



# The Farmer's Guide to Development of New Farm Enterprises





## CONTENTS

1. A TRANSITION TO WHAT?
2. EARNING MORE FOR FARM CROPS
3. JUST TWO WAYS TO MAKE A LIVING?
4. IDENTIFYING NEW FARM OPPORTUNITIES
5. DOING WHAT YOU LOVE
6. THE PECAN TREES ALWAYS PROVIDE
7. ON-FARM PROCESSING
9. SELLING YOUR PRODUCTS/MARKETING
10. DIFFERENTIATING AGRICULTURAL PRODUCTS
11. KNOW YOUR CUSTOMERS
12. BRINGING THE CUSTOMER TO THE PRODUCT
13. LISTEN TO WHAT THEY TELL YOU
14. THE BOTTOM LINE
15. EVALUATING AN ENTERPRISE
16. CONCLUSION
17. RESOURCES—WHERE TO GO FOR HELP



## Tobacco Communities Reinvestment Fund RAFI-USA Cost-Share Grant Program for North Carolina Farmers

In 1997, RAFI-USA created a cost-share grant program to help farmers replace lost tobacco income by putting their own ideas to work. This program began as a four county pilot and has expanded with support from the North Carolina Tobacco Trust Fund Commission to serve all 100 counties in the state. Since it began, the Tobacco Communities Reinvestment Fund has assisted hundreds of North Carolina farmers to implement innovative strategies redirecting scarce farm resources into viable, sustainable farm enterprises.

The farmers who have participated in the Tobacco Communities Reinvestment Fund are very creative in finding solutions that enable them to continue farming and contributing to the rural economy. The following pages tell the stories of past Tobacco Communities Reinvestment Fund participants and illustrate the process of evaluating and developing new farm enterprises from idea to implementation. These farmers serve as models of how modest-scale farming operations can survive the transition from commodity dependency to profitability in other types of agriculture. As North Carolina considers the future of its farmers and rural communities, it is farmers like these described in this document who provide the blueprint for success.



## A TRANSITION TO WHAT? The Farmer's Guide to Development of New Farm Enterprises

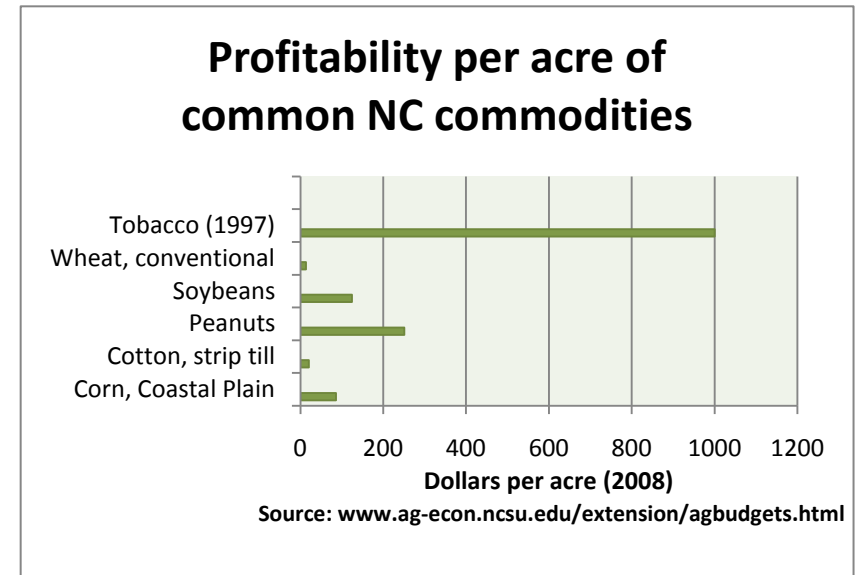
North Carolina was built on income from tobacco and other commodity crops. But for North Carolina's modest-scale, family farmers and rural communities, these crops are no longer paying the bills. Boarded up warehouses, neglected business districts, and farmers who must leave the farm to pay the bills are symptoms of how changes in the tobacco industry have affected our farms and rural communities.

In 1997, the average North Carolina flue-cured tobacco grower raised about 27 acres of tobacco. While actual profitability varied from farm to farm and from season to season, it was well accepted that a flue-cured tobacco grower who owned his quota could expect to net about \$1,000 per acre under the old federal tobacco program. That is around \$27,000 per year of net income on a very small piece of land.

Most other agricultural commodities do not pay anywhere near \$1,000 per acre profit. That is why the loss of tobacco as an income opportunity for most North Carolina farmers has been of such significance to the state's farm economy. As per acre profitability for tobacco has declined and production has consolidated, North Carolina farmers either have to farm a lot more land to make the same amount of money or earn more per acre than other agricultural commodities will pay.

North Carolina farmers face volatile weather, high fuel costs, fierce global competition, dramatically increased fertilizer prices, development pressure, high land costs, and labor shortages. The risks associated with farming have increased proportionate to the costs. It is in this environment that farmers are faced with making a change.

Land is expensive. Opportunities to expand production onto larger acreage are difficult to obtain. However, opportunities abound to make more money per acre for crops through innovative production, processing, and marketing strategies. North Carolina farms are in transition. The question for many is, "A transition to what?"





## EARNING MORE FOR FARM CROPS—James Worley Grits and Cornmeal—Columbus County

A bushel of corn weighs 56 pounds, according to James Worley of Swamp Fox Mill. Like generations of his family before him, Worley grows corn and other crops on his farm near Cerro Gordo in Columbus County. By far the most common method of marketing corn is to sell the corn into the commodity market through a broker or the local grain elevator. Corn from one farm joins corn from neighboring farms and neighboring regions, and from around the world in a huge anonymous pool of commodity corn. Once the corn is in the pool there is virtually no way to link it back to the farm where it was grown. This corn eventually finds its way into the animal feed supply and processed food products that we buy in the grocery store. Worley has found a different way to market his crop.

### **Profit from Cornmeal**

Instead of selling the corn grown on his farm on the commodity market, Worley uses an old stone mill and an 1880's era grits sorter to mill his corn into cornmeal and grits. He gets \$3 for a five-pound bag of cornmeal and \$2 for a two-pound bag of grits. At the time that Worley began milling, corn prices were around \$2 per bushel. Even in a market environ-

ment of high commodity corn prices, the \$40 per bushel he now gets for his corn is significantly better than the going rate. In fact, the difference between what Worley gets for his 56 pounds of milled corn and what he gets for the same 56 pounds on the commodity market is the difference between profitability and going in the hole.

### **\$40 per Bushel**

There is no doubt that it takes more effort to sell corn this way. Worley puts a lot of time into processing and packaging the corn. It takes about six hours to grind 500 pounds of product (or roughly an acre's worth of corn). To ensure food safety and cleanliness, the mill and sorter are cleaned before every use. That adds another two hours; plus additional expenses for bags and labels. Still, the \$40 per bushel beats the commodity price every time.

### **Holiday Season Purchases**

Worley began milling corn in 2003. While it took a few trials to get it right, Worley is now an expert in the milling of cornmeal and grits. It is important to get the mill settings right, so that he produces the right proportions of fine particles (corn meal) and coarse particles (grits).

