Decisions…Decisions…Decisions:
Considerations For Starting a Natural Resource-Based Enterprise

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1) Trends Affecting Traditional Farm & Forest Management

- Lower profit margins of traditional crops
- Fragmenting of larger farms & forest properties.
- Large & diverse niche markets.
- New landowners actively seeking information on nontraditional enterprise opportunities and forest stewardship from professionals.
- Need to reach new landowner clientele with information on sustainable practices.

2) What are Possible Natural Resource Income Opportunities?

- Forest farming and utilization:
  - ginseng; goldenseal; other medicinals; mushrooms; collecting native plants & materials; crafts; Christmas trees; maple syrup; deer farming; pine straw; custom sawmilling; kiln-drying; managing & marketing high-quality forest products.
- Recreational access and tourism:
  - fee hunting & fishing; hunting preserve; sporting clay; guide service; wildlife viewing; outdoor sports; high-risk recreation; bed ‘n breakfast; vacation cabin, etc.
- Alternative Agriculture - While not Natural Resources, they extend the range of options that should be considered before making a decision.
  - horticultural opportunities, vegetables, etc.
  - Many NR enterprises are actually horticulture applications to natural resource systems.

3) Many People Think of Themselves as an Entrepreneur...

Why Do Some People Succeed and Others Do Not?

- Personal qualities of motivation, self-reliance, and interest are essential, but not enough by themselves.
- Those that take a realistic look at their goals, resources, marketing, production and finances have the greatest chance.
- They will make a decision to start or abandon an enterprise based on good information.

4) “Sieving Out” A Successful Enterprise

5) Types of Enterprises and Income Resulting from Maryland Income Opportunities Program

A program in Maryland used educational programs in natural resource and alternative agriculture enterprise to target potential entrepreneurs from a 5-county developing rural area near the Baltimore/Washington D.C. area. The enterprises generated 2.6 million dollars in gross revenues. Those interested in working with an enterprise consultant after the educational program received on-site assistance and help as requested.

While 43 percent of enterprises were natural resource-related, they accounted for only 14 percent of revenues. Causes for the differences include limited information, markets, and assistance for most natural resource-related enterprises, as well as the lack of timber harvest revenue being included.

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6) Decision-Making: Making Real Choices!

- Personal and Family Goals
- Family Labor & Management Resources
- The Marketplace
- Physical & Natural Resources
- Family Financial Resources
- Choosing a New Enterprise
- Planning Your New Enterprise
  - Marketing strategy
  - Startup costs & profit potential
  - Cash-flow pattern
  - Production needs
  - Labor & management needs
  - Legal, regulatory, & liability issues

Source: Hilchey, 1998

7) Reality Check: Is the rest of the family with you?

Most enterprises are family-run or home-based businesses, with the principal manager often a lot more enthusiastic than the rest of the family team. This can spell trouble. A family business has to take into account the needs & opinions of all family members. Have you asked them? Answer the following questions as you think your spouse would, or as your parent or child would answer. Then talk about it at home. If you are single, fill in your own answers.

While 43 percent of enterprises were natural resources-related, they accounted for only 14 percent of revenues. Causes for this difference include limited information, markets, and assistance for most natural resources-related enterprises compared to those factors in relation to horticulturally-related enterprises. (Note: Timber harvest income from sound forest stewardhip planning was not properly evaluated and included in the figures above.)
Most enterprises require a number of skills related to record keeping, finances, marketing, interpersonal skills, as well as basic philosophy toward management of farm and forestland. Determining who has certain strengths and weaknesses will help determine needs for training. Answer the following questions as you think your spouse, child or other participant in the business would. Then talk about it at home. If you are single, fill in your own answers.

9) Goals & Skills by Type of Entrepreneurs

- **Traditional Farmers**
  - **goal**: provide a diversification of income, improve cash flow at certain times of year; must fit with existing business.
  - **skills**: good with production, help needed with marketing, wary of fads

- **Part-time Farmers**
  - **goal**: supplement income from day job; may not report income.
  - **skills**: innovative but may be protective of ideas; self-motivated; good production & marketing skills; willing to read to apply new information.

- **Urban Returnees**
  - **goal**: want out of rat race; back to the land; attracted to higher profit ventures
  - **skills**: educated; need push to get going; good marketing skills; may lack production skills; will ask for help from professionals.

