

AGRI-FACTS

Practical Information for Alberta's Agriculture Industry

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Agdex 811-9

Consider Your Options: An Inventory of Possibilities (Step Two)

Agriculture Business Alternatives

Agriculture Business Alternatives is a series of factsheets designed to help you evaluate the feasibility of starting a new agricultural or rural-based business. The worksheets help you define the critical information needed to move your idea forward.

You have begun the process of brainstorming a new rural-based business by defining your goals and making sure your family is part of the decisions. Now, you are ready for the next step: figuring out which enterprise is the best fit for you.

In the first factsheet, *Define Your Goals: Personal and Family Considerations (Step One)*, Agdex 811-8, you gathered important information about your family's preferences and key business strengths.

This factsheet will give you a way to explore the possibilities going forward by helping you in three key areas:

- 1) take stock of your existing resources in several categories
- 2) generate and evaluate new enterprise ideas
- 3) select the idea that fits best with your situation

All family members should take part in completing the worksheets included with this factsheet, not just managers or those active in the business.

Taking stock of your resource inventory

When looking at their resource inventory, families often focus on physical assets like land, buildings and livestock. Sometimes, "softer" assets like people skills, financial resources, networks and relationships are overlooked.

The five worksheets will help you look at the whole operation and take an inventory of all available resources, including the following:

- physical resources
- market resources
- management and labour resources
- by-product resources
- financial resources

By filling out these worksheets, you will identify the resources on your farm that are underutilized and how those can be cultivated into market opportunities for optimal success.

Physical resources

For **Worksheet 1: Physical Resources**, list specific inventory items in each category and note their limitations and opportunities. Even if you have completed a resource inventory before, do not skip this section. You may uncover new resources that can add value.

An inventory of available resources can help your business move forward

If this is your first inventory, you may have to go to municipal offices or other organizations for information. It is a good idea to include maps with the layout of buildings, fields, water resources, soil types and other resources.

Notes on quality:

- Land quality should include pH, fertility and soil type (private labs can provide soil and fertility tests).
- Soil type can be determined from soil maps or surveys from municipal offices.
- Aerial photos or maps should describe type, slope and other soil features of your land.
- Have pasture quality evaluated by a specialist.
- Test water for minerals and bacteria; if contamination is suspected, test further.
- Describe well capacity, and include gallons-per-minute, if possible.
- Evaluate surface water quality for turbidity (murkiness), dissolved oxygen content, weedy aquatic species (cattails, algae, rushes, sedges) and seasonal variations in volume.

Notes on limitations:

- Limitations of land resources may include presence of weeds, inaccessibility and steep or rough terrain.
- Limitations of machinery may include deteriorated or unsafe machines, inadequate capacity or obsolete/ineffective design.
- Limitations of water may include poor quality, low well capacity, seasonal drying tendencies or inaccessibility.

Notes on underutilized resources:

For each resource, include information on how the resource could be used more fully or provide opportunities in the new enterprise.

Market resources

Getting your product to market can involve many steps and many players. **Worksheet 2: Market Resources** identifies the items and people needed for your chain of supply. Ask questions of local suppliers to help you explore further possibilities.

Meat processing

- How many animals do you handle?
- Which types of animals are handled most frequently/least frequently?

- Do you provide other services, such as sausage making or custom cuts?
- Do you provide wrapping, pick-up or delivery?
- How do you comply with provincial and federal health inspections?

Food processing

- Which services do you provide: freezing, canning, drying, milling and tanning?
- Do you have a minimum acreage or volume for sellers?
- Do you require a contract?
- Are there certain production practices you need to follow?

Wholesalers

- Which local brokers and/or distributors could help you get your products into new markets?
- Which services do the brokers and/or distributors offer?
- What commission structure (fee or percentage) do brokers charge for their services?
- Do marketing co-operatives exist in your area that you can tap into?

Direct markets

- Where are the local farmers' markets? How many days are they open? How many growers participate?
- Is setting up a roadside stand or a farm store a viable option for you?
- Do others own roadside stands or farm stores where you could sell your products?
- What are municipal regulations regarding road frontage, signage and parking requirements?
- Do opportunities exist with nearby food retailers?
- Is Community Shared Agriculture an option?
- Can you cultivate direct opportunities with your area's restaurants?

Give some thought to the types of customers who are best suited to your products as well as the total numbers you want to target. You can look at the market geographically by estimating (for example) the population within a 100-kilometre radius of your agricultural business. Or, you could look at the market by demographics (age, income, etc.) and/or psychographics (lifestyle, hobby groups or those with common interests).

Other unique opportunities include targeting institutions, industrial plants, exporting, special events or tourist attractions in your area.