Moisture content of the raw corn is also critical. The milling process will not work if the corn is too wet or too dry. "Good cornmeal should stick together like a mud pie," says Worley. Even growing the corn required some adjustments in order to ensure that the final product meets standards for human consumption. After harvest, Worley puts his corn into a humidity controlled grain bin, so that the corn can dry a little. Most of the milling is done after harvest in September and before Christmas. Many of his customers enjoy purchasing the product for Christmas presents, so he stocks up for the holiday season.

### **Bottom Line**

Worley gets more satisfaction from the connection to the customer and the fact that people enjoy his product than from selling his corn in an anonymous commodity market. He can get a better price for a product that he, his family, and his neighbors can eat. Of course, the real benefit is to the bottom line. Commodity corn production cannot keep a small-scale North Carolina farmer in business, but the higher returns from cornmeal and grits just might.



## JUST TWO WAYS TO MAKE A LIVING?

### New Opportunities in Farming are Different

“Get big or get out.” The traditional theory is that to compete, farmers must distribute fixed costs over a large number of acres. To survive on tight margins, farmers must grow more—a vicious cycle where the lower the price, the more a farmer must sell. Farm expansion is a survival strategy that has worked for some farmers in the competitive world of commodity agriculture. But the expansion of one farm almost always occurs at the expense of another. North Carolina farmland is too scarce and too expensive to support expansion strategies for many farmers. The era when modest-scale operations could survive by growing more of the same crops in the same way as their neighbors is gone.

There is no recipe for success in non-traditional, high-margin farm enterprises. Unlike the past, when enterprise budgets and production sheets often provided all the information a farmer needed to be successful, most new innovations and ideas must be researched, evaluated, and tested individually. Traditional agricultural service providers can provide critical information to get an enterprise started. However, data may not be available to completely evaluate a new market opportunity. Due to the nature of the enterprises that show potential for success today, farmers must do their own due diligence to determine if an idea will work.

The marketplace rewards for innovation can be great. However, the more unusual the idea, the more work it will take to gather the information needed to be successful. It is a lot of work to plan and carry out a new idea. The viability of North Carolina’s small farms depends on farmers being willing to put in that work and adapt to the changing farm economy.

### **Due Diligence**

*Farm entrepreneurs must answer a few basic questions for themselves prior to embarking on a new enterprise:*

- 1. What are the opportunities and how does my farm fit?*
- 2. How do I produce something that meets the market demands?*
- 3. How do I let consumers know about my product?*
- 4. Will I make money?*

*“Opportunity is missed by most people because it is dressed in overalls and looks like work.” ~Thomas Edison*



## IDENTIFYING NEW FARM OPPORTUNITIES—Alan Souther Rocking S Farms—Alleghany County

In January of 2004, Alan Souther of Rocking S Farms approached RAFI about a new farm enterprise he had in mind. His idea was to raise certified organic vegetable transplants to sell to neighboring farmers who grow organic vegetables.



According to USDA organic regulations, certified organic farmers must use organically produced transplants, but local farmers were not able to get these in the quantity or quality they needed. Souther realized that organic transplants were a market opportunity that was not being filled. He received a grant from RAFI in 2004 for the project and has gone on to make the business a success.

### New Enterprises

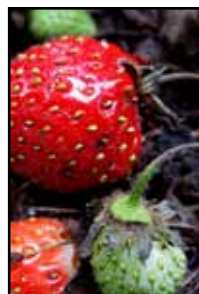
At one time, Souther's Alleghany County farm was a lot like that of his neighbors. He produced hay, corn, cattle, and burley tobacco. However, in an environment of changing tobacco programs and tight commodity prices, finding other farm income sources was important. Souther wanted enterprises that would pay enough to support his family on his mountain farm.

Souther did not stop with the organic transplants. Rocking S Farms has a cow-calf operation, finishes beef on grass, raises lambs, sells hay, and produces certified organic peppers and cherry tomatoes. Greenhouse lettuce, organic and conventional tobacco are also grown on the farm and in 2008, Souther added strawberries. Souther

also raises pumpkins for the conventional market on land that he is transitioning to organic production.

### Souther's Strategy

Souther explains his strategy for identifying new opportunities this way, "I look at what everybody



*isn't* doing. Once everybody's doing it, the market is full." Souther grows kohlrabi, an unusual vegetable anywhere, but a real novelty in rural Alleghany County. "People would stop their cars along the road and try to figure out what it was," Souther says. So he offers

samples to curious onlookers, and sells the crop through an organic vegetable distributor.

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## "I look at what everybody *isn't* doing," explains Souther

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New opportunities do not just appear out of nowhere. Souther is very active in his search for new farm income ideas. As a part time crop insurance adjuster Souther learns a lot from the farmers he serves. He started one of the first strawberry operations in the county, in part because a farmer he worked with mentioned the potential for profitability. He also keeps up with what other farmers are trying by participating in farm organizations such as local marketing

co-ops. Souther responds when local extension personnel or researchers are looking for producers to try a new crop. Souther stays in the loop, so he knows what crops the researchers believe have potential.

### Persistence Pays Off

Persistence pays off. Souther contacts potential buyers and keeps in contact. If a potential buyer does not have a need for his product right away, there might be a need a few years down the road. The internet is also a resource for new ideas and markets. For example, when Souther was scanning the internet to determine the current market price for finished beef, he came across an advertisement looking for beef producers.



What Souther does so well is look beyond the farm publications and the local diner for new ideas. By going outside of the normal farm networks, Souther gives himself a chance to discover new opportunities. In the past, it was enough to mimic successful neighbors. However, given the nature of global competition, opportunities that arise are increasingly different for every region and every farm. Souther's strategy is to keep looking so that he will be there when opportunity knocks.

## **DOING WHAT YOU LOVE—Sandra Garner and Genell Pridgen** Rainbow Meadow Farms Pasture Pure Meats—Greene County

Every opportunity does not fit every farm. The most successful enterprises are those that match a personal interest, or a unique skill-set, with a market opportunity and the resources to carry out the enterprise. Rainbow Meadow Farms, a seventh-generation farming operation in Greene County, is a diversified livestock operation marketing lamb, chicken, turkey, pork, and beef directly to consumers and to restaurants and groceries in the eastern half of the state.

### **Pridgen's Passion**

Farmer Sandra Garner laughs when she remembers the story of her daughter Genell Pridgen's senior trip to England. Pridgen had shown an interest in livestock from the time she was a child. On the class trip, Pridgen noticed a livestock auction taking place when her tour bus drove into a rural town. When the bus stopped and the rest of the class was being shuffled to a monument for a history lesson, Pridgen took the opportunity to sneak away to the auction. It was hours before the chaperones caught up with her, deep in discussion with the local farmers about

the merits of the different breeds of cattle.

Down the road, when it came time for Pridgen to step up and run the family farm, of course the opportunities that were most appealing had to do with livestock. Pridgen converted her parents' tobacco farm to a pasture-based system that allows her animals the opportunity to grow and thrive according to their natures, and she was right on time to take advantage of a burgeoning demand for healthy, free-range meat.

