

AGRI-TOURISM



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AGRI-TOURISM

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FOREWORD



Agri-tourism can provide new ways to utilize your existing farm or agribusiness.



Agri-tourism gives those unfamiliar with agriculture the opportunity to learn more about it.

Poor agricultural commodity prices coupled with rising input costs are slowly but substantially eroding small farm incomes in the Commonwealth of Virginia. Further, forces such as globalization, industrialization, and development encroachment are threatening small farms. As a result, farmers are acquiring second jobs or leaving their farms altogether in order to sustain their household incomes. Statistics from the Virginia Agriculture Census indicate that:

- The number of Virginia farms declined 2.7 percent from 1992 to 1997. This amounts to approximately 225 lost farms per year. Decreases in the number of farms across the commonwealth were largest among the smallest farm size groups (1-49 acres and 50-179 acres). The loss of approximately 600 small farms of 1-49 acres is equal to nearly one-half the net loss of all Virginia farms.
- Farm production expenses rose 13 percent from 1992 to 1997.
- Fewer operators are reporting that farming is their primary occupation. More than 16,000 operators reported working 200 or more days off the farm in 1997.

In many regions across the globe, farmers are recognizing the need and desire to diversify their farm products and supplement their agricultural incomes. With an agricultural economy that has remained stagnant for the last 10 years in the commonwealth, Virginia farmers have tremendous opportunity to diversify their list of product and service offerings with agricultural tourism. Agricultural tourism increases the potential for higher margin, on-farm sales of value-adding products and services, further diversifying the product line of the farm operation.

The Small Farm Center at the University of California-Davis defines agricultural tourism as “the act of visiting a working farm or any agricultural, horticultural, or agribusiness operation for the purpose of enjoyment, education, or active involvement in the activities of the farm or operation.”¹ Agricultural tourism allows farm operators to increase income through a variety of service initiatives such as farm demonstrations, harvest festivals, farm vacations, school group tours, hay rides, pick-your-own crop harvests, bed and breakfasts, campgrounds, crop mazes, and a host of other products and services. These services can be tailored to specific seasons in order to complement farm production.

Travel and tourism are big businesses across the globe. In the United States alone, leisure travelers spend more than 341 billion dollars and support more than 5.85 million jobs. The purpose of this handbook is to provide farmers with basic information on how to use tourism as an additional product offering on the farm. This practical tool can help farmers decide whether or not to enhance their incomes with tourism activities.

¹ Lobo, R. 2000. Helpful agricultural tourism definitions. University of California Small Farm Center, Cooperative Extension. www.sfc.ucdavis.edu.

INTRODUCTION TO AGRI-TOURISM

Description

In general, *agri-tourism* is the practice of attracting travelers or visitors to an area or areas used primarily for agricultural purposes. Very often, the idea of tourism stimulates images of mass-produced travel that attracts a large number of travelers. These images may discourage small business owners from considering tourism as an option for enhancing their agriculture revenues. However, agri-tourism can be viewed much like eco-tourism in that it is small-scale, low-impact, and, in most cases, education-focused.

Because the majority of farms in Virginia are operated by small landowners, opportunities for uniqueness and customization are limitless. Many agri-tourism activities require only a small farm crew in order to be successful. For instance, farm tours, bed and breakfasts, hay rides, petting zoos, and many other activities may be operated with little additional investment in labor. On the next page is a list of a few things that a farm operator may offer to tourists. The business operator is limited only by his or her own creativity.

Examples of agri-tourism activities

Overnight stays: Lodging and camping

- bed and breakfast
- camp sites
- youth camp
- farm vacation (farm stays, feeding animals, picking fruit/vegetables)
- rental cabin for day trips/picnics
- weddings, receptions, honeymoons

Special events and festivals

- music festivals
- haunted house, haunted hay ride
- holiday celebrations
- harvest festivals

Off the farm

- Farmers' markets
- Vendor at state and county fairs
- Roadside produce stands

Recreation activities and events

- fee fishing
- skeet shooting
- canoe livery
- biking
- corn maze
- horseback riding
- 3-D archery course fee hunting
- bird watching
- hiking
- hang gliding
- hot air balloon rides
- rock climbing/rappelling
- cross country skiing



Tourism can increase the viability of your farm.



Agri-tourism can be many things, from a food market to horse and pony riding.





Selling products produced on your farm can be an extra source of income.

Fresh products and value-added products:

Tourism-enhanced direct marketing

- pick your own fruit/vegetables
- sell canned foods on farm: apple butter, relishes, wine, honey, jams and jellies
- sell herbal/organic products: candles, salves, tinctures, potpourri, wool, handmade sweaters

Youth and/or adult education

- organized tours: school groups, senior groups, church groups, tour groups
- agricultural education programs: how to grow apples, how to care for cattle
- nature education programs: wildlife, trees
- demonstrations: goat cheese making, wine making, honey making, apple butter making, heritage crafts

WHERE DOES TOURISM FIT INTO MY FARM PLAN?



It is vital to understand what type of enterprise you will use your farm for.

Supplementary, complementary, and primary enterprises

Tourism can be:

A supplementary enterprise. As a supplementary enterprise, agri-tourism could be a minor activity that would support the other products on your farm. For instance, if your primary enterprise is livestock production, you may decide to invite school groups to your farm several days a month to learn about your animals and your occupation. Occasionally hosting guests on your farm would make agri-tourism a supplementary enterprise to your primary enterprise as long as the agri-tourism activities were a minor part of your farm product mix.

A complementary enterprise. As a complementary enterprise, agri-tourism activities would share equal footing with other enterprises in your farm product mix. For example, you may have an apple production enterprise on your farm. If you were to sell half of your apples to a wholesaler and the remainder to “pick-your-own” guests on your farm, then the two enterprises (the wholesale market and the direct market) would be complementary enterprises.

The primary enterprise. As the primary enterprise, agri-tourism would be the dominant activity on your farm. For instance, you may decide to open a winery on your farm and invite guests to spend the day or the weekend tasting wine. As part of the wine tasting package, you may include overnight lodging in a cottage on your property. You may produce grapes for the wine on your farm to supplement your wine tasting activities. However, because agri-tourism is the main part of your farm product mix, it becomes your primary enterprise.

It is important for you, as a farmer, to realize that agri-tourism has the potential to become whatever you want it to be on your farm. Whether you use agri-tourism as a supplementary, complementary, or primary enterprise, you must be ready to think creatively and plan effectively in order for your new enterprise to be successful.



A winery could comprise the primary enterprise of your farm.

Highlight: Johnson’s Orchards and Peaks of Otter Wineries

Johnson’s Orchards in Bedford, Virginia, is a good example of a farm whose tourism activities complement its agricultural activities. When a harsh winter threatened the farm’s apple production in the early 1980s, the Johnsons opened their farm to school groups and other guests for pick-your-own apple activities. Seeing additional potential for inviting tourists to their farm, the family refurbished and opened the original farmhouse for overnight guests. Now, a combination of direct marketing (pick-your-own), lodging, and a new winery supplement the original major enterprise of apple production.

Highlight: Shenandoah Acres Resort

Shenandoah Acres Resort in Stuarts Draft, Virginia, is a good example of a farm whose primary enterprise is tourism. Nestled in the Shenandoah Valley, the 300-acre property originally hosted orchards, cranberry bogs, and a small pond. In the 1930s, Dr. William Dodge charged visitors ten cents per day to swim and picnic on his property. In 1935, the Blacka family purchased the farm and transformed it into “America’s Finest Inland Beach.” Today, the resort features 250 camp sites, 35 rental units, a sand-bottom swimming lake, horseback riding, miniature golf, and tennis.

HOW DO I DO IT?

After reading the first few sections of this handbook, you may think that agri-tourism seems like a viable alternative agricultural product. In fact, you may be asking yourself, “How can I make agri-tourism work on my farm?” This section is designed to help you answer that question. Since everyone is not suited for carrying out agri-tourism activities on their farms, you first will need to determine whether or not agri-tourism is an appropriate option for you. Once you have decided that you are ready to try agri-tourism, you will need to set goals, assess your resources, and develop a business plan. This section walks you through the decision-making process, using Chuck and Ann Farmer’s small, fictional dairy farm as an illustration. The illustrations will highlight the following five steps of business planning:

1. Personal assessment
2. Business goals and objectives
3. External resources
4. Internal resource assessment
5. Business plan

Personal assessment

There are many reasons to consider adding tourism activities to your list of farm products and services. Prior to investing in agri-tourism, you must carefully analyze your potential as a host and your resources available for investment in an agri-tourism venture. Proper planning and analysis will substantially increase your chances at success. If you have ever had a good experience on a vacation or while visiting someone else’s farm, you may have an idea of what it takes to provide a good guest experience. It is essential for you to evaluate yourself and your family to ensure that you have the ability to be a gracious, thoughtful host to guests. In order to assist you in making this decision, you should ask yourself the following questions:

- Does my family like meeting all types of people?
- Do I like to entertain strangers?
- Do I mind giving up some of my privacy at home?
- Can I always be cheerful and helpful around my guests?
- Are my farm and guest facilities always neat and clean (or can I ensure that they will be)?
- Am I successful at managing and organizing my home and farm expenses?