- **Hobbyist - Nonindustrial Forest owner - Absentee owner**
  - **goal**: production for personal use; income to pay for family expenses.
taxes; invest minimal effort; long-term view toward enterprise development. 
skills - diverse and useful skills if applied; less likely to develop business planning. 
• Nonlandowner 
goal - production for personal use, income for getting by using public and private natural resources. 
skills - very resourceful at locating markets and resources; mixed involvement with natural resource professionals.

10) Goals & Objectives for Your New Enterprise

• Single most important goal you & your family hope to achieve by starting this new enterprise?

• What additional goals does your family have for the new enterprise?

• Will you be involved as resident or absentee landowners?

• List the family members who would like to be actively involved? What types of responsibilities will each take on?

• If you already run a NR-based business, what are your goals over the next 3-5 years for the enterprise you are currently involved in?

___ Maintain at about the same level 
___ Cut back some. How?
___ Expand. How?
___ Get out altogether.
___ Other: ____________________

• What are your financial goals for this new enterprise? For example, once established, what amount of your family living income do you expect from the following sources?

Current farm/forest enterprises 
New enterprise 
Non-NR employment 
Other 
Total


11) Smith Family Goals & Objectives

• Property & Family Description: 50-acre farm; 35 acres forested – 15 cropland; 1.5 hrs. from city includes 1/2 acre pond; 10-acre bean field. Old dairy barn with stalls and livable cabin on site.

• Residency Status & Responsibilities: Involved as absentee landowners. Involved family members include father - manager; mother – record keeping & organization; son (12) - labor; and daughter (14) - labor, sales.

• Types of business being considered: grapevine wreath, watermelons; aquaculture; hunting lease; ginseng.

• Role of new enterprise over 3-5 years: provide $2,000 annual income to supplement day job & pay the taxes. Increase use of forest & wildlife resources. Provide profit-making opportunity for children. Develop enterprise for possible expansion during retirement.

• Special features: not to risk more than $1,500; labor available on weekends. More than one enterprise okay if compatible. Possible neighbor to involve for security.

12) What Do You Consider Your Assets?

• Most people consider:
  – Houses or cabins ____ Cropland
  – Barns, Outbuildings

• Few people consider natural resources:
  – Timber value
  – Wildlife resources
  – Water resources
  – Recreational value
  – Intangibles – aesthetics

Fewer still consider personal skills & experience as resources
  – Marketing skills
  – Interpersonal skills
  – Bookkeeping & organizational skills

13) Inventory Your Land & Natural Resources

• Cropland
  – Cropland: fertility & agronomic issues

• Natural Resources
14) Inventory Your Physical and Personal Resources

- **Buildings**: barns, house, structures
  - usefulness to venture, condition, cost to convert
  - location, possible use of local rental instead

- **Machinery and equipment**
  - tractors, tools, etc.

- **Time Management**
  - how flexible; enough of it when needed to manage;
  - compatible with residency status - onsite or absentee

- **Use of byproducts of farm / forest operation**

- **Forests**: Number of acres, size and age. Do you have a written long-term forest management plan for your forest? Approximate timber value under management. Value of non-timber forest products?

- **Wildlife**: Can habitat be improved for certain species? Is there a fee hunting opportunity due to high populations of deer, geese, etc?

- **Intangibles**: Are there unique locations with aesthetic appeal that can be developed for recreational enterprises?

- **Water sources**: Are there known or unknown springs, ponds useful for aquaculture or fee fishing? Consider water quality & quantity.

15) The Smith Family Chooses an Enterprise

Comparing the relative merits of one enterprise over another will help you decide what attributes are most important. The table below provides some decision criteria on which to rank five enterprise options being considered by the Smith Family. Rank each on a scale of 1 to 5, with 1 being least compatible and 5 being most compatible with the criteria. The highest ranked may not be your choice, and you may decide to pursue more than one. You can make a similar table and add the criteria most important to you.

- **Labor available**
  - Will the help be there when you need it? Consider availability at different times of the year. Who will do what task?
  - Source: will the labor be family or hired?

- **Financial resources**
  - Personal: Out-of-pocket, family
  - Borrowed: bank, farm credit, coop - Grants (?)

- **Special skills - commonly overlooked but may make or break an enterprise.**
  - People skills, networking, relevant work experience.
  - Marketing & computer skills, production & innovation skills

16) What Am I Selling Anyway?

- Before you can market something, you have to know something about the product features, service features, marketing season, and benefits to the consumer.
- Describe below the product and/or service you are selling in your own words, and the benefits to the user in about 50 words.
- If more than one enterprise is being considered, how do they integrate or work together? Do they?


