

Management and Marketing Notes. August 2005**DEVELOPING A SUCCESSFUL VALUE-ADDED OR SPECIALTY FARM ENTERPRISE**

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Change is continuous in farming. Prices, farm programs, trade policies, technology, markets, and consumer preferences all change continuously just to name some of the causes. Some farm enterprises benefit from these changes and some are harmed, so the search for profitable alternatives is a continuous challenge. There are no "silver bullets" but there are seven important questions that should guide the search for alternative enterprises. Answering each one of these is important to achieving success.

1. Why are you interested in alternative enterprises? Some of the issues to think about include your lifestyle and family income goals, the farm products or services of interest to you and other options that might help you achieve your goals. It also helps to assess the amount of time and investment capital you have available.
2. What are consumers interested in buying and who will be your customers? Many farm families are not accustomed to studying their customers because they sell commodities that move into global markets. However, many of the alternatives to these traditional farm enterprises have local or specialty markets, so knowing your customers and marketing issues become very important. There are two aspects, conducting a market analysis of potential customers and your competitors, and an assessment of the competitiveness of your venture. Jack Welch, former CEO of General Electric is famous for his quote "If you don't have a competitive advantage, don't compete." This is just as true for family farm as it is for a major multi-national company.
3. What are you planning to sell and how will you sell it? There are four parts to the answer to this question: your product or service, how you will get the product to your customer, the way you will promote it, and how you will set your price.
4. Will your product require processing and, if so, how will you produce it? Food products have a host of technical, regulatory and production requirements for production, distribution and sale.

5. What business and legal issues apply? Depending on the type of enterprise and the scale of operation you may need to think about risk management & insurance, form of business organization, contracts, employment law compliance, business and employment taxes and intellectual property protection.
6. What resources will you need? Once your ideas have been well developed and you have a production and marketing plan you should assess just what resources you will need and where they will come from. These may include human resources (including family members and external advisors), facilities & equipment, suppliers and distributors, and financing (including your own money and borrowing needs)
7. Will it financially feasible and worthwhile? This is most people's least favorite part of planning but just because you CAN produce and sell something doesn't mean it will be a financial success. There are four aspects: The profitability of the venture once you get established; Cash flow, especially during the start up phase; Financial risk and risk management, including your exit strategy if things go badly wrong; and the ability of this enterprise to meet the lifestyle and income goals you identified in Question 1.

As you can see, these questions are easy to ask but not usually easy to answer. Sometimes the first answer you come up with is not workable or suitable and you have to back up and rethink your ideas. All of this takes a lot of work but it is well worth taking time to make sure the idea you are considering will work and to avoid problems or disappointments down the road.