water drainage like?

Are the soils suitable?

What is the seasonal rainfall pattern?

What will happen to my enterprises during a flood or drought?

Are these plants or animals adapted to this climatic region?

Are there water resources available for irrigation or for watering livestock?

Do I want concurrent uses for the land such as wildlife conservation, fishing, or hunting?

Buildings and Machinery

Do I have adequate facilities?

What additional machinery will I need?

Can I rent or borrow machinery or storage facilities?

Labor Needs

How much labor will be required?

What is the source of labor?

How much will it cost?

Is seasonal labor available?

Will I need housing for my workers?

Does this enterprise use existing labor in off-seasons?

There are many resources that can guide you in your search for the answers to these questions. See the **Resources** section at the end of this publication for more information.

FINANCIAL ASSESSMENT

After you have answered the above questions, you'll have a better idea of what costs will be involved in a new enterprise, and that information will help you determine the profit potential. It is advisable to do the following exercise before spending more time or money developing the logistics of production or a full enterprise budget.

One way to compare enterprises for profitability is to calculate a **gross profit analysis** (Savory and Butterfield, 1999), otherwise known as gross margin analysis (Kay and Edwards, 1994) or a contributory margin (Zimmerman and Villanueva, 2001). The gross profit or margin is the amount of money left over after all the *new* costs associated with the new enterprise are subtracted from the gross income generated by that new enterprise. These *new* expenses are separate from the general overhead expense, because they are incurred *only* if the new enterprise is implemented. In other words, these are the variable costs associated with a new enterprise.

To avoid confusing comparisons, do not prorate the overhead (fixed costs) for enterprises in this exercise. You will get more accurate results by assuming that the entire overhead cost must be paid out of the gross profit from the enterprise. For example, if you need to use your tractor in a new venture, the cost of owning the tractor (payments, insurance, etc.) is already fixed. But the direct expense of using the tractor in your new enterprise (fuel, routine maintenance) can be assigned to the operating cost of the venture that uses the tractor. By subtracting these operating costs from the total sales, you arrive at the gross profit. The gross profit from all enterprises combined must be at least enough to cover the overhead or you will go broke.

Table 1 shows the gross margin for a sweet corn enterprise. Figures are generated on a per-acre basis and so can be compared to any other enter-

prise on a per-acre basis. Notice how *only* the costs directly related to that enterprise are included in the gross profit analysis. Land rent could also be included, but if the land is already owned or mortgaged, it should be left out of this analysis and considered a fixed cost. With this sweet corn enterprise we have \$2,444 gross profit left to pay overhead costs and, ideally, provide a profit, if a profit was initially projected.

Table 1. Gross profit for one acre of sweet corn.

Total Income	Dollars
1,200 dozen @ \$2.50	\$3,000.00
Variable Costs	
Seed	\$ 50.00
Fertilizer	\$ 35.00
Weed Control	\$ 18.00
Machinery Use	\$ 83.00
Harvesting	\$ 345.00
Hauling	\$ 25.00
Total Variable Costs	\$ 656.00
Gross Profit/acre	\$2,444.00

To make valid comparisons between enterprises using gross profit or margin analysis, use a common unit of measure. A common unit for agriculture is gross profit per acre. For some other enterprises, units to consider might be profit per hour or \$/bushel or \$/cwt. Using a common unit will allow you to compare dissimilar enterprises—such as broccoli for fresh market sales and goats sold wholesale. A per-acre comparison shows the best return on the land. Another good use of the gross profit analysis is to compare all your existing enterprises for their contribution to covering overhead costs. The results may surprise you. For example, you may find that the principal enterprise is actually being supported by several secondary enterprises.

In cases where there is no overlap between two enterprises, a direct comparison may not be pos-

sible. An example of this would be if you already had grazing and timber enterprises and wanted to add a lease-arrangement hunting lodge to the same land. The only variable costs associated with the enterprise might be legal fees, renovation costs on the house, and maintenance. In this case, if the gross profit was still high, and you responded positively to the personal questions above, you would go ahead with the enterprise.

The gross profit analysis does *not* preclude full financial planning for each enterprise and for the whole farm. If, for example, the overhead costs are in excess of all the income generated, you will go broke. If you are buying new equipment (fixed cost) specifically for an enterprise, that cost can be assigned to that enterprise and amortized over the useful life of the machinery. If you borrow money to buy the equipment, the loan payment can be allocated as a variable expense for the enterprise gross profit analysis. In the whole-farm budget, all the income from all the various enterprises will be included, along with the variable costs for each and the overhead expenses.

Full planning budgets used to estimate costs for many farm enterprises should be available from your local Extension service. Others can be found at: <http://www.fbminet.ca/bc/budget.htm>, a web site with enterprise budgets for a large number of crop and livestock enterprises. The budgets at this web site use the term “contribution margin” to describe gross profit. These budgets are separated into contribution margin and buildings and machinery replacement costs (overhead). The budgets are laid out in an easy-to-read format with an overview preceding the tables. Each enterprise budget contains marketing alternatives, cash flow timing, and key factors affecting profit, with margin estimates already calculated. When calculating your cost of production, be sure to use reliable estimates for your situation and include other costs that may not be listed in the budget. It is also useful to project poor, average, and good production scenarios for each enterprise. If you cannot be profitable with poor production, consider another enterprise.

EXPERIENCE AND INFORMATION

“The most salient requirement for farming is experience” (Nation, 1998). Practical experience is particularly important for a new enterprise, especially if the enterprise is not related to what you normally do. You can gain a lot of the necessary knowledge from people who are currently doing what you are considering. Apprenticing with someone who is already farming, or just volunteering some time, is a good way to get experience. (See ATTRA’s resource list [Sustainable Farming Internships and Apprenticeships](#) for more information on experiential farm work across the country.) Also, start out small with your own enterprise until you learn the basics. *Stockman Grass Farmer* editor Allan Nation (1997) suggests these four stages when considering a new enterprise:

1. *Get the knowledge you need to produce and market the product.*
2. *Produce it for yourself and your family.*
3. *Produce it for your friends who have tried it, like it, and ask you for it.*
4. *Do it as a business.*

Although this approach may seem slow, it will go faster and require a lot less startup investment than jumping in and trying to learn as you go.

Gathering information on specific enterprises is also an important step when considering diversification. Your local Cooperative Extension Service and other USDA agencies can provide fundamental information about some alternatives, as can non-profit organizations in your state. You can also contact Extension specialists at your state’s land-grant university. Other sources of information include websites and publications (books, magazines, and newsletters). The resource list at the end of this publication also provides helpful information.

Often, however, even though there is production information for a specific crop, there is little information available on budgets or markets. Your best resource in a situation like this will prob-

ably be a farmer who is already raising, or someone who is already buying, the crop or a similar crop. A good way to find farmers is to attend state or regional workshops or conferences that are in some way related to your area of interest. Extension puts on workshops throughout the year that provide an opportunity to network with your fellow growers. The approach to finding buyers would be similar. For instance, if you are interested in adding cut flowers to your farm's mix, you might attend a statewide conference for florists.

MARKETING

Author and business consultant Peter Drucker says that only two activities produce results. One is innovation, and the other is marketing (Nation, 1997). Marketing may take many forms, ranging from passive marketing into the commodity chain all the way up to marketing a retail product directly to consumers. Which marketing method you choose will have a profound effect on the price your product commands. Prices in many prepared budgets will typically be wholesale prices. Adjust these prices to your local market (retail or wholesale) based on what you can realistically expect to get paid. Visit with other farmers in your area who are selling the same thing you want to sell, or go to the local farmers' market and check out prices.

There are two important reasons for doing market research:

- You need to understand your market, your competition, and consumer trends
- You need to be able to project potential sales volume and prices (Grudens-Schuck and Green, 1991)

The Cornell *Farming Alternatives* guide mentioned earlier has marketing worksheets that address the following considerations:

- *Target Market Descriptions*
The demographics of people you want to sell to (age, gender, family status, income level, class, occupation, children, marital status, location, ethnic group, education).

- *Marketing Options*
These include any method used to sell or distribute your product (Grudens-Schuck and Green, 1991). Examples are selling directly to consumers from the farm; farmers' markets; selling directly to restaurants; cooperative marketing; selling wholesale to a distributor, broker, or processor; etc. Identify your most promising options. Also consider transportation needs and distances to market.
- *Market Entry*
How will you introduce the product to the market? Will it be marketed under the producer's or processor's name? What will get the buyer's attention (advertising and promotion)? (Schermerhorn).
- *Existing Market Demand*
How many potential buyers are included in your target market at this time? What is the average purchase or frequency of service per buyer per year? What are the total purchases or number of services per year?
- *Competition*
Analyze your competition: business name, estimated sales volume, quality of product, price, customer satisfaction, appearance, type of buyer targeted, strengths, weaknesses. "Direct competition" offers the same product you do; "indirect competition" is anything your target market can substitute for your product. Remember: alliances can be formed with competitors.
- *Market Trends*
Has consumption been increasing? Is the number of competitors increasing? What are your projections for market trends in the next five to ten years? What are the industry trends and emerging markets?
- *Expected Price*
There are many formulas and strategies for setting prices. What is the lowest price you can expect to receive? What is the

highest price? Ultimately, pricing will reflect your competition, costs of production, quality, service, the convenience you provide, and the types of buyers you have targeted.

- *Expected Sales Volume*

What is the least number of units you might sell in a bad year? How many in a good year? What is the expected sales volume? How long will it take to build the market to your desired sales volume?

Direct marketing involves personally connecting with consumers, determining what they want or need, and producing the products that meet their needs. Author Joel Salatin, who raises pastured beef and poultry in Virginia, suggests several things to think about when deciding on pricing your products. First, don't under-price them. Farm-produced products are superior because they are more environmentally friendly and humanely produced. Salatin suggests that producers set a rewarding and satisfying gross margin and then stick to it. This will allow you to build a customer base with clients who appreciate the product for what it is, not for what it costs (Salatin, 1998). Your estimated price can be used to calculate returns in any enterprise analysis.

Direct marketing depends on building relationships with customers. In fact, the term *relationship marketing* has been used to describe the best methods of direct marketing for family farms. In an article in *The Stockman Grass Farmer* (Nation, 1997) Joel Salatin sets out five advantages of relationship marketing. They are:

Consumer Education. The producer has to tell the consumers why his farm products are different from those bought in the grocery stores. This is not only good for business, it is also a small step toward the development of the consumer's awareness about farm, social, and health issues that affect our lives.

Product Quality. When the producer raises crops or livestock in an environmentally friendly or sustainable fashion, it is easier not to compromise the quality of the products.

Customer Loyalty. When the consumer knows the producer personally, the relationship between them is not easily broken. Good sellers know and use their customers' names. Loyalty helps bring in repeat customers.

Lifestyle. As Salatin explains, "I think one of the biggest differences between the pressures I encounter as a small operator and the pressures encountered by the big operators is the amount of control we have over the situations that cause pressure" (Nation, 1997).

Balance. The first rule of business is that the customer is always right, but that doesn't always mean you have the right customer. In some instances, removing a name from your customer list may help to balance the producer-consumer relationship, so that you can concentrate on profitable sales, appreciative customers, people who "get with the program" (Nation, 1997).

Allan Nation says, "If you are considering getting into direct marketing, don't bet the farm on it. Keep doing what you are doing for a living and start learning and experimenting on a small scale. Try the food you produce on your family and your friends first. If your family and friends are not crazy about it there is more learning to be done. Nation adds that, "A new business needs virtually 100% customer satisfaction from day one to survive" (Salatin, 1998).

So the bottom line is to establish markets *before* you begin the enterprise. If you are direct marketing, consider these questions before starting production: What do the people in my area want? What are their tastes? Are they accustomed to "store bought" eggs, meat, and vegetables? What matters most to people in my local area—convenience and price? Are they willing to *pay* for the quality and freshness of locally grown food?