### **Successful Entrepreneurs**

The success of Rainbow Meadow Farms has not been based on market opportunity alone. Pridgen's passion for livestock is a critical part of the equation. Passion for an enterprise may not be on every business planning checklist, but passion makes the whole process easier. All successful entrepreneurs work long hours, spill a little blood, and shed more than a few tears. Believing in and enjoying the work is just as important to making a plan succeed as properly balanced financials.



### **Matching Skills and Resources**

*Discovering and evaluating new opportunities is a job in itself. Farmers in search of new income sources on the farm must be willing to dedicate significant time and thought to the process of identifying new enterprises. In a world of niche markets, it is no longer enough simply to mimic other successful farmers.*



## **THE PECAN TREES ALWAYS PROVIDE—Rossie Ward** Ward's Nuts and Honey—Columbus County

“Nine times out of ten, the first question out of a customer’s mouth is, ‘Is that this year’s crop?’” Rossie Ward explained on a recent visit to his Columbus County pecan operation. Older pecans can get rancid. A fresh product is what customers want. The most fundamental principle of marketing is to have a product that people want.

### **Freshness, Variety and Customer Service**

Rossie and his brother, William, got into the pecan business in 1959 when their parents moved to the Columbus County farm where Rossie still resides. As boys, Rossie and William harvested and hand cleaned nuts that their father sold to people who dropped by. The brothers learned about freshness, variety and customer service, while the extra income defrayed the cost of their father’s commute to his shipyard job in Newport News, Virginia.

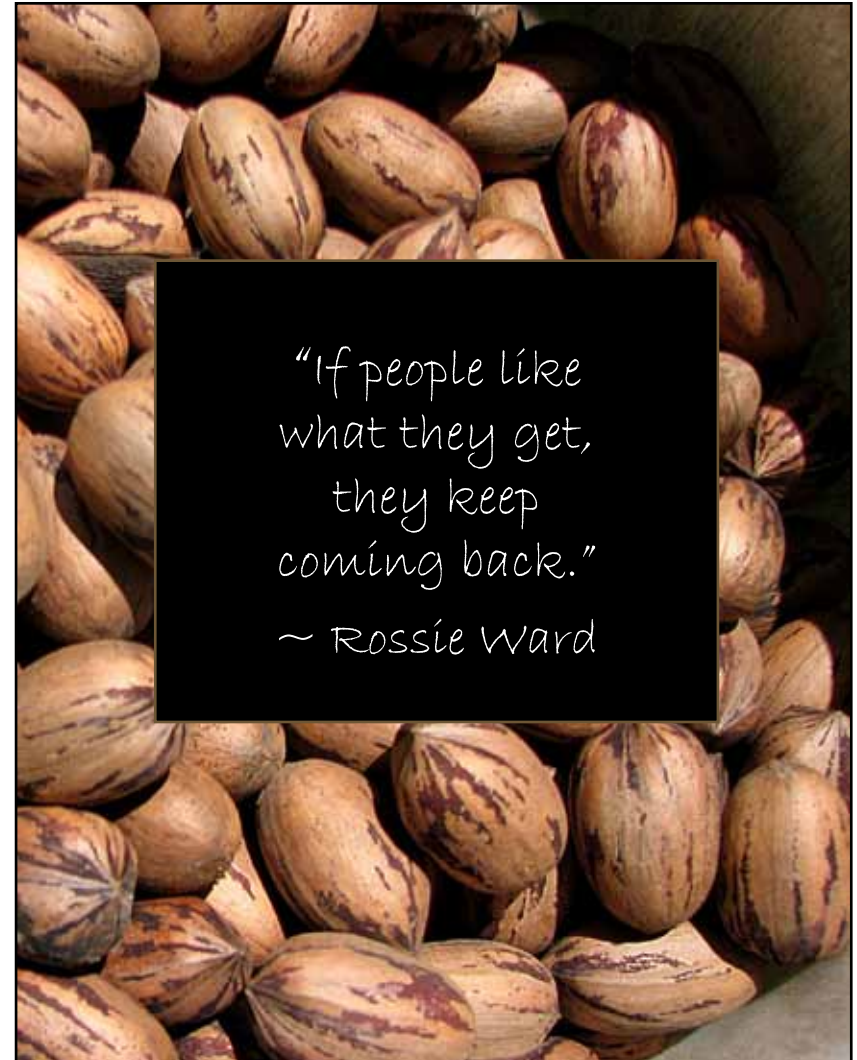
### **Specialty Products**

The pecan trees always provided. Over the years, the Wards started taking their pecans to a custom sheller and selling from the farm. In 2001, they bought their own shelling and cleaning equipment. Now, they sell four different pecan products: whole in-shell pecans, cracked pecans, cleaned raw pecans, and, their premium product, cinnamon or honey roasted (with honey from bees that they keep on the farm).

The roasted pecans are a real specialty product. The Wards test out recipes for roasted nuts on themselves, then hand out samples to customers to get feedback. If all goes well, they will add the new recipes to their product line.

### **Repeat Customers**

The brothers crack and clean pecans for other growers as well. Their equipment does a good job of cleaning the nuts, so they get a lot of repeat customers. Rossie estimates that they crack pecans for more than 200 growers in a year. As Rossie puts it, “If people like what they get, they keep coming back.”



*“If people like  
what they get,  
they keep  
coming back.”  
~ Rossie Ward*



## **ON-FARM PROCESSING—Ricky and Janice Smith**

### **Mooncreek Farm—Caswell County**

Ricky and Janice Smith own and operate Mooncreek Farm, an organic produce operation in Caswell County. Initially, the produce was intended as a supplement to his tobacco and row crop operation. However, as tobacco became less profitable, the vegetables became a bigger part of his income. When Smith quit growing tobacco, he began looking for ways to add value to his vegetable operation.

The Smiths had always canned foods for themselves. “I knew we could put a good product in a jar,” said Ricky. He also knew that he could sell the product to his customers at the Piedmont-Triad Farmers’ Market.

#### **Ricky Loves to Cook**

The Smiths initially believed they would be able to process in their home kitchen. After a conversation with the North Carolina Department of Agriculture (NCDA), they quickly realized that their home kitchen would not work for what they wanted to do. In order to meet food safety standards, they would need a separate facility. Ricky loves to cook and the idea of having a commercial kitchen on the farm appealed to him. However, building a new facility also meant a considerable expense.

The Smiths did their research. Janice Smith took the food safety course required of North Carolina processors who sell acidified foods like tomato sauces, salsas and pickles. The Smiths got a design for a processing facility from a NCDA designer. They went to the local building inspector to inquire about building codes, and they began pricing commercial kitchen equipment.

#### **Acidified Food Processing**

The Smiths broke ground on their new facility in 2005, with a cost share grant from RAFI’s Tobacco Communities Reinvestment Fund. Even with years of research under their belts, they still had some surprises. The largest unexpected expense was that their existing farm septic system was inadequate to handle the waste water from the processing facility. But there were other smaller surprises, too. It took longer than the Smiths anticipated to navigate the various bureaucracies that regulate food processing and sales. All of the agencies, from the local building inspector to the Food and Drug Administration, have specific safety concerns that must be incorporated in the building structure and the product manufacturing process. Sometimes it would take weeks or months of phone calls before the Smiths were clear on how to proceed.