17) Local Marketing Resources

- Farmer’s markets; roadside stands, field days, fairs.
- Wholesalers, brokers, distributors
- Marketing co-ops, food co-ops
- Restaurants, groceries, supermarkets, specialty stores
- Cooperative Extension; local-state tourism & economic development
- Sportsman clubs; forest associations; farm bureau; other associations.
- Newspapers, magazines, trade journals

18) More Marketing Questions...

- What are your marketing options?
  
  **Option 1:**
  Pros: 
  Cons: 
  
  **Option 2:**
  Pros: 
  Cons: 
  
  **Option 3:**
  Pros: 
  Cons: 
  Others: 
  
  **Others:**

- Information on past & future trends in production, consumer demand, and price for your product or service?
- Ideas for promoting your enterprise?

- Other marketing notes (who to talk to, questions, ideas, etc)

Source: Hilchey, 1998

19) Understanding Your Competition

Who your competitors are, the specific types of buyers they serve (their target market), and their competitive strengths & weaknesses will help you define your own position in the marketplace. Your direct competitors are those businesses who are supplying the same types of products as you are to the same potential customers. Indirect competition is any other type of product which customers might buy instead of your. Make it your business to find out all about your direct and indirect competition.

Who Are Your Direct Competitors?

<table>
<thead>
<tr>
<th>What to find out:</th>
<th>Competitor A</th>
<th>Competitor B</th>
<th>Competitor C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business name and location</td>
<td></td>
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<tr>
<td>Quality &amp; price of product/serv.</td>
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<tr>
<td>How much of your product/serv do they sell</td>
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<tr>
<td>Type of buyer targeted</td>
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What is your indirect competition?


Production and Financial Planning for Your New Enterprise

- What capital purchases are required (buildings, improvements, equipment, land, etc...)? Costs?

- What legal, regulatory, and liability issues might affect your business? How will you deal with them?
- What will beyond major production & marketing tasks, such as planting, advertising, sales, maintenance, etc. When should they occur?

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January ____________________________
February ____________________________
March ______________________________
April _______________________________
May ________________________________
June ________________________________
July _________________________________
August ______________________________
September ____________________________
October ______________________________
November ______________________________
December ______________________________


21) Common Financial Tools

- Enterprise Budget – Projects the profit from the enterprise. It is the most simple and useful type of enterprise analysis. Simply add up all your costs of operation for a given period (typically one year or season of operation) and compare this figure to potential sales. Two types of cost are considered:
  - Variable costs that take place each year (labor, food, etc).
  - Fixed or overhead costs such as buildings, equipment, signs, and long-term improvements which can be expenses over a number of years.

- Cash Flow Budget – Projects the time of cash inflows and outflows. It breaks down a business into monthly or yearly increments to assess when additional capital is required for expenses and when revenues can be expected. Lack of adequate cash flow is a major reason why businesses fail in the long-term.
  - For many small enterprises, cash flow analysis is reserved for more capital intensive ventures.
or when there is a possible conflict with an existing business.

22) **Examples of Enterprise Budgets:**

   a) Shiitake Mushroom Enterprise Budget & Cash Flow - (1000 log operation)
   b) Fee Fishing Enterprise Budget
   c) Other

23) **Conclusions**

   • Evaluate the full range of income opportunities related to natural resources, recreational access, and alternative agriculture before you make a decision.
   • Make sure you seriously understand how your residency status affects your opportunities.
   • Diversify your enterprises because markets change.
   • Do the easy things that are long-range. Such as a forest stewardship plan to manage your forest & wildlife resources for the future. A well-planned timber sale can provide income to start a capital-intensive enterprise.
   • Use components of the business planning process as it relates to your situation.
   • **Start small. Never invest more than you can afford to loose. Look to the bottom line.** Can you really make enough money at this given the effort?
   • Always think like a consumer first, a producer second!
   • Utilize your strengths and develop skill in areas you are weak.

24) **Sources of Information**

   • Subscribe to trade magazines & association newsletters.
   • Other landowners. Educational programs.
   • University Extension, local planning, business & economic development agencies.
   • University & public libraries - use computerized search
   • Contact state data center or US Bureau of Census.
   • USDA Economic Development Service.
   • Read popular press & business newspapers.

25) **Literature Cited**


Goff, Smallidge, Grafton, and Parkhurst. Maryland Cooperative Extension, University of Maryland, College Park, MD.


