

Deciding to Diversify: A Case Study of Seven Virginia Farm Businesses

Keith Dickinson

How to keep land in agriculture is a frequently asked question. Value added, specialty crops, and agri-tourism have all been offered as the solutions to the question. For many Virginia farmers, traditional crops and livestock are their mainstay because they have experience with producing them. But interest in value-added production, specialty crops, and agri-tourism has been consistently increasing among the mainstream of agricultural producers in Virginia.

This trend can be easily seen as one drives through the countryside and sees the increasing number of signs along the highways for corn mazes, pick-your-own farms, pumpkin patches, and the like. Extension agents are getting an increasing number of questions from producers requesting information on how to implement some of these enterprises. Even the farm press is diverging from the usual stories of "who has the biggest farm" to some of the more diverse and unique enterprises.

During the summer of 2001, seven diversified farm business managers/owners across the Commonwealth (Table 1) were interviewed to study the motivations for and issues related to adding new enterprises to the farm business. This study sought to answer the "why" and "how" questions about farm diversification to help producers understand the key issues they will face as they seek to diversify their farms. The farmers who were interviewed were purposefully varied in size, geographic region, and primary commodity produced on the farm. Some examples of new enterprises added include pumpkins, corn mazes, retail farm markets, and pick-your-own strawberries.

"... about two months out of the year you are backed clear up against the wall, but rest of the year you can go your own pace."

Motivation for Farm Diversification

The primary motivation of all the farmers interviewed for this study on diversification is to increase the net income of the farm business. Risk management, increased family living expenses, and creating opportunities for the future of the farm were all secondary motivations for farm businesses to diversify. Most participants cited decreasing prices for the traditional commodities from their farms and increasing prices of farm inputs as primary factors resulting in the need to increase the farm income.

Common Themes

Be Patient when Diversifying

A common piece of advice given by the farmers who had been involved in diversification for several years was to be patient with new enterprises. New enterprises take time to establish and often will not appear successful in the early

Table 1. Summary of Case Study Farm Businesses

Region	Principal enterprises	Acres in farm	Diversified enterprises
Southwest	Dairy	250	Produce, pumpkins, beef cattle, agri-tourism
Northwest	Dairy, apples	300	Pumpkins, produce, agri-tourism
Northwest	Orchard	1,000	Retail stand, produce, agri-tourism
Northern	Dairy, grains	1,200	Produce, agri-tourism
Southside	Tobacco, produce	750	Produce, agri-tourism
Central	Hay, tobacco	300	Produce, cattle
Southeast	Grain	2,200	Cotton, strawberries

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stages. Many related experiences where they had nearly given up on an enterprise after the first year or two but found them to be profitable given more time. This time lag is particularly true in the case of agri-tourism and direct marketing enterprises. Those farmers who had added these types of enterprises experienced few customers in their first year or two of operations while they were “getting the word out” about their businesses. It was not until at least the second year and sometimes the third year that they saw their customer levels high enough to provide income as high or higher than the original farm operation. The participating farmers were quick to point out that not all new enterprises or activities will be successful. Farmers trying to diversify their farm businesses need to be able to handle both emotional and financial disappointments along the way.

“...you got to stick with it to see what it (is) going to do.”

Stretched Too Thin

One of the consequences of adding enterprises to the farm was increasing the work load of the producers. New activities often required additional hours of work during the seasons when various enterprises overlapped: the primary downside to the addition of new enterprises, according to most participants. The farmers juggled the costs of additional work with the benefits of a more secure financial situation. Occasionally some jobs would not get done completely or effectively, which would result in reduced yields or performance of the various enterprises. Several farmers related that they did not foresee the full impact that the addition of new enterprises would have on their existing enterprises. However, in spite of the drawbacks, the participants largely felt content in their decisions. While not all were completely satisfied with their work loads, they felt that the extra work was worth the rewards that they received in both additional income and a reduction in stress over financial issues. The additional work was a continuing concern, and many felt that they would have difficulty in trying to take on any additional work load if it became necessary.