For more complete information on direct marketing, call and request the three ATTRA publications entitled *Direct Marketing, Farmers' Markets*, and CSAs. The direct marketing publication includes information about resources,

market development, market research, marketing plans, niche marketing, product differentiation, farmers' markets, value-added marketing, and examples of real farmers who have done it. It also provides a list of recommended resources to consult when considering your market plan.

CHOOSING AN 'ALTERNATIVE' ENTERPRISE

There are many kinds of enterprises that can be profitable in a rural area. Ken Scharabok's book (see **Resources**) describes 300 specific rural enterprises. Cornell University's publication *Farming Alternatives* lists several broad categories:

1. *Nontraditional crops, livestock, and other farm products*
2. *Service, recreation, tourism, food processing, forest/woodlot, and other enterprises based on farm and natural resources*
3. *Unconventional production systems such as organic farming and aquaculture*
4. *Direct marketing and other entrepreneurial marketing strategies*

When considering alternative enterprises, you should look first at your farm's underutilized resources and your area's market opportunities. Underutilized resources might include unused buildings, or manure that could be sold as fertilizer. New market opportunities may arise as a result of changing demographics in your area—there may be an increase in immigrant families who want specialty foods, or of affluent businesspeople who commute to a metropolitan area ([Grudens-Schuck and Green, 1991](#)).

One very important change in national demographics is the number of people who have become dissociated from the land. Few of the baby boomer generation and almost none of Generation X have lived on and worked the land. In an effort to re-establish that bond, young consumers are often eager to support small farms, and they're willing to put their money where their mouth is. The huge increase in the number of farmers' markets around the country not only means that consumers are interested in fresh pro-

duce, it also reflects their desire to have a different kind of food shopping experience. For similar reasons, community supported agriculture arrangements (CSAs) have become popular. Both farmers' markets and CSAs bring shoppers closer to farmers and to the land, an experience that is largely lacking in today's urban society. An extension of these encounters is a farm visit, whether it's for a hay ride, to go to a petting zoo, or to attend an apple festival. Consumers like to feel that they are helping to keep small, family farms alive. This kind of experience requires farmers to learn new skills: how to deal with the public, the ability to assess unique opportunities on the farm, and the vision to produce a feeling as well as a product.

In his 1998 book *You Can Farm*, Joel Salatin recommends ten enterprises that he considers excellent: pastured poultry, eggs, salad bar beef, a grass-based dairy, a market garden, a home bakery, a bandsaw mill, and a you-pick small fruit orchard. His criteria for recommending these enterprises are:

- 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, low supply in the current marketplace
- High product distinctiveness
- Relatively size-neutral profit potential

"The goal here is to examine what the profitable alternatives are in the current paradigm and how you can fit in the picture" ([Salatin, 1998](#)).

There are lots of places to find out more about specific enterprises. The Missouri Alternatives Center's website provides many links to specific production information for various alternative enterprises. This website is extensive and up-to-date <<http://agebb.missouri.edu/mac>>. Additionally, we have listed many valuable resources below.

REFERENCES

Grudens-Schuck, Nancy and Judy Green. 1991. *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises*. Northeast Regional Agricultural Engineering Service, Cornell University, Ithaca, NY. 88 p.

Kay, R.E. and W.M. Edwards. 1994. *Farm management*, 3rd edition. McGraw Hill, Inc., New York, NY. 458 p.

Nation, Allan. 1998. Allan's Observations. *Stockman Grass Farmer*. Vol. 56, No. 6. p. 13.

Nation, Allan. 1997. *Paddock Shift*. Green Park Press, division of Valley Publishing Corp., Jackson, MS. 184 p.

Salatin, Joel. 1998. *You Can Farm*. Polyface, Inc., Swoope, VA. 480 p.

Savory, Allan and Jody Butterfield. 1999. *Holistic Management: A New Framework for Decision Making*. Island Press, Washington, DC. 550 p.

Schermerhorn, Richard W. No date. *Is Your Agribusiness Project Feasible?* University of Georgia Cooperative Extension. <<http://www.ces.uga.edu/pubcd/b1066-w.html>>.

Zimmerman, K. and E. Villanueva. 2001. *Fresh sweet corn direct marketed (Fraser Valley). Planning for Profit*. British Columbia Ministry of Agriculture, Food and Fisheries. 8 p.

RESOURCES

Publications and Videos

Salatin, Joel. 1998. **You Can Farm: The Entrepreneur's Guide to Start and Succeed in a Farm Enterprise**. Polyface, Swoope, VA. 480 p.

Perhaps the best single resource for beginning farmers, this book also provides good information on enterprise differentiation and evaluation. Available for \$30 from the author at:

Polyface Inc.
Rt. 1, Box 281
Swoope, VA 24479
540-885-3590

The book is also available for \$24.50 from:
<http://www.amazon.com>

Grudens-Shuck, N. and J. Green. 1991. **Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm Based Enterprises**. Farming Alternatives Program, Cornell University, Ithaca, NY. 88 p.

This publication uses a step-by-step process to assess goals, resources, markets, etc. Includes worksheets. Available for \$8 from:

Media Services Resource Center
7 Business & Technology Park
Cornell University
Ithaca, NY 14850
607-255-2080
FAX: 607-255-9946
<http://www.cornell.edu/publications.catalog.html>

Farming Alternatives: Innovation on Northeast Farms. A 14-minute video produced in 1988.

Explores the issues involved in the development of farm-based enterprises such as deer farms, farm markets, bed and breakfast inns, herb gardens, petting zoos, and farm-processed foods. Available for \$18.95 from the Cornell address above.

Woods, Tom and Steve Isaacs. 2000. **A Primer for Selecting New Enterprises for Your Farm**. Cooperative Extension Service. University of Kentucky. *Agricultural Economics - Extension* No. 00-13. 28 p.

Covers profitability, resources, information, marketing, enthusiasm, and risk. Has many useful worksheets from which accurate information can be generated to guide your decision making. Available online at:
<http://www.uky.edu/Ag/AgEcon/publications/ext2000-13.pdf>

Scharabok, Ken. 1996. **How to Earn Extra Money in the Country**. A Country Living Resources Guide.

Contains over 300 descriptions of enterprises that can be pursued by rural residents. Each description contains information on what the market would be, how to start the business, and additional resources on that particular business. Contains many innovative business ideas. Available in electronic form only by e-mailing <scharabo@aol.com>.

Humphrey, Shirley (ed.). 1994. **Small Farm Handbook**. Publication SFP001. Small Farm Program, University of California. 170 p.

Somewhat regionally specific to California, but contains good information on finances, marketing, enterprise ideas, growing crops, raising animals, postharvest handling, alternative agriculture, labor management, and keeping the family farm healthy. Available for \$20 from:

Division of Agriculture and
Natural Resources (DANR)
University of California
6701 San Pablo Ave.
Oakland, CA 94608-1239
800-994-8849
510-642-2431

Small Farm Center. 1998. **Specialty and Minor Crops Handbook, 2nd ed.** University of California. Division of Agriculture and Natural Resources, Oakland, CA. 184 p.

Compiled and edited by scientists, University of California Cooperative Extension advisors, and growers, this handbook profiles 63 specialty and minor crops, including information on production and marketing. Available for \$35 from DANR at the University of California (see address above).

Thompson, Nancy C. 1994. **Sustainable Agriculture Enterprises: Opportunities for Employment and Economic Development in a Sustainable Agriculture System**. 21 p.

Available for \$8 ppd from:

Center for Rural Affairs
P.O. Box 406
Walthill, NE 68067
402-846-5428
<http://www.cfra.org>

Olson, Michael. 1991. **Metro Farm: The Guide to Growing for Big Profit on a Small Parcel of Land**. TS Books, Santa Cruz, CA. 520 p.

Contains information on marketing, selecting crops, organizing a business, selling, and production. Available for \$29.95 plus \$5 S&H from:

Schatz Publishing Group
11950 W. Highland Ave.
Blackwell, OK 74631
888-474-6397 (toll-free)
<http://www.agventures.com/>

Savory, Allan and Jody Butterfield. 1998. **Holistic Management: A New Framework for Decision Making**. Island Press, Washington, DC. 550 p.

Provides valuable information for goal setting, financial planning and farming in tune with nature's principles. Available for \$30 (softcover) or \$50 (hardcover) from:

The Allan Savory Center for Holistic
Management
1010 Tijeras NW
Albuquerque, NM 87102
505-842-5252
505-843-7900 fax
<http://www.holisticmanagement.org>

Periodicals

AgVentures: The Magazine of Agricultural Opportunities is published bi-monthly. It features new and unusual crops and livestock to raise. It is available for \$21/year from:

AgVentures
11950 W. Highland Ave.
Blackwell, OK 74631
580-628-4551
580-628-2011 fax
<http://www.agventures.com>
e-mail: agventures@aol.com

Ag Opportunities is a newsletter published by the Missouri Alternatives Center (MAC) that is devoted to the latest ideas and opportunities for those "who want to begin farming, diversify their current operations, or find ways to profit from

small amounts of acreage." Subscriptions cost \$10 a year (free to Missouri residents). An on-line version is available free at MAC's website < <http://agebb.missouri.edu/mac>>. Contact MAC at:

Missouri Alternatives Center
531 Clark Hall
Columbia, MO 65211
573-882-1905
800-433-3704 (MO only)
<http://agebb.missouri.edu/mac>
e-mail: kellid@umsystem.edu

Small Farm Today, published bi-monthly, focuses on small farming, rural living, sustainability, community, and "agriprenurship." The editor and staff hold an annual conference in Columbia, Missouri (around the first week of November) that concentrates on topics of concern to small farmers considering diversification strategies. The periodical is available for \$23.95/year from:

Small Farm Today
3903 W. Ridge Trail Rd.
Clark, MO 65243-9525
800-633-2535
573-687-3525
e-mail: smallfarm@socket.net

Organizations

Center for Rural Affairs

P.O. Box 406
Walthill, NE 68067
402-846-5428
<http://www.cfra.org>

The Center for Rural Affairs, a non-profit organization, publishes The Beginning Farmer, a free quarterly newsletter. They also published a 118-page book entitled Resourceful Farming: A Primer for Family Farmers, written in 1987, available for \$7.

Community, Food, and Agricultural Program (CFAP)

216 Warren Hall
Cornell University
Ithaca, NY 14853
607-255-9832
<http://www.CFAP.org>

The mission of CFAP is to support Agriculture and Food Systems-based Community Development in New York and the Northeast through integrated and multi-disciplinary teaching, research, and extension programs.

NxLevel's Alternative Agriculture series: Tilling the Soil of Opportunity

A Training Course
(No physical address)
e-mail: Info@nxlevel.org
800-873-9378

The NxLevel agriculture program is designed to help a broad range of small to mid-sized farmers, ranchers, food processors, distributors, retailers, food professionals, and others working in the agricultural sector take their business to the "next level." Educators in each region adapt the course to meet local needs. The materials used in the 10-session course are specifically designed for those searching for innovative ideas and better marketing opportunities in the area of agriculture.

Web Sites

Fact Sheets on Operating a Profitable Small Farm. University of Maryland.

<http://www.agnr.umd.edu/users/frederick/pubs>

Planning for Profit. British Columbia Ministry of Agriculture, Fisheries and Food.

Numerous two page enterprise budgets.
<http://www.fbminet.ca/bc/budget.htm>

Alternative Enterprises for Your Forest Land: Forest Grazing, Christmas Trees, Hunting Leases, Pine Straw, Fee Fishing and Firewood.

This is a 1988 publication from the University of Florida Extension Service.

<http://www.sfrc.ufl.edu/Extension/pubtxt/cir810.htm>

Missouri Alternatives Center. Links to specific production information for numerous alternative enterprises.

<http://agebb.missouri.edu/mac>

Enterprise Budget Analysis. Penn State's Agriculture Alternatives website.

Sample formats are given.

<http://pubs.cas.psu.edu/FreePubs/ua258.html>

Economic Analysis of a New Business – Doing it Right. Kansas State University Cooperative Extension Service.