If you answered “yes” to all of these questions, then you might have what it takes to operate a successful agri-tourism business. If you were not able to answer “yes” to all of the questions, you may not be a good candidate for an agri-tourism business.

Before embarking on an agri-tourism venture, you will want to weigh the costs and benefits of such an investment. Below is a list of potential advantages and disadvantages to hosting tourists on your farm. Consider this list and add any items that you believe may apply.

Possible advantages

- Diversify and bolster income sources
- Share challenges and satisfactions of your lifestyle with others



Proper planning is necessary to decide how to best use your farm.



Personal assessment should identify what type of person you are, and who you want your agri-tourism business to serve.



- Develop interpersonal and communication skills
- Agri-tourism activities may take place on a small scale
- Recreation guests represent a high-value, low-volume market
- Relatively inexpensive

Possible disadvantages

- May require additional money and time
- Planning can be tedious and frustrating
- May impact some family members negatively
- Additional risks involved in allowing visitors on your property
- Additional guest facilities may require additional time and money
- Adding products and services is a long-term process



Consider carefully the advantages and disadvantages of starting an agri-tourism enterprise.

Chuck and Ann's personal assessment

Chuck and Ann read the “personal assessment” section of this handbook and answered “yes” to all of the questions. They and their children were excited about the idea of hosting guests on their farm. However, they were disappointed to find out that they wouldn't be able to make their agri-tourism project work overnight. They decided that they should continue reading this handbook to discover the other things they would need to consider before implementing their agri-tourism project.

Business goals and objectives

Before you write a strategic business plan for your agri-tourism enterprise, you should outline your business goals and objectives. If you are interested in adding tourism activities to your farm, consider the goals and objectives that you already have established for your farm. If tourism fits neatly into your current goals and objectives, then you are on your way to beginning an agri-tourism business. If tourism does not fit neatly into your current goals and objectives, you may want to either reconsider your objectives or consider a different alternative enterprise.

Chuck and Ann's business goals and objectives

Chuck and Ann's next step was to examine their current goals and compare them to their new goals. Because they had written a business plan several years ago, they already had their current goals written down. Their current goals are:

- Increase the farm revenues by at least 5% each year
- Control costs
- Produce quality milk
- Retire by age 65 and pass the dairy business on to their children

Chuck and Ann have noticed over the years that commodity prices (including milk) have declined. They have found it difficult to increase their farm revenues while controlling costs. Their children have agreed to help them provide group tours of the dairy farm, charging a marginal fee to each visitor. If the new supplemental exercise is successful, they may decide to embrace additional agri-tourism activities. Their goals for the new enterprise are:

- Increase farm revenues with fee-based group tours of dairy
- Begin by offering tours to local groups (schools, 4-H groups, seniors, clubs/organizations), then expand outside the community



Consider your goals and objectives carefully before starting a new agribusiness.

External resources

Once you have set goals and objectives for your new agri-tourism enterprise, you may want to discuss your plans with other people in the field who have experience in implementing agri-tourism projects. Here is a list of useful external resources with a description of how each contact can help you:

Your local Extension office has additional materials on subjects related to agri-tourism (marketing, value-added strategies, best management practices, alternative agriculture, etc.). Extension agents can set up panel discussions with other farmers who already have implemented agri-tourism projects on their farms. In addition, your agents may have special experience in guiding farmers through the agri-tourism development process.

Your local Convention and Visitors' Bureau (CVB) can help promote your agri-tourism business along with other local businesses in your destination area. In addition, the CVB may be able to provide you information about the tourists who visit your area (where they are from, what kinds of things they like to do, etc.).

Your local Destination Marketing Organization (DMO) can help you promote your agri-tourism business along with other local businesses in your destination area.

Faculty at Virginia Tech (Public Services Programs and the Departments of Agricultural and Applied Economics (AAEC) and Hospitality and Tourism Management) and Virginia State University's Cooperative Extension Program can provide additional sources of information on agri-tourism enterprises. Like your local Extension agent, faculty members at Virginia Tech and Virginia State University can put you in contact with other folks who have experience implementing agri-tourism projects on their farm.

The Virginia Tourism Corporation (VTC) also can help you promote your farm as a tourism destination.

Chuck and Ann's external resources

Chuck and Ann figured that beginning group tours on their farm would be easy: they had everything they needed (the barn, the cows, the milking equipment). Their children agreed to help by filling in as tour guides and providing refreshments for the guests. The only thing they did not have was the guests. To get help on this matter, they first contacted their county's Virginia Cooperative Extension office. Their agent said that she had some printed materials in her office regarding agri-tourism that she would be happy to share with them. Since she had received several calls from other farmers interested in learning more about agri-tourism, she agreed to set up an educational program for them. As part of the workshop, she invited two farmers from the adjacent county with experience in agri-tourism, a representative from the local Destination Marketing Organization, and a representative from the area Convention and Visitors' Bureau. The participants received lots of good information about beginning an agri-tourism project on their farms.

Internal resource assessment

So far, you probably have decided that you would like to try adding one or more tourism activities to your farm. You may have even discovered by answering positively to the questions in the *personal assessment* subsection of this handbook that you and your family are good candidates for agri-tourism. When you go through the process of contacting external resources, you will uncover additional considerations involved in developing agri-tourism activities on your farm. In this next step, *internal resource assessment*, you will need to think like an entrepreneur. You will need to view yourself and your farm in a different, creative manner. In this step, you will be making an inventory of all the products, services, and resources your farm can offer. Include financial, physical, human, and natural resources. Ask yourself the following questions:

- What is my primary product or enterprise? What do I produce the most on my farm?
- Can this enterprise be an attraction for visitors? If so, what should I do to enhance its attractiveness? If not, what can I do to modify it and turn it into an attraction? Or, what can I add to it to make it attractive?



Seek professional assistance in starting an agribusiness.



When deciding to start an agribusiness, one must perform an internal assessment, to consider the entrepreneurial aspects of starting a new business.



Consider carefully all available resources to start your new agribusiness.



Begin with your obvious resources, and then consider less obvious resources to start your business.

- What other products or services can I add to complement my primary enterprise?
- What other assets and resources do I possess that may attract tourists?
- Would other farmers in my area be interested in displaying their products at my farm?
- Would other farmers be interested in partnering with me to provide agri-tourism in our area?
- What additional resources will I need in order to begin an agri-tourism enterprise? Will it require additional labor? What kind of up-front financial investment will it require?

Chuck and Ann's internal resource assessment

One evening after dinner, Chuck and Ann got their family together to inventory their resources. When they began listing their internal resources, they noted the following items:

- Cows
- Milking equipment
- Dairy barns
- Milk storage/cooling facilities

As the family began brainstorming, they discovered that they had more resources than they previously thought. To Chuck and Ann's initial list they added:

- Sludge holding pond (people might want to see what happens to waste)
- Semi-weekly visits by milk transport trucks (great way to show people how the milk gets from the farm to the processing plant)
- Family: human resources (they will make the whole plan come together)
- One-acre pond on the back side of the farm (who knows...it could be used for fee fishing someday!)
- Hay wagon and tractor (for hay rides, perhaps?)
- Silos (part of the tour...the cows have to eat, right?)
- Hay fields (could be planted with pumpkins or gourds in "off-season")
- Large field (for kids' games, craft displays, bonfires, the opportunities are endless)

After the brainstorming session, the family realized that every asset on their farm could be turned into something interesting for outside guests. They realized that they should not overlook or take any of their assets for granted, because each asset provided some agri-tourism potential.