Management and labour resources

To position the new enterprise for growth, you will need strong labour resources that involve effective recruiting strategies, strong interpersonal skills and competitive employee benefits. On **Worksheet 3: Management and Labour Resources**, labour is split into three categories:

- management: include decision-makers and supervisors
- labour: include manual labourers, equipment operators, bookkeepers and so on (anyone not supervising)
- potential labour pool: include farm workers, migrant labourers, college/high school students, homemakers and so on

If someone has several roles, divide the hours across all categories on your worksheet. List non-traditional skills such as cooking, lecturing and computer or social media skills. These skills may be valuable in the new enterprise.

If you can, note seasonality since quiet times could point to opportunities for the new enterprise. Be prepared to offer competitive wages and benefits to attract and keep the qualified employees you need.

By-product resources

Re-using waste can be a low-cost alternative to entering a new market. **Worksheet 4: By-product Resources** helps you consider innovative use of by-products. Here are some ideas to consider:

- packaging leaves, manure and grass compost manure for re-sale
- selling woodlot by-products (sawdust, bark and wood chips) for landscaping
- re-purposing wood waste into pellets for heating
- finding alternative markets for livestock culls
- turning crop wastes into bioenergy products

Financial resources

Starting a new enterprise often requires cash infusions for a new building, breeding stock, equipment or land. Depending on the enterprise, the financial investment can be substantial. Completing a list of financial resources on **Worksheet 5: Financial Resources** will help you explore where funding will come from, your family's risk tolerance and investment limits for the new enterprise.

Evaluating the resource inventory

Once you have completed the five worksheets, review them and identify the following:

- underutilized physical, labour and management resources
- all potential markets
- all potential uses for by-products

Move forward

If you have underutilized physical or by-product resources, untapped management and labour resources, promising market opportunities and significant financial resources: *you are in an excellent position to start a new enterprise.*

Take a second look

If you have a greater number of limited resources than those that are underutilized: *exercise caution.* There may be possibilities for growth, but you will need to be imaginative and make careful use of the limited resources you have.

Re-evaluate

If your resources are used to capacity and you have little in the way of financial resources: *stop and re-evaluate.* You may be better off finding ways to reduce your costs and improve income before you start a new enterprise.

Generating and evaluating new enterprise ideas

Ideas for enterprise opportunities can come from anywhere: friends, family, agricultural educators, producer groups, media or informal research. To be successful, the idea should meet family goals, make use of underutilized resources and create a potential market. Remember, you need the *right* idea, not necessarily a *new* idea.

Ready to get started? Brainstorm six new enterprise ideas and list them across the top of **Worksheet 6: Idea Evaluation Chart**. Using a rating system where 1 is lowest and 10 is highest, rate each idea for how it meets the family goals (listed down the left-hand side of the sheet). Add up the rating points for each enterprise at the bottom of each column. The goal is to select the enterprise idea with the highest rating for further study.

If new ideas are coming slowly, try these idea-generating exercises:

Consider the competition.

What can you do differently than, better than or in co-operation with established businesses?

Seek a neighbour's perspective.

Ask farm and non-farm friends, agriculture specialists, lenders and co-workers what services they currently use and what they would like to see available.

Talk to current buyers.

Do your buyers have any unfulfilled demands they have expressed?

Go shopping.

See what others are offering in local stores. Go places you would not normally shop, including unique grocery stores and retail gift shops.

Read up on food and retail trends.

Retail catalogues, agricultural magazines, food magazines, trade journals and the food section of daily newspapers often discuss new trends in food products. Many resources are available online.

Network beyond your business.

Talk to similar business owners who attend meetings and conferences in other provinces or countries to give you a broader perspective.

Broaden your horizons.

If you are travelling, stay attuned to new ideas that could be feasible at home.

Look towards value-added.

Value chains can create a competitive advantage when strategic partners of producers, processors, marketers and retailers come together to create value for the consumer.

The following example shows how various new enterprise ideas can be assessed using the sample idea evaluation chart.

Sample idea evaluation chart								
Idea	New enterprise is preferred by family	Has special features preferred by the family	Makes use of physical resources	Has a potential market	Makes use of underutilized management and labour resources	Uses existing by-product	Family financial resources can cover start-up	Total Points
Bed & Breakfast	10	9	10	8	10	8	9	64
Country tea house	5	4	8	5	6	10	10	48
U-pick vegetables	5	3	4	5	10	6	5	38
Tree seedlings	10	9	10	10	10	10	9	68
U-pick fruit farm	9	5	10	8	5	8	5	50
Commercial Vegetables	10	8	10	8	6	0	3	45

Selecting a new enterprise idea

Now that you have completed all six worksheets, you should have a strong enterprise idea that meets your family goals and objectives. If two ideas are close, have a discussion with the family to arrive at a consensus for one idea.

