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## **PB1648-Considering an Agritainment Enterprise in Tennessee**

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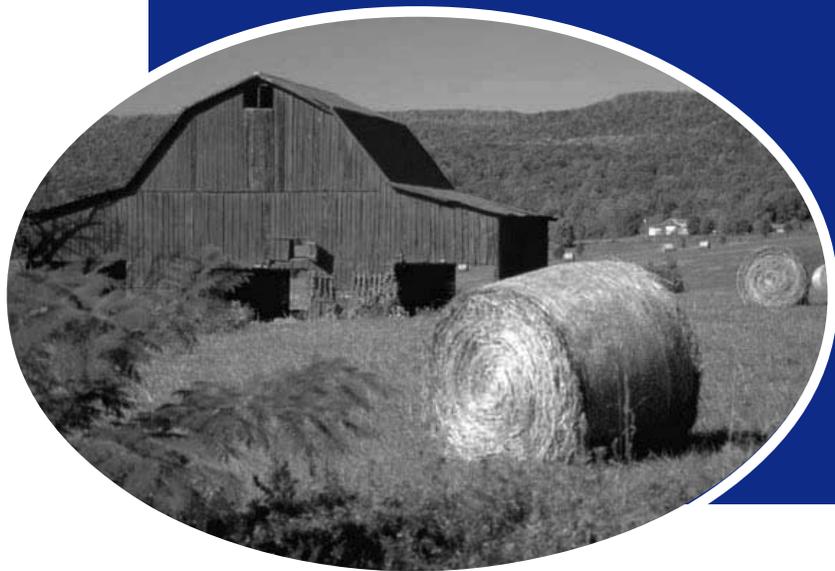
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# Considering an Agritainment Enterprise in Tennessee?



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# Considering an Agritainment Enterprise in Tennessee?

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## Introduction

Agritainment (agritourism and entertainment farming enterprises) has an extensive history in the United States. Farm-related recreation and tourism can be traced back to the late 1800s, when families visited farming relatives in an attempt to escape from the city's summer heat. Visiting the country became even more popular with the widespread use of the automobile in the 1920s. Rural recreation gained interest again in the 1930s and 1940s by folks seeking an escape from the stresses of the Great Depression and World War II. These demands for rural recreation led to widespread interest in horseback riding, farm petting zoos and farm nostalgia during the 1960s and 1970s. Farm vacations, bed and breakfasts and commercial farm tours were popularized in the 1980s and 1990s.



The demand for a slower-paced farm experience, once supplied by rural family members, seems to be somewhat difficult to satisfy today because of the four-and five-generation gap between farm and non-farm citizens. Recreation-related enterprises are becoming an increasingly important American business. Increased leisure time and discretionary, disposable income, greater mobility and the social thrust toward relaxation, leisure and satisfying personal wants are creating exciting, new recreation opportunities that did not exist a decade ago<sup>1</sup>.

For some, tourism and entertainment-related activities are relatively new farm diversification enterprises in Tennessee. However, diversification seems to be as important to a successful farm operation today as ever before. Tennessee's broad mix of agricultural production (cotton, soybeans, corn, tobacco, dairy, beef, horse, sheep, vegetables, speciality crops and forestry), coupled with a tourism industry estimated at \$7.7 billion per year from more than 40 million visitors to the state, creates a favorable foundation for success in the agritourism industry<sup>2</sup>.

This publication will assist farmers and agri-entrepreneurs who are considering an agritainment enterprise. The information provides general considerations of the agritainment industry, marketing, financial and general management issues. Additional information and assistance in the evaluation, analysis and planning of agritainment enterprises may be obtained from the University of Tennessee Agricultural Development Center (ADC) and the Tennessee Department of Agriculture (TDA) Market Development Division. The ADC may be contacted through any county Extension office in Tennessee or directly at (865) 974-3824 or at the ADC web site: [www.utextension.utk.edu/adc/](http://www.utextension.utk.edu/adc/). The Market Development Division may be contacted by telephone at (615) 837-5160 or at their website: [www.picktnproducts.org](http://www.picktnproducts.org).

Agritainment

# Considerations

## Difference in Agritourism and Entertainment Farming<sup>3</sup>

Entertainment farming and agritourism activities offer opportunities for on-site farm visits, the chance to talk with farm personnel and the opportunity to observe and understand modern farm methods. Farm tours and activities offer access to working family farms, educational tours, photo opportunities, take-home products, farm meals and friendly and informative workers. Entertainment farming activities offer a chance to turn a working farm into an adventure for others, as well as to diversify a business and to increase income. A farm operation can attract a diverse consumer base by offering the public something unique. The terms agritourism and entertainment farming are often used interchangeably. In a general sense, both types of operations seek customers who are interested in a farm experience of some sort. A primary distinction in the two terms is most likely the intended customer. Agritourism customers tend to be thought of as out-of-town tourists, while entertainment farming activities often target local customers (school tours, youth groups, senior citizen clubs, etc.). The term agritourism emerged during the 1990s to describe anything that relies or builds on the relationship between farming and tourism<sup>4</sup>. Similarly, entertainment farming activities are enterprises operated for the enjoyment and education of the public that may also generate additional farm income by promoting farm products<sup>5</sup>. Agritainment activities may be week-end only, week-day only, seasonal, full-time, primary or supplemental farm enterprises.



The term agritainment is often coined to represent the overall industry that encompasses agritourism and entertainment farming. For the purposes of this publication, the terms agritainment, agritourism and entertainment farming will be used interchangeably. The term customer will be used to describe both local and out-of-town clients at these types of operations. The term product will be used to encompass a wide variety of goods, services and activities available on an agritainment farm. An agritainment product may be a hayride, nature trails, pumpkin, jams and jellies or a fee hunting.

## Pros, Cons and Considerations of Entertainment Farming Activities

Entertainment enterprises offer opportunities to diversify the farm business. Such activities offer additional income opportunities and may provide safe alternatives for family labor as well as opportunities to promote the critical yet diminishing industry of agriculture. However, entertainment farming activities may result in extra responsibilities, require additional labor, interfere with ongoing farm activities, lead to a deterioration in privacy and increase the farm's exposure to risk and liability.



Starting an entertainment farming operation requires consideration of a number of factors. Some factors that should be considered are presented on the following pages<sup>6</sup>.

# Considerations

- What are the **goals and philosophy** of the entire family? This is important so the business is supported by the entire family.
- **Profit and nonprofit** objectives should clearly be understood as they relate to the entertainment farming business.
- **Social skills** are very critical to the success of the business. The people involved in the operation need to be “social people.” They need to enjoy being around people and having people on their property, be open to questions, be able to sell themselves and their business to prospective customers and be flexible. Customers may interrupt the work schedule and this cannot be perceived as an annoyance.
- **Location** — the old cliché that the three most important factors contributing to success are location, location and location is applicable to an entertainment farming operation. It is important that the farm is located near a significant population center, as urban and suburban residents are more interested in visiting a farm than rural residents. A majority of customers visit entertainment farming operations on the weekend and it helps to be located within a short distance of a population center.
- **Labor** is a major consideration. It will be important to determine how additional labor requirements will be met. You must decide if family labor can fulfill the labor requirements or if outside labor will be needed. If outside labor is needed, a manager may be needed to oversee the labor force.
- **Time considerations** must be evaluated. School children will need to be involved in planned activities to keep them interested. You should plan on having the children involved in some type of activity during the majority of their visit. The entertainment farming operation should consider how long each segment of the field trip will last and make sure that there are enough activities to keep the children occupied during their visit.



For instance, a hayride and pumpkin-picking excursion may take 25 minutes and painting jack-be-little pumpkins may take another 15 minutes. These two activities should consume approximately 40 minutes of the on-site field trip. Assuming that the entire farm visit is scheduled to last 60 minutes, other activities will have to be scheduled. The length of time each field trip is expected to be on-site should be determined and the information relayed to the field-trip coordinator. If the coordinator is anticipating a two-hour tour and your activities last one hour, you have a problem. Not only will the students get bored but the teachers may get frustrated, causing the tour to be unsuccessful in meeting both children’s and teachers’ expectations. Table 1 provides an example of allocating the length of time school children will be on site.

# Succeeding

Table 1 - - Estimating Field Trip Length (time)	
Activity	Length of Time Required to Do Activity
Unloading and dividing students into groups	5 minutes
Hayride	25 minutes
Jack-be-little pumpkin painting	15 minutes
Snacks and free play on play ground	20 minutes
Loading students on buses	5 minutes
<b>Total time on farm</b>	<b>70 minutes</b>

■ **Local, state and federal regulations** need to be investigated to determine how they will impact the entertainment farming opportunity. The following are some examples of regulations that need to be investigated:

- Zoning
- Signage
- Food Service
- Animal exhibits
- Health

## What It Takes to Succeed

Research has shown that a unique product is essential to the success of an agritourism business. Also critical to success is the adoption of a marketing approach for the business that matches the business identity (who you are or want to be) with the customer's image of the activity/product. Customers are not just interested in the produce available; they are interested in the total package. That is, they are looking for the product combined with the overall farm experience. The overall farm experience includes special services provided (not all of which have to be free) plus the friendly, local atmosphere created. The goal should be to uniquely position the items (product + special service + atmosphere) in the minds of the customers.