Business plan framework

Up to this point, you have prepared yourself to begin an agri-tourism venture. You have gathered information and experience from outside resources and you have taken stock of your own internal resources. Now you are ready to write an agri-tourism business plan. Some farmers have experience at developing and articulating a farm business plan. If you are familiar with strategic business planning, then you probably are equipped with the necessary skills to begin an agri-tourism venture. You can view each tourism activity as an additional product or service produced on your farm. From this perspective, you can adapt your farm business plan to address your new product or service. If you are unsure about what goes into a business plan, you may want to refer to Virginia Cooperative Extension publication 354-302 [Developing a Business Plan: Home-based Business](#). This publication highlights and explains the key components of a business plan:

- Description of business
- Goals and objectives
- Internal resources
- Market analysis
- Marketing plan

- Operations plan
- Organization and management
- Financial plan

Chuck and Ann’s business plan

Chuck and Ann were familiar with the concept of a business plan because they had written a farm business plan long ago. However, because it had been so long since they had written the plan, they contacted their county Extension Agent for some help. The agent provided them with some Virginia Cooperative Extension publications on writing a business plan and guided them through the process. In addition, they used hints from this publication to develop their agri-tourism business plan. The following sub-section shows excerpts from Chuck and Ann’s new business plan.

Table 1: Business Plan

A. Description of your business

Description of step

Write down what kind of farm you have currently and what you want your farm to become in the future.

Example

“Our business is a dairy farm. It will become a farm where visitors can learn where their milk comes from: how it is produced, processed, and distributed.”

Necessary actions

- Short educational pamphlet about the animals and operations on the farm
- Tour “script” for tour guide to perform
- Design safety features for guest areas

B. Internal resources (products and services)

Description of step

List your internal resources and describe why they are unique and marketable. Describe how they can add value to your farm.

Example

“This dairy farm produces milk from 100 cows. The cow barn, milking parlor, feed silos, and sludge pond are marketable components of a guided tour. Visitors will pay to learn how milk gets from farms to the grocery store. The farm will benefit from additional revenues and from increased public exposure.”

Necessary actions

- Design and construct area to showcase products
- Transform shelter into a gathering place where visitors will rest and eat
- Provide access to restrooms
- Provide parking access
- Provide access for disabled persons

C. Market analysis

Description of step

- Write down the following information about your guests:
- Who do you want to attract to your farm?
- Where do these people come from?
- What do our guests need?
- How can you attract these people to your farm?

Example

“We wish to invite groups of people to our farm to learn about milk production. Those groups include school groups, 4-H groups, senior organizations, community organizations/clubs (Kiwanis, Ruritans, Lions, Business Associations, etc.). These groups are located in our community. Each group has special needs. For instance, school groups’ programs must address Virginia’s Standards of Learning. We can attract these guests to our farm by developing programs tailored to their

needs.”

Necessary actions

- To attract school groups we must:
- Talk to local teachers and distribute information about my farm
- Build safety barriers and display safety signs in the guest areas
- Design a tour script that addresses the state’s Standards of Learning
- Display visual materials at a height where children can see them

D. Competition

Description of step

Other farmers in your area may already be involved in agri-tourism. Describe their activities. You may want/need to position yourself in a different niche or develop a complementary activity.

Example

“Joe in the next county offers tours of his apple packing plant. He attracts local school groups and out-of-town tour groups.”

Necessary actions

- Develop a tour script slightly different from Joe’s
- Work with Joe to develop tours that complement each other, so that guests can learn different things at each farm
- Develop a weekend package with Joe so that group tours can visit both farms and stay overnight in local lodging

E. Product development plan

Description of step

Outline a yearly schedule of your farm production activities along with a schedule of your agri-tourism activities. Include a schedule of other activities in your area.

Example

“Our friend Lucy uses a Microsoft calendar to print a monthly schedule of her major activities: Christmas tree sales at the market in November; Valentine decoration sales at the farmers’ market in February; Easter egg sales at the town fair in March and April. Also, she has scheduled the opening of her bed and breakfast for April First.

“We will use a computer spreadsheet program to create a calendar of events for our farm, including each group tour and each special activity.”

Necessary actions

- Create calendar of events for farm
- Advertise special activities
- Develop special celebrations
- Create space for crafters, food providers, or other merchants to sell their products

F. Marketing plan

Description of step

Articulate your pricing strategy and the tools you will use to attract your guests.

(Please note: an entire section of this handbook is dedicated to marketing strategies to help you in this area.)

Example

“We will charge groups \$3.00 per adult and \$1.50 per child to experience a guided tour of our facilities. We will rely on “word-of-mouth” advertising, flyers and brochures, and a web site to promote our tours.”

Necessary actions

- Go through entire marketing plan process

G. Sales plan

Description of step

Set sales objectives (e.g., to reach a certain monthly sales target) and describe how you will reach these objectives.

Example

“We wish to host at least 30 groups per year on our farm tours. To reach this objective, our family will advertise our tours to local groups.”

Necessary actions

- Develop and send flyers to local groups
- Visit local groups and schools
- Develop calendar of sales activities with specific tasks for each person (each family member) involved in sales.

H. Operation plan

Description of step

Organize the flow of work through your business, identifying the tasks involved in providing your new activities and the additional labor needed.

Example

- Greet tour group at edge of parking lot: Ann
- Lead tour group to pasture: Ann
- Lead tour group through tour: Chuck
- Arrange refreshments for tour group: John and Dan
- Clean restrooms: Chuck and Ann

Necessary actions

- Break down activities into individual tasks.
- Assign an employee(s) to each task.

I. Revenues/ Expenses projections

Description of step

Build a cash flow projection. Estimate how many dollars will come into and how many dollars will go out of your new enterprise each year.

Example

Revenues: We assume that customers will be willing to spend \$3.00 per adult and \$1.50 per child to tour our dairy facilities. We plan to host 20 school groups per year, averaging 60 children and 5 adults per group. In addition, we plan to host 10 community groups per year, averaging 25 adults per group.

$$20 \text{ groups} * (\$1.50 * 60 + \$3.00 * 5) = \$2100$$

$$10 \text{ groups} * (\$3.00 * 25) = \$750$$

$$\text{Total revenue: } \$2100 + \$750 = \$2850$$

Expenses: we assume that it will cost, on average, approximately \$0.50 per guest to provide the necessary services for the guided tour. These expenses will include labor to clean restrooms, provide refreshments, and guide the tour.

$$\text{Total number of guests per year: } 1550$$

$$\text{Total cost: } 1550 \times \$0.50 = \$775$$

$$\text{Profit: } \$2850 - \$775 = \$2075$$

Necessary actions

- Break down each activity into revenue-generating and expense-generating items
- Estimate the yearly dollar amount of each revenue and expense item
- Compile revenues and expenses into a cash flow worksheet

MARKETING YOUR AGRI-TOURISM SERVICES

Characteristics of services

Many farmers understand and practice effective product marketing principles. *If you are not familiar with how to market your farm products, or if you wish to refresh your product marketing knowledge, we suggest you contact your local Virginia Cooperative Extension office.* Marketing agri-tourism services is similar to marketing farm products. However, there are several characteristics of services that make them different from products. Before attempting to market your new tourism services, you will want to understand how services differ from products.



Consider how you will market your new agri-business to a variety of customers.

- Unlike physical products, **services cannot be seen, tested, felt, heard, or smelled** before or after they are purchased; they are *intangible*. It is easy for a pick-your-own customer to examine the quality of the pumpkins on your farm before he purchases any of them because he is able to see, touch, and smell the produce. However, it would be hard for him to describe the transaction that occurs between him and the service provider who sells the produce to him.
- Whereas most goods are produced first, then sold and consumed later, **services are produced and consumed at the same time**. A farm tour is “produced” by the tour guide while it is being “consumed” by the visitor.
- Because services are like performances, frequently accomplished by humans, **no two services will be exactly alike**. The quality of the service exchange depends not only on the service provider’s abilities, but also on the customer’s mood and situational factors (like other customers’ behaviors). Since many variables affect the service transaction, dynamics may change from interaction to interaction.
- **Services cannot be saved, stored, resold, or returned**. A farm tour, for instance, cannot be produced ahead of time, boxed and stored in a warehouse, and sold for consumption at a later date. If a bed and breakfast operator does not sell all rooms on a particular night he or she cannot put the empty rooms in inventory and sell them the next night. The perishability of services makes the management of demand and supply necessary, but difficult.

Your marketing mix

One of the most basic concepts included in your marketing plan is your *marketing mix*, which consists of the elements you control and use to communicate with and satisfy your customers. Your agri-tourism marketing mix will consist of the following elements (also known as the “Seven P’s”):

1. Place (How can you take advantage of your location?)
2. Product (What do you have to offer your guests?)
3. Price (How much should you charge for your agri-tourism services and activities?)
4. Promotion (How do you advertise your agri-tourism business?)
5. People (Who are the tourists?)
6. Physical evidence (What are the tangible components of service?)
7. Process (How do you provide excellent customer service?)

PLACE: How can you take advantage of your location?