***Sometimes changing how we do things means working with a whole new set of production and regulation challenges, as Ricky and Janice Smith discovered when they set out to do value-added processing on their farm.***

Today, the Smiths produce a variety of safe, healthy products with ingredients that are grown on their farm. Because they only use organic ingredients and their own high-quality produce, pricing has to be a little different than what you might find on the grocery store shelf. They keep careful records and their pricing is based on their expenses. “We try to ignore our competitors’ prices,” Ricky said. “We can only control our costs so much.” So far their strategy has worked. Their products are selling well.

### Taste Makes a Difference

Of course, the strategy of ignoring competitors’ prices only works if your product is seen as being unique by the consumer. The fact that Smith uses all local and organic ingredients in his products appeals to some of his customers. Very few producers of processed foods can make that claim. However, Smith believes that taste is the real reason he can charge more. The fresh, locally grown ingredients taste better in the products that Smith makes.

A recent sampling of products from the Smith’s kitchen included pepper jelly, salsa, canned tomatoes, pickled jalapeno peppers, and cocktail sauce. The Smiths select recipes that use ingredients that can be grown on their farm and that can be safely produced.

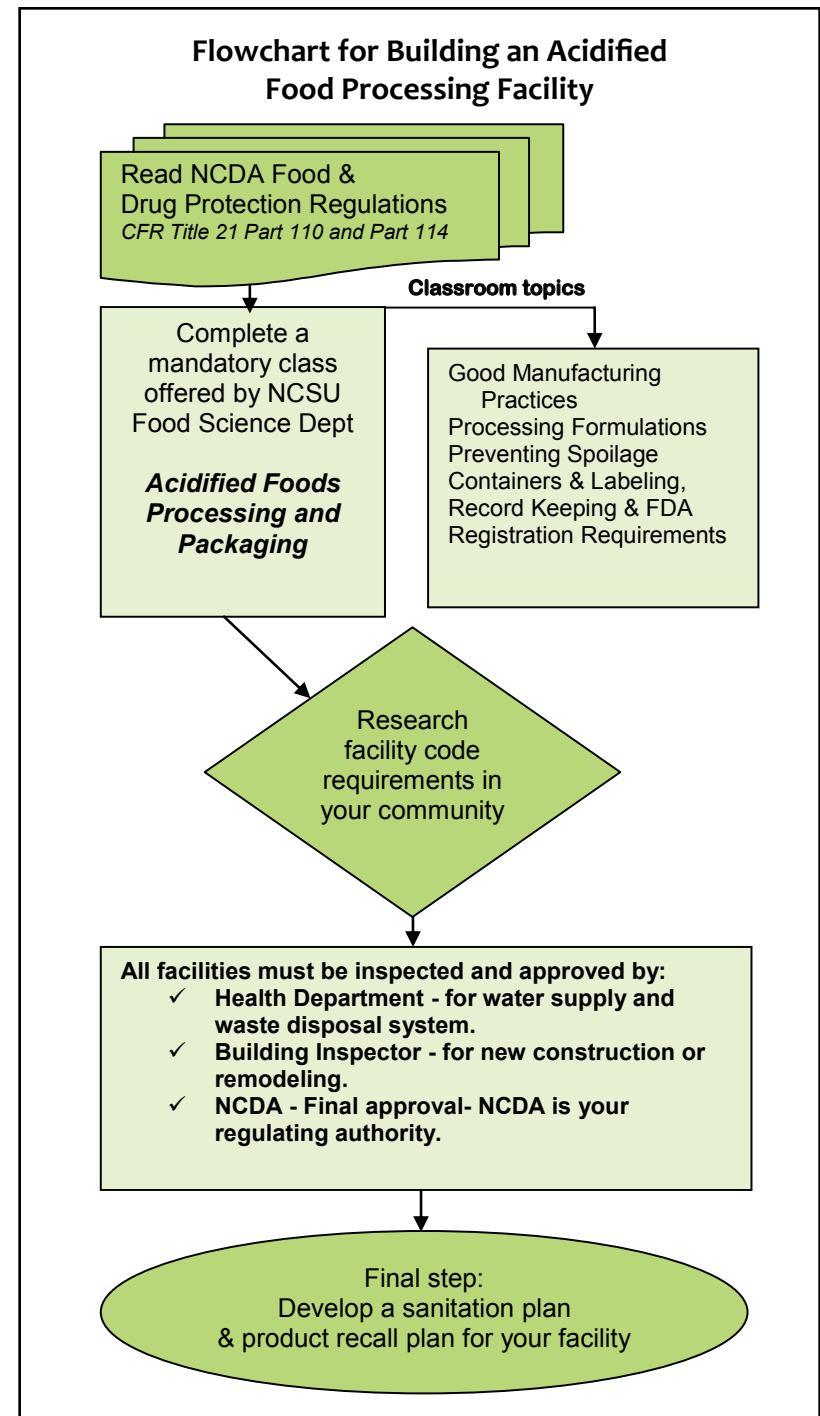
With new products, the Smiths start out with small batches. This allows them to develop their process and improve their efficiency, as well as giving them a chance to test market the product. They wait for repeat customers for a product before accepting a new product into their regular product line.

### Extended Production Season

Having the processing kitchen has allowed the Smiths to expand their vegetable production in scale and variety. It has also allowed them to extend their production season. The kitchen provides an outlet for late fall crops and winter greenhouse production when farmers market sales are not as brisk.

Selling processed goods is different from selling raw vegetables. The risk of harmful contamination increases. Ricky cautions that it is important to follow certain procedures. “We follow the scheduled process. We make sure everything gets processed at 180 degrees and that the pH is below 4.6.”

It took the Smiths almost two years to get it there, but now the kitchen is serving its purpose. Ricky likes the work, and the increased income has created an opportunity for their son to work on the farm.





# SELLING YOUR PRODUCTS/MARKETING

After identifying a market opportunity, the next step is figuring out how to get a product to the actual consumer

## Four P's of Marketing

### PRODUCT:

*The characteristics of what you sell*

### PLACEMENT:

*How the product gets to the consumer through distribution and display*

### PRICING:

*How much the product costs*

### PROMOTION:

*How customers are told about the product*

Marketing is everything a farmer does, from variety selection and planting, to the actual exchange of money for a finished product. According to Dr. John O'Sullivan, a marketing specialist with North Carolina A&T State University, "The key to successful market planning is making sure that you have covered the four P's of marketing (product, placement, pricing and promotion)."

### Cut Out the Middlemen

In commodity agriculture, emphasis is placed on product and price. If corn meets a minimum set of quality standards and is priced appropriately for the market, then it sells. If it does not meet those standards or the price is too high, then the corn does not sell. Commodity producers have not had to think as much about promoting their products to potential consumers or distributing their products to

places where consumers will find them. Those activities have largely been accomplished by middlemen.

New opportunities in farming are generally not served by such middlemen, requiring that farmers now take on the additional burden of promoting and distributing their products. While direct-to-consumer and more direct-wholesale sales earn the farmer the most money, they are also the most time consuming method of selling products and require the farmer to be a salesperson in addition to a grower.