*"You cannot be all things to all people."* Therefore, select the market or target group you would like to attract and determine what you can offer them that will make them see you as a unique business. Below is a list of things that add to a customer's agritourism experience.

picnic facilities  
walking trails  
wagon rides  
tours  
educational signs  
recipes  
special events/  
contests/festivals  
gift certificates

good parking  
pleasant surroundings  
children's activities  
educational programs  
workshops  
lunch, desserts  
newsletters/announcements  
adequate restroom facilities  
newsletter

calendar of events  
T-shirts  
friendly employees  
clear directions  
rent-a-tree/plant/shrub  
exhibits

## Example Entertainment Farming Activities

A person's imagination may be the only limit to the activities that can be incorporated into an entertainment farming operation. Below is a list of only a few such activities.

farm tours	playgrounds	pumpkin painting
story telling	orchard tours	learning about farm machinery
Halloween party/festival	hay tunnel	bed & breakfasts
wineries	face painting	petting zoos
fee hunting	fee fishing	horseback riding
farm vacations	pumpkin hunt	pick-your-own operations
camping	haunted hayrides	craft shops
country stores	farm animal zoos	corporate picnics
roadside stands	farm museums	nature trails
private parties	concession stands	antique displays
	picnic areas	children's camps

## Notes from Other Experiences

In 1992, an informal telephone survey conducted by Cornell University<sup>7</sup> of operations advertised as *farm tours* found that three-quarters of respondents indicated that the purpose of their tour was to promote the products of the farm, increase sales, promote their industry and create employment opportunities. Half of the operations hosted less than 1,500 tourists per year, 28 percent had between 1,500 and 5,000 and 22 percent hosted more than 7,000. Of the total tourists visiting these farms, 61 percent were school children and 33 percent were individuals or families. Adult admissions ranged from \$1.00 to \$8.50. More than 63 percent of the operations had significantly increased the size of their operation during the previous five years. The biggest problems cited by the operations, in order of frequency, were: dealing with visitors (interruption of farming and visitor's treatment of animals) liability insurance, labor, marketing, theft and poor location.

Information from some selected entertainment farming enterprises in North America is presented below. The names of the enterprises have been changed to focus on the activities of the enterprises.

**The Pumpkin Patch** offers a wagon ride and allows each participant to pick one pumpkin for a cost of \$4 per person. School groups are charged \$5 per person for a wagon ride, one pumpkin and the use of picnic tables for lunch. Large pumpkins can be painted at the farm for an additional charge of \$2 or small pumpkins can be purchased and painted for \$1 each. BBQ lunch plates are available on weekends for \$5 per plate. Drinks and light, individually-wrapped snacks are available for around \$1 each.



**The Peach Orchard** features a "hands-off" petting zoo. The hands-off approach was adopted as a result of lawsuits from animals biting children. Because children cannot touch the animals, the farm developed a feed conveyor that allows customers to put animal feed in a cup attached to the conveyor and crank it up to feed the animals.

# Experiences

# Marketing Plan

Economical feeds are used. Animals include goats, turkeys, ducks, geese, llamas, pot-bellied pigs, baby calves and baby chicks.



**Westside Orchards** offers “heritage tourism” with quality fruits and vegetables, friendly service and glimpses of the past. They have restored a 1869 one-room schoolhouse on the farm. The refurbished schoolhouse is used as a unique attraction to promote school tours.

**The Farm Forest** seeks to provide a friendly, safe and fun place for families to enjoy their time together and get in touch with their rural roots. They use their wooded areas as one means of entertaining their customers. They developed a half-mile walking trail, with minimal environmental disturbance, that includes a bridge over a small stream and a swampy area, a series of miniature houses and painted scenes from various children’s stories and wood chip path. The development cost of the forest is estimated at \$16,000.

**The Pumpkin Farm** operates a ‘pumpkin fest’ from September 26 until October 31, 9:00 a.m. until 9:00 p.m., seven days a week. The farm sells pumpkins, gourds, squash, Indian corn, cornstalks, straw and other related items. In addition, the farm offers hayrides, hay play areas, pony rides and animal feedings. Their goal is to provide the public with quality produce and a memorable experience. Last year, 33,500 customers attended the operation.

**Town Gardens** is a family-owned, row-crop operation with an entertainment farming enterprise located inside the city limits. The entertainment farming enterprise employs eight individuals on the days of school tours and many more on weekends. They charge \$4.50 per person and provide each student with an ear of popcorn and one pumpkin. Each school tour lasts 1 hour and 15 minutes. They use two tractors and four wagons with 75 children on each wagon. In 1998, they entertained 3,000 school children and averaged eight different groups per weekday.

## Developing a Marketing Plan

There is no single formula for success or “silver bullet” strategy that will guarantee success. Instead, marketing is more like an art than a science, in that it is a creative process rather than an exact formula that can be followed in all situations. “Creating a marketing plan does not guarantee success, it only reduces the chance of failure.”<sup>8</sup> This statement provides a very good beginning point for a discussion on developing a marketing plan.

A marketing plan can be compared to a road map in that it allows you to look at where you currently are and provides direction on how to get to your destination. The marketing plan provides the same guidance as a road map, outlining your plan for bringing buyers and sellers together. Attracting and retaining customers is fundamental to the success of a business, as customers provide the money that is essential for a business s’ daily operation, payroll, debt servicing and profits.

# Marketing Plan

A comprehensive and properly prepared marketing plan can provide invaluable information pertaining to the marketplace. It is easy to brainstorm and hold strategy sessions. These meetings can generate brilliant marketing strategies as ideas are conceived and communicated. However, if these ideas are not recorded and then implemented they are useless. Lee Iacocca, former chairman of Chrysler, provided great insight that supports the creation of a written marketing plan when he said: *“the discipline of writing things down is the first step toward achieving them.”*

Constructing a marketing plan is similar to putting a jigsaw puzzle together. Many individual components provide specific pieces of information, but none of the individual pieces provides enough information to see the “big picture.” However, when these individual components are combined, the big picture becomes clear and the business has a plan for marketing its wares.

A good marketing plan for an entertainment farm operation can be broken down into the eight different elements outlined below. An explanation of each element follows.

## Elements of a Marketing Plan

---

- I. Introduction
- II. Market Analysis
  - A) Target Market Identification
  - B) Environmental Analysis
- III. Marketing Objectives and Goals
- IV. Marketing Strategies
- V. Marketing Mix
- VI. Advertising, Promotion and Publicity
- VII. Marketing Budget
- VIII. Marketing Plan Check List

### I. Introduction

The introduction of a marketing plan provides a concise and complete overview of what the marketing plan is going to accomplish. The reader should be able to gather enough information about the marketing plan from the introduction that he or she has a general idea of what is going to take place.

### II. Market Analysis

#### A) Target Market Identification

The concept of a target market refers to identifying the sub-segment of the total population that is most likely to visit the entertainment farming operation. By identifying a target market, it is possible to estimate the total market potential for a product or service. For example, target markets can be identified for most entertainment farming operations. The first market is **elementary school children** and the second is **households with children**.



# Marketing Plan

**School tour/field trip market potential** — Farm field trips have great market potential. Both teachers and children enjoy farm field trips. However, the field trip should be pitched as offering an educational experience. School tours should highlight “a working farm” with hands-on activities such as a hayride and pick-your-own pumpkins.

Table 2 presents a method of estimating a six-county area school tour/field trip potential for an entertainment farming enterprise. There are approximately 41,000 elementary school children in the six-county area of Knox, Sevier, Hamblen, Jefferson, Cocke and Grainger. Obviously, the six-county market potential (number of students) is large enough that it should not be a limiting factor in an entertainment farming operation’s success. However, the number of elementary students who will actually visit the entertainment farming operation is unknown and will be heavily influenced by the attractions being offered and how the operation is advertised and promoted.

**Table 2 - - Elementary Student Population Estimates**

County	K	1st	2nd	3rd	4th	5th	Total
Knox	3,967	4,268	4,224	4,174	4,101	4,076	24,810
Sevier	916	1,013	943	969	920	872	5,633
Hamblen	703	778	734	710	657	692	4,274
Jefferson	558	520	534	527	504	479	3,122
Cocke	335	388	358	353	351	304	2,089
Grainger	257	235	237	255	271	237	1,492
<b>Total</b>							<b>41,420</b>

**School tour activities** — Catering to the needs of school children will require special facilities and accommodations. Children on school tours generally have limited funds. If attractions or items are available for sale, they should be inexpensive. As a general rule, school children do not have money to spend on activities or items on field trips, unless the parents have been informed to send money for lunch, snacks or drinks. It is suggested that all activities be included in the per-student tour charge. “It may not pay, from a public relations standpoint, to attempt to extract sales from these juvenile customers.” However, additional activities for charge should be available for non-school visitors during weekends. For more information on school tour considerations, see Appendix A.