Your farm may be located near a major highway or at the end of a remote country road. Wherever it is situated, you can take advantage of the location. For instance, if your farm is positioned near a major highway, you can capitalize on the number of motorists traveling by your site. On the other hand, if your farm rests in a remote location, you may draw guests with the natural or serene qualities of your “getaway” destination. Brainstorm ways in which your agri-tourism farm can benefit from its location in relation to roads, natural resources, and community resources, then work those benefits into your overall marketing plan.



When focusing on marketing your business, consider the “marketing mix.”

PRODUCT: What do you have to offer your guests?

As an agri-tourism operator you are going to offer your guests more than a product. You are going to add value to the products or services that guests might buy at your farm. Customers will experience unique activities that will enrich their visit in your area. While you may not consider a farm experience as unique, many tourists will enjoy the opportunity to come closer to their agricultural heritage. For many people, a visit to your farm is a rare opportunity to touch Mother Nature and discover how agricultural products are raised, harvested, and distributed. As a host, you will provide for your guests a wonderful knowledge and insight into the life of a farmer. Keep in mind that activities that may seem ordinary to you may be extraordinary for a guest. For example, petting your cow or horse, which may be a normal activity for you, may be the highlight of your guests' day.

To remind yourself about the products and services that you could offer your guests, refer back to the section of this handbook titled *How Do I Do It?: Internal Resource Assessment*. This exercise will help you identify both the ordinary and the unique agri-tourism activities that you can offer on your farm.

PRICE: How much should you charge for your agri-tourism services and activities?

The most basic way to price your services is to use cost-based pricing. With this approach you determine your direct costs and your overhead costs of providing the service. Your price will be an amount that covers your costs and your desired profit margin. The formula is:

$$\text{Price} = \text{Direct costs} + \text{Overhead costs} + \text{Profit margin}$$

PROMOTION: How do you advertise your agri-tourism enterprise?

Promotion is the core of any marketing strategy. Through promotional efforts, you are able to inform customers of your products and services and let them know how your products and services meet their needs. The goal of promotion and advertising is simple: to reach the largest number of people in your business's target market for your dollar. Since most agri-tourism businesses have small marketing budgets, this section will focus on the least expensive ways to promote and advertise your agri-tourism enterprise.

Word-of-mouth advertising

Word-of-mouth advertising is the least expensive and, perhaps, the most effective form of promotion. Estimates suggest that a satisfied customer will "advertise" your services by telling nine to twelve other people about his or her experience. This is a wonderful reward for providing quality service. On the other hand, word-of-mouth communication can work against your business if you are not providing quality service. In order to foster positive word-of-mouth advertising, you should strive to provide good service *all of the time*.

Printed materials

Printed materials provide tangible evidence of the products and services your agri-tourism business provides. Since these printed materials are important to your business image, you will want to invest some time and money in the quality of the materials. Print materials such as **stationery, business cards, brochures, and reservation forms** should display a consistent, appropriate business logo.

Media

Advertising through print, audio, or video media may seem intimidating at first. If you are considering broadcasting your message through any of these media, you may want to consult a reputable advertising agency. In addition, you may contact publications, television stations, and radio stations to obtain free profiles of their subscribers. These



Agribusiness products can vary widely. It is important to consider what you have to offer.



Good marketing is essential to establishing a profitable customer base.

profiles can help you decide which channel(s) will reach your target markets the most effectively and efficiently.

Direct Mail

Direct mail offers an effective way of communicating your message. If you are already a member of an organization, you may be able to send your first message to the organization's mailing list.

Community network

It is possible for you to work with local schools and other community groups to promote your agri-tourism programs and distribute your pamphlets. These groups also can provide you with information about other organizations in Virginia that might be interested in your activities and services. Other groups in your area that might be interested in your services include senior centers, scout groups, and 4-H clubs.

World Wide Web page

As more and more people use the Internet as a daily communication tool, an Internet web site is one of the most important advertising resources in which you could invest. With the click of a mouse, any Internet user can access information about your agri-tourism business instantly. In addition, there are many travel-related web sites to which you can link your site in order to spread your message. Sometimes, these links are low-cost or free.

PEOPLE: Who are the tourists?

The foundation of your agri-tourism marketing plan should include a description of the people that you wish to attract to your farm. If your agri-tourism enterprise is extremely small, you may want to treat your customers as individuals and develop individual marketing plans for each customer. At the other extreme, if your agri-tourism business is very large, you may want to focus on group needs or general preferences with a touch of personality. Chances are your agri-tourism enterprise falls somewhere between the two extremes; in this case, you will choose a marketing strategy that allows you to offer different services to different *groups* of customers. To do this, you will need to *target* the appropriate market *segments*. You can segment your market in various ways. Segmentation considerations² include:

- Geographic considerations: Where are the customers from?
- Age, gender, and other considerations (demographics): Who are they?
- Social considerations: What are they like?
- Behavioral considerations: What do they want?
- Customization: How can I treat each person as an individual?

Geographic considerations

Geographic considerations involve dividing the market into different geographic units. This organization scheme may occur at any level, from nations to states to counties. The following table describes four different geographic units and highlights sources of tourists at each level.

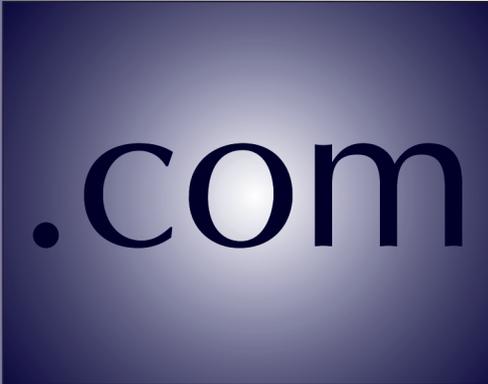
Local

Local tourists generally live **within a short car trip** away from the tourism destination. The **county** where the farm is located might be the primary level of tourism attraction, including all the **adjacent counties** in the target market area. This is an easy market to reach through local media and public services such as Convention and Visitor Bureaus and Tourist Information Centers.

Sources of clientele at the local level might include:

- Elementary schools

² Zeithaml, V. A. and Bitner, M. J. 2000. Services Marketing: Integrating Customer Focus Across the Firm. Second edition. Boston: Irwin McGraw-Hill.



New technology such as the internet can provide added market exposure.

- Middle and high schools
- Associations of retired persons
- Veterans associations
- Church groups
- Civic or ethnic organizations

Regional

The **Commonwealth of Virginia** and **adjacent states** (West Virginia, Tennessee, Kentucky, North Carolina, South Carolina, Maryland, Delaware, Pennsylvania, New York, and New Jersey) represent the regional tourism market. Visitors from these areas are likely to travel by car, but may also use bus or train travel to get to their destinations. At this level, the primary targets should be states with high concentrations of people in cities.

Sources of clientele at the regional level might include:

- Senior citizens (AARP) or other large organizations
- Travel agencies and tour operators that specialize in packaged group tours
- Bus & tour companies

National

National tourism markets include all of the United States (and perhaps Canada and Mexico, due to their easy access). Similar to regional markets, the primary targets should be metropolitan areas. Because travelers from afar might want to experience activities in addition to the farm stay, it is important to develop packages that include visits to the beach or mountains, museum tours, festivals, or other local or regional attractions. An efficient way for a farm to attract tourists at this level is to work with bus tour operators and other large associations like AAA or AARP. Most of the time local chapters can get you in touch with the national organizations.

Sources for generating clientele at the national level might include:

- Local Convention and Visitor Bureau (CVB). This organization can help market your farm as an attraction within your regional destination area.
- Virginia Cooperative Extension. This service can provide valuable information about marketing and can help you become part of a tourism distribution network.

International

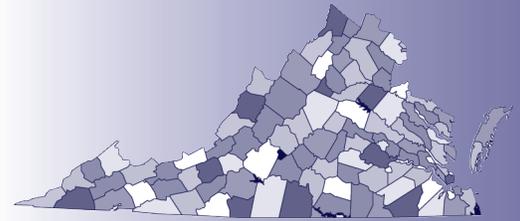
Because international tourists may have vacation periods that do not coincide with traditional American vacation periods, the international market segment may provide a source of tourism revenue during traditionally low seasons. In addition to posting your own Internet web site to attract international visitors, it is important to be connected to the CVB or other major tourism web sites in your area. The best way to target visitors at the international level is to be part of a package tour and work with:

- CVB's and other government agencies that are able to identify major players in the international market, where packaging is very important
- Tour operators

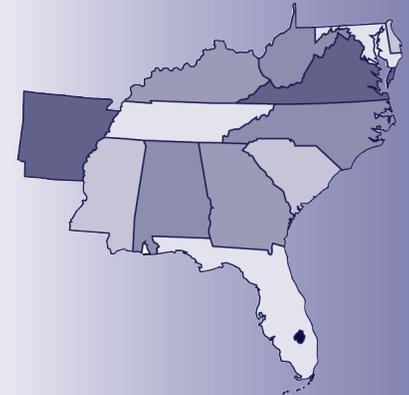
Age, gender, and other considerations (demographics)

These considerations entail dividing the market based on characteristics such as age, gender, family size, income, occupation, education, or religion.