<http://www.oznet.ksu.edu/library/agec2/MF2184.PDF>

By **Preston Sullivan** and Lane Greer
NCAT Agriculture Specialists

Edited by Paul Williams and Richard Earles
Formatted by Cynthia Arnold

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The electronic version of **Evaluating a Rural Enterprise** is located at:

HTML

<http://www.attra.ncat.org/attra-pub/evalrural.html>

PDF

<http://www.attra.ncat.org/attra-pub/PDF/evalrural.pdf>

Appendix 12



BUSINESS PLANNING RESOURCES

The guide provides the following resources:

- What is a business plan?
- Elements of a business plan
- Business plan self-assessment
- Planning for Profits Planning Templates

WHAT IS A BUSINESS PLAN?

What is a business plan?

Your business plan is your roadmap to success. It is crucial to defining your farm's future, staying on track, and sharing it with others.

What is the benefit of having a written business plan?

- Creates opportunities to prioritize and provide clearer direction and confidence for management decisions to increase profitability, improve debt management and reduce costs.
- Manages risk and reduces uncertainty, stress and anxiety.
- Prepares for farm transition/retirement.
- Solidifies the farm team, creating harmony and a crucial support network including family, business partners and advisors.

Having a written business plan, is one of the 7 business management practices driving farm financial success¹.

- 1) Lifelong learning and skills development
- 2) Seeking the help of business advisors/consultants
- 3) Business decisions made using accurate financial data
- 4) Having a written business plan, following, and reviewing it annually
- 5) Knowing, monitoring your cost of production and what it means for your profits
- 6) Assessing risks and having a plan to manage and mitigate risk
- 7) Using a budget and financial plan to monitor financial position and options

TIP: A business plan is a living document that you should revisit, revise and reference often as your business evolves over time.

- **Assess, Plan, Implement, Review.** Measure your progress towards achieving your business goals over the past year and start to think about next year's goals.



ELEMENTS OF A BUSINESS PLAN

Guide for Recommended Sections for Your Farm Business Plan

COVER PAGE

Insert your farm name, owners, address, email, website, and telephone
Add farm picture, Instagram, Facebook, logo (if applicable)

EXECUTIVE SUMMARY

Clearly states who you are (farm history), size, location, what your business does, key accomplishments, future business growth plans and how you will be successful.

Farmers with a written business plan average a return on assets five times higher than those without (Rob Hannam [Pledge To Plan -How to make business planning work for you and your farm](#))

BUSINESS STRATEGY

What are the goals of your business? What are your mission and vision statements for your business?

What do you want your farm to look like in the short term (1-2 years), medium term (3-5 years) and long term (more than 6+ years)?

Action Plan: What are the actions, or sequence of steps that you need to take to bring you closer to your farm vision and goals? Who is responsible for each step, and the timeline for each?

Resources: [Programs and services to help reach your goals \(AAFC\)](#)

OWNERSHIP, MANAGEMENT, AND HUMAN RESOURCES

Business structure: Describe the ownership structure of the business (Sole Proprietorship, Partnership, Joint Venture, Incorporated Company, Co-operative).

Key Partners: Describe any key business partners (including consultants and subject matter experts who provide you with advice and who you rely on to run your business) and written agreements essential to your business (e.g., lease agreement with landowner).

Employees: Provide job descriptions for the key employees with their qualifications and training. Who are the family members involved in the family business and how are they involved (including yourself)? Who are the non-family members who work on the farm, and what do they do? Do you have a planned annual performance review?

Human Resource Plan: Do you/your employees have the skills to do the job? If your human resource needs are NOT being met, what is your plan to attract and retain new employees? Do you have an organizational chart and health and safety plan?

Succession Plan: Describe your exit strategy. What family members are involved in the farm business transition? What are the expectations of each generation?

Resources [Agri HR Toolkit \(Canadian Agricultural Resource Centre\)](#)

MARKETING STRATEGY

Industry and Competition: List and describe your competitors. What sets you apart from others in the marketplace? What are your key strengths?

Market Research: What is the market size and industry outlook? Who are the people or businesses you can form an alliance with, to compliment or refer each other's business?

Target Market: Describe who buys or will buy your products (customer profile, local market, provincial markets etc.). How do you get feedback from your existing or potential customers?

Marketing Goals: What are your marketing goals in the short term (1-2 years), medium term (3-5 years) and long term (more than 6+ years)?

Sales Channels: Describe how you will sell your products. How do you plan to reach your customers (e.g., farm stand, Community Supported Agriculture (CSA), farmers' markets, eCommerce, distributor, direct to processor, retail, food service)?

Sales Calls: When will you make your sales calls? Do you have a plan in place (time of month, season etc.)?

Product Promotion: How do you use social media? Do you have Facebook, Instagram, or a website? Will you offer special promotions (bulk sales, discounts etc.), how and when will you launch the promotions?

Products and/or Services: Describe what products will be sold (quantity and type) and what makes them marketable.

Hours of operation: What days are you open to the public and what are your hours of operation?

Product Pricing: Describe how you price your product(s). How do they compare to your competition?

Resources

[How to Develop and Use a Social Media Marketing Plan \(PDF, 2 MB\)](#)

[How to Determine the Right Retail Price for your Product \(PDF, 1.18 MB\)](#)

[B.C. Ministry of Agriculture, Food and Fisheries Market Development and Guides](#)

[How to Conduct and Use Market Research \(PDF, 542 KB\)](#)

[Small Business B.C.'s How to write a Marketing Plan](#)

PRODUCTION PLAN

Existing Production: Describe existing production. Provide an overview of production activities during a production cycle for a crop, and/or by season or fiscal year.

Production System: Provide a brief description of the crop or livestock production cycle, including the number of animals and acres/hectares in production. Maintain crop and/or livestock records for production inputs, application rates and resource use (seed, fertilizer etc.).

Future Production Goals: Describe your future production goals by crop or livestock enterprise in the short term (1-2 years), medium term (3-5 years) and long term (more than 6+ years)? How do you plan production according to market changes, prices, business results, environment?

Future Production System: Provide a brief description of the future crop or livestock production cycle, including the number of animals and acres/hectares in production.

Suppliers: Who are your key suppliers (seed, fertilizers, packaging etc.)? Do you know your lead times from suppliers?

Staff Requirements: If you require additional staff during planting, growing, or harvesting season, how do you plan to attract and retain employees during this time?

Added Value Processing: Provide a brief description of any value added product (combined with other products and/or processed in some way) you sell or would like to sell (if applicable).

Site Plan, Pictures, and/or Diagrams: It is useful to have a Site Plan to assist in your production planning. A site plan is essential in emergency planning preparedness. Strategically placed pictures and/or to scale diagrams can easily illustrate information and add value to the reader.

Resources

The **BC Soil Information Finder Tool** or SIFT provides access to soil survey data, reports, and maps. It is a very useful tool that can help to learn about the soil in your area. You can access the tool through this [link](#).

Crop Planning for Vegetable Growers book by Frederic Theriault and Daniel Brisebois: <https://cog-shop.myshopify.com/products/crop-planning-for-vegetable-growers>

Online resources and spreadsheets include **Johnny's Select Seeds**: <https://www.johnnyseeds.com/growers-library/online-tools-calculators.html>.

Target Harvest Date Calculator helps growers work backwards from their target harvest period: <https://www.johnnyseeds.com/growers-library/calculator-seeding-date-targeting-specific-harvest-date.html>

[BC FireSmart Wildfire Preparedness Guide 2019](#)

FINANCIAL PLANNING

To assess your current financial situation and growth over time.

Start Up Costs (for New Entrants) include what you need to start your farming enterprise and how you will fund it. Includes land, buildings, equipment, livestock, inventory.

Net Worth Statement is a snapshot of a business at a particular point in time.

Income and Expense Statement shows revenues and expenses and the resulting net income after all expenses have been deducted from the revenues.

Sales Revenue: Provide (projected) sales revenue and net return by farm or by enterprise.

Cost of Production by Enterprise (Contribution Margin): Describe production and labour expenses required to produce a type of crop(s) or a type of livestock (e.g., seed, feed, fertilizer, labour, etc.).

Cash Flow Statement records the probable flow of cash in and out of the business, from all sources and for all purposes, to determine what will be available to meet financial commitments. A monthly cash-flow forecast should cover at least 12 months.

Partial Budget estimates the change in probable income and expenses that are likely to occur from making a change in a portion of your operation.

Sensitivity Analysis estimates the impact of changes in production and/or price and other factors such as rising interest rates to determine projected cash flow and the breakeven point of your business. Can cash flow be improved by restructuring your debt and mitigating this risk with different products and interest rates? What is the worst case scenario that may require you to close your business?

Key Performance Measures: How do you measure success (time with family, family harmony, achieving financial goals, achieving business goals, a well-run operation, profitability, growth, customer satisfaction, no financial stress, peer recognition)?

Do you monitor your financial situation monthly? Semiannually? Yearly? Using up to date financial statements can help you to make informed business decisions.

There are some financial ratios that may help you evaluate your current financial situation, and growth over time. These ratios can vary between types of operations and should be discussed with your accountant or advisor.

Resources

FCC's farm financial fitness <https://www.fcc-fac.ca/en/ag-knowledge/ag-economics/operating-expense-ratio-protect-profitability-and-your-financial-fitness.html>

[Ag Expert Analyst: Accounting software built for the farm](#)

RISK ASSESSMENT AND MITIGATION

A SWOT Analysis (strengths, weaknesses, opportunities, and threats) allows you to evaluate your business from all angles.

Strengths: Describe the characteristics that give you and/or your business an advantage over others.

Weaknesses: Describe the characteristics that put you and/or your business at a disadvantage relative to others.

Opportunities: Describe the characteristics that are likely to contribute to your success.

Threats: Describe the characteristics that are likely to negatively impact your success. TIP: How susceptible is your product to disease outbreak? Is weather a significant factor? Do you expect any changes in policy and/or legal regulations that you must adhere to?

Operational Risks: Describe any significant changes that could impact the operation. Pay attention to production – plan production according to market changes, prices, business results, environment.

Risk Mitigation: Describe how you plan to mitigate potential threats and operational risks to your business e.g., marketing risks, human resource issues (recruitment, retention, safety), interest rates & financial risks, food safety, quality assurance, regulatory inspections, liability insurance (life/crop insurance etc.) and environmental management.

Resources

[How to Conduct and Use a SWOT Analysis \(PDF, 1 MB\)](#)

Risk-Based Approach: Requirements are tailored to environmental risk; operations in high-risk areas and during high-risk conditions will need to take more protective measures.

There are three types of high-risk areas; areas with high precipitation, areas over vulnerable aquifers and areas that are phosphorus-affected. To find out if you are operating in a high-risk area, see high risk maps at [High Risk Areas](#).

[Environmental Farm Plan Program](#) supports producers to complete environmental and climate change risk assessments related to agriculture.

[Taking Stock \(PDF\)](#)

[Taking Stock for the Beginning Farmer \(PDF\)](#)

[Taking Stock - A Processor Business Planning Workbook \(PDF\)](#)

[Taking Stock for Wildfire Recovery \(PDF, 1.5 MB\)](#)

[Wildfire Preparedness Resources & Additional Information](#)

[AgriShield: Risk Assessment and Mitigation Platform for Canadian Farmers](#)

PLAN FOR CONTINUOUS IMPROVEMENT

A business plan is a living document that you should revisit, revise and reference often as your business evolves over time.

When will you Assess, Plan, Implement, Review your Business Plan?

How will you measure your progress towards achieving your business goals over the past year and start to think about next year's goals?

BUSINESS PLAN SELF-ASSESSMENT

SELF-ASSESSMENT OF BUSINESS PLANNING NEEDS AND PRIORITIES

Instructions:

- Read each statement below and select the 'traffic light' rating (**green**, **yellow**, **red**) that best applies to you and your business.
 - Green** is an area of strength (e.g. I have a strong working knowledge of this and/or I feel extremely comfortable with my knowledge in this area, as it pertains to my business)
 - Yellow** is an area of caution, where improvements can be made (e.g. I have done some work in this area and/or I feel comfortable with my level of knowledge in this area, but I see room for improvement)
 - Red** is an area of weakness (e.g. I haven't done much work in this area and/or I feel I lack important knowledge in this area)
- Once you have selected the most appropriate rating, next indicate for **yellow** and **red** statements whether this issue is a high, medium, or low priority for your business.

