

A Market-Driven Enterprise Screening Guide*

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Introduction

The industrialization and globalization of agriculture has resulted in increased competition and declining profit margins for agricultural producers. This situation, combined with escalating production costs (a result of high land values, expensive water, increased regulations, urban sprawl, and high energy and labor costs), paints a very difficult picture for small and medium scale agricultural producers and family farms in the United States.

Small and medium scale producers must learn to operate in a new business environment in which the success and profitability of agricultural operations is more and more dependent upon factors external to the operation. When looking at production, marketing, financial, legal, and human resource issues, farmers must increase their ability to deal with the diverse risks that impact their existing agricultural business and any new, potentially profitable farming opportunities they identify. Enterprise diversification, production contracts, marketing contracts, crop insurance, and financial reserves are examples of strategies and tools that growers can use to manage risks in their agricultural operations. However, the strategies and tools selected to manage risk will depend on the values, goals, and risk attitude of the farm/ranch operator.

Enterprise diversification is a commonly used risk management strategy by producers in the West. Growers constantly search for alternatives they can add to their production mix to keep their operations economically viable. However, many producers find that identifying and evaluating new or specialty crops with good profit potential is a difficult and intimidating task. The challenges and the risks involved are even greater for small-scale agricultural operators who may have only limited access to resources and information and are therefore forced to make decisions under an even higher degree of uncertainty. In addition, many small-scale agricultural producers often wish to consider new or alternative crops for which production and marketing information is lacking, or is very limited. Although there is no sure way to predict success, the screening process presented here may help producers get off to a good start.

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Research and interaction with growers indicates that new or specialty crops/products with good, long-term profit potential often share a subset of the following characteristics:

- Adequate size of the target market
- Extended production and marketing season
- Complementary to the farm operation
- Difficult to grow/produce (steep learning curve)
- Expensive to start producing (high initial capital investment)
- Potential for value-added activities

In addition, growers must assess the quality and availability of information related to:

- Market data, research and analysis
- On-farm research and development
- Trends (demographic, economic, health, etc.)
- Product adaptation to a specific location
- Pest and disease problems
- Supporting infrastructure and facilities
- Laws and regulations (i.e. permits and license requirements)

Although these factors are not equally important for every new or alternative crop, growers must address all of them to make a well-informed choice. Once the alternatives are specified, growers must assess their potential given both their available resources and the risk factors they've identified.

How to Use this Guide

The market-driven enterprise screening guide helps growers assess the potential of new or specialty enterprises. Special emphasis is placed on marketing and market factors since these are typically the most critical in determining the attractiveness of new or specialty crop alternatives. The guide consists of a series of questions designed to navigate the producer's thinking in evaluating a new enterprise. A new enterprise might be a new product, a different way of producing or marketing an existing product, or a new use for an existing product. The screening guide first frames the general descriptive situation, and then poses a series of questions (the screening worksheet) that asks the producer to rate the particular enterprise. Finally, the guide finishes with a suggested approach for making comparison across alternatives. Although these ratings involve numbers, it must be emphasized that the idea is NOT to generate a "total score" but rather to make comparisons on a topic-by-topic basis. That is, it is more important to focus across a row rather than down a column.

This guide will not give growers "The Answer." Instead, it is very similar to a comparison sheet for cars that lists different makes and models together with various characteristics such as price, horsepower, trunk size, headroom, and turning radius. The final choice of car depends on factors such as pocketbook and family size, driving patterns, preferences, and so on. The comparison sheet makes it easier to look at all the different factors at once, but individuals need to decide which factors are most important in their decision making process and ultimately, which car is their best choice. In a similar fashion, producers' inputs on this worksheet will help to clarify the crop options that are best for each individual's situation. It is suggested that users of this exercise go through it quickly the first time or two just to become familiar with the process and the questions being asked.