The strategies for getting products to consumers vary. North Carolina farmers have found a diversity of ways to match their products with consumers, so that the farmer can earn more and make a living on the farm.



# DIFFERENTIATING AGRICULTURAL PRODUCTS

## Bogue Sound Watermelons—Carteret, Jones, and Onslow Counties

One marketing strategy is to create a brand identity. A soybean grown in North Carolina is the same to the global market as a soybean grown in Missouri, or Canada, or Brazil. The same is true with watermelons. Producers grow many of the same varieties of watermelons across different regions. In the grocery store, consumers probably can't tell the difference between a melon grown in Texas, Georgia, or North Carolina. Unless, that is, the watermelon was grown in the Bogue Sound region of eastern North Carolina.

### Branding

The members of the *Bogue Sound Watermelon Growers Association* are farmers from the three counties that make up the Bogue Sound drainage, an area renowned for juicy, flavorful watermelons.



For generations, area farmers have been producing this sweet summer fruit. For the first half of the 20th century, Bogue Sound farm-

ers shipped watermelons by train and boats to destinations all over the east coast. Billie Guthrie of Guthrie Farms remembers four or five tractor trailer loads at a time being loaded from the area in the 1940's and 50's. So when area farmers were forced out of tobacco in the early part of this century, watermelons were a logical choice as an alternative. The challenge for the watermelon growers was getting their product recognized in a market already saturated by watermelons from all over the world, and getting the price necessary to replace the high returns from tobacco. The Bogue Sound Watermelon Growers decided to use the histori-

cal reputation of their area for watermelons to create a brand identity for the watermelons and to capture a share of the market.

### Working Collaboratively

Creating a brand identity and getting products on the shelf is not an easy task, and it costs money. The farmers in the Bogue Sound drainage could see a definite advantage in working collaboratively to share the cost of marketing their melons. The growers formed a co-op, designed a logo, and began selling their melons under the Bogue Sound Watermelons name. The local cooperative extension office and economic development center played a big role in moving the project forward. In 2006, the state of North Carolina issued a trademark for the name, Bogue Sound Watermelons. That same year, the group received a \$30,000 marketing grant from RAFI that was critical to enabling the group to test market their product.

### Consumer Awareness

In the supermarket, produce items are usually completely anonymous. Fruit and vegetable labeling is minimal and generally does not tell the consumer anything about who grew the product or where. Consumers generally have no way of differentiating between items grown on different farms or different regions or even different countries. By labeling their melons, the Bogue Sound Watermelon Growers are taking advantage of increased consumer awareness of food origins, food safety concerns, and a reputation for quality to promote their product.



### 500% Increase in Sales

The marketing effort is working. In 2006, the growers shipped about 19 tractor trailer loads of Bogue Sound Watermelons. In 2007, the co-op shipped 44 tractor trailer loads. By 2008, the co-op had orders for 100 tractor trailer loads of Bogue Sound Watermelons, a 500% increase in sales in just three years. The Bogue Sound label gives consumers a choice, and they are choosing Bogue Sound Watermelons.



## KNOW YOUR CUSTOMERS—Dannie Livingston Tomboy’s Meats and Vegetables—Robeson County



Dannie Livingston’s customers come from all over and from all walks of life to his farm store located just off of Interstate 95 in rural Robeson County. Livingston is active in the community. Customers find out about him from church groups, civic groups, and word-of-mouth.

### Know Your Customers

Livingston’s goal is to make everyone who comes into the store feel comfortable. He tries to become familiar with his customer’s individual needs. He says, “They know we appreciate their business.” Livingston also tries to keep prices reasonable. In 2004, he added an EBT card reader so that he could accept food stamps. This imme-

diately opened up his business to an additional market segment. Livingston is an entrepreneur and he knows that he needs to make a profit. He bases his prices on what

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***In 2004, Livingston added an EBT card reader so that he could accept food stamps.***

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makes economic sense for his business and the market competition. Livingston also gets creative to help customers afford his product. He does specialty pricing for customers who pre-order products.

### The Hogs Eat Well

The draw that gets people into the store is Dannie Livingston’s signature product, Tomboy’s Blessed Sausage, which is made from hogs that Livingston raises on his farm. The secret to the popularity of the sausage? “It is what the hogs eat,” Livingston reports. Start with a good diet for the hogs and you end up with good sausage. Livingston also carries a number of specialty cuts that consumers cannot find in the grocery store, because as he puts it, “The customers will always dictate what we sell.”

***“The high-margin enterprises that have the greatest potential to provide a livelihood on the types of farms that we have in North Carolina are high-margin either because they are new and not yet widely adopted or because the enterprise is insulated in some way from global competition.”***

***Farmer and Lender Strategy Report, RAFI-USA 2006***

## BRINGING THE CUSTOMER TO THE PRODUCT—Thomas and Tina Hall

### Hall's Berry Farm—Caswell County



Thomas and Tina Hall began growing strawberries on their Caswell County farm in 1998. They had studied strawberry production for two years and were ready to make the rather sizable investment required to start a strawberry operation. They fixed up an old tobacco barn to use as a market stand, added irrigation capacity and cold storage, planted some strawberries and were ready for business.

#### Road Signs

“The very first thing is I put that big sign up by the road,” Thomas Hall explains. “We sold eggs off the farm and I talked to those customers, too.” The Halls also spread the word through their community. Newspaper ads helped, but the real key to bringing people in was putting up a series of real estate sized road signs. The Halls distributed those signs throughout the county on busy roads where people would see them.

“To keep customers coming back, nothing works better than sweet berries,” Thomas explains. Making it convenient to pick from a clean, attractive strawberry patch also helps. In the beginning, the Halls sent each customer home with a business card stapled to the box, so that when customers ran

out of berries they would know where to call.

#### Blackberries

A few years ago, the Halls started a new enterprise. They added blackberries that they produced throughout the summer. The blackberries started producing in 2007, and the 2008 season began with a two page waiting list of customers who wanted the product. Tina explains that when they get blackberries, they immediately e-mail people on the waiting list. In the Halls' case, the loyal strawberry customer base that they built up over the years was the perfect target market for blackberries.



The Halls' business is promoted largely by word-of-mouth. Customers come back year after year, and new customers come from farther away. Loyal, repeat customers are important because the Halls live in a rural community. This makes it unrealistic to

continuously attract large numbers of new clients.

#### The Right Place

“If you build it, they will come,” some say. That is true...if you build it in the right place. Adding the blackberry operation to an existing, successful strawberry operation certainly made more sense than starting a new enterprise from scratch.

There is no magic formula to determine the right location for a new business. It takes some common sense reckoning to evaluate a location for marketing an agricultural product. How many people will see the product? Do you need a steady supply of new customers, or are a few loyal customers sufficient? How many people are within driving distance of the location? There are a lot of factors to consider, but putting the right business in the right place can make a big difference in your profit.

A business cannot be successful unless customers know about it. Getting your message across to consumers is a challenge, yet some farmers, like the Halls, have managed to do it.