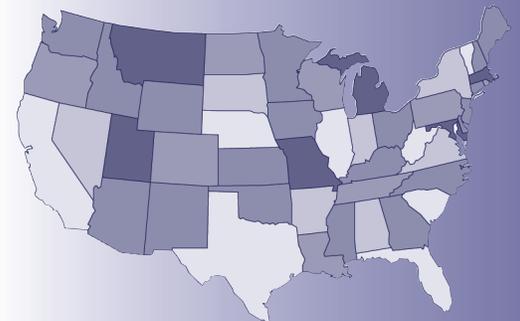
- **Baby Boomers and Echo Boomers:** Acknowledged as a driver in many segments of our national economy, the move of the "baby boomer" population into middle age is expected to influence the face of the tourism industry. Folks in this generation tend to lead healthy, active lives, and as retirees they will demand access to activities, facilities, and events that today's retirement community can barely imagine. In addition, they will require quality recreation experiences and opportunities to spend time with their families. Their children, known as "echo boomers," also



Consider a customer base of local,...



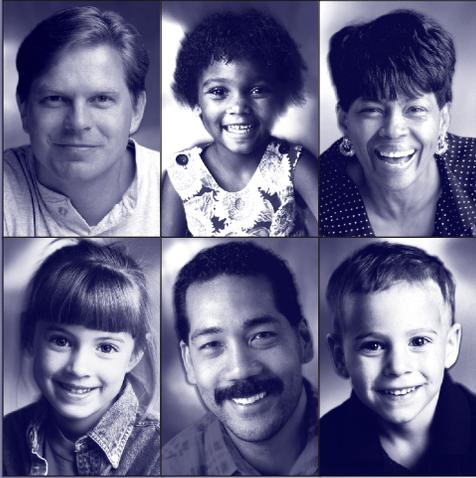
regional,...



national, and...



international customers.



A new agribusiness can be marketed to many demographic groups.

will have an impact on the way people do business. As consumers, echo boomers are much more sophisticated than their parents were when they were young. Since they are learning to invest their money early in life, they are wealthier than their parents were. Today's younger generations are extremely knowledgeable about technology. They use the Internet on a daily basis. In order to capture this generation of young tourists, anyone involved in agri-tourism activities must advertise on the Internet.

- **Senior citizens:** Like the Baby Boom generation, senior groups are growing larger. Their demand for recreational activities is increasing, as well. Many senior organizations are looking for recreational activities that provide educational and social opportunities.
- **Single-parent families:** Many single-parent families seek recreational and educational opportunities to maximize quality time with their children.
- **School groups:** Farms provide excellent opportunities for preschools, elementary schools, 4-H Clubs, Boy Scouts, Girl Scouts, and other groups to learn about nature and agricultural processes.

For more information about the people who visit your area, you may want to contact your local Chamber of Commerce, Convention and Visitors' Bureau, or Virginia Cooperative Extension office.

Social considerations

Social considerations involve dividing the market into consumer groups that share social class, life style, or personality characteristics. For instance, you may want to target middle class families with busy lifestyles who enjoy adventurous outdoor experiences. Or, you might target upper class retirees who like tasting wine and prefer relaxing vacations.

It is important to describe your product and service in terms of the benefits it offers to your guests. For example, you may promote your petting zoo by highlighting the fact that close encounters with farm animals provide a unique, beneficial learning experience for children. Similarly, you may promote your bed and breakfast for the relaxing, indulgent benefits it offers to busy, working couples.

Behavioral considerations

Behavioral considerations involve dividing tourists into groups based on knowledge, attitude, uses, or responses to your agri-tourism services. For example, for your overnight farm experiences, you may target inner-city school groups who know very little about nature and agriculture. This group's knowledge (or lack thereof) of farm practices would influence you to consider them for a learning experience. By the same token, for your fee-based hunting club, you may target a small group of experienced, local hunters whose recreation demands complement your wildlife management needs.

Customization

Today's marketers are realizing the importance of customizing services to fit each individual's needs. Because service transactions vary widely, it is easy for service providers to customize each service interaction and each marketing message. For customized marketing to be successful, service providers must be adaptable, flexible, and responsive. Imagine that you operate a bed and breakfast and one of your guests mentions that he is on a low-cholesterol diet. In order to customize his breakfast experience, you whip up some oatmeal and orange juice for him instead of serving bacon and whole milk. To really customize his experience with you, keep a record of his dietary needs and offer a menu of his favorite low-cholesterol breakfast foods at his next visit.

PHYSICAL EVIDENCE: What are the tangible components of service?

The area in which you interact with the customer and any tangible items that facilitate the service interaction are the physical evidence of your agri-tourism services. For



It is important to consider the social interaction aspect of yourself and your new customers in the new agribusiness.

instance, you may interact with your customers in a field, in a store, at the farmers' market, in a parking area, or in your home. The condition of these physical facilities will cause your guests to form an impression of your agri-tourism business. For instance, if a guest at your petting zoo notices that the barns are rickety and in need of repair, he or she may conclude that your zoo is unsafe. However, if you keep your fencerows neat, your animals groomed and clean, and your buildings in good repair, he or she may assume that you are operating a high-quality petting zoo.

Physical evidence extends beyond your facilities to the clothes that you wear and the brochures you distribute. Basically, physical evidence is anything the customer can see or touch. So, even if your buildings are in good condition, your business may still make a bad impression on your customer if your employees' clothes are dirty and their hair is unkempt. Therefore, you must always be aware of your appearance and your employees' appearance. Similarly, you must always pay attention to detail when providing any sort of printed materials for your guests to read. While a typographical error on a promotional brochure may not seem like a big deal, the customer who notices the error may wrongly conclude that you are unintelligent or sloppy. By providing attractive brochures that employ correct spelling and grammar, you can go a long way toward producing a positive image of your business.

Some other things to remember when thinking about physical evidence are:

- When a tourist travels, one of the first things he or she notices is the cleanliness of the facilities. Guests expect the grounds to be free of litter and the kitchen sink to be spotless. When planning your agri-tourism activities, you will need to pay close attention to the support processes that you use to keep the facilities clean and attractive. This may require removing litter regularly, hiring housekeepers to clean guest buildings, or rearranging garbage disposal areas. In considering the cleanliness of your facilities, you also will need to develop a regular maintenance schedule to ensure that the facilities remain in good working condition.

You will need to provide restrooms for guests who spend more than just a few minutes on your farm. The restrooms must remain clean as well as pass stringent health code standards.

- Most of your guests will want easy access to your farm's facilities. To provide access, you will need to locate a parking lot conveniently near your main guest area. In addition, you will want to consider accessibility for people with disabilities. The Americans with Disabilities Act establishes clear standards by which public spaces should be designed and maintained.
- Consider the safety and security of your guests when designing your guest facilities. A guest who feels safe at your farm will feel more comfortable and have a more enjoyable time than a guest who does not feel safe. For more comments on safety and security, please refer to the *Risk Management* section of this handbook.

PROCESS: How do I provide excellent customer service?

Customer service

Customer service includes giving customers what they want and fulfilling their multitude of less obvious needs. Before you begin to learn about customer service, however, it is important for you to remember that you will not be able to deliver perfect customer service all of the time. You will make some mistakes along the way. That is okay. If you put forth your best effort and learn from your mistakes, you will be on your way to providing excellent guest services. You will find many good sources at your local Virginia Cooperative Extension office or most major bookstores.

Customer-friendly attitude

Good customer service begins with a customer-friendly attitude. A customer-friendly attitude begins with the view that the customer is your job, not an interruption of your job. As a manager, you will need to reflect a customer-friendly attitude in your



What are the tangible components of the services you will provide to your customers?

words and in your actions. You can begin by displaying a sincere smile and offering a kind greeting to all guests and co-workers. This will set a good example for your employees.