Following the “Additional Resources” section, the remainder of this document consists of a blank screening guide followed by an example with detailed user notes. It is the user’s choice to read through the example first or start right in with individual data. The blank guide should be photocopied as needed. It may be helpful to use a current enterprise (the user’s “bread and butter” or principal crop/product) in the first column as “option 1” to provide a standard of comparison for the option 2 and option 3 alternatives. This is the approach that was taken in the provided example.

Additional Resources

General Information Sites:

- Appropriate Technology Transfer for Rural Areas (ATTRA): www.attra.org
- University of California Small Farm Center: www.sfc.ucdavis.edu
- University of California Sustainable Agriculture Research and Education Program (SAREP): www.sarep.ucdavis.edu
- University of Florida, IFAS Extension Electronic Data Information Source (EDIS): <http://edis.ifas.ufl.edu>
- University of Hawaii, College of Tropical Agriculture and Human Resources: www.ctahr.hawaii.edu
- Oregon Small Farms Program: <http://smallfarms.oregonstate.edu>
- Sustainable Agriculture, Research and Education (SARE): www.sare.org

Marketing Resources:

- Agricultural Marketing Resource Center (AgMRC): www.agmrc.org
- USDA Agricultural Marketing Service (AMS): www.ams.usda.gov
- Western Extension Marketing Committee: www.ag.arizona.edu/arec/wemc
- North American Farmers’ Direct Marketing Association: www.nafdma.com
- USDA Economic Research Service: www.ers.usda.gov
- USDA/AMS National Organic Program: www.ams.usda.gov/nop

Farm Management and Economics

- Western Extension Farm Management Committee: <http://agecon.uwyo.edu/WFMEC/>
- UC Davis Cost Studies: www.coststudies.ucdavis.edu
- Enterprise Budget Library: www.agrisk.umn.edu/Budgets/

Risk Management:

- Western Center for Risk Management Education: www.westrme.wsu.edu
- Risk Management Library: www.agrisk.umn.edu
- Risk Management Agency: www.rma.usda.gov

Decision Aide Tools:

- Kentucky Primer for Selecting New Crop Enterprises: www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf



New Crop and Postharvest Information:

- Purdue New Crop Resource Online Program: www.hort.purdue.edu/newcrop
- Vegetable Research and Information Center (VRIC): www.vric.ucdavis.edu
- California Rare Fruit Growers: www.crfg.org
- Fruit and Nut Research Information Center: <http://fruitsandnuts.ucdavis.edu/>
- Postharvest Technology Research and Information Center:
<http://postharvest.ucdavis.edu/>
- Agricultural Alternatives, Penn State Cooperative Extension:
<http://agalternatives.aers.psu.edu/>



Descriptive Section

These five initial questions will help you define your alternatives and focus your thoughts for the rest of the comparison.

1. Describe the product (or closely linked group of products) you are considering producing, in as much detail as possible.
2. For the product in #1, describe your target (a) consumer(s) and market outlet(s) and (b) seasons.
3. What special requirements, problems, barriers, or risks do you anticipate in (a) producing and (b) marketing this product?
4. Who are/will be your competitors?
5. What are your *competitive advantages*, if any, in producing this new crop? Consider your competitors, location, regulations, seasonality, production costs, and other factors.

The Crop/Enterprise Screening Worksheet

MARKET SCREENING PROCESS: Using the scale described for each question, please assess your ability to perform the task described or your understanding of the particular issue presented in relation to the enterprise alternatives you are considering. Use "NA" for issues that are not applicable and a question mark (?) for issues on which you are unable to provide even a guess.