**Weekend market potential — area population estimates** — To address the local market potential for a weekend entertainment farming business, a site analysis should be performed to estimate the number of local residents who live within five to 30 miles of the proposed entertainment farming operation. However, a review of

existing direct-to-market research suggests that the majority of consumers drive less than 15 to 20 miles to purchase produce at direct-to-market outlets. This means the business will have to rely heavily on the local market to be successful. Information pertaining to willingness to drive for entertainment farming activities is not available and the direct-to-market research provides the best indication of a customer's willingness to drive to purchase products direct from the farm. An example of how to estimate the market potential for a particular farm operation can be found in Table 3.

<b>Miles from Proposed Location</b>	<b>Total Population</b>	<b>Children 0-5 Years</b>	<b>Children 6-11 Years</b>	<b>Number of Households</b>
5 miles	16,032	706	692	5,896
10 miles	47,513	2,499	2,731	17,750
15 miles	114,137	6,639	6,983	43,114
20 miles	191,099	11,939	12,455	72,999
25 miles	283,906	17,889	19,094	107,820
30 miles	470,834	29,980	31,205	183,313

Again, your target market will more than likely be households with young children. The market potential should focus on the households with children under 12 years of age as opposed to the general population.

**Additional weekend activities** — Catering to weekend customers, parents with children, creates the possibility of numerous money-generating activities and products. An entertainment farming operation should offer a wide variety of activities costing \$0.25 to \$1.00 each. These revenue-generating stations provide parents and their children the opportunity to spend money. The longer these customers can be enticed to stay on the premises, the more likely they are to spend additional money. If each additional activity cost the participant \$0.50, it does not take long to get each child and/or parent to spend an addition couple of dollars. These activities provide a means of generating additional revenue. Additional revenue-generating activities should be sought that do not require additional overhead costs (i.e., purchasing a dunking tank) but require only variable costs such as labor.

**B) Environmental Analysis**

It is important to be aware of governmental regulations that impact your operation now or in the future. It is also a good idea to investigate the competition (i.e.; Who are your competitors? Where are they located? What are they doing? How will they react to the opening of your business?). Finally, it is important to monitor consumers' tastes and preference changes and how they impact your business.

# Marketing Plan

# Objectives and Goals

## III. Marketing Objectives and Goals

The marketing objectives section should outline detailed and specific marketing goals and objectives. This section is essential to the overall success of the marketing plan. By setting business goals and defining objectives, the strategy and tactics subsections that follow will provide detailed information on how the objectives and goals will be met. However, before marketing strategies and tactics are developed, a clear picture of what is expected to be accomplished must be created. For example, you need to set specific goals, such as to accommodate 1,500 students and 200 families. Again, you may want to set specific sales goals by market.

## IV. Marketing Strategies

This section outlines and describes what needs to be done to reach specific marketing goals and objectives. Specific marketing strategies are developed after the entertainment operation identifies its marketing objectives. Marketing objectives are specific and measurable goals used to define where the business would like to be at some definite time in the future. For example, if an entertainment farming operation's goal is to have 1,500 school children tour the facilities in the upcoming year, a marketing strategy must be developed and implemented.

Once the business has determined its marketing goals, a method of achieving the goals must be formulated and outlined. Assume the marketing goal is to have 1,500 school children tour the facilities in the upcoming year. How is the operation going to accomplish this goal? Marketing strategies are concepts that can be used to create a set of activities aimed at reaching specific marketing goals, "how" specified marketing objectives are to be met. Depending on the operation's current status in the market, different marketing strategies are needed to achieve the specified marketing objectives. The four general marketing strategies that can be used to market a product or services are:

- Market Penetration
- Market Development
- Product Development
- Diversification

After developing specific marketing strategies, it is important to consider how the competition will react when these strategies are implemented. An outline of the anticipated competitors' reactions should be developed and strategies to counter their reactions need to be considered.

**Market penetration** is similar in meaning to market share and refers to the percentage of total product sales that is captured by a company. For an entertainment farming operation to increase its market penetration, it must attract competing entertainment farming customers, attract customers new to entertainment farming or increase its existing customers' use of the facilities.

**Market development** is a very simple strategy. The business tries to identify new markets or new uses for its existing products, e.g., offer corporate outings using the facilities developed for school tours. If a business wants to expand and does not want to develop or produce a new product, it can use a market development strategy.

# Marketing Mix

**Product development** strategies occur when a business develops new products or services for existing customers in the business' current markets. Product development may be as simple as adding value to existing products or developing an entirely new product. A new eco-tour could be created at the "Farm Forest" enterprise, which would be an example of new product development.

**Diversification** is a strategy that is typically used as a business grows. The purpose of diversification is to attract new groups of customers by producing new products and/or entering new markets. Let's look at a producer who initially offers a fall pick-a-pumpkin operation. As the operation grows, he or she decides that the business could attract even more customers by offering a cut-your-own Christmas tree enterprise. By venturing into the cut-your-own Christmas tree market, the producer has diversified the product mix.

## V. Marketing Mix

The marketing mix or marketing tactics can be thought of as the specific methods used to implement a specific marketing strategy. The marketing mix provides a means of describing the actions required to fully implement the strategy. The components of the marketing mix can normally be segmented into four categories, which are generally thought of as the four "Ps" of marketing:

- **Product**
- **Price**
- **Promotion**
- **Place**

**Product** — refers to the actual agri-entertainment product being offered. The "product" can be thought of as the summation of the individual product's physical and perceived attributes, including packaging. The product needs to have desirable characteristics, appropriate packaging and a perceived image consistent with demands of the targeted market.

Packaging is a significant aspect of the product .

For example, according to Larry Davenport with the International Jelly & Preserve Association, packaging is essential to a product's success because 90 percent of niche product purchases are based on presentation. Thus, how the entertainment farming operation is packaged can influence the customers' perception of the operation and the likelihood they will visit it.



**Price** — Determining the admission price and the price of the products and services available at the operation is a critical marketing tactic. The prices have to be high enough to cover the total cost of operating the enterprise, yet not so high to discourage potential customers from visiting. One method of determining admission price is to research existing entertainment farming operations or competing forms of entertainment and use these prices as a starting point.

# Advertising

**Promotion** — is a term used to describe the advertising, promotion, publicity and selling of a product or service. Promotion can be broken down into two distinct categories: 1) face-to-face selling and 2) advertising, promotion and publicity. A more in-depth discussion of promotion can be found in a following section, *Advertising, Promotion and Publicity*.

**Place** — refers to a general concept describing how the product will get to consumers. In the entertainment farming or agri-tourism operation, place refers to the site where the activities take place.

It is important to understand that the ultimate function of a marketing mix is to sell more product. Because developing an effective and successful marketing mix is more like an art than a science, it takes experimentation and follow-up evaluation to determine the most effective method(s) of marketing a product to consumers.

## VI. Advertising, Promotion and Publicity<sup>10</sup>

Advertising, promotion and publicity are three distinctly different communication strategies that are frequently used together to increase customer traffic and sales. The goal of each of the three strategies is to influence the purchasing decisions of consumers. It is important to remember that advertising, promotion and publicity alone cannot generate significant demand for a product if consumers do not like the product or it does not meet a specific need.

### Advertising

Advertising relies on both printed and electronic communication to deliver information about a product or business to potential and existing customers. It is important that your advertising campaign is directed at your target market, in terms of content and where the message is going to be aired or printed. Advertising a business whose target market is school groups and adults with children has a number of functions:

- to inform teachers and parents of your agri-entertainment operation's existence
- to inform teachers and parents why they should visit your farm (e.g., learn about agriculture)
- to remind teachers, students and parents of a specific reason why they might want to visit your farm (e.g., need a pumpkin for Halloween)
- to associate specific qualities with your enterprise (e.g., good, clean, family fun)
- to help differentiate your operation from the competition (e.g., hayride and pumpkin included in the admission price)

### Mass Media Advertising

At least two months before the entertainment farming operation opens, advertising costs and scheduling information should be obtained from local newspaper(s), radio station(s) and television station(s). In addition, you should start preparing your advertisement(s).



**Pumpkin market 'amazing'**  
Time-sensitive crop has lots of uses, yields good price

Mass media advertising should be directed at the local market. Newspaper, television and radio advertising is particularly useful when starting a new entertainment or

agritourism business. By advertising, you are able to reach a large number of potential consumers. The advertisement can be used to get potential consumers' attention and alert them to your opening and any special events that may be taking place. It is also a good idea to periodically advertise and remind existing and potential visitors that you exist.

Before you decide to advertise in any medium, make sure that the subscriber or listener demographics of the newspaper, television station or radio station are similar to the demographics of your target market (customer).

### **Word-of-Mouth Advertising**

Word-of-mouth advertising appears to be a very effective way of attracting customers. Word-of-mouth advertising can be both positive and negative. As a general rule, people are more likely to complain about their experience than they are to compliment it. As a result, if customers are less than satisfied with quality, price, service or any other aspect of the operation, they may actually hurt business by generating negative word-of-mouth advertising. On the other hand, if customers are satisfied, they may recommend your business to family and friends. Satisfied customers are significantly more likely than unsatisfied customers to make repeat visits. Thus, it is critical that you maintain a quality product, deliver exceptional service and make the experience enjoyable for the customer. A simple formula to remember is that 20 percent of customers account for 80 percent of your business, so generating loyal repeat customers is a critical success factor.

