Assessing Your Agritourism Resources

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What is Agritourism?

- Agritourism is a business conducted by farmers or ranchers on their working agricultural, horticultural, or agribusiness operation for the enjoyment and education of visitors.

  * University of California

- Inviting the public onto a farm or ranch to participate in various activities and enjoy an agricultural experience.

  * USDA - NRCS

What is Agritourism? (cont)

- An activity, enterprise or business that combines primary elements and characteristics of agriculture and tourism and provides and experience for visitors that stimulates economic activity and impacts both farm and community income.

  * The University of Tennessee

Types of Agritourism Enterprises

- For-Fee Recreation
  - Equipment Rental
  - Lessons
- Demonstrations
- Exhibits & Lectures
- Facilities for People
- Alternative Crops & Value Added Products
- Participant Experiences
- Tours
- Farm, Ranch & Community Entertainment
- Festivals & Events
- Hospitality Services
- Alternative Marketing

Is Agritourism Right for Your Operation?

- Revisit your current business and personal goals
- Consider costs and benefits of a new enterprise
- Evaluate your resources

Revisit Your Goals

- If you don’t know where you are going, how will you know when you get there?
- Identifying your goals focuses your attention and provides a basis for making decisions.
- Agritourism goals should meet the S.M.A.R.T. criteria.
  - Specific
  - Measurable
  - Attainable
  - Rewarding
  - Timed

An Example of Setting Goals & Objectives

- Goal 1

  To renovate historic buildings.

  - Renovating bunkhouses and outbuildings will be the first step in developing an agritourism enterprise.
  - These buildings will provide housing for guests year round.

- Goal 2

  To improve the health of the ranch's summer range.

  - Restoring summer range will be critical to develop nature tourism such as birding and fishing.
  - Improved land management will improve the carrying capacity of the land and in turn improve ranch income.

Consider Costs & Benefits of Agritourism

- Benefits
  - Provides additional income
  - Appreciates in value
  - Efficiently uses underutilized resources
  - Maintains family attention and interest
  - Provides an opportunity to meet people
  - Provides a chance to play a role in community activities
  - Promotes the agriculture industry
- Costs
  - Provides low financial return, at least in the beginning
  - Interferes with farming or ranching operations
  - Hard Work! Adds workload to family members
  - Demands constant attention
  - Steals your privacy
  - Requires you to always be “on” – upbeat, available & attentive
  - Involves risk and liability

Your Agritourism Enterprise

- The first step is to evaluate your resources.
  - Define your available resources
    - Physical
    - Human
    - Financial
    - Marketing
    - Legal

Physical Resources

- The natural environment and the experience or product offered are at the heart of success.
  - Land and/or landscape
  - Soil
  - Buildings
  - Water
  - Air
  - Vegetation
  - Wildlife & Wildlife Habitat
  - Livestock & Poultry

Farm and Ranch Landscape Resource Worksheet Sample

1 Landscape feature	2 Units	3 Current use	4 Benefits/ limitations	5 Potential uses	6 Benefits/ limitations
Wooded overlook	3 acres	Family and public access	Family relaxation Picnics	Weddings Reunions Dinners Camping Lodging	Cash income
Intermittent streams	2 miles	Cattle water	Hiking Photography	Cash income	
Perennial stream	0.9 mile	Family fishing Canoeing	Family relaxation	Canoe rentals Fishing Camping	Cash income
Hills	110 acres	Livestock Woodland	Cash income	Biking Hiking Paintball Camping	Cash income

Adapted from Taking the First Step: Farm and Ranch Alternative Enterprise and Agritourism Resource Evaluation Guide, USDA Natural Resources Conservation Service, January 2004.

Things To Think About

- Do you have an adequate amount of property available for use in an agritourism operation, including room for activities/attractions and parking?
- Do you have some unique land or property resources that will be strengths of your agritourism operation?
- Does your land or property have particular characteristics that may be liabilities to an agritourism operation?

Human Resources

- Time is a major limitation in developing a new enterprise.
- It is important to analyze the amount of time available and when it is available.
- Family resources and preferences are crucial.
- All family members must determine their involvement and satisfaction with the new enterprise.
- Consider community infrastructure, attitude and resources.

Time and Labor Resource Evaluation Worksheet Sample

Task Schedule												
Tasks	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Tasks												
Proposed Agritourism Tasks												

Adapted from Agritourism in Focus, A Guide for Tennessee Farmers. The University of Tennessee, PB 1754, September 2005.