MARKETING QUESTIONS	Option 1	Option 2	Option 3
1. How precisely can you describe the "marketable" product? (1=difficult, 5=easy)			
2. How precisely can you describe your target consumer, outlet, or market? (1=difficult, 5=easy)			
3. To what extent are there established channels to reach that consumer, outlet, and/or market? (1=none, minimal; 5=well-established)			
4. How familiar are target consumers with the product? (1=no awareness, 5=well-known)			
5. How easily can you meet the specific requirements of your targeted outlets/markets? (1=difficult, 5=easy)			
6. How confident are you that you can overcome significant problems or barriers to get the product to market? (1=difficult, 5=easy)			
7. How available are market and price data? (1=none, minimal; 5=very available)			
8. What are the per-unit price trends? (1=down, 3=flat, 5=up)			
9. How variable are the prices? (1=highly variable, 5=stable)			
10. Are there attractive market windows that you can fill? (1=no, 5=yes)			
11. Is the size of the market adequate for your projected volume of production? (1=no, 5=yes)			
12. How do you rate the profit potential compared to your existing product? (1=lower, 3=same, 5=higher)			
13. To what extent does the profit potential justify the investment needed? (1=not at all, 5=very well)			
14. How much control will you have over price per unit? (1=low, 5=high)			
15. Can you differentiate your product to get a price premium or enhance market access in terms of a local or regional brand, certification or labeling, product attributes/characteristics? (1=no, 5=yes)			
16. How do the marketing costs of the product compare to your current costs in terms of transportation costs, preparation time, packaging, etc? (1=higher, 3=same, 5=lower)			
17. Assess the competition you will face in selling this product. (1=strong, 5=weak or none)			
18. Can you protect your market from new growers coming in? (1=no, 5=yes)			

INFORMATION QUESTIONS	Option 1	Option 2	Option 3
19. Rate your knowledge about production of this crop/product. (1=low, novice; 5=high, expert)			
20. Rate your knowledge about marketing this crop/product. (1=low, novice; 5=high, expert)			
21. Rate the availability and access of information needed for your area (Extension agents, other growers, Internet, library, etc.). (1=low, 5=high)			
22. Rate your knowledge of the laws and regulations associated with the crop/enterprise. (1=low, novice; 5=high, expert)			
23. Are you willing to do what it takes to get all information needed? (1=no, 5=yes)			
PRODUCTION QUESTIONS	Option 1	Option 2	Option 3
24. How well does the crop grow in your area? (1=not at all, 5=very well)			
25. Rate your ability to produce high-quality product. (1=low, 5=high)			
26. How well does the new enterprise fit with your current farm operation? (1=not at all, 5=very well)			
RESOURCES QUESTIONS	Option 1	Option 2	Option 3
27. To what extent do you own or control appropriate land resources? (1=inadequate, 3=some, 5=enough)			
28. To what extent do you own or control appropriate water resources? (1=inadequate, 3=some, 5=enough)			
29. Do you have timely access to the financial resources required for this project? (1=no, 5=yes)			
30. Do you own or have access to all equipment and facilities needed? (1=no, 5=yes)			
31. Do you have access to sufficient labor with appropriate skills when needed? (1=no, 5=yes)			
32. Do you have access to the necessary supporting infrastructure in your area? (1=no, 5=yes)			
33. To what extent does your family support this new product? (1=low, limited; 5=high, full)			
34. To what extent will you have the ability, time, and willingness to manage this new product? (1=low, limited; 5=high, full)			
RISK MANAGEMENT QUESTIONS	Option 1	Option 2	Option 3
35. Given all of the above, how risky is this product? (1=very risky, 5=low risk)			
36. How available are the resources and tools to manage the risks identified? (1=none, 5=very available)			
37. Are you willing to accept the risks you have identified? (1=no, 5=yes)			
38. Are you able to manage the risks you have identified? (1=no, 5=yes)			

Evaluation of Responses

Now that you have completed the worksheet, what are the three to five most important factors (questions) that will drive your decision? It is important to consider weaknesses as well as strengths in selecting these factors.

Using your 3-5 factors, rank your alternatives.

It is critical to remember that however attractive any of the alternatives appears to be, you need to conduct more detailed analyses before making a decision. Ideally you should complete a business plan that includes detailed financial and marketing plans, feasibility studies, and projected financial statements. This would show you on paper the effect of the new enterprise on your overall operation before you commit any resources to the new enterprise.