Service quality

Customer service experts suggest that there are five main dimensions that influence customers' perceptions of service quality. Those five dimensions are reliability, responsiveness, assurance, empathy, and tangibles³. A brief description of each dimension follows:

- **Reliability** is your ability to perform the promised service dependably and accurately. For instance, if you operate a bed and breakfast on your farm, you may promise guests that breakfast will be served at 8:00 a.m. each morning. You are providing reliable service if, in fact, you do serve breakfast every morning before or by 8:00 a.m. If you serve breakfast at 8:30 one morning and at 9:00 another morning, your service is unreliable.
- **Responsiveness** is your willingness to help customers and provide prompt service. For example, if your agri-tourism business relies on e-mail to interact with customers, then you would be providing responsive service if you return e-mail requests promptly. If you respond to e-mail requests only once a month, then you are not responsive to your customers.
- **Assurance** refers to your employees' courtesy, knowledge of the business, and ability to inspire trust and confidence in customers. For example, if you host school group tours on your farm, you probably receive a lot of questions from the children. If you answered, "I don't know," to every question, you would not inspire trust in your knowledge from the children or teachers. However, if you respond to each question with an appropriate answer, you are assuring the children and the teachers that you are knowledgeable about your farm.
- **Empathy** refers to the caring, individualized attention that you give to each customer. In a service business, each customer wants to feel like you genuinely care about his or her needs. For instance, if a customer at your pick-your-own pumpkin business is thirsty, you would be showing more empathy if you escorted the customer to the facility personally than if you simply grunted out directions. In addition, you might want to show empathy by providing water bottles near the picking site.
- **Tangibles** are the physical facilities, equipment, personnel, and written materials that your customers see. It is important that all tangible items appear neat, clean, and professional. For example, if you develop a brochure for your agri-tourism enterprise, you will want to make sure that everything on the flyer is spelled correctly and that the images and words reflect the true nature of your business. In addition, you will want all of your customer-service employees to wear clean, neat clothes and maintain a groomed appearance.



Consider your abilities as a person to serve your customers well.

As you become more conscious of the customer service that you and your employees provide, you will begin to pay more and more attention to feedback from your customers. It is important that you use all comments (both positive and negative) to improve the quality of your service delivery.

Market positioning

The next step in the marketing plan is positioning your agri-tourism enterprise in relation to other agri-tourism businesses. Positioning helps potential customers know the real differences among competing destinations, so that they can match themselves to the destinations that fit their needs best. You may position your services based on price (high price versus low price), location (easily accessible versus remote), number of visitors (many versus few), and many other factors.

³ Zeithaml, V. A. and M. J. Bitner. Services Marketing: Integrating Customer Focus Across the Firm. Boston: McGraw-Hill, 2000.

When considering your market position, you should do a “SWOT” analysis to determine the strengths, weaknesses, opportunities, and threats of your agri-tourism business.. The following table is an example of an imaginary farm’s SWOT analysis.

After determining the characteristics of the components in your marketing mix (The Seven Ps: Place, Product, Price, Promotion, People, Physical evidence, and Process) and deciding your market position, you will want to align your marketing strategy. In other words, you will need to select the best way (promotion strategy) to reach your target customers (people strategy) in order to maximize your economic returns. You will want to put your time, effort, and money into the marketing strategy that you believe is the best strategy.

TOURISM DISTRIBUTION NETWORK

A tourism distribution network is similar to the agricultural product distribution network. The agricultural product distribution network includes farmers, brokers, shippers, retailers, and customers. Similarly, the tourism distribution network includes tourism suppliers (in this case – farmers), wholesalers, travel agencies (who act as retailers), and customers. In both the agricultural product and the tourism distribution network, direct marketing by the supplier/farmer to the customer/consumer is the most efficient and effective way of distribution. The following sections describe the components of the tourism distribution network, highlighting direct marketing as a distribution tool.

Table 2: SWOT analysis

Strengths	Weaknesses	Opportunities	Threats
My farm is close to historic site	I have a very small marketing budget	Attraction of tourists from the historic site	Other farms also close to the historic site
My family is friendly and loves meeting new people	I don’t know how to operate a bed and breakfast	Old farmhouse could be used for bed and breakfast	Strict health code regulations
Managing and maintaining sheep herds	I do not own any animals besides sheep	Open a petting zoo on my property	Additional animals will cost more money

Table 3: Expanded Marketing Mix for Services⁴

<p>Product Good physical features like potatoes, corn, milk and other similar products Quality level Accessories Packaging Warranties Product lines Branding</p> <p>Place Location of the farm Outlet location Transportation Storage Intermediaries</p> <p>Promotion Promotion blend Salesperson Advertising Sales promotion Publicity</p>	<p>Price Flexibility Price level Terms Differentiation Discounts Allowances</p> <p>People Family members Employees Customers Communication culture and values Employee research</p> <p>Physical evidence Layout of the farm • Cleanliness of the overall farm • Aesthetics • Functionality • Ambient conditions • Equipment Signage</p>	<p>Employee dress Other tangibles • Reports • Business cards • Statements • Guarantees</p> <p>Process Flow of activities from the arrival to the departure of a customer • Standardized • Customized Number of steps in the process • Simple • Complex Level of customer involvement • You pick up • Wine tasting</p>
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⁴ Adapted from Zeithaml, V.A. and M.J. Bitner. Services Marketing: Integrating Customer Focus Across the Firm. Boston: McGraw-Hill, 2000.

SUPPLY AND DEMAND

Because the relationship between your supply of agri-tourism activities and the customers' demand is important, you should continuously evaluate that relationship. You might find at the beginning of your agri-tourism project that your supply outweighs the demand (in other words, you do not have enough customers). However, with a good marketing plan, you will be able to attract more customers to your farm. The most efficient and effective way of communicating with your customers is through direct marketing.

Direct marketing

The most valuable relationships that you will create are the relationships between you and your customers, particularly in a small agri-tourism enterprise. Many of the farmer-customer relationships in agri-tourism rely on personal contact; the direct marketing relationship nurtures that necessary personal touch. Direct marketing is a way for you to reach your target customers personally, without using a “middleman.” By reaching your customer directly, you do not have to pay a commission to an intermediary: you are doing the job yourself. With simple, inexpensive tools like flyers, brochures, and an Internet website, you can meet and greet potential customers with your own personal touch.

Many other agricultural practices use direct marketing. Some examples include:

- **Pick Your Own Produce.** Consumers come directly to the farm and harvest the produce themselves instead of buying the produce at a supermarket.
- **Rent-a-Tree.** A family or an individual may rent a tree, a row of strawberries, a row of tomatoes, or any other kind of produce that grows on the farm. They come directly to the farm to tend the plants.
- **Roadside stands.** From seasonal wooden stalls to year-round rural attractions, roadside stands offer products that go straight from the farm to the customer.
- **Farmers' markets.** Produce and agri-tourism services can be displayed at the farmers' market. Many farmers already know how to display their products at a farmers' market. Why not advertise or offer something new, like agri-tourism services, and attract new customers?

Familiarization tour

The familiarization tour (also known as “fam” tour in tourism industry lingo) is a tool you can use to market your agri-tourism enterprise directly to consumers. As its name suggests, the familiarization tour *familiarizes* potential customers to your services. In a fam tour you invite potential customers to your farm to view your facilities and learn about what you have to offer. If, for example, you wanted to organize a school group fam tour, you would consider the following steps:

1. Identify schools in your area that you would like to invite to your farm
2. Contact the local school board and inform them of your services (any school board in the Commonwealth of Virginia will be interested in how your agri-tourism activities apply to Virginia's Standards of Learning)
3. Invite teachers and administrators to your farm and show them how your services can benefit them and their students
4. On the day of the fam tour (as on any day), prepare your facilities as if these guests were the most important people in the world. Treat them as you would any VIP: “Very Important Person.”

Wholesalers and Travel Agencies

If demand for your agri-tourism services continues to grow and if you have enough supply to support that growth, you may need to consider expanding into the travel agency or wholesaler network. In this distribution network, the wholesaler and the travel agent possess years of marketing experience and numerous contacts. You may find it helpful to invest time and money in the tourism distribution network. Another



Effective use of a “tourism distribution network” will increase the chances of success for your new agri-tourism business.

way to get involved in the distribution network is to join a tourism organization like the Virginia Hospitality and Travel Association or the Virginia Tourism Corporation. Through these organizations, you can link with other tourism operations to market your services jointly.

In order to attract wholesalers and travel agents to your services, you may want to develop a “familiarization tour,” during which you display your product and services to the folks who will then sell your services to consumers. In most cases, it is difficult to convince wholesalers to put your advertisements in their promotional brochures. Do not get frustrated. By interesting the right one you will open a new source of business that may attract many travel agencies along the distribution network.

Commissions

Wholesalers and travel agents collect commission fees on sales when the tourism provider (in this case the farmer) sells directly to them. However, the provider pays a commission only to the wholesaler when the wholesaler sells to a travel agent.

