Adding Value to Tennessee Agriculture . . . Through On-Farm Agri-Tourism Enterprises

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Adding Value . . . Through Agri-Tourism

1. What is value-added?

2. Agri-Tourism or Agritainment?

3. Planning Considerations

4. Target Markets

5. The Case of “Valley Home Farm”

Background on the *Center for Profitable Agriculture*

- Agriculture Extension Program
- Partnership with Farm Bureau
- Analyzing, Planning and Evaluating Value-Added Farm Enterprises

- 55% Food Projects
- 45% Non-Food Projects (50% Agri-Tourism)

Understanding the Concept of Adding Value

- Enhancing the value of farm resources . . . (perceived or real)

- Changing its physical state
- Marketing it in a different way
- Packaging it in a certain way

Factors Affecting the Definition

- Agriculture
- Tourism
- Farming
- Production
- Income/Economic Activity
- Education
- Marketing
- Entertainment
- Target Audience

Tennessee “Agri-Tourism”

. . . an activity, enterprise or business which combines primary elements

and characteristics of Tennessee agriculture and tourism

and provides an experience for visitors which stimulates economic activity

and impacts both

farm and community income

Tennessee Agri-Tourism

Examples:

- Agriculture-related museums
- Agriculture-related festivals/fairs
- Century Farms
- Corn-maze enterprises
- Farmers markets
- On-farm tours
- On-farm retail markets
- On-farm vacations
- On-farm festivals and fairs
- On-farm petting zoos
- On-farm fee-fishing
- On-farm horseback riding
- On-farm bed and breakfasts
- Pick-Your-Own farms
- Wineries

Adding Value through "On-Farm" Agri-Tourism?

- Agri-Tourism - - a venue for on-farm marketing
- Agri-Tourism - - a method of attracting new customers
- Agri-Tourism - - a way to increase revenue from farm resources other than commodities

2. Agri-Tourism or Agritainment?

Steps to Consider:

- Labor: Family Goals, Philosophies and Commitment (profit vs. non-profit?), People Skills . . . Personal, Family and Hired Labor
- Location
  - Farm
  - Site-Selection
- Market research
  - Customer Base?
  - Target Markets?
  - Products?
- Liability, Regulations, Risk, Zoning, Taxes, Insurance, Safety
- Competition
  - Same “market”
  - 1-hour drive
  - Features offered
  - Unique
- Financial Comfort Level
  - Costs . . . . Sales
- Market Development (promotion, advertising, PR)

Pros and Cons

- **PROS**
- Income
- People-Business

- Educational
- Fun

- **CONS**
- Cost
- People business

- Liability-Regulations
- Long hours
- Labor
- Management
- *Different*

Market Development . . . "How to stay New?"

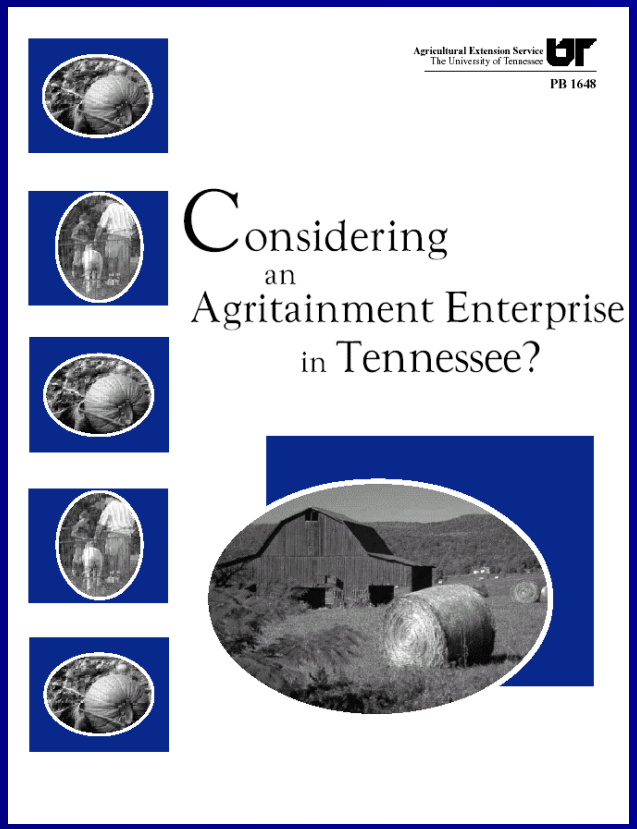
- "List all the things others have done . . . then challenge yourself to create that many more new ones."