Profitseeker: Sample Case

In the following example, the italics represent the responses and thinking process of the Profitseeker family, a hypothetical farming couple in Southern California.

Sample Case Background

The Profitseekers operate a 20-acre farm growing mixed vegetables for sale to wholesalers and farmers' markets. Mr. Profitseeker works on the farm full time and takes care of production and wholesale sales. Mrs. Profitseeker works off the farm and helps with the farmers' markets. The Profitseekers have a permanent crew and hire casual labor to handle peak demands such as during harvest. The largest percentage of the farm, in terms of acreage and revenues, is in pole tomatoes. The Profitseekers are concerned because of the declining profitability of pole tomatoes due to the increase in year-round imports and greenhouse production from low-cost competitors. The Profitseekers are considering diversifying by replacing some pole tomato production with an alternate enterprise. There have been a number of recent newspaper and magazine articles on heirloom tomatoes and blueberries, and they have noticed the presence of both in their markets. Some customers at the farmers' markets have even inquired about additional tomato varieties. The couple attended an Extension workshop where they received this worksheet.

Descriptive Section

These five initial questions will help you define your alternatives and focus your thoughts for the rest of the comparison.

1. Describe the product (or closely linked group of products) you are considering producing, in as much detail as possible.

Option 1: Pole tomatoes

Option 2: Heirloom tomatoes grown in hoop houses

Option 3: Hand-harvested blueberries

1. For the product in #1, describe your target (a) consumer(s) and market outlet(s) and (b) seasons.

Pole tomatoes: Sold to wholesalers and at farmers' markets, depending on price and season. Generally avoid harvesting in summer months when prices are weakest.

Heirloom tomatoes: Sell directly to restaurants and in farmers' markets in the region. Year-round production, but will focus on harvesting outside of the summer months.

Blueberries: Sell directly to restaurants and in farmers' markets in the region. Will focus on being in the market in the early season (March-May) and late season (October-December).

2. What special requirements, problems, barriers, or risks do you anticipate in producing and marketing this product?

Pole tomatoes: Summer price drop, frost and diseases may be a problem in the winter.

Heirloom tomatoes: Frost and disease, packing requirements, learning curve including selecting the best varieties, cultural practices, summer glut, market access (breaking in).

Blueberries: Mastering production challenges including soil pH management, possibility of frost in the winter.

3. Who are/will be your competitors?

Pole tomatoes: Other local growers, imports from Mexico, greenhouse growers.

Heirloom tomatoes: Local producers, imports.

Blueberries: Imports from South America and Mexico are the primary competition during the targeted market windows; during the traditional blueberry market season, there will be greater competition from growers in other states and regions of California.

4. What are your competitive advantages, if any, in producing this new crop? Consider your competitors, location, regulations, seasonality, production costs, and others.

The Profitseekers consider the following as competitive advantages--something that gives them an "edge" over other competitors.

Pole tomatoes: Proximity to markets, higher quality, better flavor, freshness.

Heirloom tomatoes: Hoop houses reduce frost and disease problems; know tomatoes, access to farmers' markets as a current vendor, also all of the pole tomato advantages listed above.

Blueberries: Locally grown, fresh, proximity to affluent market, seasonal availability/market window, high demand as a function of health trends, access to location -specific research.

Marketing Section

The first two questions assess your ability to describe the product and target consumer or market. Lower scores indicate greater difficulty.

MARKETING QUESTIONS 1-2	Pole tomato	Heirloom tomato	Blueberry
1. How precisely can you describe the "marketable" product? (1=difficult, 5=easy)	5	4	4
2. How precisely can you describe your target consumer, outlet, or market? (1=difficult, 5=easy)	5	3	3

Q1. Mr. Profitseeker knows **pole tomatoes** better than the other two crops. For **heirloom tomatoes**, he doesn't know the specific varieties to grow, nor is he certain of the units that he will be packing and selling (i.e. single or double layer lugs, the use of padding). Since he is familiar with tomatoes in general, he rates the product a "4." He rates **blueberries** a "4" since they are a well-known product with fairly standardized packaging for farmers' markets and restaurants.