Pricing

An important issue when dealing with wholesalers and travel agencies is the pricing of your product. You must establish prices at all three levels of distribution..

- The **direct consumer** should be charged what is called the “rack rate.” That is the full price of the product or service.
- The **travel agent** usually receives a ten percent (10%) discount from the tourism provider. He or she then, generally, sells the product to the consumer at the rack rate.
- **Wholesalers** generally receive a twenty to thirty percent (20-30%) discount off the rack rate, depending on the volume of transactions they produce.



Pricing your agri-tourism product at all levels is essential to a profitable and successful agri-tourism business.

RISK MANAGEMENT AND OTHER LEGAL ISSUES

Risk Assessment and Management

Operating a farm carries some inherent risks. Generally, farmers are aware of these risks and, normally, they are insured against these risks. In an environment where tourists are added to the farm, as visitors or as workers, additional risks arise. Because of the potential for added risk you first should identify the agri-tourism activities that you are going to offer, then examine the additional risk those activities may create. For example, you may decide to add hayrides on your farm. A hayride is not risk free, since there is always a possibility that a customer will fall off the wagon. However, by establishing some rules and modifying the wagon you can protect your visitors from potential risk. To make the hay ride as safe as possible, you can make sure that all riders remain seated and keep their arms and legs inside the wagon during the ride. You can construct railings around the wagon and maintain a low speed with the tractor. Assessing and managing risk is something you should never do alone. Before adding any additional product or service on your farm, you need to contact your insurance agent and your lawyer first. Make sure you have a good, honest, working relationship with these professionals. You must be able to trust them with every aspect of your protection and your customers’ safety.

Liability

Farmers must understand that they might be liable for injury or property damage to a third party because they acted negligently, because an employee was negligent, or because of special circumstances in which the law allows recovery even in the absence of fault on the part of the defendant. In other words, a farmer may be liable for personal injury or property damage to a third party when the farmer’s failure to be careful is the cause of an injury or an accident. However, despite the fact that a person cannot prevent a lawsuit from being filed, you must make sure that your operation is as safe as possible and must have appropriate insurance cover-

age. Safety precautions and insurance coverage are two of the best ways to manage liability risk.

The following is a list of different kinds of legal liabilities. You should consult with your attorney about how these issues relate to you and your agri-tourism enterprise.

- **General liability:** Financial loss because of bodily injury or property damage to employees or customers caused by negligence.
- **Personal injury:** One of your customers slips on your porch and breaks an arm.
- **Property damage:** Conducting your business, you break the window of a customer's car while trimming trees.
- **Product liability:** While having lunch at your restaurant, a customer breaks a tooth eating one of your products. Product liability laws are not uniform, but your attorney or insurance agent should be able to help you determine what your needs might be.
- **Professional liability:** This provides protection for a business that provides a service to customers, such as a bed and breakfast or a restaurant. The service provided causes personal harm. For example, your waitress or one of your family members splashes hot coffee on a customer and burns his arm very badly.



Being aware of legal issues is essential in avoiding problems with a new agri-tourism business.

Risk assessment

Naturally, some activities are of greater risk than others. It would be wise to identify all of your activities and recognize the potential risks that would occur due to the presence of tourists. You can ask other members of your family, other farmers, or consultants to help you identify the added potential risks. This process will allow you to reduce or eliminate many of the hazards on your farm. You may be familiar with this process as it pertains to crop production: you insure your crops against the risk of bad weather or poor production in a given year. The concept is similar for the tourism side of your business: you need to insure yourself and your farm against the risk of you, an employee, or a guest becoming injured on your property. The exercise of a risk assessment should help you to:

- Define the risks related to the new activities on your farm,
- Rate the likelihood of loss due to those new activities, and
- Rate the size of potential loss for your farm products and/or services.

While it may seem impossible to eliminate all potential hazards, maintaining a proactive safety strategy and providing your insurer with documents proving your safety efforts may protect you legally in the long run.

The following table may guide you through the risk assessment process. Please note that it is not an all-inclusive assessment; it is an example that should help you to initiate risk assessment thinking. Nobody can pretend that identifying potential hazards on paper will eliminate every real risk. You should maintain a constant evaluation and assessment of risk on your farm.

Risk management

Inviting people onto your farm as guests invites additional risk to your farm as well. The first step you can take toward managing risk is to recognize the potential risks and hazards that you are creating. Generally, there are four basic ways to handle risk: avoid it, reduce it, accept it, and/or transfer it to another party.

Avoiding risk

The first rule in risk management is to avoid risk. You must assess the potential risks involved in adding different activities or services to your farm. If you identify an activity that will add risk to your farm, the safest way to insure yourself against the risk is to avoid it altogether. If you really wish to add an activity that you believe will add risk to your farm, then you will need to consider another method of risk management.

Table 4: Risk assessments (example)

Activities	Risk potential Scale 1 to 5 Five is the highest	Safety Measures	Insurance needed	Estimated cost to adapt or modify activity.
Hay Rides	3 ¹	Add rails to wagon, limit speed	Consult your insurance agent	\$50
Corn maze	2 ²	Maybe it will be a good idea to fence the maze perimeter if there is a risk that someone will get lost beyond the maze field.	Consult your insurance agent	
Horseback riding	5 ³	Require helmets, guided walking trails, guides must have safety training	Consult your insurance agent	It is a major investment when considering horse, barn, and other related expenses

¹Hay rides represent a risk of injury by falling from wagon. However, safety measures (railing, low speed) reduce those risks.

²Corn maze represents low risk of injury (cuts or bruises from falls).

³Horseback riding is a high-risk activity.

Reducing risk

By carefully analyzing each component and step of an activity and by taking appropriate safety measures, you can reduce potential risks. It pays to play the “What if?” game in regard to the potential hazards on your farm and to plan ahead for any accidents that may occur. It is very important that you remember to discuss each and every new activity with your insurance agent before implementing the activity. Your insurance agent can help you identify places where you can reduce risk and can design an insurance plan that provides you with the best liability coverage.

Accepting risk

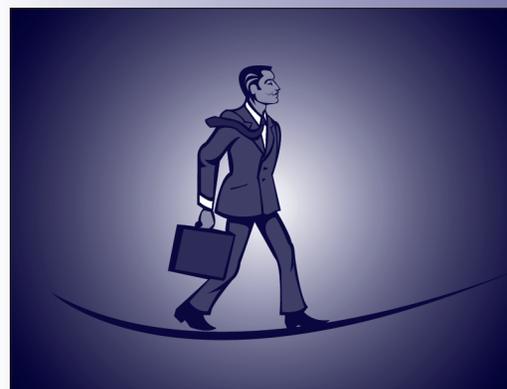
You may not always be able to avoid, reduce, or transfer risk. Sometimes you have to accept the risk and make sure that you are protected by insurance coverage. Perhaps, you may want to establish an emergency fund to cover deductibles on insurance policies.

Transferring risk

Transferring a risk means that another party will reimburse you in the event of a financial loss. This promise of reimbursement usually comes with an insurance plan. At this point it is important to consult with your current agent. If he or she is not willing to or cannot cover your new activities, you may need to consult another insurance broker. You should develop a close, trust-based relationship with your insurance agent and your attorney so that you fully understand the details of your insurance plan.

Insurance

You will want to shop around for various insurance plans, seeking advice from other farmers and Extension agents in your area. Not all insurance policies will fit your agri-tourism farm. By obtaining two or three different quotes you can get better coverage and prices. It is your responsibility to negotiate with insurance carriers and to make sure that you are well protected.



As with all new businesses there are potential risks. Learning to deal with these risks in an effective manner is important to your success.

Other legal issues

Accessibility

Your agri-tourism enterprise has the potential to attract many different kinds of people. Children, senior citizens, and people with disabilities will need special accommodations at your facilities. You will want to ask yourself the following questions: Are my doorways and trails accessible to people with disabilities? Are my facilities comfortable for people with special needs? Do I have several transportation options for my guests? Are there any barriers to access by special needs groups?

Environmental regulations

Environmental rules and regulations have to be carefully examined, and in some cases permits are required. Thus, it is important for you to check with your local outreach agency.

Zoning regulations

Your city or county may stipulate certain zoning requirements for agri-tourism-related activities. If you are considering adding an activity that you believe may conflict with your agriculture zoning, contact your local Extension agent for advice.

CONCLUSION

“Cultivators of the earth are the most valuable citizens. They are the most vigorous, the most independent, the most virtuous, and they are tied to their country and wedded to its liberty and interests by the most lasting bonds.”