The self-assessment is based on the [Taking Stock Workbooks](#).

Key business planning needs considerations		"Traffic light" self-assessment rating (e.g. of level of understanding, skill, etc.)				For yellow and red rated statements: What priority do you give this area for you and your business?
Business Planning Area	Self-assessment reflection statement	Green (Strength)	Yellow (Caution)	Red (Weakness)	N/A	High, medium or low priority
Business Strategy	1. I have a good idea of what my business goals are.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	2. I have a good idea of what I would like my agriculture business to offer (e.g. what I would	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.

	like to grow/produce/make).					
	3. I can easily list the reasons why I am interested in running/starting an agriculture business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	4. I am confident that my business is compliant with all local bylaws and zoning regulations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Business Structure	5. I understand my business' legal structure and know it meets all of my business needs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	6. I have an up-to-date, written business and lease agreements, all of the business owners understand the agreements and how they apply to the business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Marketing Strategy	7. I know my unit cost of production and my product pricing options are informed by it.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	8. I have a clear understanding of the range of marketing options that are available to me (e.g. retail/supply contracts, direct farm marketing, etc.).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	9. I have a clear, detailed understanding of the regulations that impact the marketing of my products.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	10. I know who my customers and/or potential customers are and I follow relevant markets to know what products are valued by consumers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	11. I know what the different quality characteristics of my product are (i.e. what makes it unique, special or sought after by my customers) and how my business management practices might impact those characteristics.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Human Resources	12. I understand the human resource needs of my business and have a human resource plan in place to obtain and retain employees that considers the labour, skills and training needs of my operation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	13. I have a written job description for each family member, business partner and employee and each understands their responsibilities and our expectations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Financial Management and Production Economics	14. I have researched and/or developed projected costs and returns for my business and review these on a regular basis to ensure I am meeting my profitability targets.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	15. I have set annual production goals and have a record keeping system in place to keep complete production accounts of my annual production.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	16. I am confident in my knowledge of the fixed and variable operating costs of my business, including costs of production.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	17. I have and maintain a detailed financial record keeping system and understand the financial status of my business at any given time.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	18. My business is prepared for any food safety, certification (e.g. organic) or other regulatory inspection or quality assurance that applies to my business and/or my sector.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
	19. We consult with our tax advisors on a regular basis and constantly revise our plan to minimize tax implications over time.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Social Responsibility	20. We consider the environmental impacts of our operation and adjust our farm management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.

	practices to minimize potential impacts.					
	21. I am a member of and/or aware of the farm, marketing and commodity organizations in my community/geographic area and the services they offer, such as liability insurance, cooperative purchasing and mentorship.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Risk Assessment	22. I have considered in detail various risks (e.g. production, market, financial, environmental, etc.) that might impact my business and have contingency plans in place, including insurance, to manage and/or mitigate them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Choose an item.
Other	23. Are there other areas not address above (e.g. transition/succession planning) that are a high or medium business planning and/or management priority for you and your business? If yes, please describe: Click here to enter text.					<input type="checkbox"/> Yes <input type="checkbox"/> No

PLANNING FOR PROFIT SAMPLE TEMPLATES

Forming a clear financial picture of your operation is important for business planning. Please refer to the Planning for Profits Sample Templates.³

The templates are intended to help you with your business plan, to

- 1) Assess your current financial situation.
- 2) Proactively plan for business growth (including expansion or diversification).
- 3) Identify strengths and weaknesses in your operation.
- 4) Establish an action and continuous improvement plan.

Completing this will help prepare you to make the most efficient use of the B.C. Agri-Business Planning and the B.C. Indigenous Agriculture Development Programs with your farm business advisor/consultant.

The templates include the following:

- **Net worth statement** is a snapshot of a business at a particular point in time; essential for any proposal for financing that you prepare for presentation to a lending agency.
- **Cash flow statement** is a tool to manage cash to determine and record the probable flow of cash in and out of the business. Used to determine when an operating loan is necessary or when surplus cash is available for investment.
- **Income and expense statement** show revenues and expenses and the resulting net income after all expenses have been deducted from the revenues. Used to plan for business growth (including expansion or diversification).
- **Partial budget** is a planning tool to estimate the change in probable income and expenses that are likely to occur from making a change in a portion of your operation.
- **Production plan** is a tool to manage production activities during a production cycle for a crop, and/or by season or fiscal year. Essentially it determines and records the probable activities to ensure products (quantity and type) are available to market when they are needed.
- **Action Plan** is your roadmap to success. It is a collection of actions, which you have prioritized and committed to complete, to fulfill certain goals. It outlines who will do it and by when.

References

¹ Farm Management Canada's 2015 Ipsos Dollars and Sense National Study

² Heather Watson, Executive Director, Farm Management Canada

³ Source: Adapted from Province of British Columbia, Planning for Profit, Field Manual, Notes on Financial Management for Agricultural Producers, H.A. Scott July 1981

Appendix 13

Solution Selling For Agriculture

 croplife.com/management/solution-selling-for-agriculture/

Strategically-minded agronomy managers are looking for an improved sales process resulting in better customer experience, loyalty, and profits. Do these challenges ring true for you?

- Achieve meaningful differentiation from other retailers that creates a competitive advantage.
- Achieve more accountability for results from sales.
- Become more process driven vs. “working hard” to improve operations, management, and sales.

Several years ago, I was introduced to Solution Selling and learned selling could be a quality process with predictable outcomes like manufacturing. My selling performance improved as I learned this innovative approach to solving customer problems vs. selling products. In these columns, I'll introduce Solution Selling for Agriculture, the customized-for-ag version of the

world class sales performance system used by Microsoft and Dell Computer. We'll focus on key objectives of Solution Selling, and discuss how to implement this proven process in your retail business.

- Understand how customers buy, to align your selling activities.
- Distinguish between latent and active opportunities.
- Learn effective pre-call planning.
- Create interest/increase credibility with customers/prospects.
- Get growers to share high priority “pain” in their operation.
- Enlist consultative dialogue that differentiates your business.
- Qualify and disqualify opportunities based on objective criteria.
- Gain more control over sales cycles.
- Improve your win odds through effective closing techniques.
- Avoid no-decision with prospective buyers.

Solution Selling for Agriculture is the “Connect” portion of a business model I call Analyze, Plan, Connect, Review. Before diving into Solution Selling, I want to overview the components of the model. Next month, we’ll focus on “Create,” the first step in the Solution Selling process, and cover the “Develop,” “Prove,” “Close,” and “Implement” steps in subsequent columns. I’ll end next summer by detailing Analyze and Planning as these fit well at that time of year.

Analyze: Where Am I Today?

If you don’t know where you are going any road will take you there. Ag retailers typically need to focus more on analysis.

- Conduct a strategic assessment of how well you are aligned with customers. The Retailer Performance Monitor described last month will provide ideas in this area, and create a baseline for efforts to become more aligned with customer needs.
- It’s essential to measure your Share of Business with key customers. I recommend doing this on a category basis (Chemical, Fertilizer, Seed, Services) at the company and territory level, and for all key customers.
- Create a high-level diagnosis of the problems facing each of your key customers and potential prospects. In the Create and Develop steps of Solution Selling, we’ll detail getting customers and prospects to reveal business problems that deepen your relationship and widen your opportunities.
- Identify and quantify specific opportunities at your company level and for each key customer that drives your business. Do the same for prospects.

Following the analysis, plan how you will move your business forward. Planning without the analysis of where you are produces unpredictable results.

- Forecast/set goals for a sales territory/customer.
- Do pre-call planning.
- Identify potential pain and how it affects areas of a grower’s business.
- Use job aids to build pre-call plans, and strategies.

Connect

Sales people want to achieve their goals. The problem is they’re not sure how to get there. That’s what Connecting in Solution Selling is all about: following a pathway that’s proven in other industries. Solution Selling has three essential goals:

- Stimulate interest in your offering with prospects and growers who represent growth opportunities.

- Diagnose the customer's business problems and create a vision of a solution.
- Use job aids to manage, coach, and produce high performance sales results.

At the end of each Solution Selling cycle with a customer, we recommend conducting a review with your key customers (and prospects too). This review should focus on how well the plan developed during the Close and Implement steps of Solution Selling has solved the customer's business problems. It will provide you and your customer with an opportunity to confirm needs, and identify gaps in performance that — if not addressed — may lead to reduced share of business.

The diagram at left shows this process is wide and deep.

Philosophy: Solution Selling helps you understand customer needs and buying behavior. Better alignment with customers' and prospects' needs improves sales performance.

Map: A series of defined and measurable steps leading to a predictable beneficial result.

Job Aids: These are ag-specific templates, guidelines, and prompters that facilitate the right action, the right way at the right time.

Management System: Solution Selling can help managers transform the business from an internal operations focus to an external customer focus.

Implementation: Achieve a sustainable High Performance sales culture focused on customer needs.

Solution Selling for Agriculture drives predictable, customer-focused selling that accomplishes critical results.

- Increased share of business with high-potential customers.
- Improved customer retention from better alignment of retailer "solutions" to customer problems.
- Improved forecasting accuracy and pipeline management of opportunities.
- Effective territory management.
- Improved ability to develop and implement targeted selling campaigns.

Keogh is president of AgKnowlogy. AgKnowlogy is a group of agribusiness professionals, Certified Crop Advisors, software developers and analysts who created a suite of knowledge tools that improve customer loyalty and company profitability.

Appendix 14



Farm & Family Connections: *Communication in the Family*

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Communication, although essential, is not always easy. Individual differences in personality, communication styles and skills, and expectations all play a part in how well your family communicates. Sometimes you'll find it is best to let issues rest before trying to communicate. Other times, however, issues can't be allowed to rest, because lack of communication can interfere with daily living. After all, every family is a team, and this is particularly true of families with family farms. They must communicate effectively in order to manage their farms effectively.

Just as you, the manager of your family farm, must communicate and negotiate with employees, suppliers, processors/merchandisers, lenders, landlords, and providers of money or land in any given day, you must communicate with those family members directly or indirectly affected by farm-family issues and decisions. And it's equally important that they communicate with you. Successful families operate systematically, much as do successful farms.

Each family member plays different roles in the family and in the management of the family farm. Each of these roles carries with it different responsibilities and expectations. But sometimes one person sees his or her roles and responsibilities in one way, while others see them very differently. Different perceptions and expectations can lead to a great deal of confusion and frustration.

Communication allows for discussion and clarification of roles, responsibilities, and expectations that can lead to more effective, collaborative, and supportive relationships within the family. And, when the farm family is functioning effectively, the family-farm business functions more effectively.

Effective Communication

So, what is effective communication? The best way to answer that question is to break the concept down. Effective communication involves interpersonal skills, rapport with others, and active listening.

- **Interpersonal Skills**

Interpersonal skills enable us to interact with others. Effective interpersonal communication involves putting people at ease, respecting others' opinions and capabilities, and encouraging the sharing of feelings and perceptions.

- **Rapport**

To develop rapport with others is to develop a connection, a relationship, or an understanding with them. To do this, you should signal that you are open to the thoughts and opinions of others. You should express an interest in what others have to say in a friendly and open manner.

- **Active Listening**

Active listening encourages others to continue interacting. As an active listener, you can demonstrate your interest in what is being said using both verbal and nonverbal communication techniques.

Rephrasing

Rephrasing what you have heard is an effective technique. For example, a family member says, "It bothers me when you commit me to do something before asking if I am available." You can reply, "I understand what you are saying; it upsets you when I commit your time without checking with you first." Thus, you make sure you have clearly understood what you have heard, and you validate the speaker and his or her message.

Tone of Voice

Your tone of voice can determine the effect of your message. For example, if you try to communicate your anger or unhappiness, but do so in a light and jovial manner, your listener may miss your point. Your tone of voice should match the message you're trying to convey. Varying the pitch to demonstrate excitement or disappointment can help your listener to hear the intent of the message.