Q2. He knows **pole tomatoes'** consumers and markets well and rates the product a "5." Although farmers' markets are familiar, selling to restaurants will be brand new so he rates himself a "3" for the two new crops.

Questions 3 and 4 explore the linkages among the product, markets, and final consumers.

Questions 5 and 6 address market requirement and barriers.

MARKETING QUESTIONS 3-6	Pole tomato	Heirloom tomato	Blueberry
3. To what extent are there established channels to reach that consumer, outlet, and/or market? (1=none, minimal; 5=well-established)	5	4	3
4. How familiar are target consumers with the product? (1=no awareness, 5=well-known)	5	5	5
5. How easily can you meet the specific requirements of your targeted outlets/markets? (1=difficult, 5=easy)	5	3	4
6. How confident are you that you can overcome significant problems or barriers to get the product to market? (1=difficult, 5=easy)	5	4	3

Q3. Profitseeker needs to learn more about the distribution system for both of the new crops so they are both rated below **pole tomatoes**. In addition, for **blueberries**, he will need to establish the marketing channels in the conventional off-season since it is a totally new product at that time.

Q4. Consumers are very familiar with all three products.

Q5. He expects to have to learn restaurant product specifications and has some concerns about being able to meet them since things can be very specific to the particular **heirloom tomato**

varieties. This seems to be less of a problem with **blueberries**, although the variety selection can also be important. Controlling quality via hand harvesting will be important. The Profitseekers don't anticipate any new problems with either crop when sold via farmers' markets.

Q6. A big plus for the Profitseekers is that they are experienced producers. Thus they are almost as confident in producing **heirloom tomatoes** as with their current crop. In comparison, **blueberries** rate a "3" because there is greater production uncertainty, especially their ability to hit the market windows (see below).

Questions 7 to 9 involve the availability of data, and what that data means to the operation. In question 10, the term "market windows" refers to specific time periods when opportunities exist because of supply gaps or demand increases (such as holidays).

MARKETING QUESTIONS 7-11	Pole tomato	Heirloom tomato	Blueberry
7. How available are market and price data? (1=none, minimal; 5=very available)	5	3	5
8. What are the per-unit price trends? (1=down, 3=flat, 5=up)	2	4	3
9. How variable are the prices? (1=highly variable, 5=stable)	1	3	3
10. Are there attractive market windows that you can fill? (1=no, 5=yes)	2	4	5
11. Is the size of the market adequate for your projected volume of production? (1=no, 5=yes)	3	4	5

Q7. Good market data exists for **pole tomatoes** and **blueberries** so both are rated as "5." Profitseeker rates **heirloom tomatoes** a "3" because he has not dealt with chefs and is not certain about the prices he will be offered.

Q8. Prices for **pole tomatoes** have been decreasing because of increasing competition and year-round availability. In contrast, Profitseeker believes that price trends for **heirloom tomatoes** are more positive because there is substantial interest in the product and he will also direct market (to farmers' markets and restaurants) 100% of the crop. Profitseeker cannot identify an overall price trend for **blueberries** and therefore rates it a "3."

Q9. Historically, seasonality and excess production during the summer causes substantial variations in **pole tomato** prices. As a result they are rated a "1." **Heirloom tomatoes** are direct marketed and therefore have more stable prices. **Blueberries** rate a "3" because the markets used provide some stability.

Q10. Competition from domestic and foreign producers has almost eliminated market windows for **pole tomatoes** so this crop is rated a "2." Since his **heirloom tomatoes** will compete primarily with local producers, Profitseeker believes that he will have the opportunity to market this product during significant market windows that his smaller, less-experienced competitors will be unable to fill. **Blueberries** rate a "5" as there are both early and late windows when the competition is reduced but the demand is still strong. Since the farmers' markets do not allow shipped-in (non-local) berries to be sold, he has a year-round opportunity to sell his crop there.