According to a 1999 entertainment farming survey of elementary school teachers<sup>11</sup>, word-of-mouth advertising is the most common way teachers learn of field trip opportunities. Thirty-seven percent of the teachers who completed the survey indicated that they learn of field trip opportunities from talking with others.

### **Road Sign Advertising**

Another effective method of advertising is road signage<sup>12</sup>. A roadside sign can provide potential customers with a variety of information about the entertainment farming operation. However, it is a good idea to investigate local and state regulations concerning road signage. Some of the information you should include on your sign includes:

- Location
- Business hours
- Special promotions
- Other attractions

In addition to containing information, your sign should “catch” the attention of motorists. The sign should be designed to attract the attention of passing motorists by using high contrast and large letters in combination with bright, easy-to-read colors (e.g., yellow writing on a navy blue background). However, the sign needs to be easy to read, as motorists will typically be passing by the sign at speeds of 30 mph or more. Table 4 presents a guideline for creating a sign given various traveling speeds.



# Advertising

# Sales Promotion

**Table 4 - - Example Distances and Words Read at Various Speeds With Recommended Letter Heights and Widths<sup>13</sup>.**

Distance (ft)	Letter Width (inches)	Letter Height (inches)	Number of Words at Speed			
			30 (mph)	40 (mph)	50 (mph)	60 (mph)
50	$\frac{3}{8}$	$1\frac{3}{4}$	4	2	1	0
100	$\frac{3}{4}$	$3\frac{1}{2}$	8	5	4	3
200	$1\frac{3}{8}$	7	15	11	8	6
300	$2\frac{3}{16}$	11	22	16	13	10
400	$2\frac{7}{8}$	14	30	22	17	14
500	$3\frac{1}{2}$	$17\frac{1}{2}$	38	28	22	18

A number of signs should be placed on busy roadways to ensure customer exposure, as well as to provide directions to the entertainment farming operation. However, the final sign needs to be spaced at a reasonable distance from the entertainment farming operation to allow motorists time to slow down safely to make the turn. The following outlines the distance needed to slow down safely at different speeds:

- at 30 mph a car needs  $\frac{2}{10}$  of a mile to slow down safely
- at 40 mph a car needs  $\frac{1}{4}$  of a mile to slow down safely
- at 50 mph a car needs  $\frac{3}{10}$  of a mile to slow down safely

According to the results of a University of Georgia direct marketing study, there is a significant correlation between the number of roadside signs and revenue. The study concluded that roadside stands with more road signs had higher weekly sales than roadside stands with few road signs. Although the study focused on roadside stand operations, the finding may be applicable to many other types of retail operations.

**Sales Promotion** includes special activities that involve customer response and involvement, as opposed to advertising, which involves delivering information about a product or business to potential and existing customers. However, product advertising and promotion are frequently used together. For example, an entertainment farming operation may advertise its pumpkin patch while running a free fried pie promotion to customers. Everybody is familiar with promotional strategies like clearance sales, in-store sampling and product give aways.

The following is a list of possible promotional strategies for entertainment farm operations. A variety of promotional and marketing techniques should be used to build consumer interest. Some of the more common promotional or marketing techniques are:

# Sales Promotion

- Design a brochure that explains the attraction of your operation.
- Design and distribute promotional items such as calendars, mugs, pens, note pads or other advertising specialties displaying your company name and logo.
- Explore cross-promotion with a noncompeting business selling to your target market.
- Have your enterprise profiled in the local newspaper.
- Hold an on-site promotional contest.
- Donate a sample of your product to different fund-raising and charity events (e.g., two free passes for the hayride and haunted house).
- Provide local radio personalities with free passes to give away to their listeners as a small token of their appreciation (e.g., two free hayride passes and/or free pumpkins).

Electronic and print advertising and promotions are particularly useful for entertainment farming operations. By advertising and promoting your operation, you are able to reach a large number of potential consumers. The advertisement and promotion can be used to get potential consumers' attention and alert them to your opening and any special events that may be taking place. It is also a good idea to periodically advertise and remind potential customers that you exist.



When deciding on which advertising medium is best for reaching your audience, (i.e., school groups, adults with children or others) it is a good idea to evaluate the following factors:

- The advantages and disadvantages of each medium
- The effectiveness of each medium in relaying your advertising message
- The cost of advertising with each medium
- Each medium's coverage area (e.g., range of radio broadcast, geographical area)
- The demographics of the medium's audience (e.g., newspaper subscriber demographics)
- Audience attention (e.g., percent of exposed customers who are aware of or who can recall an advertisement)

**Publicity** might be considered inexpensive or free advertising. (e.g., a local newspaper running a feature story on your agritainment event). Many times, advertising sources can also provide a business publicity if the media can be convinced that the business has a good story. There are a number of sources of publicity and many times publicity can achieve the same goals as advertising.

- **Television publicity** — You should try and convince one or more local television stations to do a feature story on your operation. This feature story has the potential to reach a very large number of potential customers.
- **Newspaper or magazine publicity** is another way to reach a large audience. Again, newspapers in the target area and other publications or magazines servicing your market should be approached about doing a feature article on your operation.

# Publicity

- **Radio publicity** is another option for informing potential customers that the business exists and what activities and products are available. Again, you may get a local radio station to do a feature story on your business. Radio publicity is immediate and can be used to contact consumers when inventories are high or traffic is slow, e.g., apples are ready for picking.

It takes work and planning to obtain print and electronic media publicity. Possible methods for obtaining print and electronic media publicity include developing media lists and news leads and identifying key people.

A **media list** should be developed. The media list should include local and regional media that are directed toward potential customers. These media provide a means of advertising your operation to potential consumers or even generating publicity for your attraction through feature stories. In addition to providing free publicity, the media list can be a valuable source of “events” for promoting the hayride, haunted trail or other attractions as the media provides information on community events.

Another promotional tool is to contact local radio stations and have your business be a part of an on-air promotional campaign. For example, if you are operating a pick-your-own pumpkin enterprise, you may want to work with a local radio station to give away one free pass that enables the winner to enjoy all the activities at the pick-your-own pumpkin enterprise as part of a listener appreciation campaign. This would generate free radio advertising for the price of a pumpkin, hayride and other activities offered at your business.

**News leads** should be sent to appropriate media each time there is an occasion or event associated with the operation. Such occasions or events could be:

- the 10,000<sup>th</sup> visitor
- new product introductions (e.g. Halloween party October 30<sup>th</sup> )
- the business visited by a notable person

It is very important that the news lead be formatted to meet a particular publication. Editors are not likely to spend the time and effort to rewrite a news lead. A news lead has a better chance of being published if it is easily adapted to the specific format of the newspaper or magazine to which it is being submitted.

**Key people** in selected media should be identified and provided product samples, if applicable, at appropriate times, such as holidays or other occasions. An extensive list of publication editors, radio news editors and local television editors should be compiled and provided samples on holidays or special occasions. These individuals look for interesting stories focusing on the region and could promote your business via a news article or feature story.

Just like selling your business or products to consumers, you will have to sell your business to the media to be considered for a feature story. Before contacting television stations, radio stations or newspapers in your area, there are some simple questions you should have answered to help you effectively and efficiently pitch your

story. The following outlines questions that you should be able to easily and readily answer and even have in front of you when you talk to individuals in the mass media<sup>14</sup>:

- **What is the story?** (two sentence maximum)
- **Who is in the story?** (list the people who can be interviewed, and the area of expertise)
- **When is the best time to air your story?** (Think about the goal you want to achieve getting your story on the air. If you are trying to build participation, the story should be aired prior to your event)
- **Where will the story take place?** (What are the visuals? Will it look good on TV?)
- **Why is this a good story?** (How will the story affect the viewers or listeners?)

### **Monitoring Advertising, Promotion and Publicity Response**

It is critical to measure the effectiveness of your advertising and promotional activities. For example, if you spend \$65 weekly for an ad in your local newspaper, you need to know the level of impact, if any, this advertisement is having on sales or inquiries. You may decide to run one advertisement for two weeks and monitor customer response. You may then decide to change the advertisement and message and run it for another two weeks. By monitoring each advertisement's impact on sales, you may find that one medium or advertisement works better than another in attracting consumers. Experiment with your advertisements and promotional campaigns to determine what works and what does not work for your particular business. This approach should provide you with information that can be used to determine the return on investment (ROI) for each advertising campaign and strategy. The ROI is a simple way to estimate the cost effectiveness of an advertising or promotional campaign by measuring changes in sales or inquiries in relation to advertising and promotional expenditures.

Monitoring the effectiveness of different advertising and promotional strategies can be as simple as asking customers where they heard about your business. If you are using print media or the Internet, you may want to include a coupon that is redeemed at the time of purchase. Your Web page might offer a coupon that can be printed and redeemed at the gate. This will provide an indication of the advertisement's effectiveness. A similar technique can be employed with radio and television advertising. Your ad may end with "mention this advertisement and get 5 percent off" or offer some other incentive.