Bringing it all together

The following example guides a fictional family through the inventory process using the information in these worksheets.

Alan and Pauline farm in Ponoka, Alberta. They spent about two weeks completing the inventory worksheets.

Here is what they found:

- They identified underutilized physical resources as a 5-acre piece of hay land and a concrete block shed used to store bicycles and patio furniture.
- The main underutilized market resource they identified was the city of Red Deer, which is about 50 km from their farm. It has a city population of about 97,000 and a regional population of about 152,000.
- The family also identified good road frontage along a fairly well-travelled highway.
- For labour, Alan would provide year-round management and labour resources, using high school students in the summer.

- Alan generated a list of ideas after talking to family, former professors and classmates and a farm neighbour. He read back issues of horticulture magazines, researched horticulture opportunities on the Internet and spent several days in the Red Deer area visiting nurseries and the city's shopping areas.
- Alan presented six ideas to the family, and after rating them, the family agreed upon the highest-ranked enterprise: producing and marketing tree seedlings at a roadside stand, plus selling them to nurseries and garden centres in Red Deer and the surrounding area.

Your next steps forward

Congratulations on completing the second step in your new enterprise. Coming up with ideas for a new enterprise is the beginning of an exciting journey to bring your agricultural enterprise to life. Now that you have the input of your family and have decided on one enterprise idea, the journey continues.

This factsheet is one in a series of Agriculture Business Alternatives factsheets that help you evaluate the feasibility of starting a new agricultural or rural-based business.

The next stage is outlined in the factsheet *Identify your Market: Right Buyer, Right Price (Step Three)*, Agdex 811-10, which will help you refine the product idea, research the potential market and set your price.

References

The Agriculture Business Alternatives factsheets have been adapted with permission from: *Farming Alternatives - A Guide to Evaluating the Feasibility of new Farm-Based Enterprises* (NRAES-32, October 1988, ISBN 0-935817-14-X). This publication was a project of the Farming Alternatives Program, Cornell University, Warren Hall, Ithaca, NY 14853 (607) 255-9832; and Natural Resource, Agriculture and Engineering Service (NRAES), Cornell University, 152 Riley-Robb Hall, Ithaca, New York (607) 255-7654.

For more information

Agriculture Business Alternatives factsheet series:

Define Your Goals: Personal and Family Considerations (Step One), Agdex 811-8

Consider Your Options: An Inventory of Possibilities (Step Two), Agdex 811-9

Identify Your Market: Right Buyer, Right Price (Step Three), Agdex 811-10

Assess Your Resources: Examining Production Requirements (Step Four), Agdex 811-11

Review Your Finances: Making the Money Work (Step Five), Agdex 811-12

Analyze Your Profitability: Managing Your Growth (Step Six), Agdex 811-13

Launch Your Business: Time for Action (Step Seven), Agdex 811-14

Build Your Network: Reaching Out for Support and Advice (Step Eight), Agdex 811-15

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Step 2 - Worksheet 1: Physical Resources

Item	Capacity (or size)	Quality (or age)	Limitations	Potential (high, medium or low)
Buildings				
Tilled land				
Pasture/ Untilled land				
Machinery/ Equipment				
Water (surface, well or other)				
Other				

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Step 2 - Worksheet 2: Market Resources

Item	Capacity or Size	Distance	Limitations	Potential (high, medium, or low)
Meat processing facilities				
Food processing facilities - freezing - canning - drying - milling - other				
Wholesalers - brokers - distributors - marketing co-operatives				
Direct markets - farmers markets - roadside stands				
On-farm - road frontage - existing stand - storage - other				
Nearest town(s)				
Nearest city				
Population in 100 km radius				
Other				

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Step 2 - Worksheet 3: Management and Labour Resources

Resource	Season(s) Available	Hours per Week	Skills	Potential (low, medium or high)
Potential management				
Potential agricultural labour				
Other potential labour pools				
Benefits you can offer employees				

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Step 2 - Worksheet 4: By-product Resources

By-product	Quantity	Quality	Limitations	Potential Uses
Animal by-products				
Crop by-products				
Woodlot by-products				
Chemical wastes				
Processing by-products				
Machinery and tires				
Other				

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Step 2 - Worksheet 5: Financial Resources

Source	Amount	Comments
Cash		
Savings		
Family Credit		
Commercial credit		
Other		
Total		

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Step 2 - Worksheet 6: Idea Evaluation Chart

List six ideas in the enterprise idea boxes. Rate each on a scale 1 to 10 for its ability to fulfill the goals listed below.

Idea	New enterprise is preferred by family	Has special features preferred by the family	Makes use of physical resources	Has a potential market	Makes use of underutilized management and labour resources	Uses existing by-product	Family financial resources can cover start-up	Total Points