



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 (resulting from 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 on 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 operator.



Enterprise diversification is one of the most commonly used risk management strategies by growers in the western United States. Growers constantly search for alternatives they can add to their production mix to keep their operations economically viable. However, most 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 very limited. Although there is no sure way to predict success, the screening process presented here can help get growers off to a good start.



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

characteristics:

- They appeal to an adequately sized target market.
- They have an extended production and marketing season.
- They are complementary to the farm operation.
- They are difficult to grow (steep learning curve).
- They are expensive to start producing (high initial capital investment).
- They hold potential for value-adding 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.)
- Crop adaptation to a specific location
- Pest and disease problems
- Supporting infrastructure and facilities
- Laws & 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 alternative crops are specified, growers must assess the crops' potential for success given both their available resources and the risk factors identified.

How to Use this Guide

The market-driven enterprise screening guide can help you 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 to guide your thinking in evaluating a new enterprise. A new enterprise might be a new crop, a different way of producing

or marketing an existing crop, or a new use for an existing crop. The screening guide first frames the general descriptive situation, next poses a series of questions (the screening worksheet) that asks you to rate the particular enterprise, and finishes with a suggested approach for making comparison across alternatives. Although these ratings involve numbers, we emphasize 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 you a single, definitive 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 your 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 you need to decide which factors are most important in your decision and ultimately, which car is best for you. In a similar fashion, your inputs on this worksheet will help to clarify the crop options that are best for your situation. We suggest that you go quickly through this exercise the first time or two just to familiarize yourself with the process and the questions being asked.

The remainder of this document consists of a blank screening guide followed by an example with detailed user notes. It is up to you, whether you choose to start in on your own or read through the example. The blank guide can be photocopied as needed. An electronic version can also be found online at www.sfc.ucdavis.edu. You may find it helpful to use a current enterprise (your "bread and butter" or principal crop/product) in the first column as your Option 1 so you have a standard of comparison for the Option 2 and Option 3 alternatives. That is the approach we have followed in the example provided.

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. In the sample case, the three options compared were two alternative enterprises and an existing enterprise. For more than three options, you may want to make copies or use additional sheets.

Option 1: _____ **Option 2:** _____ **Option 3:** _____

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

Step 2:

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

PRODUCTION QUESTIONS	option 1	option 2	option 3
24. How well does the crop grow in your area? <i>(1=not at all, 5=very well)</i>			
25. Rate your ability to produce high quality product. <i>(1=low, 5=high)</i>			
26. How well does the new enterprise fit with your current farm operation? <i>(1=not at all, 5=very well)</i>			

RESOURCE QUESTIONS	option 1	option 2	option 3
27. To what extent do you own or control appropriate land resources? <i>(1=inadequate, 3=some, 5=enough)</i>			
28. To what extent do you own or control water resources? <i>(1=inadequate, 3=some, 5=enough)</i>			
29. Do you have timely access to the financial resources required for this product? <i>(1=no, 5=yes)</i>			
30. Do you own or have access to all equipment and facilities needed? <i>(1=no, 5=yes)</i>			
31. Do you have access to sufficient labor with appropriate skills when needed? <i>(1=no, 5=yes)</i>			
32. Do you have access to the necessary supporting infrastructure (roads, high-speed internet, processing facilities etc.) in your area? <i>(1=no, 5=yes)</i>			
33. To what extent does your family support this new product? <i>(1=low, limited; 5=high, full)</i>			
34. To what extent will you have the ability, time and willingness to manage this new product? <i>(1=low, limited; 5=high)</i>			

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

Priority Ranking

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 think about weaknesses as well as strengths in selecting these factors.

MOST IMPORTANT FACTORS/QUESTIONS	option 1	option 2	option 3

Using your 3-5 factors, rank your crop/enterprise options.

It is critical to remember that however attractive any of the alternatives appears to be, you need to conduct more detailed analysis 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.

Sample Case

The Profitseekers

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

Example background. The Profitseekers operate a 20-acre farm growing mixed vegetables for sale to wholesalers and farmers markets. Mr. Profitseeker works full-time on the farm and takes care of production and wholesale sales. Mrs. Profitseeker works off the farm and helps with the farmers markets. They 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 declining pole tomatoe profitability due to increasing year-round imports and greenhouse production from low cost competitors. They are considering diversifying by replacing some pole tomato production. There have been a number of recent newspaper and magazine articles on heirloom tomatoes and blueberries, and they have noticed 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. Mr. Profitseeker took responsibility for completing the worksheet, and then called in his wife to help with the key decisions.