Q11. The size of the **pole tomato** market is rated as average (“3”). Profitseeker assesses the **heirloom tomato** market as relatively large (“4”) and the market for **blueberries** as definitely sufficient (“5”) for his anticipated production.

Questions 12 to 18 deal with profitability, pricing, and competitors.

MARKETING QUESTIONS 12-18	Pole tomato	Heirloom tomato	Blueberry
12. How do you rate the profit potential compared to your existing product? (1=lower, 3=same, 5=higher)	na	4	5
13. To what extent does the profit potential justify the investment needed? (1=not at all, 5=very well)	na	4	4-5
14. How much control will you have over price per unit? (1=low, 5=high)	2	3-4	3-4
15. Can you differentiate your product to get a price premium or enhance market access in terms of a local or regional brand, certification, or labeling, product attributes/characteristics? (1=no, 5=yes)	2	3	4
16. How do the marketing costs of the product compare to your current costs in terms of transportation costs, preparation time, packaging, etc? (1=higher, 3=same, 5=lower)	na	2	1
17. Assess the competition you will face in selling this product. (1=strong, 5=weak or none)	1	2	3
18. Can you protect your market from new growers coming in? (1=no, 5=yes)	1	2	2

Q12. Profitseeker’s research indicates that both **heirloom tomatoes** and **blueberries** have greater profit potential than **pole tomatoes**. Of the two, he rates **blueberries** as having a higher potential.

Q13. **Heirloom tomato** production requires an investment in hoop houses and **blueberries** require a substantial investment both to establish the fields and to maintain them over the extended time period until the fields start producing. Overall, the Profitseekers feel the profit potential is high for both crops and feel that **blueberries** are just a bit more promising (although not quite a “5”).

Q14. The “2” rating for **pole tomatoes** is a blend between a “1” for the crop in the wholesale market and a “3” in farmers’ markets. Competition in the farmers’ markets from other vendors limits having more price control. The “3-4” ranking for both **heirloom tomatoes** and **blueberries** reflects the view that he will have at least some control over pricing with these two crops in both farmers’ markets and restaurants.

Q15. As was true for the previous question, the “2” for **pole tomatoes** is a mix of “1” in the undifferentiated wholesale market and the “3” from the loyal farmers’ market customers who nonetheless will switch vendors if Profitseeker raises prices too much. Profitseeker believes he can gain some customer loyalty for **heirloom tomatoes** and thus gives it a “3.” If the Profitseekers are able to hit the market window and provide fresh, local **blueberries**, Profitseeker anticipates gaining a substantial advantage over imports and gives the product a “4.”

Q16. The **heirloom tomatoes** would have higher marketing costs than **pole tomatoes** because of the packaging and handling required by restaurants. The **heirloom tomatoes** sold through farmers' markets would not have higher marketing costs. Hand-harvesting **blueberries** will be quite expensive. In addition, Profitseeker is uncertain about the package sizes for both farmers' markets and restaurants. As a result he rates **blueberries** a "1."

Q17. **Pole tomatoes** face very strong competition. The "1" ranking on this factor is the main reason the Profitseekers decided to consider alternatives. They anticipate **heirloom tomatoes** will face fairly keen competition from other local producers. For **blueberries**, imports as well as other local or regional producers could be a factor even if they produce only during the preferred market windows. Nonetheless, **blueberries** have the best competitive position because of the growing demand for this crop.

Q18. While the Profitseekers can benefit from some loyalty in farmers' markets, this is not the case for the wholesale market, which makes up the bulk of their **pole tomato** sales. As a new supplier of either **heirloom tomatoes** or **blueberries**, the Profitseekers recognize that they would initially face competition in selling to restaurants. If they manage to break in to the market and gain some customers, they believe that they would gain loyalty. They give a conservative ranking of "2" to both.