## **LISTEN TO WHAT THEY TELL YOU—Doreathy Booth** Creating Value-added Products—Granville County

Show up to the Durham Farmers' Market early on any given Saturday in the summer and you are likely to see a line weaving through the crowd and ending at Doreathy Booth's market stand. Booth's baked goods have become a staple of Saturday mornings for regular market customers, and you have to show up early in order to get the best selection of her offerings. Loaves of bread, sweet and savory empanadas, raisins, and individual serving size cakes are all proudly featured at Booth's market stand.

### **Trial and Error**

Booth learned to bake by trial and error—a lot of both. When faced with the prospect of earning a living solely from her Granville County farm, Booth knew that baking had to be part of the equation. She joined the Durham Farmers' Market in 2006 and her popularity was immediate. There were other bakers at the market, but Booth's products

were a real hit with the flavor savvy clientele.

The demand by consumers for direct-from-the-farmer products has skyrocketed. Nationwide, the number of farmer's markets increased by 167% from 1994 to 2008 (USDA Ag Marketing Service, [www.ams.usda.gov/farmersmarkets/facts](http://www.ams.usda.gov/farmersmarkets/facts)). Consumers want more information about quality, origins, and authenticity of their food. Concerns about food safety have created an opportunity for local farmers to meet the needs of consumers with a safe and secure food supply.

### **Booth Pays Attention**

Booth's success is no accident. A combination of simple, professional packaging and display and great product draws customers in and keeps them. She pays attention to what her customers want. Booth's customers are excited by new products. They are always interested in what is growing on the farm and how that is going to work its way into

Booth's next offering. She listens to customers to find out what products to work on next.

That's not to say that figuring out what customers want is easy. In deciding what to grow on the farm Booth considers input costs, time, and what she can put in her baked goods or otherwise preserve. Sometimes what makes sense from her perspective on the tractor doesn't always fly at the farmer's market. "Large amounts or sizes of farm products don't always work in farmer's markets. Smaller sizes in baked goods and foods seem to sell better" she says. "But of course, do your research. I research everything before putting money into a venture. I do my homework. Then it's about being brave and taking a chance." When she decides something is going to work, she invests in the equipment to make her operation efficient. "Don't be afraid to invest in commercial-scale equipment," she advises.

In 2007, Booth received a demonstration award from RAFI to add a dehydrator to her diversified farming operation. She had planted several acres of table grapes, becoming the first table grape producer in the Durham Market, and she planned to use the dehydrator to make raisins and other farm products to use in her baked goods. The dehydrator has helped Booth capture the value of excess farm produce and extend her marketing season.

### **Weekly Newsletter**

Booth is a constant promoter of her products. She keeps customers informed via a weekly newsletter and email. She also has a bulletin board that she displays at the farmer's market, informing people about what she's doing, and giving information about future products. "I try to keep ahead of things and stay current. I want to make sure people know to expect something new and innovative from me at any time."

*There is a tendency among farmers who operate a diverse set of enterprises on their farms to lump them all together instead of evaluating them one-by-one.*



## **THE BOTTOM LINE**

Will the enterprise make money? It's an obvious question, but that does not make the answer obvious. A good market opportunity, well researched production plan, and strong marketing strategy are steps in the right direction but do not guarantee profitability. Putting pen to paper and actually calculating how income and expenses balance is the only way to know if a potential business idea will pay what you need to make a living. The numbers do not take care of themselves. Entrepreneurs must devote a lot of attention before, during and after embarking on a new enterprise.

### **Farms are Complicated Businesses**

Crop enterprise budgets adequately addressed the question of profitability for most commodity crops in the past, when all a farmer might have to do was adjust a budget for current input prices. Those budgets aggregate costs from a large number of producers to arrive at average expense data – but they exist only for common enterprise. The nature of farm enterprises that provide returns adequate to support small-acreage producers is that they are uncommon, and these resist being lumped together to determine average costs.

The burden falls to the farm entrepreneur to identify costs and project revenues on an individual case basis. The entrepreneur must determine how much capital is necessary to cover start-up costs and operational expenses. Farms are complicated businesses, and it can take sophisticated analysis to evaluate how they are doing. It is often wise to seek assistance in understanding the monetary ebbs and flows of your business.



## EVALUATING AN ENTERPRISE—Ann Wright Twin Rivers Farm Cooperative—Southeastern North Carolina



The Twin Rivers Farm Cooperative formed in 2002 primarily to assist members in reducing costs through shared equipment use, but also to help members identify new markets, integrate operations to increase efficiency, and educate members about programs and opportunities. The co-op serves farmers from Bladen, Duplin, Pender, Sampson and Wayne counties and has been successful in helping the member farmers meet their goals. The co-op collaboratively owns a manure spreader and a no-till drill. Cooperative marketing efforts have enabled producers to get specialty products into new markets. The co-op also has monthly meetings that provide education about USDA farm programs, available grants, farming practices, marketing opportunities, and farm financial health.

### Shoe Box Accounting

Success in business is as simple as taking in

more money than goes out. The most important question a farmer needs to answer for any crop is, “How much do I need to make?” It may seem a simple question, but it is not always simple to answer—especially in a diversified operation. Farmers are notorious for “shoe box” accounting systems and for not counting their own labor as a cost. But knowing how much to charge for a specific product requires knowing all of the costs associated with the product. Keeping track of all of the various input costs in farming can get complicated.

When the Twin Rivers Farm Cooperative started evaluating their market opportunities, the first thing they needed was to get their record keeping in order so they could accurately gauge expenses. They hired a certified public accountant to assist them with setting up expense tracking systems that were appropriate to each individual member’s farm. The Twin Rivers Farm Cooperative helped all of its members take advantage of the record keeping assistance through workshops and individual consultations.

Ann Wright, proprietor with her husband of Happy Land Farms, is a part of the Twin Rivers Farm Cooperative from Bladen County and she took part in the record keeping exercises. Happy Land Farm is a very diverse operation. The farm produces pastured pork, beef, and chicken and grows and sells strawberries, squash, cabbage, onions, zucchini, okra, butterbeans and peas. Additionally, the Wrights and their children operate a daycare center and a trucking business.

After working with the CPA, the Wrights are able to separate income and expenses for each of their enterprises. Ann Wright explains that they always get a receipt and that expenses are categorized and recorded as they come in—no more receipts languishing in a shoe box until the end of the year. The Wrights evaluate their expense information on a monthly basis to



see if they are where they thought they would be. If not, the information they get from record keeping can help them to make corrections. Has record keeping made the Wrights more profitable? Not by itself, but, “At least now we know how each enterprise is doing,” Wright explains.

### Changes in the Market Place

Good record keeping prepared the Wrights and other co-op members for upcoming changes in the marketplace. The Wrights, like many Twin Rivers members, were selling hogs to Niman Ranch. By tracking each enterprise individually, the co-op members were able to determine actual costs and income from their hog operations. When Niman Ranch stopped buying, Twin Rivers members were in a strong position to negotiate with other buyers, because they knew exactly what was needed to keep their operations afloat. Many members of the Twin Rivers Farm Cooperative were able to stay in business because of the work they had done in advance.

## CONCLUSION

The successful farmers described here all have three things in common: they took the time to match market opportunities with their skills and resources, determined how, why and where customers would buy their products, and did the math to figure out where the money comes from. In short, these successful farmers planned for success.