- "There's nothing like a good old fashioned goat walk or corn cannon."

- Bed and Breakfast
- Pick-Your-Own
- Hay Rides
- Haunted Woods
- Hay Maze
- Corn Maze
- Sudan/Sudex Maze
- Pumpkin Patch
- Orchard Tours
- General Store
- Petting Zoo
- Fee Fishing
- Day Camps
- Week Camps
- Workshops and Seminars
- Educational Sessions
- Environmental Sessions
- Festivals
- Dude Ranch, Working Farm
- Cabins
- Hiking Trails
- Bird Watching
- Picnic Area
- Barnyard Olympics
- Guided Tours
- Museums
- Fresh Produce
- Pizza Farm
- Crafts
- Games
- Cow Milking

“Considering an Agritainment Enterprise in Tennessee” PB 1648

- Introduction
- Marketing
- Financial
- General Management Issues
- Appendix Item



Break-Even Analysis (Page 24-27 of Publication)

TABLE 6 – START-UP COSTS

EXPENSE ITEM	COST ESTIMATE
Barn, Fence, Farm Renovations	$4,000
Parking	$2,000
Long-term Signage (10 signs @ $150 ea.)	$1,500
Wagon Adjustments ($200* 2 wagons)	$400
Playground Development	$1,200
Picnic Tables ($80 * 7 tables)	$560
Develop Walking Trails	$600
Labor	$2,000
TOTAL START-UP COSTS	**$12,260***

*If the entrepreneur plans to repay all of the start-up expenses in three years at 8% interest, approximately **$4,757** will be needed each year for the three-year payback period.

TABLE 7 – ANNUAL OPERATING COSTS

EXPENSE ITEM	COST ESTIMATE
Annual Payment to Start-Up Costs	$4,757
Electricity	$1,200
Portable Restrooms and Hand Washing	$600
Liability Insurance	$2,000
Newspaper, Radio, Direct Mail Advertisements	$1,750
Business License	$50
Hay for Wagons	$40
Tractor Fuel	$75
Labor	$1,800
Maintenance	$300
TOTAL ANNUAL OPERATING COSTS	**$12,572**

TABLE 8 – VARIABLE COSTS PER STUDENT

EXPENSE ITEM	COST ESTIMATE
Two-hour guided stay	$0.50
Hayride	$0.10
Pumpkin and Mini-pumpkin	$1.90
Paint	$0.20
Two apples	$0.40
Coloring book	$0.70
TOTAL VARIABLE COST PER STUDENT	**$3.80**

Break-Even Projections

- The point at which revenue is exactly equal to costs
- The level of sales that are required to cover costs

What is your break-even?

- Average Admission Price ($5.00)
- Average “Per Admission” Variable Cost ($3.80)

- Average Annual Fixed Costs ($12,573)
- Number of admissions needed to break even is:

$12,573/($5.00 -$3.80)

$12,573/$1.20

= $10,478

How confident are you that 10,478 people (paying an average of $5.00 each) will attend your farm?

Keep them coming back.

- Write your plan!
- Plan your marketing efforts.
- Focus on getting folks to the farm (maps, signs, directions, phone, train the employees)
- Concentrate on getting them back . . . *(It costs more to get a new customer than to retain a previous customer)*
- Monitor sales
- First Impressions . . . Last impression
- PR!
- Develop Theme and Use it!
- They are customers not farmers! (keep it clean)
- Landscaping
- Signage, signage, signage

Experiences from others...