Nonverbal Cues

Just as what you say and how you say it are important to effective communication, nonverbal cues can also add to or detract from your message. For example, leaning toward the speaker, nodding, and smiling all convey interest in and understanding of what is being said. In contrast, looking away, shuffling your feet, looking at a watch or clock, or turning away when someone is speaking can be perceived as lack of interest in or uneasiness with the person or message.

Beyond Effective Communication

At times, even effective communication fails to achieve a desirable outcome. In those cases, outside help, guidance, or support can be helpful. You may seek support through your church, a community agency, or close friend. However, factors such as individual personality, upbringing, and culture can influence how comfortable families feel sharing private concerns with others. For families conditioned to believe that personal problems should remain private, seeking outside help may seem virtually impossible.

Sometimes, it can help to think about reaching out as strength. Consider how you would feel if someone reached out to you in need. Reaching out to others can be a real comfort and help when times are tough.

Sources & Resources

Pritchett, J. (2000). Thoughts on Relationship Management. Unpublished Paper.

Rausch, A. (1999). Communication and Stress: Enhancing Communication Skills. Purdue Cooperative Extension Service.

This publication is part of the Farm Business Management for the 21st Century series. Other publications in the series provide information about the evaluation of management skills, measuring and analyzing financial performance, and applying strategic management to the farm business. For the most current information about Farm Business Management for the 21st Century publications and other supporting materials, visit our Web site at <www.agecon.purdue.edu/ext/fbm21>.

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Appendix 15

Making Effective Presentations: Introduction

 content.moneyinstructor.com/1202/effective-presentations.html



The key to effective presentations lies in careful preparation. You need to know about your audience and their expectations; you need to identify your own objectives (do you intend to inform or persuade your audience?); you need to sequence your information in a logical way and you need to know the best ways to create and keep the audience's interest. You should also have your audio-visual aids ready and in the right sequence and should check that the equipment is in working order.



Your audience

Before you start to think about the content of your presentation, look at what you know about the audience. Ask yourself:

1. Why they are attending.
2. What they want to know.
3. How much information they have already.
4. What technical language they use or are familiar with.

If you were presenting information about road safety, your approach to an audience of parents would be quite different from your approach to an audience of policemen. Parents would be concerned primarily with protecting their children. They would be looking for advice

and information on safe practices. The police, on the other hand, would be far more interested in statistics, on looking for those responsible for road accidents, on the relationship between traffic regulations and safety.

Presentations for information

If you have information to give an audience, you must decide on the most logical sequence for the material. In your introduction you should state your name, your company or organization and your credentials and the purpose of your talk:

Good morning, ladies and gentlemen. My name is Mary Green and I'm a consultant with the Insight Corporation. I have ten year's experience in the field of X and the purpose of my talk today is give you the results of our recent research into Y.

It is important in the first stage of the presentation to give the audience some signposts and some approximate times. This is rather like having an agenda for a meeting; the audience knows what to expect and finds it easier to follow:

My presentation today will take about fifteen minutes and falls into three stages. First I will remind you briefly of the background to the research. Next I will spend about eight minutes outlining the results and I will conclude by talking for two or three minutes about the implications of these findings. There will be another ten minutes available at the end of my talk for you to ask questions.

As you reach the end of each stage of your presentation it is a good idea to signal this:
That concludes the background information...

and to briefly summarize the main points of that section,
and, as you can see, there are two main points to bear in mind: the effects of early research on current practices and the gaps in our knowledge that were identified.

You should then signal your move to the next stage:
Now I want to turn to the results of our recent research.

Presentations to Persuade

As with information presentations, you should give a clear introduction to yourself and your topic. However, in addition to organizing your talk in a logical fashion, you need to build up a convincing argument. You should concentrate on:

1. The **benefits** of your standpoint.
2. Compare these with the **disadvantages** of other approaches.
3. Lead up to the conclusion that what you offer is a better alternative.

In my presentation today I am going to show you how our new product can save you between 15% and 20% of your annual energy costs... Until now, comparable products have required a high initial outlay. In contrast our prices are 30% lower than our competitors'... From what you have seen today, I am sure you will agree that what we offer not only allows the biggest per annum savings at a considerably lower price than comparable products, but that it also comes with a cast-iron warranty and an excellent after sales package.

Capturing and keeping the audience's interest

To capture your audience's interest, you need a lively introduction with a 'hook'; that is to say a way of making the audience want to know more. Some ways of doing this are:

1. Identify a problem you know they would like solved.
2. "Trail" some new and interesting information that you are going to unveil.
3. Ask rhetorical questions (*questions to which you don't expect an answer: what exactly went wrong? where does that leave us? how can we interpret this?*).

Once you have the audience's attention, you should ensure you keep it by:

1. making clear, brief points
2. using simple visual aids to highlight specific points (these should be vivid and with only minimal information)
3. using humor if it is appropriate to your topic
4. summarizing key points.

Body Language

Remember that a message is conveyed not only by words but also by facial expression, posture, gestures. People say that as much of 75 percent of a message is conveyed by body language. If you are nervous, you will betray this in your body language, perhaps by pacing or repeating some gesture like touching your ear or fingering your clothing. All this can be distracting for your audience, so you might need to practice in front of a mirror or a video camera. Aim for a clear, steady gaze and look at individuals in the audience from time to time. Don't pace or fidget or tap your toe. Try to match your facial expressions to the tone of your subject. If you find you are becoming nervous, pause for a second and take a sip of water to give you time to recover.

Dealing with questions

Questions at the end of the presentation are of four main kinds:

1. Questions you can answer on the spot.
2. Questions that require further information you don't have with you.
3. Questions you wish to avoid.
4. Aggressive questions.

The first kind is no problem and you will deal with them as efficiently as you can. For the second kind, you should acknowledge the question as useful/important/interesting and offer to send the information on, or provide another source of information, if the questioner gives you an address after the presentation. For questions you wish to avoid, you should find some formula for politely declining to answer:

1. That's really too complicated an issue to discuss right now.
2. That's beyond my brief for today.
3. I'm not really the best person to deal with that question.

If someone in the audience is asking aggressive questions, then acknowledge their anger and politely decline to get involved:

I can see you are upset/angry/disturbed by this, but this not the time to engage in an argument.

Appendix 16

Agribusiness Ethics: Specifying the Terms of the Contract

Jeffrey Burkhardt

ABSTRACT. Agricultural production in the western world in our time is primarily agribusiness. As such, a business ethics approach can be extended to agricultural production. Given the nature of the agricultural production system, however, not only are general principles for business ethics applicable, but more specific obligations need to be generated. A social contract approach such as Donaldson's, with modifications, serves to provide both the general principles for the ethical practice of agribusiness, as well as more specific obligations for agents in the production system. An analysis of three cases is offered in order to highlight ethical issues particular to agribusiness, as well as to provide content for the principles which the social contract view regarding agribusiness can be seen to generate.

The ethical issues involved in agriculture are numerous and complex, as William Aiken has shown in his chapter on ethics in agriculture in Tom Regan's edited *Earthbound*,¹ and elsewhere.² And, Aiken has taken us a very long way toward a viable ethical analysis of agriculture through his careful "mapping" of the range of options with which we must contend in moral reflection on the economics, politics, and ecology of food production. The importance of these issues for present and future generations, as well as for the very survival of plant and

animal species, suggests that additional work in the ethics of agriculture is necessary. Furthermore, since agricultural practice in the Western world in our time is primarily a business activity, agricultural ethics can, and should, be conceived of in terms of the ethics of the *business* of agricultural production. My aim in this paper is to extend agricultural ethics into business ethics — and *vice versa*.

In one respect, agribusiness ethics is a simple extension of business ethics. Principles for the ethical practice of agribusiness are specific applications of principles for the ethical practice of business. In this regard, the justification of such principles follows justificatory procedures for principles for business ethics in general. However, in another respect, given the nature of the agribusiness system, there are special problems not addressable by "standard" business ethics. "Agribusiness," that is, is a somewhat misleading term, in so far as the agricultural production system is a complex network of different *kinds* of business from input suppliers to retailers, as well as labor, public sector researchers, etc. (see Figure 1). Thus, it is necessary to establish not only the broader ethical principles for agribusiness as business, but also more specific obligations for agribusinesses as agents in the *agricultural* production system.

In this paper, then, I present an analysis of a foundation for, and implications of, agribusiness ethics. In Section I, I explain why a social contract model of the sort that Donaldson³ has provided as a foundation for business ethics is well-suited — though with important modifications — to agribusiness ethics. In Section II, I discuss three current ethical issues that have

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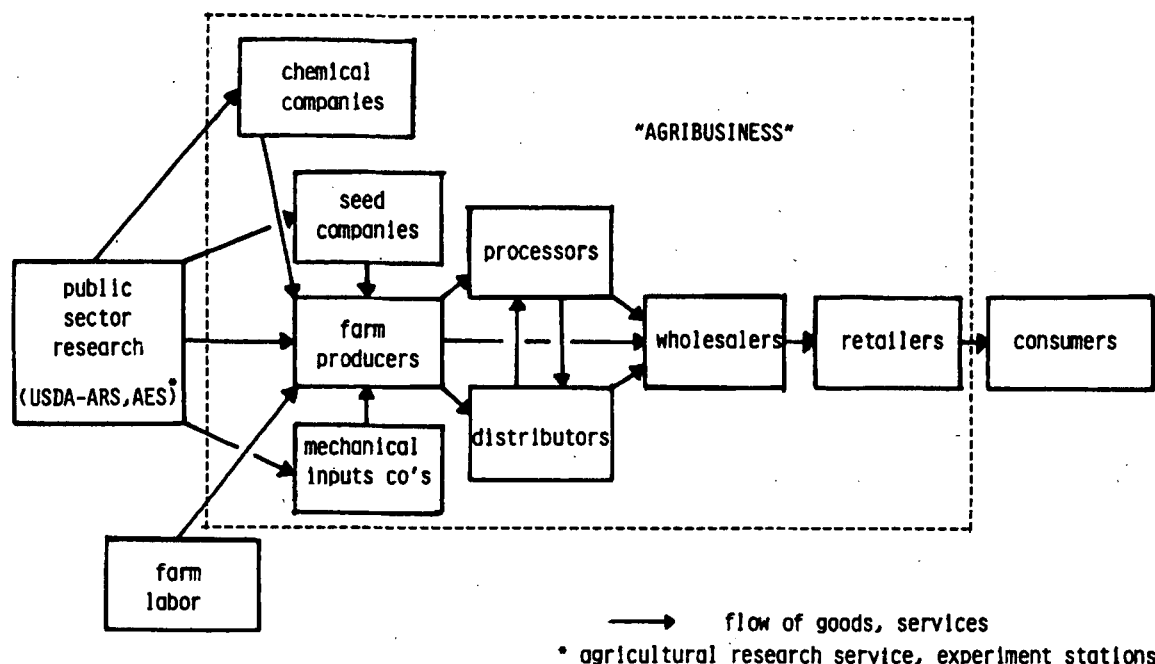


Fig. 1. A simplified model of the agricultural production system.

arisen in agricultural production: (1) the farm labor/mechanical inputs industry conflict; (2) the impact of acquisition of seed companies by chemical companies on farmers' moral obligations; and (3) the food quality problem. My analysis of these "case studies" sets the stage for the final section of the paper. In Section III, I draw out of the cases some principles for the ethical conduct of agribusiness, as foundations for specific obligations that particular "contracting" agents in agricultural production have toward each other, and toward society as a whole. My argument is that the cases show not only that a social contract for agribusiness requires respect for consumers, laborers, and the environment's "rights," but also that such a contract requires respect for other agribusinesses' rights as well.

There is one qualification. My primary focus is on plant — i.e., vegetable and grain — production. I do think that similar — though perhaps not identical — issues and solutions might arise in animal production as well.⁴ However, I want to avoid at this point the question as to how or even whether we should produce animals for food. My concern is with issues of the crop production system.