Descriptive Section

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

1. Describe in as great detail as possible the product that you are considering producing.

Option 1: Pole tomatoes

Option 2: Heirloom tomatoes grown in hoop houses

Option 3: Hand harvested blueberries

2. For each product, describe your target
 - a. Consumer(s) and Market Outlet(s), and
 - b. Season(s)

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 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).

3. What special requirements, problems, barriers, or risks do you anticipate in (a) producing and (b) 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

4. 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. The Profitseekers will have greater difficulty competing with growers from other states and regions of California during the traditional blueberry market season.

5. 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 to be competitive advantages, which might give them an edge over their competitors.

Pole tomatoes: proximity to markets, higher quality, better flavor, freshness

Heirloom tomatoes: hoop house reduces frost & disease problems; knows 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 function of health trends, access to location-specific research.

Marketing Questions

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

	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**, in contrast, 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 it is a well-known product with fairly standardized packaging for farmers markets and restaurants.

Q2. He knows **pole tomatoes** consumers and markets well and gives it 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.

	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. They don't anticipate any new problems with either crop when sold via farmers markets.

Q6. A big plus is that the Profitseekers 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 first the availability of data, then what that data means to you. 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).

	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 **conventional 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 market directly to farmers markets and restaurants 100 percent of the crop. Profitseeker can not 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 during significant 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 imported 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 average, earning a “3”. Profitseeker assesses the **heirloom tomato** market as relatively large, rating a “4” and the market for **blueberries** as definitely sufficient, rating a “5” for his anticipated production.

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

	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/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 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 they 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 **heirlooms 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 **heirlooms** 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 he produces only during the preferred market windows. Nonetheless, they believe **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, such is not the case in the wholesale market, which makes up the bulk of their **pole tomato** sales. As a new supplier of either **heirloom tomatoes** or **blueberries**, they recognize that they would initially face competition in selling to restaurants. If they manage to break in and gain some customers, they believe that they would gain loyalty. They give a conservative ranking of "2" to both.

Information Questions

	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 of 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 agent, other growers, Internet, library, etc.) (1=low, 5=high)	5	4	3
22. Rate your knowledge of the laws and regulations associated with this 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 **heirloom tomatoes** nor 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 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 blueberries. 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 Questions

	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.

Resource Questions

	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 water resources? (1=inadequate, 3=some, 5=enough)	4	4	4
29. Do you have timely access to the financial resources required for this product? (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)	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. He views the two tomato enterprises as similar in terms of financial requirements (the hoop houses needed for **heirloom** production are not considered 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 to 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 then service new markets is unknown. Ability and time are an even larger issue with **blueberries** since unlike tomatoes, it is a totally new crop.

Risk Management Questions

	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 market, so taking both markets together he rates **pole tomatoes** a “2”. **Heirloom tomatoes** earns a “3” because restaurants replace the wholesale market and therefore allows him to better manage the risks. The uncertainties with **blueberries** earns a “2”.

Priority Ranking

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 think about weaknesses as well as strengths in selecting these factors.

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

	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 risks 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, they 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.

Decision

After completing the analysis, they 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 allowed the Profitseekers to use **heirloom tomatoes** to help meet short term cash flow needs.

Additional Resources

General Information Sites:

- Appropriate Technology Transfer for Rural Areas: <http://www.attra.org>
- UC Small Farm Program: <http://www.sfc.ucdavis.edu>
- UC Sustainable Agriculture Research and Education Program: <http://www.sarep.ucdavis.edu>
- University of Florida, IFAS Extension Electronic Data Information Source: <http://edis.ifas.ufl.edu/index.html>
- University of Hawaii, College of Tropical Agriculture and Human Resources: <http://www.ctahr.hawaii.edu/ctahr2001/>
- Oregon Small Farms Program: <http://smallfarms.oregonstate.edu/>
- Sustainable Agriculture, Research and Education: <http://www.sare.org/>

Marketing Resources:

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

Farm Management and Economics

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

Risk Management:

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

Decision Aids:

- Primer for Selecting New Crop Enterprises for your Farm (University of Kentucky): http://www.uky.edu/Ag/AgEcon/pubs/ext_aec/ext2000-13.pdf
- Keys to Successfully Choosing Enterprises that Suit Your Small Farm (University of Florida): <http://edis.ifas.ufl.edu/HS338>

New Crop and Postharvest Information:

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



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