Operational and Management Skills

- What are the operation and management assets available to the enterprise?
  - Landowner's and manager's strengths and goals
  - Family strengths and resources
  - Farm and ranch personality
  - Farm and ranch activities
  - Neighbor and community resources

Personal Skills

- Assess your personal skills.
  - Do I like meeting and working with all types of people?
  - Do I like to entertain and serve strangers?
  - Am I patient and sensitive to the needs of travelers?
  - Am I willing to work long hours in sometimes difficult situations?
  - Do I have the physical stamina and vigor to maintain my operation while properly serving customers?
  - Do I know the natural history of my area?

Financial Resources

- Evaluate how an agritourism enterprise will fit with existing enterprises.
- Financial planning is key to success for two reasons:
  - Key to your evaluation and management of the enterprise
  - Key to your lender's evaluation of the enterprise and willingness to finance the enterprise.

Required Financial Statements

- Cash Flow Statement
- Profit and Loss Statement
- Balance Sheet

Cash Flow Statement

- Summarizes inflows and outflows
- Non cash items are not included
- Borrowing needs
- Repayment ability

Cash Flow Statement

- Operating Receipts (inflow)
- Capital Sales (inflow)
- Non Farm Income (inflow)

- Operating Expenses (outflow)
- Capital Expenses (outflow)
- Debt Payments (outflow)
- Other Outflows (outflow)

Profit and Loss Statement

- Measures profitability over a period of time
- Profitability is calculated as follows:

Operating Receipts/Revenues

- Operating Expenses

+/- Adjustments

Inventory Changes

Capital Items

Accrued Items

= Net Farm Income

Balance Sheet

- Point in time
- Assets and liabilities
- Assets - Liabilities = Net Worth

Balance Sheet

- Categories of Assets & Liabilities

Assets	Liabilities
Current	Current
Intermediate	Non-Current
Long Term	

Marketing Resources

- A marketing plan is crucial to your enterprise's success.
- For an agritourism enterprise, it will:
  - Identify a target audience and their needs,
  - Attract a target audience to the enterprise,
  - Meets the needs of the target audience and entice them to spend their money,
  - Create a desire in the audience to return again and again.

Marketing Resources

- Focus on strength, weakness, opportunity and threat (SWOT) analysis of your 3 Cs:
  - Customers
  - Costs
  - Competition
- Market research on marketing mix:
  - Product
  - Price
  - Place
  - Promotion

Legal Resources

- Business Environment
- Liability

Business Environment

- Products and services must be marketed within local, county, state, and federal rules and regulations.
- Regulating agencies may include:
  - Health department & environmental quality
  - Planning and zoning
  - Department of Agriculture
  - Secretary of State
  - Department of Revenue
  - Business & economic development offices
  - Chamber of Commerce

Liability

- Liability is a concern when the public is invited to visit or work on a farm or ranch.
- Every agritourism and alternative agriculture enterprise must be adequately protected.
- Farm and ranch insurance policies will need to be altered or a new policy added to cover these enterprises.

Ten Liability Questions to Ask

1. Does my farm liability policy cover my agritourism enterprise, or are they excluded as a separate business for which I need to buy a commercial policy?
2. Is there a limit to the amount or type of direct farm sales I can make and still have them considered as incidental to my farming operation?
3. Even if my farm liability policy covers my direct marketing operation are there reasons why it would be better to obtain a commercial business policy?
4. Does my farm liability policy cover any sales made off the farm such as at farmers' market or direct deliveries to stores or restaurants?

Ten Liability Questions to Ask

5. If my farm policy does not cover sales at the farmers' market then what type of policy should I buy for this purpose? Is product liability insurance available or necessary for what I sell?
6. As part of my direct marketing operation some customers pay to visit the farm to engage in recreation and other customers pick their own produce. Does my farm liability policy apply or do these activities present special insurance needs?
7. As part of my direct marketing business, sometimes other family members or employees make deliveries of produce to customers using farm vehicles. Does my automobile insurance cover such trips and if not what type of policy do I need?

Ten Liability Questions to Ask

8. When buying insurance for buildings and equipment, should I set the value at “replacement cost value” or “depreciated value”? Is there a “co-insurance” provision in my policy which requires me to pay part of any loss?
9. Is my policy a “claims and occurrences” policy and if so when does coverage end and what happens if I change insurers?
10. Are you a general agent working for one company or an independent agent?

References and Sponsors

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