I. The social contract and agribusiness

Donaldson's model of the social contract between business and society is of course only one of the numerous versions of that view that have been offered in the literature, but I refer to it because it clearly articulates what the terms and conditions of such a contract would be. According to Donaldson, the overall form of the contract is best understood as "We, (the members of society) agree to do X, and you (the productive organization) agree to do Y."⁵ The mutual understanding is that X refers to something like:

- (1) Recognize the productive agent as a single agent, especially in the eyes of the law (but also as a moral agent).

and

- (2) Grant the productive agent the authority to own or use land and natural resources, and to hire employees.

Y refers to some set of or all of the following:

- (1) improve efficiency
- (2) stabilize levels of output

- (3) increase liability resources
- (4) minimize pollution
- (5) respect moral standards
- (6) respect political processes
- (7) decrease worker alienation
- (8) increase worker control over work environment
- (9) decrease dehumanization.⁶

Donaldson argues that a social contract so understood serves as a moral foundation for the social responsibilities of corporations considered as productive organizations. That is, the contract establishes the basis upon which the parties to the contract can *legitimately* claim that rights are violated, or obligations honored. Corporations who violate rights, or fail to act as they are obligated to act, then, must change their ways or lose their moral right to exist. This claim, however, invites an immediate objection. Since corporations usually don't make explicit agreements with society, the foundation for assessing moral obligations and rights cannot be contractual. To say so, in fact, is self-defeating. While society claims that corporations have obligations based on a social contract, all the corporation has to say is that it never made such a contract, and hence doesn't have any moral obligations to society. Hence, corporate moral obligations are thrown out the window.⁷

There are actually two parts to this objection. The first concerns the *hypothetical* nature of the social contract. Because of the fictional character of the social contract, philosophers have long questioned its force in justifying obligations.⁸ Either there are actual moral obligations, based on utility, natural rights, respect for persons, Aristotelian virtues, or some other justificatory theory, or there aren't; a *hypothetical* social contract can't justify *actual* obligations, and hence adds nothing to a normative argument.

Whatever the force of this objection in general, there remain some good reasons for employing the contractual model as a justificatory device for *business* ethical obligations, despite the hypothetical or fictional nature of the contract. In the first place, "business" and "corporations" and even "society" are all in some sense fictions. They are the historical

creations of individuals or groups of individuals, and continue to exist by virtue of the mutual recognition of their existence. This is to say that some "rules of recognition" in H. L. A. Hart's sense⁹ permit us to call some collection of people a "society" or a "business" or a "corporation" and so on, and treat those fictions as real, acting individuals.¹⁰ In the second place, on both the legal creation view and the legal recognition view of corporation,¹¹ society ratifies the existence of the corporation, by permitting limitations on liability for individuals incorporating, and recognizing corporate "acts." Some kind of contract is thus in place between corporations and society, even if no particular terms and conditions have been explicitly agreed upon.

But this leads to the second part of the objection. Even if we grant that the *existence* of the corporation is somehow contractually-based, the foundation for *moral* obligations or responsibilities that corporations have may still not be contractual. Corporations never entered into a *moral* contract with society. Without such a contract, there are no *moral* obligations or responsibilities. This objection, however, misses the point of the contractual analysis. We already suppose that some kind of contract exists between business and society. And, we suppose that members of societies have moral obligations and responsibilities to other members of society. What moral obligations we wish to argue that corporations have, then, over and above legal obligations, are made explicit by showing that they derive from or can be understood in terms of a contract. In a sense, this is the Rawlsian view¹² that the contract might only be drawing out in more explicit terms the obligations that are already "there" by virtue of our (individuals', corporate persons', interest groups') participation in a society. Corporations have obligations to society, that is, and to show that these obligations are a part of an implicit agreement that they have with society is only to make those obligations more definite.

Even if the social contract view serves generally to ground the rights and obligations that business and society have toward each other, there is one further problem. Particular

businesses or individual corporations are not business in general. What obligations do specific businesses have? We might, perhaps, derive these, deductively, from the more general "agreed-to" principles. However, when we consider that the operations of particular firms vary considerably, that particular firms serve different markets, and that in some cases, particular businesses don't deal with any broad section of society, a simple application of these general terms and principles to particular cases may not fully address nor solve ethical problems that arise in specific instances.

In one respect, this difficulty is just an instance of the problem of applying general principles to particular cases. In another respect, however, it is an instance of what we might call the "contractual domain" problem. Certainly there are moral obligations which each agent in a production system has to society or, as Donaldson puts it, to consumers and labor.¹³ Given the differences in the kinds of social relations that individual firms or kinds of firms have, it may be not only appropriate but necessary to narrow the terms of the contract to identify particular ethical problem areas which might exist for a particular firm or sector of an industry. Donaldson suggests something close to this in his general principle, "productive organizations ... should avoid any practice which systematically worsens the situation of a *given group* in society."¹⁴ A more direct way of stating the point is that agents in a production system have obligations to those with whom they deal, that is, to those with whom they have concrete, frequent interactions. Acting on some of *these* obligations may fulfill obligations to society at large; some of these obligations may, however, be of only indirect concern or consequence to any broader section of society. They are, nonetheless, part of the moral obligations that particular agents have to society, by being obligations that agents have to other agents within society. An important point follows from this: Some social-contractual obligations that businesses have are obligations to other businesses. I will offer an example of this below.

With this in mind, I will briefly explain why the modified contract view is well-suited to the

agribusiness system. There are two main reasons.

(a) First, as was stated above, agricultural production is currently a business activity, governed by principles of profit-making, cost accounting, economies of scale, marketing, distribution and so forth. How *those* principles get applied is of course dictated by whether the business is a farm, a manufacturing firm, a vegetable processing company, supermarket, bakery, etc. If there are contractually justifiable principles for business moral responsibility at all, then they are also applicable to the agricultural production system. Some are perhaps *more* applicable to agribusinesses than to other types of businesses, e.g., environmental responsibilities or labor-relations obligations.

(b) Second, since food production is so important to us, historically at least, agribusinesses have been given a somewhat freer hand relative to environmental and labor issues than have certain other kinds of businesses. Resource depletion and misuse have not been regulated in agriculture the way that they have in, say, mining. And labor relations in agriculture have not been scrutinized by the federal and state governments to the extent that they have been in auto manufacturing. Of course, there are political reasons for this: farm and ranch lobbies have been among the most powerful in both the Congress and state legislatures. However, there are also, as Aiken has suggested, socio-economic reasons: consumers have been more than willing to tolerate ethically questionable practices by agribusinesses in return for cheap and easily obtainable food.¹⁵

These considerations suggest that the agricultural production system is amenable to a social contract evaluation. A contract has already been set up between consumers and the agricultural production establishment. They provide food, we look the other way concerning unethical practices. That some of the negative results of the general public's policy of *laissez faire* are now manifest suggests that this prior contract is and should be in the process of being renegotiated. This is, the moral obligations of agents in the agribusiness system need to be better articulated, since it is clear that the policy of *laissez-faire* toward the system and toward particular

agents in the system has produced some disastrous and near-disastrous social ills. There may be parallel arguments regarding other industries; the point is that the analysis does work particularly well in this case.

There is one further consideration. Agribusiness as a whole has a contract with society, and that contract should be better articulated if altered. Given the nature of the agricultural production system, to better articulate or alter the terms and conditions of that contract requires that we utilize our contractual analysis to target individual businesses or kinds of businesses as agents responsible for and obligated to remedy social ills produced by "agribusiness." The contract that that particular agent or set of agents has with society or some part of it, that is, is what should be negotiated. Other businesses or kinds of businesses in agricultural production should be left alone. The modifications I made in Donaldson's model permit this specification of domain of obligations.

From a metaethical point of view, there may be no way to defend *completely* the contractual model against its critics. This, however, is not my aim. Rather, I wish to suggest that with the modifications I have made in the model, a contractual view allows us to show how businesses' actions toward consumers, labor, and other businesses can be evaluated. With my modifications the model also allows us to show how some actions may violate agreements that businesses make with parties with whom they interact. In this respect, the model is not only a practical device for drawing out obligations and responsibilities, but also points to that fundamental feature of our business society: our political economy is a complex network of interrelated agents, and the smooth and efficient production of goods and services depends upon respect for a clear division of labor and assignment of roles.¹⁶

II. Ethical issues and the agribusiness "community"

There are three currently existing and/or developing situations in US agriculture which can be seen to highlight the point I have been

making about the moral obligations of particular actors in the agricultural production system. Although an extended case analysis of each would strengthen the argument, in this section I wish only to note a few of the ethical issues involved in each case as a way of suggesting the applicability of the model presented above, as well as the soundness of the principles I will draw out of this analysis. Again, the three cases are (a) Farm labor vs. the Mechanical Inputs industry; (b) Seed production by Chemical companies vs. Farmer responsibilities; and (c) Processor interests vs. Consumer and Farmer rights and responsibilities. Again, my focus in (a) and (c) is on grain and vegetable production and processing.

(a) A recent lawsuit in California¹⁷ raises a number of questions about the respective rights and/or roles of farm labor, farmers, and mechanical inputs companies. The main issue in the case is the legitimacy of public sector institutions researching and developing products or procedures which benefit only one part of society while harming another. Specifically, The California Rural Legal Assistance (CRLA) project, on behalf of farm workers and small farmers, challenged the practice of plant (specifically, tomato) improvement programs at the University of California (Davis) which develop varieties which are mechanically harvestable, and hence suited only to large mechanized farms. Since it is in the interest of labor and small farmers to have plants developed which are more easily *hand* harvestable (e.g., tomatoes setting fruit higher on the plant), and since there are a great many properties of mechanically-harvestable plants which are inimical to hand picking (e.g., having the stem of a vegetable more firmly attached so as to prevent the vegetable from dropping off before harvesting), to have public plant breeders develop the latter kinds of varieties to the exclusion of the former constitutes a violation of the principle that public facilities are to benefit "the public." Indeed, farm labor in California, Florida, migrant workers throughout the country, and small, family farmers, are a large sector of the public.¹⁸ There are a number of traits in plants which may or may not be relevant to the conflicting demands here, for example, that the

plants set fruit all at the same time. In regard to mechanical harvesting, however, it is clear that there is a direct conflict over characteristics that are seen as valuable in plants.

Besides the question of the legality of such research in the public sector, one important issue that arises in regard to this case is that of labor/industry relations. Unlike other kinds of labor/management or labor/industry conflicts, where this conflict gets "resolved" is in a third party's enterprise, namely, the farmer's farm. Presumably, farmers decide how to produce, whether capital-intensively or labor-intensively, on economic grounds. If plant varieties are available which are tailored to a more capital-intensive style of production, the farmer *may* choose capital-intensive production. He *may* choose hand-harvested production, if there are varieties which make that an equally productive possibility in terms of yield. If, however, there are no *higher*-yielding hand-harvestable varieties, or are there no varieties which are *equally* as high-yielding which are both mechanically- or hand-harvestable, the farmer has no choice but to utilize capital-intensive production. In other words, the farmer can't exercise a choice about the relative cost-efficiency of labor or machines, since there is no real option but to use machines. Nor, for that matter, could the farmer "mix" strategies, having one plot mechanically harvestable and others hand-harvested, depending on whether he or she wants to produce fresh-market or processing tomatoes, say. Thus, farmers are put in a position of having to employ mechanical harvesting procedures. Two points follow from this: (a) smaller farmers, who perhaps can't afford the expensive machinery, cannot compete with the higher-yielding, large, mechanized farms. In fact, small vegetable farms have gone out of business at an alarming rate. And since small farmers had been the primary employers of vegetable pickers, employment opportunities for pickers have rapidly declined.¹⁹ (b) Even a large farm has no choice but to employ mechanical harvesting techniques. Thus, labor has a similar foreclosure of opportunities there. All the while, the mechanical inputs companies are developing larger, more efficient harvesters, combines, and

tractors, the net effect of which is to further industrialize the farm sector, leaving open no or very small possibilities for profitable small farms or at least a stable source of farm employment opportunities.