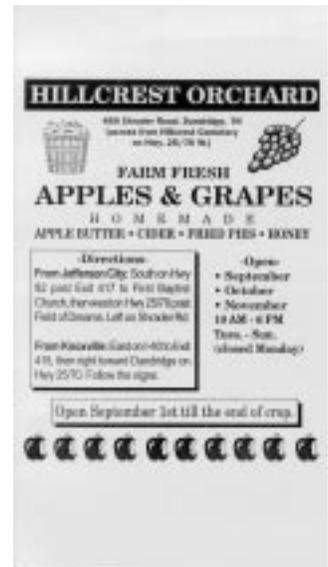
### **Collateral Marketing Materials**

A **logo or trademark** should be developed so it can be registered and cannot be used by another individual or company. Registering the trademarking can be very important, as your logo can be used by other businesses if it is not registered. You could lose the right to use your logo if another individual or business applies for your trademark.

# Publicity

# Marketing Materials

**Flyers and brochures** are a necessity. Many times the brochure or flyer is all that potential customers have to learn about your product and find your business. The brochure is a selling tool by which information about your business and its products is relayed to potential consumers. These materials may not have an immediate impact, but potential customers may take the material with them and refer to it at a later date or show it to others. The brochure or flyer can be used as a handout and/or mail piece. This makes the brochure or flyer a very important part of your marketing material. It is important that you convey your product's desired image and its attractions in the brochure or flyer, as this may be your business's only exposure to potential customers. (e.g., pick-your-own pumpkin at a working farm and experience real molasses making).



A general price list should be incorporated into the brochure or flyer. If you develop a brochure, the price list can be a separate **insert**. A price list **insert** is suggested if you are ordering a large number of brochures or you expect to have a price change before you deplete your supply of brochures. This will allow you to change prices without having to print new brochures. The brochure or flyer should include a list of activities, products, prices, hours of operation, directions, complete mailing address and phone number.

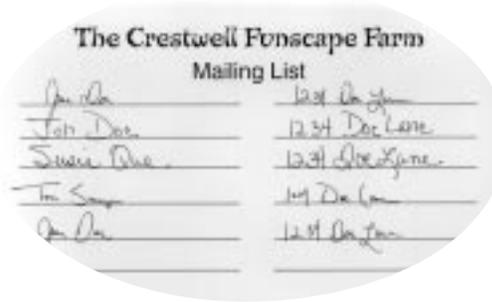
Entertainment farming operations should try and display or distribute brochures/flyers at the following locations:

- 1) Area supermarkets — bulletin boards
- 2) Area convenience stores and gas stations — attach to bulletin boards or tape to the door
- 3) Area schools — take a stack of brochures/flyers to the school secretary and see if he or she will put them in the faculty congregation area
- 4) Area preschools — take a stack and leave at the front desk for parents to see and pick up
- 5) Try to post and distribute brochures/flyers at Little League® or other sporting events
- 6) Identify other activities focused on children and children's activities and post and distribute brochures/flyers (e.g., a gymnastic complex, a karate school or Sunday school).
- 7) Make sure local cafes, filling stations, grocery stores, etc. know directions to the farm.

A good way to start is to develop a brochure and distribute it in the community. Many large school systems prepare a list of tour resources for teachers. Call the school central office and get listed. County Extension offices are often queried about possible farms for tours. Let them know your farm is available.

**Stationery** should be purchased using the company logo. Using company stationery in written correspondence portrays a professional image and an official organization and can also be used to send out news releases and official notices. The logo should be on everything associated with the business, such as brochures, invoices, signs, stationery, business cards, displays, etc. These items can be referred to as your business stationery system and they must be consistent in the image they send to customers. For example, Starbucks® has been diligent in the application of its identity. All visual communication (napkins, coffee bags, store fronts, tabletop promotions, etc.) used by Starbucks® is consistent in the message it projects.

**Mailing lists** are a very important part of informing customers that your business is open and ready for their patronage. They can also be used to inform potential customers of your existence, as well as what you have to offer. Start a registration book to collect basic information (customer's name, address, city, state, ZIP code and telephone number). Gradually, over time, you will compile an extensive mailing list. A comprehensive mailing list provides a means for contacting existing and potential customers via advertising flyers, brochures and price lists.



An **answering machine** can provide a great service to an entertainment farming operation. Besides freeing personnel from answering the phone, the answering machine can have a pre-recorded message that provides callers with pertinent information like the following:

- Hours of operation
- General prices
- Products and/or attractions
- Weather-related issues, “closed today because of rain” or “opening an hour late due to heavy dew”

## VII. Marketing Budget

A marketing budget is a necessity. However, there is no right or wrong way to construct a marketing budget. What you include needs to be based on experiences, what you are comfortable with and what you intend to do. After a creative marketing plan has been developed, money is required to effectively implement the marketing plan. Money must be allocated from the operating budget to cover marketing expenses (e.g., advertising and promotional material, market research, marketing consultants, market development and marketing personnel). The marketing budget should include the cost for all of the advertising and promotional media, travel and expenses, the cost of collecting additional research data, monitoring trends and shifts in the marketplace, developing collateral marketing material and all other marketing-related expenses.

# Marketing Budget

The marketing budget should be developed at the beginning of the year. For the existing business, a good place to start is using the past year's expenses. Additional marketing costs can then be included based on any new marketing or promotional strategies to be implemented in the upcoming year. However, for a new business, marketing costs will have to be estimated based on the upcoming year's marketing plan. The marketing budget costs should not be carved in stone, but should be used as a guide and modified according to the entertainment farming operation's marketing needs and projected income during the year. A rule of thumb would be 5 to 10 percent of expected annual sales or a specified set minimum. Remember that the marketing budget is a tool to help you plan and finance marketing activities. It may be important to increase or decrease your marketing budget as your marketing needs change. For example, next year you may plan to advertise on two radio stations instead of one, thus increasing your marketing expenses by 10 percent. A sample marketing budget is presented in Table 5.

<b>Table 5 - - Sample Marketing Budget</b>		
<b>Marketing Activity</b>	<b>Description</b>	<b>Value</b>
Local newspapers	\$45 per week, 2 weeks, 4 papers	\$360.00
Radio stations	\$250 for remote broadcast and 30 30-second spots	\$250.00
Brochures (printing)	2,000 @ \$0.05 per page	\$100.00
Business cards		\$50.00
Samples/Free Passes	10 @ \$5 each	\$50.00
Direct mail postage	300 letters @ \$0.35 ea.	\$105.00
Signage	5 banners @ farm @ \$30, 2 road signs @ \$30 ea., 5 directional signs @ \$10 ea.	\$260.00
Miscellaneous		\$50.00
Marketing travel	8 trips @ 70 miles each round trip @ \$0.32/mile expenses	\$179.20
<b>Total</b>		<b>\$1,404.20</b>

An infinite number of marketing and promotional activities could be implemented as a means of increasing product awareness and sales. Each type of marketing and or promotional activity has an associated cost that should be considered. The marketing budget is one means of evaluating the different marketing and promotional activities under consideration and deciding on which activities to pursue.

## VIII. Marketing Plan Check List

The marketing check list provides a simple means of tracking the entertainment farm's marketing activities, as well as establishing marketing goals. The check list should be used to record which marketing activities the operation intends to pursue and to track the operation's progress in meeting its marketing goals. For example, the operation may set a goal of attracting school tours over the next year. In the space provided for goals, attracting school tours should be included in the check list. The following provides a very simple example of a marketing check list.

---

### Example Marketing Check List

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- Develop a marketing budget.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Develop business stationery systems (brochures, invoices, signs, stationery, business cards, displays, etc.).  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Develop a media list you would like to contact over the next year — a list of local, regional, national and international media directed toward potential consumers. This would include news lead sources, newspapers, magazines, radio stations and television stations.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Develop a key people list to provide product samples at appropriate occasions.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Develop a Web site.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Start compiling a mailing list, including both businesses and consumers. A good place to start is with the area elementary schools.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.
- Develop a list of potential tour groups you want to contact over the next year.  
**Goals:** \_\_\_\_\_  
Was goal accomplished? \_\_\_\_ Yes \_\_\_\_ No.

# Check List

## Cost & Financial Analysis

According to Eugene F. Dice, Extension Specialist with the Michigan State University Extension Service, if all costs are accounted for, a farmer cannot make money with an outdoor recreation enterprise as a sideline venture. He explains:

*“Far too much ink has been devoted to singing the praises of outdoor recreation sidelines for farmers without a reasonable explanation of either the psychological or economical reality. The “fun” aspect rather than the income potential has been the focus of such articles. What the recreation user does is very detailed in such print, but the cost and income to the owner are usually neglected.*

*Outdoor recreation enterprises do not offer good profit-making sidelines for farming operations. Sidelines of this type usually do not generate enough total dollars to be really attractive as profit makers. Sidelines of any type are necessarily looked upon as small-scale operations. They can consume excessive amounts of family labor, and offer only minimal income as the reward. When costs are applied to family labor inputs, depreciation, facilities, and equipment, taxes and others, the net for the recreation sideline will probably show red.”*

He also notes that many outdoor recreation activities are not always entered in pursuit of maximum economic profit. Rather, some entertainment farming enterprises are actually viewed by the farm family as an exciting distraction that offers them an opportunity to mingle with a variety of other people. They also view the entertainment activities as a way to share their skills and resources and pick up some additional spending money. Dice cautions would-be entertainment farming entrepreneurs to carefully evaluate their purely profit-maximizing objectives.

The following comments were given in reference to the question, where is the **money-making** opportunity in recreation farming?