- "All ideas cost something - - - money, time, energy"
- "Success and survival depend on the ability to understand, adapt to change in the marketplace"
- "Consumers are demanding more and less...
  More: usefulness, flexibility, fun, value, honesty, integrity
  Less: rudeness, discomfort, humiliation, sameness, meaningless advertising
- "We host over 35,000 school children and employ 40 tour guides"
- "Marketing never ceases for a moment"
- "Our main theme is an attitude of friendliness and accessibility"
- "Our promotional opportunities are endless"

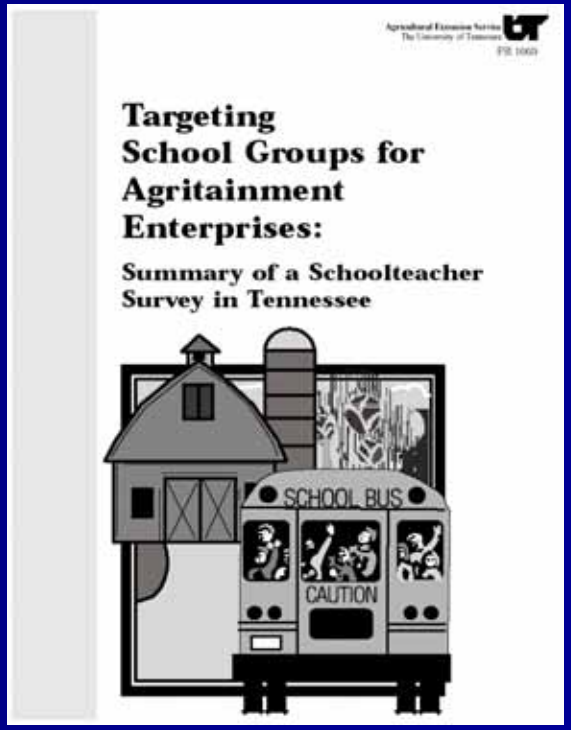
Targeted Audience?

- **Tourists**
- **Locals**

- **Groups**
  - School
  - Day Care
  - Church
  - Civic
  - Clubs
  - Others?

Targeting Elementary School Groups

- UT Extension Publication - - PB 1669
- Survey of Elementary School Teachers



Targeting School Groups for Agritainment Enterprises:

Summary of a Schoolteacher Survey in Tennessee

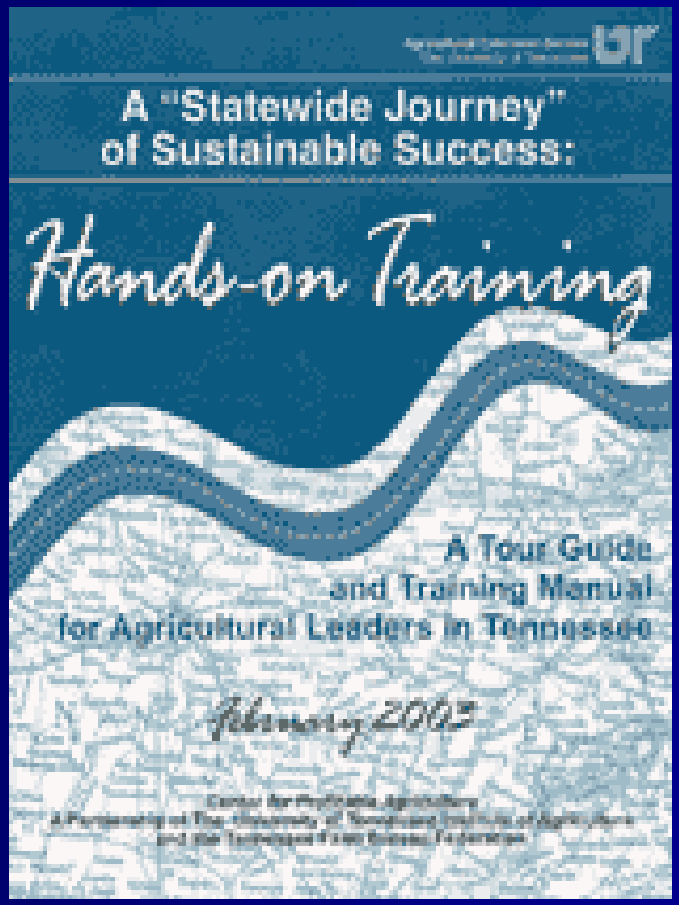
Results of Survey:

- Likelihood to take farm field trip?
- Number of field trips taken?
- Number of students/adults per trip?
- Maximum distance to travel?
- Cost limitations for trips?
- Willingness to pay?
- When trips are planned . . . and taken?
- How trips are selected
- Important factors when selecting a trip?
- Activities & facilities required?

“Almost” Final Thoughts (before I forget)

- Different classifications of agri-tourism enterprises
  - Direct sales of commodities, a few attractions, school tours
  - More options, larger product mix
  - Year-round, full-line retail market, more options
- Different things affect amount of revenue generated
  - Seasons, number of customers, admission price, product mix, attraction mix, sales per customer, options,
- Look for ways to increase “sales per customer”

Introduction to “Valley Home Farm”



The “Valley Home Farm” Experience

- **350-acre Family Farm . . . With 1835 Farm House**
- **Spring Market** (PYO strawberries, commercial kitchen, strawberry social)
- **Fall Market** (mums, corn maze, petting zoo, picnic pavilion, wagon rides, nature trail, commercial kitchen, pumpkins, restaurant)
- **Commercial Broiler Operation**
- **In-Season, Deer Processing Facility**
- **Cattle**
- **Row Crops**

On-Farm Marketing:

- Pumpkins
- Gourds
- Mums
- Strawberries
- Corn Maze

Valley Home Farm
FRESH STRAWBERRIES
310 Potts Rd., Wartrace, TN
931-389-6470
4
3
2
1

FIRST
AWARD
VALLEY
HOME
FARM
STRAWBERRY
RECIPE
SHOWOFF

FIRST
AWARD
VALLEY
HOME
FARM
STRAWBERRY
RECIPE
SHOWOFF

CAUTION HOT

PICK
RODUCTS

VALLEY HOME FARM
Pure
Honey
VALLEY HOME FARM
Pure
Honey
VALLEY HOME FARM
Pure
Honey