The point of this, independent of the California suit, is that a situation has arisen here in which (1) there are conflicting interests between labor and small farmers, and the mechanical inputs industry; (2) there is no possibility for direct negotiation between farm labor and the inputs industry except in so far as labor can try to "negotiate" with farmers to employ them at the expense of higher yields; (3) given available options, farmers must use mechanically harvestable varieties which are not as efficiently hand harvestable, even though there may be varieties which exist or could be developed which would be equally high-yielding and cost-efficient whether harvested by labor or by machine; and (4) a group of people, and perhaps, the public at large, is harmed by this situation.

It may be argued that the reduction in the number of small farms, and the decrease in employment opportunities for vegetable pickers, are only unfortunate consequences of the operation of the market. Research institutions only develop varieties for which there is some demand; mechanical inputs businesses supply only those products for which a market exists; and farmers choose the most economically sound production techniques. If consumers receive produce at reasonable prices, that labor and small farmers are harmed in the process is unfortunate, but necessary. This, however, is where a contractual agreement needs to be invoked. While it is certainly in consumers' interests to have cheap and readily obtainable food, the increased mechanization of vegetable farms produces some social ills. Certainly pressure in research institutions contributes to these. But at least some of these social ills can be traced to the mechanical inputs companies' not making available harvesters which would be compatible with smaller-scale, even partially hand-harvested, farms. If it could be shown that there would be demand by small farmers for less costly, efficient harvesters, it would then be morally incumbent upon mechanical inputs companies

to produce them. Not doing so would violate the agreement that society has with the mechanical inputs sector of agribusiness to provide those necessary products without harming a large sector of the public. And, given the number of small farms that have disappeared as a result of increased pressure to mechanize, it would seem that that demand *did* exist, even if it does not now. Yet, even given the fact that small farms continue to decline in number, *some* demand does exist. Hence, mechanical inputs companies would have *some* obligation to produce these smaller machines.

But what of labor? Perhaps the availability of smaller harvesters might allow for a mix of capital-intensive and labor-intensive strategies mentioned above. In such a case, farmers ought to employ such a mix, since not doing so harms labor with no economic gain to the farmer from this harm. More directly, the mechanical inputs industry *and* farmers should consider the interests of labor when researching, developing, marketing and employing farm machinery. This is not to say that such machinery should ultimately not be employed. It is instead to say that the impact of mechanization on farm labor — as on small farmers — should be considered by each agent, as a part of its contractual obligations to those other agents — and to society. This may even imply an obligation to contribute toward retraining of farm labor in some cases.

In sum, the following obligations are involved in this case: (1) public sector plant breeders should continue to breed hand-harvestable varieties — or perhaps varieties equally compatible with both types of harvesting. (2) The mechanical inputs sector should take steps to refrain from any direct pressure on farmers and research institutions. (3) The mechanical inputs sector should actively support research to develop alternative, equally efficient forms of harvesters which would be compatible with a more labor-intensive farming system. (4) Farmers should utilize vegetable pickers wherever equally cost-efficient. These are direct implications of the contract that these agents in the system have not only with the public at large, but with other agents in the system who are harmed as a direct and foreseeable result of their actions.

(b) one of the major criticisms leveled against agribusiness is that farmers have increasingly turned to chemical nutrients and environmentally-unsound herbicides/pesticides. Historically, agribusiness has defended the use of *some* chemicals (DDT to the contrary) on the grounds that cheap food requires them: chemicals speed up the production process and increase yields.²⁰ Now, what is interesting is that although the Farm Bureau has recently come out against the excessive use of chemical fertilizers and herbicides on the grounds that they are increasing in cost,²¹ farmers may increasingly find themselves dependent on “new and improved” chemicals. This is because: (1) private seed companies are currently developing varieties of plants which would be tolerant to particular chemicals. That is, the corn or wheat or tomato plants would not wilt or die when the field is applied with a particular kind of herbicide.²² And, (2) Public sector (University and USDA) seed development has decreased, or at least moved from the development of “finished” (immediately usable) varieties to “germ plasm enhancement”.²³ There is every likelihood that if the seed companies are successful, farmers will be forced to use and *purchase* “packages” of seed and chemicals (since publically-developed finished seed would not be available). Not only would chemical use not decrease, but farmers would have *no choice* for certain crops but to continue or increase chemical applications.

There are a number of issues which arise in this case, not the least of which have to do with the fact that (1) farmers' share of the value added in most agricultural products is already relatively small;²⁴ and (2) purchased inputs (including seed) have significantly increased in the farm sector over the last 50 years.²⁵ These are themselves enough to justify the Farm Bureau's call for a reduction in the use of chemicals in favor of more economical farming practices. The more important issue in the present context is, however, that through the actions of the seed companies farmers are put in the position where even if they were to *desire* to act in a socially or environmentally-responsible fashion, they may not be able to. I make no claims here about whether farming businesses

would so desire; rather, the situation may be arising where it wouldn't matter if they did.

But this is only half the story. Seed companies, in and of themselves, have no *particular* interest in chemically-dependent seeds. In fact, since the passage of the Plant Variety Protection Act (PVPA) in 1970, seed companies can patent plant varieties, so that high-yielding varieties they develop can return to them a decent profit. Thus, while their interest is certainly in selling their patented seed, it is not necessarily in selling only chemically dependent seed. However, if we consider the fact that since the mid-70's, major seed companies have been acquired by major multinational chemical companies, that picture begins to change (see Table I). Chemical companies are now, in effect, redirecting research and development within the seed companies toward the chemically-dependent varieties.²⁶

There are some technical issues in plant

breeding or plant improvement concerning the possibility that chemically-tolerant plants can in fact be developed, which I will not pursue here. It is certainly the case that agrichemical companies *believe* that they can be, and are willing to invest heavily in both traditional plant improvement programs and in "genetic engineering" labs and firms with ostensibly the same goal. The ethical issue in this case, is that even if no *particular* firm were to gain a monopoly over the seed/chemical market, the collective effect of the purchase of seed companies and the redirection of research and development efforts is that socially responsible action by *both* farmer and seed company is undermined. (Presumably, seed companies could be developing "naturally" higher-yielding, pest-resistant, better tasting, nutritionally superior varieties.)

There is a utilitarian argument to the effect that business mergers, buyouts, and perhaps

TABLE I
Some chemical companies and seed subsidiaries

company	seed company	biotech? ^a	company	seed company	biotech?
ARCO	Desert Seed Co.	yes	Pfizer	Trojan Seed Co Jordan Wholesale Clemens Seed Warwick Seeds	yes
Celanese	Celpril Moran Seeds Harris Seed Co.	yes	Sandoz	Northrup-King National N-K McNair Seeds Gallatin Valley Rogers Brothers Ladner Beta	yes
Ciba-Geigy	Ciba-Geigy Seeds Funk Seeds Louisiana Seeds	yes			
FMC Corp.	Seed Research Assoc.	yes			
Monsanto	Farmers Hybrid Co. Hybridtech Jacob Hartz Seed	yes	Shell-Olin	North American Plant Breeders Nickerson-Zwaan Agripro Tekseed Hybrid	yes
Occidental Petroleum	Ring Around Products Excel Hybrid Missouri Seeds Moss Seeds	yes	Upjohn	Asgrow Seeds Associated Seeds	yes

^a indicates either in house genetic engineering lab or venture capital interest in a biotech firm.

Source: Jack Kloppenburg, Jr., 'The Social Impacts of Biogenetic Technology In Agriculture: Past and Future,' in G. M. Berardi and C. C. Geisler, eds., *The Social Consequences and Challenges of the New Agricultural Technologies* (Boulder: Westview Press, 1984).

even diversification, are unjustifiable practices.²⁷ The effect of these moves is to raise prices, to restrict competition, and to arbitrarily alter distributional arrangements. Establishing that any one of these has occurred is enough to show that there is a decrease in social utility from the practices. The problem is that in some cases, economies of scale, or better competition or even lower prices can result from the merger, buyout, diversification, especially over the long run. The real problem with utilitarian criticisms of these actions, then, is that we must wait until the long run to evaluate net social utility resulting from them; and in the present case, the long run may be too late. Increased chemical dependency in farming will have already taken its environmental toll.

A contractual argument provides the basis for a criticism of chemical companies' actions in the present case. Business actions such as these arbitrarily change the terms of the contract that the business or set of businesses have with society, without public notice or ratification. And, not only is the public harmed as a result of their actions — environmentally-unsound farming practices — but farmers desiring environmentally-sound agriculture are harmed as well. One must conclude that either the diversification/buyout, or at least the redirection of research efforts toward increased chemical use, violate the contract that agri-chemical companies have with society.

(c) The final case involves the question of "food quality," and the kinds of control food processors exercise over both farm producers and consumers concerning nutrition and taste in vegetables and grains. Despite claims to the contrary, it is currently the case that flavor and protein content are not characteristics which processors, both vegetable canners and flour millers, desire, even though high-yield varieties exist which are more flavorful and of better nutritional quality than those now produced.²⁸ It is not that processors don't *want* qualitatively superior "raw materials," it is just that no (or very small) premiums are paid for flavor or high protein content in grains or for natural sugars in vegetables. Presumably, this is because the nutritional quality or flavor or even color of

processed foods can be maintained by cheaper chemical additives (not all artificial).

There is a vast literature which discusses the chemical additive/nutritional quality issues, so I will not give much more technical detail.²⁹ Two points will serve to clarify how the contractual model can provide a basis for moral obligations in this area. First, it appears that the processing sector of agribusiness increasingly constrains farm producers from producing anything other than commodities with a limited set of desirable characteristics. Even if the farmer took it as a moral obligation to society/consumers to grow more nutritionally adequate or aesthetically pleasing varieties of vegetables, fulfilling this would be frustrated by the demands of the processors. Obviously, in the case of fresh-market vegetables, this interference would not exist, although *distributors* of vegetables, especially tomatoes, might demand (aesthetically unpleasing) thick skins and dry "meat" for packing/delivery efficiency.³⁰ The point is that moral obligations of farm producers to consumers are undermined by the processing sector; hence, it is encumbant upon the processor to allow farmers greater latitude in the exercise of decisions regarding *their* social responsibilities than presently exists.

Secondly, the contract which exists between the consuming public and processors may be the basis for a claim that processors should take more care in the additives they introduce into processed foods. Currently, all consumers can do relative to certain substances, is "avoid." A FDA study shows that 54% of all food shoppers read labels, and that 70% of those who do, do so in order to avoid sugar or salt or particular preservatives/chemicals.³¹ Evidence like this suggests that an industry-wide move to reduce certain *kinds* of substances in processed foods would not only be favored by consumers, but, would be a moral obligation for the processing sector of the highest order. The reciprocal basis of this obligation lies in the fact that processing accounts for over 50%, and in some cases up to 75% of the value-added for a particular grocery-shelf item.³² Certainly processors are benefitting from their place in the system. Society's interest demands that processors find alternative means

of cooking and preserving and flavoring fruit, vegetable, and grain items. Interestingly, honoring this obligation might be concomitant with a more responsible course of action toward farmers.

It may seem from the above that I have been defending farmers, or the farming sector of the agricultural production system, against public criticism. In a sense I am, since despite abuses by farmers of land, water resources, and labor, there is a certain element of necessity in the farm sector's choices in these situations. One might, of course, make the claim that all social ills in agribusiness are the direct result of *farming*, which is true to the extent that without farming, environmentally and socially irresponsible actions by *agribusiness* wouldn't be undertaken. My argument is, however, that while farmers do certainly have obligations to society/consumers, labor, and also to the inputs- and processing sectors of the agricultural economy, many social ills are not the direct responsibility of farmers, or of the agribusiness system as a whole, but of particular, identifiable agents in the system.

