

Improving the Success of Natural Resource-Based Enterprises¹

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Why This Type of Programming?

Each year, farm and forest owners throughout the East start many non-traditional enterprises using renewable agricultural and natural resources located on their properties such as cropland, forests, wildlife, and water sources. Unfortunately, many these alternative enterprises fail or are less successful due to a lack of technical, business, financial, and marketing information.

To meet this need, the Maryland Cooperative Extension and cooperating agencies initiated a grant program called, *"Improving Success of Alternative Enterprises That Utilize Natural Resources"* in November 1993 to serve the state's five western counties. The program incorporated forest stewardship as a key element of sustainable land management. To address the problem of needed follow-up, program staff hired an enterprise consultant to develop educational resources and provide one-on-one assistance for new and existing enterprises.

The U.S. Department of Agriculture (USDA) Rural Development Administration provided \$130,000 in grant funds. Maryland Sea Grant Extension recognized the value of this program early on and contributed \$35,000 to supplement the budget, increasing its lifespan, credibility, and resources.

Trends Show the Need for This Type of Program

Changes in agriculture, land ownership, and population patterns over the last decade have increased the interest of landowners in non-traditional income enterprises. The need for programs such as the one described mentioned in this paper is evident by these trends:

1. *An increase in small landowners.* Almost 40 percent of the clients who worked directly with the program's enterprise consultant owned 10 acres or less.

- Maryland, like other states, continues to lose farms at an alarming rate, reducing the economic base of many communities and opening this land to fragmentation.
- Changes in forest ownership have followed that of farms. According to the U.S. Forest Service, forests under 50 acres in size continue to increase, and 90 percent of all Maryland forests are privately owned. Few of these woodlands are managed to take advantage of income potential from alternative enterprises.
- Overall, many landowners in Maryland are buying tracts of land between five and 50 acres that are best suited to non-traditional income enterprises that involve forestry, tourism, recreation, horticulture, aquaculture, and other alternative businesses.

The increase in small farm and forest ownerships are due to similar reasons:

- Lower profit margin of traditional crops.
- Rising land prices due to developmental pressures.
- Poor returns and high investment for traditional agricultural enterprises.
- High estate taxes and lack of proper estate planning.

2. *An increase in new clientele.*

- A majority of individuals buying this land are educated professionals and retirees from urban areas who want to escape the urban life, enjoy the benefits of a rural atmosphere, and may commute to urban areas for work. A large number do not live on the property but use it for recreational purposes.
- Most of these new landowners are not interested in traditional agricultural enterprises that require large acreage and high capital investment or in maximizing timber production at the expense of forest or wildlife stewardship. However, many landowners will harvest forest products if resource values are protected or enhanced.

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- *Opportunities for alternative income.* The USDA reports that part-time or small farms with net earnings of \$10,000 or less are proliferating. During the duration of the program, from 1993-1997, entrepreneurs reported more than \$2.6 million in total gross revenues.
 - The opportunities for producing and marketing alternative products and services are many in the western Maryland area due to the close proximity to large metropolitan markets such as Washington, D.C. and Baltimore.
 - Diverse and lucrative market outlets are located throughout the region, including farmers markets, local buying programs by supermarket chains, and specialty and ethnic stores.
 - The increased interest in wildlife-associated recreation and forest stewardship has kindled in many forest owners creative enterprises.
- *An increased demand for technical, business, financial, and marketing resource information has not gone unnoticed.* Local Cooperative Extension educators are commonly the first stop for individuals seeking information on how to start a part-time enterprise that will do the following:
 - Use their available natural resources and skills.
 - Involve their families.
 - Provide income to pay the taxes or qualify them for a reduced property tax assessment.
 - Provide some income potential in the future.

Many of these individuals start as hobbyists using their own capital and then become serious as their skills and knowledge develop. Traditional farmers seeking to diversify an existing farm operation are also expressing an interest in new opportunities, resources, and information.

Is This Programming Really New?

Not really! However, many of the informational materials and programs on natural resource income opportunities focus on how to produce the product or service, with only a few discussing marketing. By focusing on the specifics of the enterprise, there is the assumption the enterprise fits with the individuals goals, objectives, and resources. This is usually not the case. Many landowners find out the realities of the enterprise were beyond their expectations, and they lose the time and money they have invested. With more and more absentee landowners, many

enterprises, such as growing ginseng and other valuable medicinals, are not appropriate due to security concerns. Residency status needs to be a key factor in enterprise selection.

Many enterprise materials focus on alternative agriculture opportunities and fail to acknowledge the value of the long-term management of forest and wildlife resources, as well as recreational resources. The untapped area of non-timber or special forest products is rarely considered, even by those who do include commercial timber resource values. The Maryland program integrated information on forest stewardship into educational program offerings. A final program survey found 28 percent of participants developed a forest management plan as a result of being involved with the program. This led to a 23 percent increase in revenues. Many of the individuals would not have been reached through conventional forest stewardship programs.

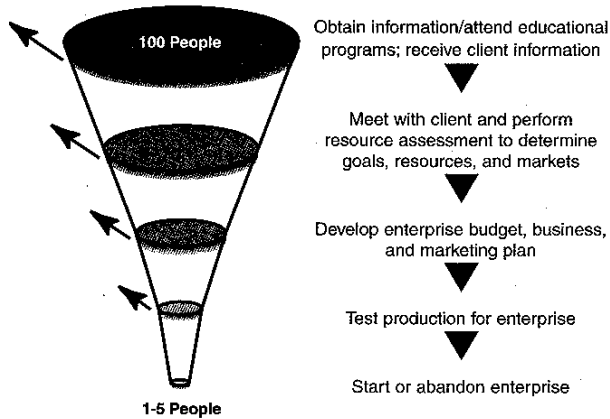
Another impact of income enterprise programs is the change in attitude it may stimulate in clientele who learn more about their property, its potential, and its management. In the Maryland area, farm and forest land continues to succumb to development. Seventy-one percent of clients who answered a post-program survey indicated that due to their attendance at income opportunity educational programs, they were more disposed to productively managing their resources.