Information Section

INFORMATION QUESTIONS 19-23	Pole tomato	Heirloom tomato	Blueberry
19. Rate your knowledge about production of this crop/product. (1=low, novice; 5=high, expert)	5	4	2
20. Rate your knowledge about marketing this crop/product. (1=low, novice; 5=high, expert)	5	4	2
21. Rate the availability and access of information needed for your area (Extension agents, other growers, Internet, library, etc.) (1=low, 5=high)	5	4	3
22. Rate your knowledge of the laws and regulations associated with the crop/enterprise. (1=low, novice; 5=high, expert)	5	3	3
23. Are you willing to do what it takes to get all information needed? (1=no, 5=yes)	na	5	5

Q19-20. Although Profitseeker is an experienced tomato grower (ranking of "5" for **pole tomatoes**), he has not grown **heirlooms**, nor has he had to meet restaurant standards. He ranks himself a "4" based on his overall familiarity with the crop. **Blueberries** are a totally new crop and require more orchard versus field-type production practices. In addition to **blueberries** being a new crop, Profitseeker has been told that training workers to pick **blueberries** can be difficult since pickers need to learn how to identify ripe berries. Overall, he ranks himself much lower on this crop.

Q21. Published information from other regions is available for **heirloom tomatoes** and **blueberries**. But the latter is a new crop so there is less expertise in the region.

Q22. As an experienced tomato producer, Profitseeker is confident that he knows the laws and regulations related to his traditional market channel. He needs to become better aware of the

regulations associated with sales to restaurants and rates both **heirloom tomatoes** and **blueberries** as “3.”

Q23. On this attitude question, Profitseeker indicates that he is ready to go for both of the new crops. Note that if he had been considering adding something such as a processing enterprise, the information burden would have been quite a bit higher.

Production Section

PRODUCTION QUESTIONS 24-26	Pole tomato	Heirloom tomato	Blueberry
24. How well does the crop grow in your area? (1=not at all, 5=very well)	5	5	3
25. Rate your ability to produce high-quality product. (1=low, 5=high)	5	4	3
26. How well does the new enterprise fit with your current farm operation? (1=not at all, 5=very well)	5	5	5

Q24. Tomatoes (both **pole** and **heirloom**) generally do well in his area, and Profitseeker has grown and sold tomatoes for many years. It seems that **blueberries** will grow, but since he is not certain that the timing of the harvest will coincide with the market window, he gives the crop a “3.”

Q25. Profitseeker can produce quality **pole tomatoes**, but makes some allowance for the problems that typically come up with new varieties such as the **heirlooms**. For **blueberries**, this is compounded by anticipated problems with training pickers.

Q26. The Profitseekers believe that both **heirlooms** and **blueberries** will fit well with their farm as well as their direct marketing operations.

Resources Section

RESOURCES QUESTIONS 27-29	Pole tomato	Heirloom tomato	Blueberry
27. To what extent do you own or control appropriate land resources? (1=inadequate, 3=some, 5=enough)	5	5	5
28. To what extent do you own or control appropriate water resources? (1=inadequate, 3=some, 5=enough)	4	4	4
29. Do you have timely access to the financial resources required for this project? (1=no, 5=yes)	4	4	3
30. Do you own or have access to all equipment and facilities needed? (1=no, 5=yes)	5	4	4
31. Do you have access to sufficient labor with appropriate skills when needed? (1=no, 5=yes)	5	5	4
32. Do you have access to the necessary supporting infrastructure in your area? (1=no, 5=yes)	5	5	4
33. To what extent does your family support this new product? (1=low, limited; 5=high, full)	na	4	4
34. To what extent will you have the ability, time, and willingness to manage this new product? (1=low, limited; 5=high, full)	na	4	3

Q27-28. Profitseeker believes that the three crops will all have the same implications for his land and water resources. He believes he has enough land and is only slightly less confident when it comes to the adequacy of his water.