*“In a strictly management and economic sense, farm-based recreation has to be of such scale as to cater to massive numbers of users. Fees are normally pegged at such a low figure that literally thousands of users must cross the ticket line in order to provide substantial income. When there is an opportunity to capitalize upon the large scale user numbers, it soon becomes evident that a supplemental recreation enterprise is not the answer but rather that the recreation venture itself becomes the major income producer and the entire management and production scheme turns to that activity. Such is the case, for example, with a highly-developed ski area in Saginaw County which consists of two man-made ski slopes, a chalet restaurant, gift shop, a bar, and a ski pro shop. This operation began as a fruit and berry farm with a roadside market.*

*To make money in the outdoor recreation business, one must have access to large numbers of potential customers, develop a good production and marketing program and utilize the recreation business as the major, not the supplemental, activity. The profit opportunity in recreation can only be*

*maximized if the management focuses upon it with all available skill and ability. In this sense, it is far more complex than agricultural production because of the need to provide facilities and programs that will weave together and capitalize on all the peculiar expectations of thousands of people at the site.”*

## Evaluating the Financial Potential

A proper financial analysis for an entertainment farming operation will be heavily influenced by the accuracy of the projected costs. The start-up costs for many entertainment farming activities are often grossly underestimated. It is difficult to estimate the labor expenses for the building phase as well as during the hours of operation. The cost of renovations, liability insurance premiums, signage, parking, restroom facilities, advertisements and promotions are not easy to project. Similarly, revenue projections are complicated by the inability to accurately estimate customer counts as well as variable pricing schemes. However, an attempt **MUST** be made to evaluate the costs and returns of the enterprise.

It is often best to list all the anticipated expenses prior to opening the business. These costs are referred to as start-up costs. Start-up cost estimates should include expenditures for renovations to the farm, parking, long-term signage and labor costs during the start-up phase. An example of start-up cost estimates is given in Table 6.

<b>Expense Item</b>	<b>Cost Estimate</b>
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
<b>Total Start-up Costs</b>	<b>\$12,260<sup>15</sup></b>

Annual expenses that the entertainment enterprise will incur, regardless of how many tourists are hosted, should be listed as annual operating costs. Annual operating costs are overhead-related expenses such as electricity, marketing and promotions, liability insurance, taxes, business license, operating labor, maintenance and management.

# Financial Potential

# Marketing Budget

Payments made toward the start-up costs should also be included in the annual operating costs. If the enterprise generates revenue only from the sale of a general admission charge that includes all activities, then most all of the expenses incurred by the farm will likely fall under the heading of operating costs. An example of annual operating costs is presented in Table 7.

<b>Table 7 - - Annual Operating Cost Estimates</b>	
<b>Expense Item</b>	<b>Cost Estimate</b>
Annual payment to start-up costs	\$4,757
Electricity	\$1,200
Portable restrooms & hand-washing rooms	\$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
<b>Total Annual Operating Costs</b>	<b>\$12,572</b>

However, if the admission charge includes only certain activities, expenses incurred by the farm may best be estimated on a variable cost-per-unit basis. For example, if the enterprise is designed to target school groups at a rate of \$5 per student, the farm will most likely have several expenses that are based on how many school children (groups) visit the farm. If the \$5 admission includes a two-hour, guided stay at the farm, a hayride to the entertainment farming operation, one fresh-picked pumpkin, a miniature pumpkin, an opportunity to paint the mini-pumpkin, two apples and a coloring book, the cost for the farm to provide such items should be estimated on a per-student basis. The costs for this example are given in Table 8.



**Table 8 - - Variable Costs per Student**

<b>Expense Item</b>	<b>Cost Estimate</b>
Two-hour guided stay	\$0.50
Hayride	\$0.10
Pumpkin	\$1.90
Mini-pumpkin	\$0.90
Paint	\$0.20
Two apples	\$0.40
Coloring book	\$0.70
<b>Total Variable Cost Per Student</b>	<b>\$3.80</b>

### **Break-Even Projections**

The point at which the business will break even is where revenue is exactly equal to costs. At this point, no profit is made and no losses are incurred. The break-even point may be expressed as the level of sales required to cover costs. Based on the previously presented information [average admission price (\$5.00), average per unit variable cost (\$3.80) and average annual fixed costs (\$12,573), the number of admissions needed to break even on a cash flow basis is 10,478 [ $\$12,573 / (\$5.00 - \$3.80)$ ].

According to an informal study of farm-tour operations in New York<sup>16</sup>, 78 percent of the businesses reported hosting less than 5,000 visitors, substantially fewer than the number required to break even in the above scenario.

### **General Management Issues**

In addition to the normal economic, marketing, personal and technical considerations of a new farm or business enterprise, entertainment farming activities also must be concerned with many other management issues. The additional issues that must be reckoned with include:

- Regulations
- Taxes
- Insurance
- Labor
- Bio-security & animal welfare
- Risk management
- Public relations skills
- Financial management

# Regulations

## Regulations

**Zoning:** County planning officers or county executives should be contacted for an official statement on the status of county zoning policies.

**Health regulations:** The county health department and the state department of agriculture officials should be contacted for waste-handling regulations.

**Zoo permits & farm animal exhibits registration:** The Animal and Plant Health Inspection Services (APHIS) of USDA should be contacted for information on zoo permits and animal handling regulations. Annual license fee for animal exhibitors ranges from \$30 to \$750, depending on the number of animals exhibited. APHIS regulations state that “anyone exhibiting farm animals for nonagricultural purposes (such as petting zoos) must be licensed.” Contact the regional Animal Care Office for Tennessee at:

USDA, APHIS, AC  
Regional Director 2568-A  
Riva Road, Suite 302  
Annapolis, MD 21401-7400  
(410) 571-8692  
fax: (410) 224-2854

**Food service:** Examples of food-service providers include retail food establishments such as restaurants, hotels, motels and day-care center kitchens. Enforcement is from a state inspector through the county or state health department. A permit should be obtained for the sale of food items, i.e., a concession stand. Temporary permits are issued for those serving food as part of the business on a temporary basis

Tennessee Department of Health  
General Environmental Health  
5th Floor Cordell Hull Bldg.  
Nashville, TN 37247-3901  
Office: (615) 741-7206

**Food & Drug Administration, “Good Manufacturing Practices”:** The Federal Food, Drug and Cosmetic Act (the act) specifies certain “Good Manufacturing Practices in Manufacturing, Packaging or Holding Human Food.” These practices, as written in the act, serve as broad guidelines upon which inspectors with the Tennessee Department of Agriculture (TDA) evaluate commercial food businesses in the state.

A copy of the Code of Federal Regulations, 21 parts 100 - 169 act can be obtained from:

The U.S. Government Printing Office  
Superintendent of Documents  
Mailstop: SSOP  
Washington D.C. 20402-9328  
e-mail: [www.access.gpo.gov/nard/cfr/](http://www.access.gpo.gov/nard/cfr/)

The regulations tell what kinds of buildings, facilities, equipment and maintenance are needed, and the errors to avoid, to ensure sanitation. They also deal with such

matters as building design and construction, lighting, ventilation, toilet and washing facilities, cleaning of equipment, materials handling and vermin control. Food firms which do not have copies of these regulations are urged to request them. Many food materials are intended for further processing and manufacture into finished foods. Such processing in no way relieves the raw materials from the requirements of cleanliness and freedom from deleterious impurities.

Part 110 of the act provides the general guidelines for good manufacturing practices and is divided into four subparts:

- Subpart A— General Provisions
- Subpart B— Buildings and Facilities
- Subpart C— Equipment
- Subpart E— Production & Process Controls

A listing of some of the more pertinent GMP items that should be understood when considering a commercial food production facility are presented in Appendix B.

## Taxes

**Sales tax:** The Tennessee Department of Revenue, Taxpayer Services should be contacted for sales tax information — Educational Unit, Andrew Jackson State Office Building, Nashville, TN 37242, (615)741-2461. The Tennessee sales and use tax is a consumer-oriented tax imposed on the retail sale of tangible personal property and many forms of services. As long as a guide is provided on the farm, no tax will be charged for the “service” of a farm tour. However, if a pumpkin (or other product) is given as part of the admission fee, and if the pumpkin was not raised by the farmer, the farmer will have to pay use tax on the value of the pumpkin, but the farmer cannot charge the use tax to the customer on the admission fee. The use tax is the same rate or percentage as the sales tax, but it must be paid by the farmer for “using” the pumpkin as a part of the admission price. These rules and regulations should be clarified by the Tennessee Department of Revenue Office in Nashville.

**Business tax:** Your county court clerk’s office should be contacted for information on local business license. The business tax is applied and collected by local governmental bodies for the “privilege” of conducting business in their jurisdiction. A minimum tax of \$15 and recording fee plus a variable amount based on sales, ranging from 1/8 of 1 percent for candy stores to 1/60 of 1 percent for food wholesalers is charged. The payment is due within 20 days of opening a business; annually thereafter (based on the assigned classification). The business tax is paid to the county court clerk and the designated city clerk where applicable.