### Twenty Months

Successful farming ventures do not happen spontaneously. It takes a lot of hard work and planning to raise the seed of an idea into a profitable fruit. In a survey of North Carolina tobacco farmers who have attempted on-farm income diversification initiatives, farmers told RAFI that it takes an average of 20 months of planning from the time an idea begins to form until the beginning of implementation. That is 20 months of researching, investigating, evaluating, and think-

ing. Those 20 months are used to determine how much a new enterprise is going to cost, where to get the inputs, how to sell the product, and what the bottom line will be. Far from being idle time, the planning phase of any project can be the most intensive period. For many enterprises the quality of work that goes into those 20 months of planning is the difference between success and failure. Sixty percent of new businesses in the U.S. fail (NC REAL). When entrepreneurs take the time to do a formal planning process, the odds change dramatically. Sixty percent of businesses that complete a business plan succeed. There are no guarantees, but a well researched plan is a step in the right direction towards success.

### Funding

RAFI believes that farm entrepreneurs should be supported in their efforts to transition the North Carolina farm economy. RAFI's Tobacco Com-

munities Reinvestment Fund provides assistance to farm entrepreneurs that helps them make that initial investment. By providing grant funds for innovative farm enterprises, RAFI is sharing the risk of developing new ideas with farmers. Funding from the North Carolina Tobacco Trust Fund Commission allows RAFI to support the work of innovative farmers across North Carolina who are leading the way to more viable and sustainable farming operations.

North Carolina farmers face huge challenges in making their businesses successful. Tight margins for commodity production, high input prices, uncooperative weather, consolidation.... deciding to make a transition can be tough. The example of other successful farmers can make the decision easier. Spending the time to find and evaluate the right opportunity for your farm is a worthwhile investment.

*"Good fortune is what happens when opportunity meets planning."  
~ Thomas Edison*





## WHERE TO GO FOR HELP

As governmental farm supports decrease, farm enterprises are relying more and more on the same infrastructure that supports other small businesses. However, the world of small business assistance and training is still adapting to the changing needs of farmers and small agri-business professionals. While there is no single place you can go to for all your assistance needs, there are many resources available to a determined farm entrepreneur. Remember, persistence is the key to getting the resources you need to be successful!

## RESOURCES:

**C**ooperative Extension Early in your planning, check with your local Cooperative Extension office. Sometimes Cooperative Extension offers extraordinarily valuable training opportunities. Your local agents may also be familiar with other local resources that may be of use to you. Every county is served by a Cooperative Extension office.

**N**orth Carolina Department of Agriculture and Consumer Services (NCD) may be able to help you with new enterprise development in a number of ways. They may be able to provide information and consultation on agricultural production, processing (including regulatory requirements), and marketing. NCD is a large organization with responsibilities spread out over a number of different entities. Finding the person who can answer your specific question requires persistence.

NC Department of Agriculture & Consumer Services  
1001 Mail Service Center  
Raleigh, NC 27699-1001  
919-733-7125  
Information is available online at [www.ncagr.com](http://www.ncagr.com).

**S**mall Business Administration (SBA) is also a good source for information on business planning. It provides interactive tools and free on-line courses to help you learn small business planning. SBA may also refer you to other ser-

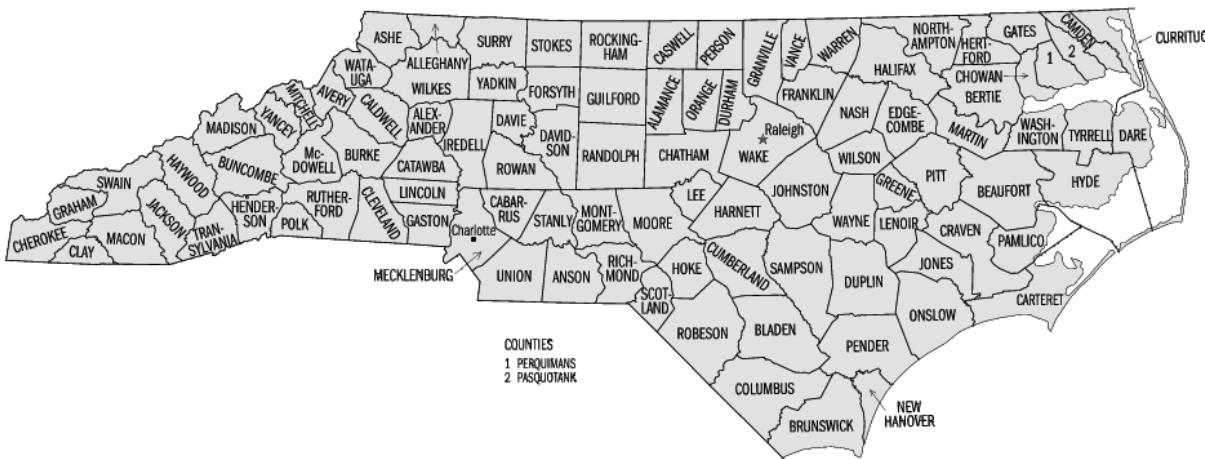
vice providers who can better assist you. In North Carolina, SBA works with three groups (described below): SBTDC, SCORE, and SBCN at the state's community colleges.

Contact: North Carolina District Office  
6302 Fairview Road, Suite 300  
Charlotte, NC 28210-2227  
704-344-6563  
Information is available online at [www.sba.gov](http://www.sba.gov).

**T**he North Carolina Small Business and Technology Development Center (SBTDC) is designed for small business owners and those interested in starting a small business. SBTDC's goal is to help entrepreneurs meet the challenges of the modern business environment, successfully manage fast-paced changes, and plan for the future of their business. SBTDC provides management counseling and educational services through 17 offices located at colleges or universities across NC. All services are confidential and most are free of charge.

Contact: Small Business and Technology Development Center  
5 West Hargett Street, Suite 600  
Raleigh, NC 27601-1348  
919-715-7272  
800-258-0862 (in North Carolina only)  
E-mail questions to: [info@sbtcdc.org](mailto:info@sbtcdc.org)  
Information is available online at [www.sbtcdc.org](http://www.sbtcdc.org).

**S**ervice Corps of Retired Executives (SCORE) is a national nonprofit volunteer association of skilled and talented retirees. Volunteers share their wisdom and lessons learned in business. In this way they encourage the formation, growth, and success of small business. The national organization's website, [www.score.org](http://www.score.org),



has useful information and you can locate your local SCORE chapter through the following weblink: [www.sba.gov/gopher/Local-Information/Service-Corps-Of-Retired-Executives/sconc.txt](http://www.sba.gov/gopher/Local-Information/Service-Corps-Of-Retired-Executives/sconc.txt)

**S**mall Business Center Network (SBCN) — The objective of the SBCN is to increase the success rate and the number of viable small businesses in North Carolina by providing high quality, readily accessible assistance to prospective and existing small business owners and their employees. Each Small Business Center is a community based provider of education and training, counseling, information and referral. There is a SBCN office located at all 58 of the state's community colleges. Services include business seminars and workshops; free confidential business counseling and access to vital resources and information. They can put you in touch with business and community leaders, as well as local, state and federal agencies who share the goal of making your business a success. You can find more information at [www.sbcn.nc.gov](http://www.sbcn.nc.gov).