Enjoy What They Do

Success and motivation of the farmers who diversified their farms is explained in great part because they enjoy what they do. The theme has many levels. Producers not only need to enjoy what they do but also need to enjoy the way that they do it. While participants began diversifying

their farm businesses because they needed to increase their income, the selection of specific enterprises was shaped in large part by the desire of each producer to do something that he/she would enjoy. The enterprise selected was not always the one with highest potential income; sometimes a life-style motivation was more important than the financial motivation. Since adding a new enterprise to the farm usually increases the work load for the farm family, selecting enterprises that provide personal satisfaction and enjoyment make the increased work load more tolerable. Financial rewards alone do not appear to be enough of a motivation to accept the long hours and hard work associated with a diversified farm.

Keep Changing

Interviewed farmers new to diversification were focused on the initial change and did not foresee the changes that might be needed in the future. On the other hand, participants involved in diversification for a number of years recognized the importance of continually changing the product mix, advertising, production practices, and so forth of the enterprises on the farm. Participants’ advice to others is to continually add enterprises through small changes rather than making wholesale changes to the entire farm business. They recommend that farmers wanting to diversify keep changing the enterprise until it works rather than trying it one way, finding that way does not produce the desired results, and giving up.

“...I think that the future of agriculture is promising to the person that can see past the way their dad did it...”

Go against Tradition

The farmers participating in this study could be described as innovators with their farm enterprise decisions. They actively sought new, emerging agricultural activities and enterprises. Producers need to learn to avoid letting tradition alone dictate their diversification decisions. A common observation made by the participants is that producers often fail to see beyond the range of vision of previous generations on the farm. This state of “having the blinders on” limits producers from realizing new and emerging opportunities. The participants in this study saw this condition as a common constraint for many of their peers and questioned their own willingness to pursue diversifying as a result.

Quality of Life Perspective Changes with Experience

The perception of quality of life issues changed as the participants' lifestyles changed to accommodate the added enterprises. Although all participants recognized that reaching the goal of increased farm income would make them feel more secure financially, they did not anticipate the positive quality of life changes that a successful new enterprise might bring. What started with misgivings because of long hours became hope of future security and the satisfaction of a more rewarding lifestyle. The reduction of financial burdens was a great relief to these participants. They found that as their financial worries decreased, they were able to enjoy the work more and did not mind the increased work load that the new enterprises brought with them. Some participants anticipated this change early in the planning of their new enterprises, while others focused on the worries of longer hours.

Implications

What do these common themes mean to other farm families thinking of adding new enterprises to their farms?

➤ Farmers should look for enterprises that they would enjoy. They must realize that new enterprises will often lead to longer working hours during certain times of the year. If they enjoy the work involved with that enterprise, dealing with the long hours is much easier.

➤ Farmers need to be careful to not let tradition keep them from trying new ventures.

➤ Keeping up with changing markets and production conditions is necessary even for managers/owners of diversified farm businesses.

➤ Labor and resource management is critical with diversification. Farmers need to plan for the resource strains that new enterprises will place on the farm.

“... you've got to keep on your toes and see what's going on...”

Adding new enterprises to the farm does not follow a single path or process. The way these enterprises become part of an existing operation is as diverse as the enterprises themselves and the people who seek to implement them. Farmers who add new enterprises need to be patient and prepared both emotionally and financially for the possibility of failures along the way. The way that farmers think about themselves and their farms needs to change as they add new enterprises. Farmers must have the desire and ability to learn new and different types of marketing, management, and production skills.

Editor's Note

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****New from REAP:** *Role of Demand in Production Investment Decisions: The Case of the Virginia Wine Industry* by Wayne Purcell and Karen Mundy. This REAP Report describes the importance of knowing the demand for a product when decisions are being made about expanding production or developing pricing strategies. It is available on the REAP website: <http://www.reap.vt.edu>. If you are unable to download it, please contact the REAP office for a hard copy.

****In the planning stage:** a REAP conference in Southside to focus on the effects of the USDA peanut program on Virginia peanut producers. The conference will be held in late summer or early fall. Watch for place, time, date, and specific topics which will be made available as plans are cotified.

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