**Income taxes:**<sup>17</sup> Most all agritainment enterprises should have a federal taxpayer identification number (also called an Employer Identification Number (EIN) Form SS-4) so the Internal Revenue Service can process your returns. Most sole proprietors can use their Social Security number. Other tax issues to be considered include income taxes, self-employment tax, employment taxes, excise taxes and depositing taxes.

# Taxes

# Insurance

## Insurance

Insurance coverage is a fairly standard cost of doing business today.

Businesses should evaluate insurance coverage for fire and other hazards, legal liability, property, rental, vehicle, worker's compensation, crime, employee benefits, life & disability and business interruption.

Sometimes, insurance coverage for a small business may be included as part of a personal policy or homeowner's policy.

However, adequate coverage for the business must exist and a separate commercial policy for full protection of the business should be considered. All insurance policies and business records should be kept in a safe location. Make sure that you are not the only person who knows where important business information is stored. A lawyer, accountant or someone else in the business should also be aware of important business information. Having insurance often provides a false sense of security. It is more important to have the right coverage than to just have coverage. It is important to understand the type of coverage your business needs and has. Read and understand the fine print in all policies and re-evaluate your business insurance needs periodically.



A farm operator will likely be held responsible for the safety of persons while they are on farm property. Therefore, liability insurance is suggested for all visitor operations. Contact your farm insurance provider for rates and coverage amounts. A minimum of \$1 million is suggested and a \$2 million policy should be considered.

## Labor

For the inexperienced, managing labor may be the toughest part of a new enterprise. While most characteristics of successful employee-employer relationships are common in everyday communications, they are sometimes easily lost in the business environment. Similar to today's large farm operations, many entertainment farming operations must rely on non-family employees. Leadership, human relations and communications skills are often as important as compensation, benefits and training. Most employees expect an adequate level of compensation, but other factors may serve as motivators as well. It is important for employers and/or managers to understand this and consider it when desires of increased productivity, responsibility and efficiency begin to surface.

Technology and mechanization are often given as primary ways for employers to reduce labor problems. However, most retail businesses are (and likely will continue to be) dependent on human capital. Labor management is a complete study in itself. However, a few items to consider include:

- Functions & responsibilities of the manager
- Developing organizational structure

- Developing job descriptions
- Selecting employees
- Compensating employees
- Employee benefits
- Training employees
- Maintaining morale
- Dealing with problems
- Evaluating performance
- Communicating with employees

### **Bio-security & Animal Welfare**

Farms can be both a source and recipient of contaminants. Livestock and crop enterprises can be damaged by the introduction of diseases carried on the shoes and car tires of tourists. Similarly, farms can also harbor contaminants, chemicals and diseases that could be harmful to visitors. While sanitation and extreme safety steps help minimize problems to the farm and to farm visitors, some farms are simply not good candidates for public tours or entertainment farming activities. Bio-secured poultry and hog farms should carefully weigh the pros and cons of an entertainment farming enterprise before implementation.

Animal welfare is another issue that should be carefully considered. Most farmers understand the relationship between the well-being of their livestock and production yields and, therefore, provide safe, sanitary and healthy conditions. However, livestock operations that do not provide adequate conditions seem to command more publicity. The general public perception that farm animals are mistreated is a growing concern. Therefore, farm operations should implement livestock management practices that are generally accepted and defensible. A livestock operation that is going to also be involved with an entertainment farming enterprise may want to consider asking representatives of the local Humane Society to visit, inspect and evaluate the operation.

Almost all entertainment farming entrepreneurs have stories to tell about a discussion with an animal rights activist. Such confrontations should be expected. While the flavor of such conversations can be uncomfortable, the situation can be turned into an opportunity for the farmer to learn and to teach. The entire labor force of an entertainment farming operation should be prepared to take advantage of such teachable opportunities.

### **Risk Management**

Taking precautions to avoid accidents by customers should be a top priority for agritainment enterprises. However, in the event of an accident, agreements made prior to a visit on the farm may dictate the legal responsibility. Following are explanations for four legal practices that should be understood, adopted from *Sound Advice for Functions and Events* by the Nonprofit Insurance Alliance of California, P.O. Box 8507, Santa Cruz, CA 95061-8507; (800) 359-6422. These and other proactive risk management practices should be discussed with legal counsel.

**Hold Harmless Agreement:** A hold harmless agreement between two parties states that one party will assume the risk of legal liability associated with an event for the

# Risk Management

other party. Usually landlords will include hold harmless language in leases to protect them from being sued if an accident occurs on their property. Farmers may ask on-site vendors to sign hold harmless agreements that release farmers from liability should a vendor-related accident occur on the farm.

**Participant Waivers:** Typically, participant waivers are used when minors are involved in school or camp activities, and would be appropriate for on-farm school tours. The minor's parents or guardians are required to sign the document agreeing to release the farmer from any responsibility for injury to their child. However, the waiver does not absolve farmers from liability for injuries directly caused by their negligence.

**Incident Reporting:** If an incident occurs, the safety point person on your farm should fill out and file an accident report, including contact information of witnesses and accident-site photos, for future reference. Should a claim be presented later, the file should provide sufficient information to begin the investigation. The safety point person also should follow up with the injured party. Many small claims can be averted by demonstrating concern for the individual.

**Vendors and other Independent Contractors:** If the activity provided by vendors or other independent contractors requires a license, check the license to see if it is current. Make sure independent contractors carry insurance before you allow them on your farm.

## Public Relations Skills

Patience, communication skills and interpersonal skills will likely be well-exercised tools on an entertainment farming enterprise. Folks who desire to visit a farm environment may not desire **all** that a farm has to offer — odors, flies, heat, dust, noise. Therefore, some visitors may become vocal, even rude, about their displeasure. A natural response from the farmer might be a defensive one. It is times like this that the farmer may question the decision to have an entertainment farming enterprise.

It is important, however, that farm workers prepare to handle most all routine and unexpected incidences with a smile on their face. Repeat business is critical to an entertainment farming enterprise. Therefore, it is critical that farm tourists enjoy their visit and desire to return. When dealing with the public, farm workers should be able to speak clearly and accurately on the farm practices and handle questions or challenges with a substantial amount of grace and humor.

## Financial Management

Financial records for an entertainment farming enterprise should be regularly maintained and evaluated. An appropriate accounting system that allows easy entry, retrieval and analysis of cost, revenue and productivity information should be used. If an entertainment enterprise is added as a sideline to the overall farm operation, a method to distinguish between the financial activities of the entertainment enterprise and the overall farm activities is suggested.

## Summary

With a diverse agricultural industry and strong entertainment and tourism industries, Tennessee has many opportunities for agritainment enterprises. From seasonal pumpkin patches and orchard tours to pick-your-own produce and hayrides, Tennessee farmers have many agritainment options to consider. However, agritainment enterprises are rarely “build it and they will come” successes. Agritainment enterprises require significant consideration and planning. Regulations, publicity, labor and scheduling must be evaluated. Start-up costs can be expensive and the volume of customers needed to break-even is often staggering. However, agritainment enterprises can provide farm families with additional revenues and opportunities to promote a farm atmosphere to an ever-changing public.



# Public Relations

## Appendices

### APPENDIX A

#### Considerations for School Tours<sup>18</sup>

Today, many school children are four and five generations removed from the farm. However, most elementary classes study about harvesting in the fall. Teachers often find that a visit to a farm is an enjoyable way to reinforce much of this educational effort and give it an added dimension.

Because many elementary school lessons are related to agriculture and children's lack of awareness about farming, there is considerable demand for educational farm tours for preschoolers and early primary students. This demand offers profit potential as well as an opportunity for community service.

Probably the most important consideration for farm tours is to meet the needs of the group. Field trips need pleasant weather, coordination with school studies, compatibility with school rules (no field trips the first three weeks of school is a common rule), a safe environment, reasonable travel distance and compatibility with bus schedules and school hours.

Most producers try to emphasize the educational aspects of their farm by using fun experiences. Often agricultural products are demonstrated, served and discussed. Tour participants may learn about bees and why they are important to fruit producers while observing bee-handling procedures (demonstrate bee veil, gloves and smoker) or they may watch an apple-sorting machine drop apples into various slots while sizing. The basic principle is to inventory things on the farm that have interesting possibilities and build the tour around them, keeping in mind the limitations of safety. A few things to look for are listed below.

- 1) Limit access to dangerous attractions like accessible machinery, farm ponds, wells, bee hives and wild bee nests, climbable trees and standing ladders.
- 2) Avoid automobile traffic intermixed with school children.
- 3) Modify the tour for preschoolers, as they are often enrolled in day care and make frequent field trips. The motive is not always educational, but they can learn a lot — although their attention span is short. They usually come in cars or vans, often in rather small groups.
- 4) Good bus accessibility is a decided advantage, but one has to avoid major expenditures to accommodate tours, since the revenue flow often will not justify the expense. Bus drivers will especially want better parking, turn-around areas and good access to roads.
- 5) It is absolutely necessary to have bathrooms for young children. Port-a-potties are one solution, but they need frequent attention when little ones

use them to assure cleanliness and toilet paper availability. Tours over long distances on the farm may need more than one bathroom location because bathroom breaks cannot be totally scheduled.