**C**reating Business Opportunities (CBO) is a partnership between North Carolina State University, the North Carolina Department of Agriculture and Consumer Services, the North Carolina Farm Bureau, and the Rural Center. The partnership is to support the development of an array of agricultural business opportunities in North Carolina. The project has developed a website with links to a variety of useful information sources on the topic of business development at [www.ces.ncsu.edu/cbo](http://www.ces.ncsu.edu/cbo).

**E**conomic Development Commissions (EDC) are state, regional, and local organizations that attempt to stimulate business growth

and development through business recruitment and technical assistance. EDC staff members are generally knowledgeable about many aspects of business development including business plan development and financing. Many farmers have found their local EDC staff to be helpful in project development. The best place to look for your local EDC is in the phone book or through your chamber of commerce. Some of North Carolina's EDCs are listed on this website: [www.ecodevdirectory.com/north\\_carolina.htm](http://www.ecodevdirectory.com/north_carolina.htm).

**N**orth Carolina Rural Entrepreneurship through Action Learning (NC REAL) offers training and other assistance to small businesses, including farmers. NC REAL offers business educational modules through its internet website, [www.ncreal.org](http://www.ncreal.org), or through participating community colleges. These self-guided audio-visual training modules require a small fee.

**T**he North Carolina Farm Transition Network (NCFTN) provides information about farm asset and business transition from one operator to the next. NCFTN assists farmers with planning for the future that eases the hardship involved with changes in personnel. Contact: NC Farm Transition Network  
P.O. Box 443  
Hillsborough, NC 27278  
919-732-7539  
[passthefarm@gmail.com](mailto:passthefarm@gmail.com)  
[www.ncftn.org](http://www.ncftn.org)

**T**he North Carolina Rural Economic Development Center (Rural Center) has a searchable online database that is useful in gathering demographic data for market analysis. Additionally, the Rural Center offers a micro-enterprise loan

fund that is specifically intended to assist North Carolina entrepreneurs to overcome capital access barriers.

Contact: NC Rural Economic Development Center  
4021 Carya Drive  
Raleigh, NC 27610  
919-250-4314  
[info@ncruralcenter.org](mailto:info@ncruralcenter.org)  
[www.ncruralcenter.org](http://www.ncruralcenter.org)

**B**usiness Resources Directory lists business assistance available in North Carolina's 100 counties; produced by The Rural Center. It provides entrepreneurs with current information on resources for financial and technical assistance. Available in hard copy (232 pages) or online at [www.ncruralcenter.org](http://www.ncruralcenter.org)  
Directory website: [www.ncruralcenter.org/entrepreneurship/brd.asp](http://www.ncruralcenter.org/entrepreneurship/brd.asp)

**N**orth Carolina Institute of Minority Economic Development is a statewide non-profit organization representing the interest of underdeveloped and underutilized sectors of the state's economy. The Institute's business development resources work to assist minority entrepreneurs to access affordable capital, expanded market opportunities and stable internal management and control systems. Through direct, one-on-one technical assistance and small group education and training, businesses are positioned for growth and expansion.

Contact: North Carolina Institute of Minority Economic Development  
114 W. Parrish St, Durham, NC 27701  
919-956-8889  
[info@ncimed.com](mailto:info@ncimed.com)  
[www.ncimed.com](http://www.ncimed.com)

Resources, continued



**Farm Service Agency (FSA):** While commonly known as the “lender of last resort,” FSA is also a source of many opportunities. Because of its work in overseeing loan programs, disaster assistance, conservation programs, price supports and commodities programs, FSA can be a great help to you in shaping your farm enterprise.

Contact: United States Department of Agriculture  
North Carolina State FSA Office  
4407 Bland Road, Suite 175  
Raleigh, NC 27609  
(919) 875 - 4800  
[www.fsa.usda.gov](http://www.fsa.usda.gov)

**The North Carolina Department of Commerce** offers consultations to new businesses, identifying all the licenses, permits, regulations, and/or other approvals required for the planned business activity. Farm enterprises which aspire to do on-farm processing or other value-added activities may require such assistance. Meat processing, dairy, and agri-tourism activities are examples of businesses that require such assistance.

Contact: NC Department of Commerce  
4301 Mail Service Center  
Raleigh, NC 27699-4301  
919-715-4151  
[www.nccommerce.com/servicenter/blio](http://www.nccommerce.com/servicenter/blio)

#### ADDITIONAL RESOURCES:

**B**uilding a Sustainable Business: A Guide to Developing a Business Plan for Farms and Rural Businesses.” The *single* best source we’ve found to guide you through writing a business plan for your farm is this highly detailed guide which takes you through all the steps in the process, in workbook fashion. It is available in print-edition or downloadable through the USDA’s SARE website: [www.sare.org/publications/business.htm](http://www.sare.org/publications/business.htm)

**U**niversity of Illinois offers free tools to help you make better decisions with user-friendly computer programs. FAST (Farm Analysis Solution Tools) are very easy to use, and would be helpful to North Carolina farmers in financial statement preparation, cash flow budgeting, assessing the financial performance of a farm operation, understanding various loan decisions and products, and helping with decisions to manage risk exposure.

Go to [www.farmdoc.uiuc.edu](http://www.farmdoc.uiuc.edu) and click on FAST Tools. There is also good information at the “Finance” link.

**G**reater Hickory Metro Business Development Network. An informative website put together by an affiliation of business service providers. ([www.growyourownbiz.com](http://www.growyourownbiz.com))

**Y**our local colleges and universities. A few enterprising farmers have received valuable assistance with business planning, market research and brand development, by contacting their local schools of business, marketing, or other academic departments at colleges and universities in their area. Students often need hands-on experience in these topics, and faculty often have talents and expertise to share.

**R**ural Advancement Foundation International-USA (RAFI-USA) has two programs of special interest to farmers developing new enterprises. The Tobacco Communities Reinvestment Fund provides cost-share grants to farmers to assist them to develop new income generating enterprises on the farm. Also, the Farm Sustainability Program offers financial counseling services to farmers to increase the economic sustainability of farm families in financial and disaster related crisis.

Contact: Rural Advancement Foundation International-USA (RAFI-USA)  
P.O. Box 640, Pittsboro, NC 27312  
919-542-1396  
[www.rafiusa.org](http://www.rafiusa.org).

“If opportunity doesn’t knock, build a door”  
~ Milton Berle

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This publication can be viewed at <http://www.rafusa.org/pubs/puboverview.html>





RAFI-USA  
RURAL ADVANCEMENT FOUNDATION INTERNATIONAL-USA

The Rural Advancement Foundation International-USA is a nonprofit, non-governmental organization which promotes sustainability, equity and diversity in agriculture through policy changes, practical assistance, market opportunities, and access to resources. We trace our roots back to the 1930's and we continue to address issues in agriculture from the local to the global levels. RAFI-USA plays a leadership role in responding to major agricultural trends and creating a movement of farm, environmental, and consumer groups to strengthen family farms and rural communities.

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