VALLEY VIEW FARM
FALL MARKET

2002 10 11

2002 10 25

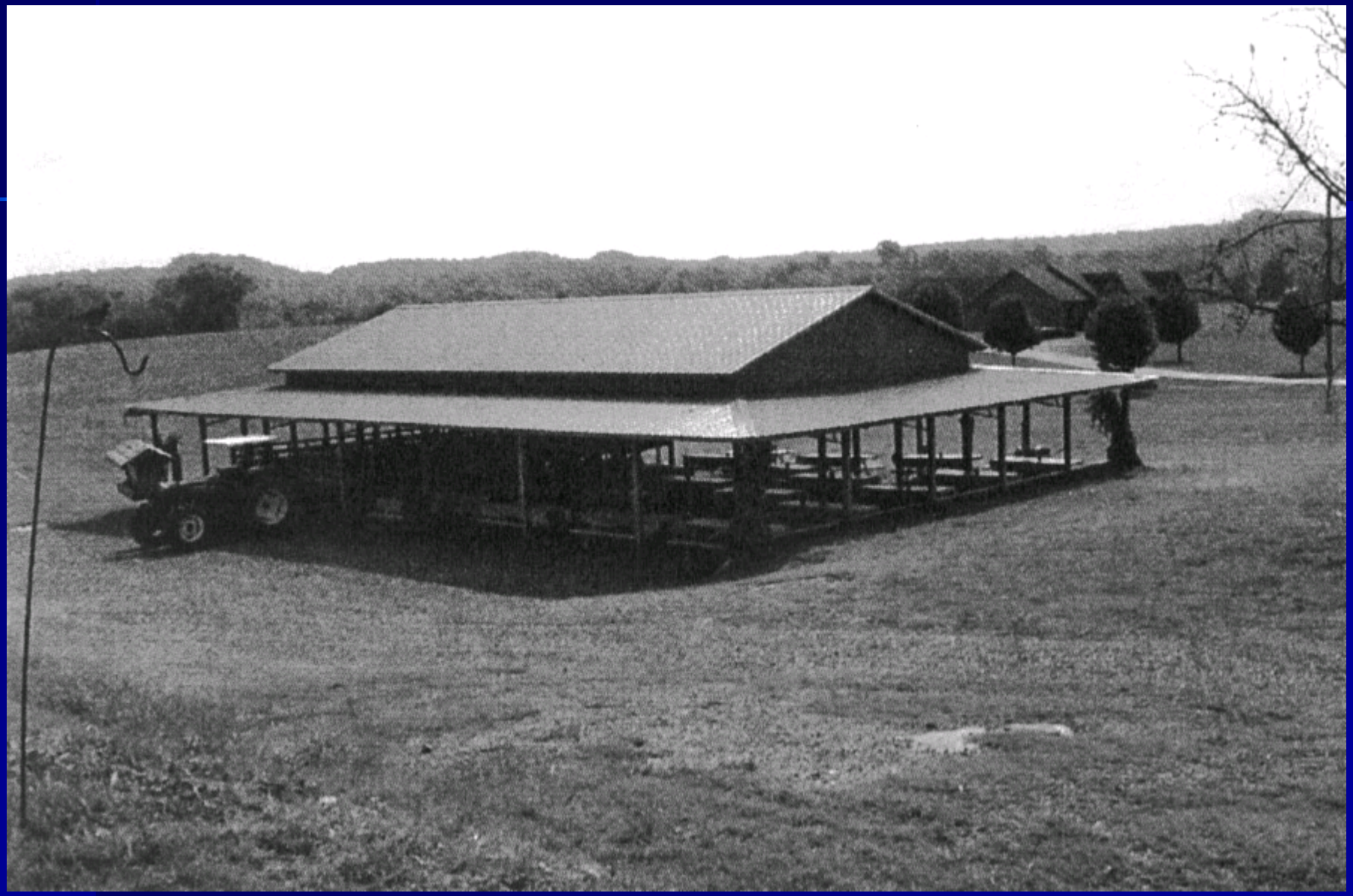
2002
9 26

2002 7 29

FALL MARKET
2002 9 22

2002 10 22

CORN
MAZE
Valley Home Farm
"Corn Maze Rules"
• No Smoking
• No Alcohol
• No Cutting Through Corn
• No Picking or Damaging Corn Stalks
• No Pets
• Again, No Smoking!!
2002 10 26



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The Rest of the Story…

Communication,

Communication,

Communication!

Customer Communications

- Mailing List
- School/Teacher Mailing List
- E-Mail List
- Comment Cards
- Business Cards
- Website
- Brochure/Post Cards

Media Communications

- Media Contact List
- Media Information Sheet
  - Contact Information
  - Farm & Family History/Background/Crops
- Pictures, Pictures, Pictures

- Remember them at Christmas!

On-Farm Communications

- Welcome Sign
- Thank-You Sign
- Row Markers for PYO Strawberries
- Restrooms
- Promote the next season (photos on the wall)

Internal Communications

- Record Keeping
  - Income & Expenses by Enterprise Classifications
- Annual Comparison of Enterprises
- “It all starts with the cash register buttons!”

Value-Added Products

- Breads, Cakes, Pies & Jams
- Containers
  - Jars, Lids, Labels
  - Pie Covers, Cake Covers
  - Oven-to-Customer Baking Containers

Credit Cards

- How to Start-up
- Start-up Costs
- Headaches?
- Target Markets?
- Portion of sales to credit cards?
- Credit card sales by enterprise?

Summary

- What are the ‘real’ farm & family goals?
- What are you going to offer?
- Is there a demand?
- What are the Pros & Cons?
- What are the Costs?
- How will you generate revenue (and how much)?
- What will it take to Break-Even?
- What are all the Regulations?
- How will the operation stay current?