Most landowners investigating income enterprises will never move beyond the hobby or general interest stage and it does them a great service to select an enterprise that best fits their lifestyle and resources. This requires educational materials that focus on the process-oriented aspects of decision-making and matching the enterprise to the person. The fact that someone does not start an enterprise after researching various options saves them money, disappointment, and increases the chances they will adapt a venture more in line with their capabilities. In the Maryland program, surveys indicated that 25-30 percent of those attending programs decided not to start an enterprise after learned more about the effort involved.

The Decision-Making Process

The process of decision-making for enterprise development used in the Maryland program can be visualized as a sieve (Figure 1). Educational programs initiate potential entrepreneurs to the realities of specific enterprises and help them evaluate their goals, objectives, and resources. The Maryland program

found that for the more than 3,000 people who attended various educational programs over three years, only 42 clients (about 1.4 percent of total participants) developed enterprises with the assistance of the enterprise consultant working on the project. These enterprises generated a total of 2.68 million dollars over the three-year period and none failed during this period. While surveys of all program participants indicated 30 percent used the information to develop, diversify, or improve a new or existing enterprise, it was hard to gauge the success of enterprises with which the enterprise consultant had no additional contact.

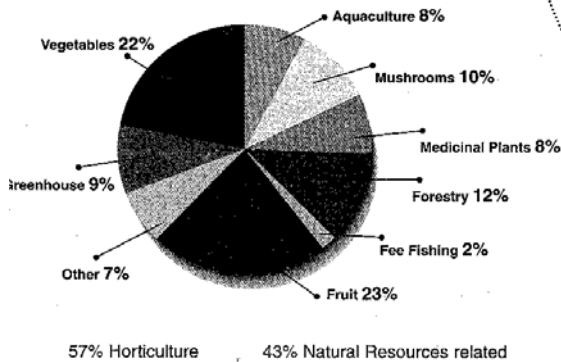


Sieve Model of Enterprise Development Used in Program
 Figure 2

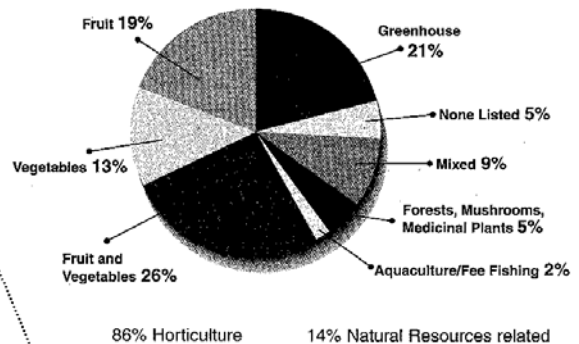
Resource professionals only have limited time available, and the use of educational programs provides a filter to sieve out those individuals who are seriously interested, and focus limited time and resources on those individuals with the greatest chance of success. As people proceed with the enterprise development process, more will drop out or change their focus. This sieve model encourages contacts with clientele that will provide useful economic indicators, such the number of new enterprises initiated and gross revenues, rather than traditional indicators such as the number of individuals that attend programs.

The Maryland program only served to reinforce a proven Extension approach. The sieve model of enterprise development allows the targeting of individuals with the greatest chance of success. The process of developing educational programs requires collection of information from diverse sources so that it can be provided to clientele in a useful format.

When landowners were exposed to a broad range of enterprise opportunities in the target area, about 43 percent were natural-resource related, but only accounted for 14 percent of the revenues when compared to horticultural-related enterprises. Causes for this difference include limited information, markets, and assistance for most natural resource-related enterprises compared to those factors in relation to horticulture-related enterprise



Types of Enterprises Initiated by Clients
 1996 Client Survey
 (Many clients had more than one enterprise.)



Income from Non-Traditional Enterprises
 1996 Client Survey

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 stewardship planning was not properly evaluated and included in the figures above.)

What Educational Materials are Needed?

The development of decision-making information for small farmers and new clientele has been addressed in some Extension programs. Cooperative Extension is an ideal vehicle for this type of grass roots programming as there are satellite offices in most counties throughout the country and excellent resources by way of university-based instructors and information services. The Farming Alternatives Project at Cornell University has developed user-friendly materials, such as the publication: "*Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises.*" Other materials developed by Duncan Hilchey of the Cornell Program appeared in the Proceedings of the Natural Resources Income Opportunities Conference on Private Lands. There are others as well. However, one drawback of many of the existing materials is that they are targeted to traditional farmers looking for alternatives and do not adequately address natural resource enterprises or non-industrial forest landowners.

A Microsoft Powerpoint presentation was developed to address the need for a 1-2 hour introductory course for potential entrepreneurs. It has borrowed generously from the materials mentioned above and those listed in the references. It is a work in-progress but fills a niche for many natural resource professionals looking for off-the-shelf presentation materials that can be adapted for their own areas. It is hoped that presentations to landowner audiences will discourage many from pursuing an enterprise, or direct them to an enterprise more appropriate with their lifestyle and resources, which will increase their chances of success. For many landowners, just clarifying the need for a written forest management plan on their property for long-term management is a noble goal.

The presentation materials are offered in outline form due to space limitations and are available on request on disk in a Microsoft Powerpoint presentation format. Please contact the author for more information. The presentation is being developed into a fact sheet that can be used with a variety of landowner and professional audiences.

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