Q29. Profitseeker views the two tomato enterprises as similar in terms of financial requirements (the hoop houses needed for **heirloom** production are not a major expenditure). The **blueberries** will require a considerable, but not insurmountable, investment to establish fields, including netting to protect the crop from birds.

Q30-32. **Heirloom tomatoes** are a bit more demanding than pole tomatoes in terms of facilities needed. **Blueberries** differ in terms of the need for trained pickers and additional infrastructure in the area. Depending on the area planted and the calendar of operations, the current labor force may be used to pick most of the blueberries because peak blueberry harvest will most likely occur when tomato labor demands are low. Additional packing supplies and facilities may be needed for blueberries.

Q33. The Profitseekers both agree that they need to look at alternatives for pole tomatoes. Profitseeker’s wife will include **heirloom tomatoes** with her other farmers’ market sales. They have not decided who would handle restaurant sales for either heirloom tomatoes or blueberries.

Q34. For **heirloom tomatoes**, the time commitment to develop and service new markets is unknown. Ability and time are an even larger issue with **blueberries**, because unlike tomatoes, they are a totally new crop.

Risk Management Section

RISK MANAGEMENT QUESTIONS 35-38	Pole tomato	Heirloom tomato	Blueberry
35. Given all of the above, how risky is this product? (1=very risky, 5=low risk)	3	3	2
36. How available are the resources and tools to manage the risks identified? (1=none, 5=very available)	2	2	2
37. Are you willing to accept the risks you have identified? (1=no, 5=yes)	4	4	4
38. Are you able to manage the risks you have identified? (1=no, 5=yes)	2	3	2

Q35. All three crops are risky but in different ways. There is substantial price risk with **pole tomatoes** as competition continues to enter the market. The risks for **heirloom tomatoes** center around market access (being able to break into the restaurant trade) and production uncertainty. In the long run, this would be upgraded to a “4” if the Profitseekers are successful. **Blueberries** have question marks on both the production and marketing sides and therefore rate as the riskiest of the three enterprises with a “2.”

Q36-37. No variations for these two questions.

Q38. For **pole tomatoes**, Profitseeker recognizes that competition will remain fierce in the wholesale market. There is more control in the farmers markets, so taking both markets together

he rates *pole tomatoes* as a “2.” *Heirloom tomatoes* earn a “3” because restaurants will replace the wholesale market and therefore allow him to better manage the risks. The uncertainties associated with *blueberries* earn the product a “2.”

Now that you have completed the worksheet, what are the three to five most important factors (questions) that will drive your decision? Use these 3-5 factors to rank your alternatives.

The following summarizes the questions that the Profitseekers thought were most important. The questions that you choose may be different.

MOST IMPORTANT QUESTIONS (Grower Selected)	Pole tomato	Heirloom tomato	Blueberry
12. Profit potential	na	4	5
13. Extent to which profit potential justifies investment needed	na	4	4-5
25. Ability to produce high-quality product	5	4	3
34. Ability, time, and willingness to manage	na	4	3
38. Ability to manage risk identified	2	3	2

*Using these key factors, the Profitseekers concluded from this quick screening process that both alternatives had potential advantages over **pole tomatoes**. **Heirloom tomatoes** were something they were comfortable growing and offered higher expected profits. **Blueberries** provided the possibility of even higher profits but came with more unknowns. With the help of their Extension agent, the Profitseekers carried out a more in-depth examination of the two new alternatives, including the preparation of a business plan that consisted of detailed financial and marketing plans, feasibility studies, and projected financial statements.*

The Profitseekers’ Decision

After completing the analysis, the Profitseekers decided to try both new enterprises on a small scale as a trial and then rethink their next steps. This strategy offered three key advantages. First, they would be able to learn more about the production of the two crops. Second, they would be able to break into the restaurant market at a pace that they could control with two crops rather than just one. Third, **blueberries** take several years to mature and this strategy would allow the Profitseekers to use **heirloom tomatoes** to help meet short-term cash flow needs.