- 6) If school tours are planned at on-farm markets, keep sale items out of reach of children as they tour the market. Some just can't keep their hands off attractive merchandise.
- 7) Have a sticker, badge or something to place on each paying tour member when non-payers accompany the tour, else you cannot single out paying members for snacks, rides and gifts.
- 8) Credit and collection can be a problem. One teacher may make arrangements for several classes, while another participating teacher may not. Some schools have payment procedures that limit teacher's ability to get checks except on specific days and/or only in response to an invoice. Be prepared to give receipts because many schools require them.
- 9) Spell out tour arrangements and the requirement for payment at time of the tour. Also spell out the policy on "missing children" who had reservations but did not show. A 10 percent leeway on actual attendance versus the reservation is recommended. A charge for missing students that exceeds the leeway should be imposed. After all, if you expect 100 and only 50 show up, you have the preparation expense for 100. This reservation charge will encourage teachers to notify you if classes plan to cancel their participation. Also make it clear who is to pay: students, teachers, parents and/or chaperones. You should also consider allowing teachers and perhaps a reasonable number of chaperones to be admitted free. Chaperones can help a lot with managing the children. But too many "free" parents can bankrupt the tour.
- 10) Have a minimum tour size or reserve the right to combine small groups with other tour groups.
- 11) Have a detailed cancellation policy or alternative plans in case of inclement weather. A policy must be devised to accommodate customers in the event of an unexpected event or bad weather that may require the field trip to be postponed or delayed. You should plan to maintain close contact with the teacher concerning rainy days.
- 12) Have a form letter outlining tour policies, including the requirement for specific parental permission, charges, expected arrival times, names of contact persons, general features of the tour-bus access, parking and unloading, picnicking and expected level of school responsibility for the well-being of students. Adverse weather arrangements could be mentioned and whether the farm market will be open for sales during the tour. Request that information be provided on any child requiring special treatment due to allergies, handicaps or special medical needs. It is particularly important to know about allergies to bee stings. If you have a good relationship with a lawyer, it might pay to ask him or her to help you design the

# Appendices

letter to reduce your liability as much as possible. A contract signed by a school administrator setting forth responsibilities, charges and non-assumption of school liability would be helpful in case of disputes or legal action. Keep the school as the tour sponsor rather than the farm.

- 13) Children love to ride on tractors, wagons and in bulk bins. This is a highlight of many tours, along with harvesting a product. Loading and unloading need to be carefully designed to reduce danger to tour members. It is a good idea to load all guests before any machinery starts. Teachers need to be briefed on this phase of the tour to cooperate fully. Insurance must be carried to cover these rides.



## APPENDIX B

### Food & Drug Administration Good Manufacturing Practices Highlights

The following abbreviated list should not be used as the only reference when building, planning or considering a commercial food operation. It should merely be used as a resource to gain a better understanding of the types of practices that the act specifies. The entire act itself should be studied. It is also a good idea to use the good manufacturing practices as a guideline to “draft” a sketch, diagram or blueprint of your planned facility. The sketch can then be submitted to the TDA inspector in your area for review and comment.

- All persons working in direct contact with food, food-contact surfaces and food-packaging materials shall conform to hygienic practices while on duty to the extent necessary to protect against contamination of food.
- Workers should wear garments suitable to the operation, maintain personal cleanliness, washing hands, removing all unsecured jewelry and wear gloves.
- Workers should wear hairnets, headbands, caps and beard covers where appropriate and should take precautions to protect against contamination of food.
- The grounds shall be kept in a condition that will protect against the contamination of food.
- Roads, yards and parking lots should be maintained so that they do not constitute a source of contamination.
- Areas that may contribute to contamination should be adequately drained.
- Operating systems for waste treatment and disposal should function in a manner so that they do not constitute a source of contamination.
- Sufficient space should be provided for placement of equipment and storage of materials for maintenance.

- Operations in which contamination is likely to occur should be separated.
- Floors, walls and ceilings should be built as to be adequately cleaned and kept clean and in good repair.
- Aisles or working spaces should be provided between equipment and walls, adequately unobstructed and of adequate width to permit employees to perform their duties and to protect against contaminating food.
- Adequate lighting in hand-washing areas and in all areas where food is examined, processed or stored and where equipment or utensils are cleaned should be provided
- Safety-type light bulbs should be used.
- Adequate ventilation should be provided to minimize odors and vapors.
- Adequate screening or other protection against pests should be provided.
- Buildings, fixtures and facilities shall be maintained in a sanitary condition and kept in repair.
- Toxic cleaning compounds and pesticide chemicals shall be identified and stored in a manner that protects against contamination of food.
- No pests shall be allowed in any area of a food plant.
- Effective measures shall be taken to exclude pests from the processing areas and to protect against food contamination.
- Food-contact surfaces, including utensils, shall be cleaned as frequently as necessary to protect against contamination of food.
- Cleaned and sanitized portable equipment with food-contact surfaces should be stored to protect food-contact surfaces from contamination.
- Each plant shall be equipped with adequate sanitary facilities and accommodations including a water supply sufficient for the operations intended
- Plumbing and sewage system should be of adequate size and design.
- Each plant shall provide its employees with adequate, readily-accessible toilet facilities and hand-washing facilities shall be adequate and convenient
- All plant equipment and utensils shall be so designed and of such material and workmanship as to be adequately cleanable, and shall be properly maintained.

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- All equipment should be so installed and maintained as to facilitate the cleaning of the equipment and of all adjacent spaces. Food-contact surfaces shall be corrosion-resistant when in contact with food.
- Equipment that is in the manufacturing or food-handling area and does not come into contact with food shall be so constructed that it can be kept in a clean condition
- Raw materials and other ingredients susceptible to contamination with aflatoxin or other natural toxins shall comply with current Food and Drug Administration regulations, guidelines, and action levels for poisonous or deleterious substances before these materials or ingredients are incorporated into finished food. Compliance with these requirements may be accomplished by purchasing raw materials and other ingredients under a supplier's guarantee or certification, or may be verified by analyzing these materials and ingredients for aflatoxin and other natural toxins.

## Notes

- <sup>1</sup> Adapted from: [A Guide for a Feasibility Study of Recreation Enterprises](#), James E. Neal & John K. Trocke, Michigan State University, Tourism Educational Materials - 33119707, 10-22-98. [Http://www.msue.msu.edu/msue/imp/modtd/33119707.html](http://www.msue.msu.edu/msue/imp/modtd/33119707.html)
- <sup>2</sup> Tennessee Blue Book 1997 - 1998.
- <sup>3</sup> “Agritainment” is another new term used to describe entertainment farming enterprises.
- <sup>4</sup> South Okanagan Direct Farm Marketing Association, <http://www.island.net/~awpb/aware/id36.htm>
- <sup>5</sup> David Fogarty and Mitch Renkow, “Agritourism Opportunities for North Carolina,” Resource Economics and Policy, Applied Resource Economics and Policy Group, Department of Agricultural & Resource Economics.
- <sup>6</sup> Fogart, David and Mitch Renkow, Agricultural Agent and Department of Rural Economics, “Agritourism Opportunities for North Carolina”, North Carolina State University.
- <sup>7</sup> [Agritourism in New York State: Opportunities and Challenges in Farm-Based Recreation and Hospitality](#), Duncan Hilchey, Farming Alternatives Program, Department of Rural Sociology, Cornell University, November 1993.
- <sup>8</sup> Creating a Marketing Plan; E.A. Estes and C.W. Coale, Jr., 1995 North American Farmers’ Direct Marketing Conference, Knoxville, TN
- <sup>9</sup> School Tours to Farms – A Marketing Tool. Robert P. Jenkins, February 1996 - an adaption of this document can be found in Appendix A.
- <sup>10</sup> “Should I Grow Fruits and Vegetables? Roadside Stands,” Loyd, Renee, M. and Daniel S. Tilley. Oklahoma State University Extension Service, Facts, No. 186.
- <sup>11</sup> Survey conducted by the Agricultural Development Center.
- <sup>12</sup> Marketing Channels: Pick-Your-Own and Agri-Entertainment,” Greer, Lane ATTRA Technical Specialist. February, 1998.
- <sup>13</sup> Source: “Should I Grow Fruits and Vegetables Roadside Stands,” Loyd, Renee, M. and Daniel S. Tilley. Oklahoma State University Extension Service, Facts No. 186.
- <sup>14</sup> “Story Pitch Sheet.” Tammy Algood, Food Marketing Specialist, University of Tennessee Agricultural Extension Service.

# Notes

# Notes

- <sup>15</sup> If the entrepreneur plans to repay all of the start-up expenses in three years at 8 percent interest, approximately \$4,757 will be needed each year for the three-year payback period.
- <sup>16</sup> [Agritourism in New York State: Opportunities and Challenges in Farm-Based Recreation and Hospitality](#), Duncan Hilchey, Farming Alternatives Program, Department of Rural Sociology, Cornell University, November 1993.
- <sup>17</sup> Information pertaining to taxes adapted from the State of Tennessee Website for “Information for the Business Owner” <http://www.state.tn.us/ecd/smbus/>
- <sup>18</sup> Adapted from [School Tours to Farms - - A Marketing Tool](#), Robert P. Jenkins, Professor, Agricultural Economics, The University of Tennessee Agricultural Extension Service, February 1996, AE & RD Info. # 49.

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