In sum, then, I have tried to indicate how conflicting interests — and, to borrow from Margolis,³³ some conflicts of interest — exist within the agribusiness community, and that by understanding particular sectors of the business as contracting agents we can specify particular obligations emanating from relationships within the industry. In the final analysis, by so specifying those obligations and/or rights, broader moral obligations of the agribusiness community can better be honored. In the final section of this paper, I will outline some principles which the contract view of the obligations of the agribusiness system can be seen to generate.

III. Some ethical principles for agribusiness

Donaldson's contract model provides the guidelines for establishing general principles for socially responsible business. The preceding analysis suggests that the following principles can be derived from a contractual evaluation of agribusiness. There are, of course, additional prin-

ciples that can be derived from an ethical analysis of the practice of agribusiness. Whatever others there might be would, however, in all probability be consistent with, or derivations from, these.

- (1) Agribusinesses should respect as persons each agent in the agricultural production/consumption system.

There exists for agriculture as for any enterprise in modern society a *prima facie* obligation to do no harm. This is the first imperative of a contract between society and business, and implies mutual respect. French has shown³⁴ how corporations can be likened to persons, with the implication that as with any person, there is a minimum of respect due "him" or "her"; the other side of this is of course that the corporate person should respect other persons, both "natural" and corporate. Agribusiness corporations should not harm persons, and this means consumers, laborers, and other corporate persons as well (including public institutions).

- (2) Agribusinesses should not engage in actions which systematically undermine the obligations of other agents in the production system.

This principle requires explanation. In a generally competitive economy, *any* action for the purpose of gaining a competitive edge will "systematically undermine" the place of other agents in the market. This is true whether the competitor intends the other's demise, or only a better product to deliver to the market. There are, however, some actions which do not attempt to drive a competitor or competitors from the market, but instead which attempt to undermine the range of choices of another agent, by non-competitive means. There are any number of cases where it can be shown that the purpose of a particular business acquisition was not to better a firm's profit situation, but to close down the acquired firm's operations.³⁵ The moral equivalent of this is the case in which one company or set of companies acquire another, in order to redirect the latter's enterprise in morally-objectionable ways. This violates both the contract that competitors have with one another to engage in "healthy competition", as well as the contract that businesses have with

society to do no foreseeable harm.

- (3) Agribusiness enterprises should not engage in actions — either direct or indirect — which are environmentally damaging and ecologically unsound.

A proviso must be added to this principle. Since *all* agriculture is a direct assault on resources such as land and water and plant and animal material, *some* technologies and some environmentally damaging activities may be necessary. However, better risk-assessment can be employed to reduce this damage to a reasonable minimum.³⁶ Certainly, as Hans Jonas argues,³⁷ some technologies can be eliminated or transformed in the interest of an environmentally more responsible agriculture. This serves to generate the next principle:

- (4) Alternative agricultural production processes and technologies should be considered when a research, farming, processing or distribution system is established, "modernized," or reorganized.

This principle derives from the first three, and is clear in the cases I discussed. Massive mechanization may be the least environmentally risky and most socially beneficial farm procedure to employ. However, to gauge all research and production to mechanization without *considering* risks and/or harms to persons violates the moral obligations of agribusinesses, from seed researchers to grocery stores.

- (5) Agribusinesses should make every effort to upgrade the quality of food which is produced.

Quality is a difficult thing to measure in food-stuffs; still, with the recognition that more nutritious and better-tasting varieties of fruits and vegetables and grains exist, are not being utilized, and that in some cases consumers would be willing to pay for these characteristics, agribusiness should respond accordingly. Perhaps this principle should be in the negative, as: *Agribusiness should NOT discount food quality solely in the interest of cost, yield or ease of processing.* Adhering to this rendition of the principle would probably produce the same result.

These principles, it seems to me, emerge out of the cases I have discussed, and are the

basis for the claims I have made about the obligations of particular agents in the food (again, plant) production system. They ground (1) the obligation that the mechanical inputs industry has to refrain from activities toward the public sector research institution and toward the farmer which eventuate in harm to labor — and perhaps to the public; (2) the obligation that agrichemical companies have to refrain from those actions which redirect seed companies into only particular kinds of research, which ultimately ties farm production more closely to the use of (potentially-harmful) chemicals; and (3) the obligation that processors have to improve nutrition and aesthetic quality by permitting (and even paying for) those characteristics in grains and vegetables delivered by the farmer. The cases I have discussed are of course only a small sample of situations which arise in agribusiness which have moral or ethical dimensions. However, by seeing how the principles I have generated both fall out of more general contractual obligations that agribusiness have, as well as derive from the characteristics of particular agents' interactions in the agricultural production system, we can begin to provide a more complete ethic for agribusiness.

There is one further principle, or perhaps "meta-principle", which a contractual analysis of the obligations of agribusiness, and business in general, can be seen to generate:

- (6) Agents in the production system are obligated to inform society, through appropriate means, of intended changes in the structure of the production system.

Any industry undergoes changes in the pattern of its organization from time to time. Businesses come and go, markets evolve, demands shift. However, the very foundation of a social contract between business and society lies in the negotiations, settled or continuing, which set the terms of the contract: The obligations, rights, responsibilities of the parties thereto. In the contract between business and society, of fundamental importance in recognizing corporate entities as agents and extending rights to them is the role in society's economic processes that a particular agent is to assume. To change that role without proper notice constitutes an

unfair "breach," and grounds for moral — if not legal — reproach. There currently exist, in agricultural production, trends, moves by agribusinesses, responses by others, which may result in important structural changes in roles; roles, that is, that are basic to our social contract with that system and with every agent within it. Thus it is that a careful eye should be cast toward a renegotiation of the contract, recognizing that violations of the contract to produce the "stuff of life" are of the utmost importance; indeed, violating these obligations may be even greater reason for a corporation's losing its moral right to exist.

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Notes

¹ New York: Random House, 1984.

² William Aiken, 'Value Conflicts in Agriculture,' *Agriculture and Human Values* I, Number 1 (Winter 1984).

³ Thomas Donaldson, *Corporations and Morality* (Englewood Cliffs, NJ: Prentice-Hall, 1982), pp. 36–57.

⁴ For a discussion of the issues involved in animal food production, see Peter Singer, 'Animal Liberation,' *New York Review of Books* (1975), and selected essays in Tom Regan, *All That Dwell Therein* (Berkeley: University of California Press, 1982).

⁵ Donaldson, *op. cit.*, pp. 42–43.

⁶ I have paraphrased here what Donaldson arrives at through more careful and extensive analysis of the meaning of these particular items for corporate actions.

⁷ Donaldson makes mention of this, see *op. cit.*, p. 41.

⁸ E. g., David Hume, *An Enquiry Concerning the Principles of Morals*, Appendix III, 'Some Further Considerations with Regard to Justice,' in Hume, *Selections*, edited by C. W. Hendel (New York: Scribners, 1955).

⁹ H. L. A. Hart, *The Concept of Law* (Oxford: Oxford University Press, 1961), pp. 97ff.

¹⁰ Cf. Peter French, 'Corporate Moral Agency' in Bowie and Beauchamp, eds., *Ethical Theory and Business*, first edition (Englewood Cliffs, NJ: Prentice-Hall, 1979).

¹¹ For a discussion of the differences between these two views over specific moral or social responsibilities of corporations, see Richard DeGeorge, *Business Ethics* (New York: Macmillan, 1982). I believe that DeGeorge is mistaken: even on the legal-recognition view, society permits only *some* kinds of activities by corporations. That is, even if their primary "right" is to "do their own thing," this right must be consistent with society's interests in not having harms of certain kinds exist as a result of corporate actions.

¹² See John Rawls, *A Theory of Justice* (Boston: Harvard University Press, 1971), pp. 21, 577ff.

¹³ Donaldson, *op. cit.*, p. 54.

¹⁴ *Ibid.*, p. 53, my emphasis.

¹⁵ Aiken, 'Ethical Issues in Agriculture,' (see Note 2), p. 248.

¹⁶ On this point, see for example, George Cabot Lodge, 'Managerial Implications of Ideological Change,' in Walton, ed., *The Ethics of Corporate Conduct* (Englewood Cliffs, NJ: Prentice-Hall, 1977).

¹⁷ *CRLA v. The Regents of The University of California*. For further discussion of this case, see *Science* 208, Number 9 (May 1980), and *The Chronicle of Higher Education* (May 16, 1984).

¹⁸ The size of this group should not be overestimated. Still, total farm employment, as of 1973, was down from 13 million (1915) to a little over 5 million. Of this, about 1 million is considered "hired labor," while family (small) farm workers number 3 million. These are, of course, "official" figures (1971–1973, *Agricultural Statistics*, USDA, 1981), and would not necessarily reflect untold numbers of unregistered aliens in the farm labor force.

¹⁹ Lawrence Busch, J. Lew Silver, et. al., *The Relationship of Public Agricultural R & D to Selected Changes in the Farm Sector*. Report to the National Science Foundation (June 1984), p. 33.

²⁰ Aiken, *op. cit.*, p. 255.

²¹ Statement of American Farm Bureau Federation to Subcommittee on Agricultural Research and General Legislation of the Senate, Nutrition and Forestry Committee, June 14, 1984. AFBF, Washington, D.C. 20024.

²² See Pat Roy Mooney, *Seeds of the Earth* (Ottawa:

Canadian Council for International Cooperation, 1979), pp. 55ff.

²³ See L. J. (Bees) Butler, 'Issues and Perspectives in Plant Breeding,' in Lawrence Busch and William Lacy, eds., *Food Security in the United States* (Boulder: Westview Press, 1984).

²⁴ This is especially true for *processed* foods from crops, where the average runs less than 20%, although fresh market produce the average is still well below 40%. Animal products' average returns to farmers is somewhat higher. See C. P. Timmer and M. C. Nesheim, 'Nutrition, Product Quality, and Safety,' Chapter 4 in *Consensus and Conflict in U.S. Agriculture*, ed. by B. W. Gardner and J. W. Richardson (College Station, TX: Agriculture Council of America, 1979).

²⁵ Economic Indicators of the Farm Sector: Production and Efficiency Statistics, 1980. USDA Statistical Bulletin 679.

²⁶ See Mooney, *op. cit.*, pp. 55ff.

²⁷ For a "standard" utilitarian-efficiency argument to this effect, see Manuel Velasquez, *Business Ethics* (Englewood Cliffs, NJ: Prentice-Hall, 1982), pp. 151ff. For a more extended treatment, see John M. Blair, *Economic Concentration* (New York: Harcourt, Brace, Jovanovich, 1972).

²⁸ *Genetic Vulnerability of Major Crops*, U.S. National Academy of Sciences, 1972. Quoted in Mooney, *Seeds of the Earth*, pp. 83-84.

²⁹ Timmer and Nesheim (see Note 25) give a good treatment of these issues, as do Dietrich Knorr and Katherin L. Clancy, 'Safety Aspects of Processed Foods,' in Busch and Lacy, *op. cit.*

³⁰ Hightower, *Hard Tomatoes, Hard Times* (Cambridge, MA: Schenkman, 1973).

³¹ J. T. Heibach and R. C. Stokes, *FDA 1978 Consumer Food Labeling Survey* (USDHEW, FDA Bureau of Foods, 1979). Cited in J. D. Gussow, 'Food Security in the United States: A Nutritionist's Viewpoint,' in Busch and Lacy, *op. cit.*

³² For wheat, see *Wheat Situation* Vols. 227-266; for other crops, see *Vegetable Situation Report*. Both are publications of USDA-Economic Research Service.

³³ Joseph Margolis, 'Conflict of Interest and Conflicting Interests,' in T. L. Beauchamp and N. E. Bowie, *op. cit.*

³⁴ Peter A. French, 'Corporate Moral Agency,' in Bowie and Beauchamp, *op. cit.*

³⁵ See, for example, Blair, *Economic Concentration* (Note 28 above), pp. 257-284.

³⁶ See Paul Thompson, 'Risk, Ethics and Agriculture,' *Journal of Environmental Systems* 13, Number 2 (1983-84).

³⁷ Jonas' argument is offered in a number of places. The latest formulation is Hans Jonas, *The Imperative of Responsibility* (Chicago: University of Chicago Press, 1984).

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