— Thomas Jefferson

In his affirmation of the farmer, Jefferson probably never envisioned the development of tourism as an agricultural enterprise. However, he would take pleasure in the development of a new strategy like agri-tourism, which is helping to shape modern farming businesses in his beloved commonwealth, as well as maintaining large green spaces, stimulating the economy, and protecting its rich farming heritage.

Agri-tourism is adding value to the face of Virginia farming. As the commonwealth’s “most valuable citizens,” farmers are adapting their business practices and offerings to meet the needs and desires of a rapidly changing society. Protecting the “most lasting bonds” between Virginia’s people and the land will mean providing evolutionary products and services like farm tours, educational programs, special events, and value-added products. By diversifying their product and service offerings, these cultivators can lead Virginia’s economy into the twenty-first century while educating the world about Virginia’s strong agriculture heritage.

APPENDIX A: BUSINESS PLAN CHECKLIST

Description of Business

- ___1. Business form: proprietorship, partnership, corporation or cooperative?
- ___2. Type of business: agri-tourism, retail, wholesale, or service?
- ___3. What are the products and/or services? What makes it unique?
- ___4. Is it a new business? A takeover? An expansion? A franchise? A family business?
- ___5. When is your business open?
- ___6. Is it a seasonal business? Why not year long?
- ___7. How long have you been in business? This business or other business?
- ___8. What have you learned about your business from past operations or (if you're a start-up) from outside sources?
- ___9. Why will your business be profitable?
- ___10. What are your personal and business goals?

Internal Resources

- ___1. What are you selling?
- ___2. What benefits are you selling?
- ___3. What is unique about your goods or services?

Market Analysis

- ___1. Who buys from you? Who are your clientele?
- ___2. Are your markets growing, steady or declining?
- ___3. Is your market share growing, steady or declining?
- ___4. Have you segmented your markets? How?
- ___5. Are your markets large enough for expansion?
- ___6. What social, political, regulatory, economic and technological changes are taking place that could impact your industry, your market or your market's perception of and desire for your products/services?

Competition

- ___1. Who are your nearest direct competitors?
- ___2. Who are your indirect competitors?
- ___3. How are the businesses similar to and different from yours?
- ___4. What have you learned from their operations? From their advertisements?

Product Development Plan

- ___1. What other products/services (if any) are you currently considering?
- ___2. What is your time frame for developing and introducing them?

Marketing Plan

- ___1. Who will actually buy from you (e.g., do you sell to distributors, wholesalers, retailers, businesses, consumers?) And how does this impact your marketing plan?
- ___2. How will you attract and hold your target market and increase your market share?
- ___3. Are you planning to enter or leave any markets?
- ___4. How do you price your products?
- ___5. Where are you (will you be) located?
- ___6. Why is this a desirable area? What are the main attractions in your area?
- ___7. What kind of space do you need?
- ___8. Are there any demographic or other market shifts going on in your area that could impact your marketing plan?

Sales Plan

- ___1. Who will do the selling in your business? (You, friends, family members or sales people?)
- ___2. What are your weekly, monthly and quarterly sales goals?
- ___3. What other checkpoints have you established for reaching those goals?
- ___4. What sales approach will you use?

Operations Plan

- ___1. How will you organize the flow of work through your business? (This is especially important if you have several people doing different parts of the overall tasks, such as in a factory or a farming operation.)
- ___2. How will you assure that all tasks are performed? Performed on time?
- ___3. How will you monitor quality?
- ___4. How will you keep costs under control?

Revenue/Expense Projections

- ___1. Have you completed your financial projections? (As a minimum, you should have profit and loss statements, cash flow and income projections for three years and a current balance sheet.)
- ___2. Will you need additional cash? If so, how will you get it?
- ___3. Have you shown that your business will be profitable?

Loan (Investment)

- ___1. How will the loan (investment) make your business more profitable?
- ___2. Will you buy or lease your equipment, location or vehicles?
- ___3. Do you really need this money or can you make do without?

Personnel Plan

- ___1. What are your current personnel needs?
- ___2. What skills will your employees need in the near future? In three years?
- ___3. What are your plans for hiring and training personnel?

Management Plan

- ___1. How does your background/business experience help you in this business? For your own use: What weaknesses do you have and how will you compensate for them? What related work experience do you have?
- ___2. Who is on the management team?
- ___3. What are their strengths and weaknesses?
- ___4. What are their duties?
- ___5. Are these duties clearly defined? How?
- ___6. What additional resources are available to your business?

APPENDIX B: AGRI-TOURISM MATRIX

Farm Compatibility

Net Profit Margin

How does the selected agri-tourism enterprise compare to the net profit of other enterprises?

Physical Resource Utilization

How well does the enterprise utilize existing farm resources?

Human Resource Utilization

How does the enterprise utilize existing farm labor resources?

Perishability

How long will the products involved with the agri-tourism enterprise stay fresh?

Can the product/service be used tomorrow if not today?

Does an empty room or seat impact cash flow?

Farm Plan

Financial

How will the enterprise fit into the farm financial plan?

What will be required financially for the farm to enter the enterprise? Change this by:

Are financial and human resources available to support new tourism activities?

Operation and Organization

How does the enterprise fit into the operational plan for the farm?

How will the enterprise fit into the organizational structure of the farm?

Marketing and Sales

Will this enterprise fit into the current marketing of the farm?

Community Market Base

Current Market Size

Will the surrounding market base support this enterprise?

Long-Term Market Size

Will the surrounding market base continue to grow in the future?

Available Service Industry

Will the surrounding service industry (restaurant, hotel, transportation, gift shop, etc.) support the tourists/consumers that will visit the farm?

Kepron-Traegner Decision Matrix ⁵

A benefit of using the decision matrix is the advantage of double ranking each attribute.

- A weighting factor is applied to each key attribute.
- Then each agri-tourism enterprise is scored on a scale of 1-10, with 1 being the least desired and 10 being optimal as it relates to that particular attribute.
 - This ranking is placed in the top left corner of the matrix.
- Once an enterprise is given a score from 1-10, then this number is multiplied by the weighted factor percentage.
 - This number is placed in the bottom right corner of the matrix.
- After multiplying each enterprise by each weighted factor, add these numbers together to receive an overall ranking.
- Compare the total enterprise scores to each other to see how realistic the enterprises are to the farming operation.

Possible Tourism Opportunities⁶

Criteria	Weight, %	1	2	3	4	5
Farm Compatibility						
Net Profit Margin						
Physical Resource Utilization						
Human Resource Utilization						
Product/Service Perishability						
Farm Plan						
Financial						
Operation and Organization						
Marketing and Sales						
Community Market Base						
Current Market Size						
Long-Term Market Size						
Available Service Industry						
Total	100					

⁵ The Kepron-Traegner Decision Matrix table has been adapted by Scott Sink

⁶ The Kepron-Traegner Decision Matrix table has been adapted by Scott Sink

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APPENDIX E: ANALYSIS OF START-UP COSTS FOR A BED AND BREAKFAST

One of the first questions is, what are the starting costs of these new activities on my farm? Because each family and each farm differ in size and production and pursue different objectives, this starting cost illustration is limited to a simple example. However, based on this example any farmer should be able to identify the agri-tourism enterprise's objective and estimate the starting costs associated with that goal in mind. The following estimate of start-up costs is based on these assumptions:

- Resting on a 100-acre farm, the farmer's house is a two-story house with four upstairs bedrooms (three that are not used) and four additional living areas on the first floor. This farm is located near the Blue Ridge Parkway, on the outskirts of a small town.
- The farm contains a dairy, a vineyard, and several barns for small animals. The farm's primary product is milk. Approximately 40% of the land is wooded and the remain-

der is pasture land. In addition, a small (less than one acre) pond also exists on the property.

- This farmer wants to add a new product or service by opening a bed and breakfast in his farmhouse. The costs associated with this new venture are based on the assumption that the farmer will purchase all of his materials new at a home-improvement store like Lowe's or Home Depot.
- The starting cost of additional hospitality activities will vary according to the nature and the scale of the activity itself. For example, the labor costs for certain activities like fee fishing, pick-your-own produce, or a vacation home may be less than the labor costs for a pumpkin festival or large group tours. However, renovating a house for overnight guest lodging may require a larger initial capital outlay than group farm tours would.

Start up Cost for a Bed and Breakfast

Description	Explanations	Cost for one bedroom (\$)	Total cost for three bedrooms
Bedroom renovation	Paint one bedroom	75	225
	Decorate by adding new flower vase, TV, alarm clock, lamps, towels, bed sheets, quilt, and other room necessities.	300	900
	New mattress	400	1200
Bathroom	Renovation of existing bathroom by adding a new door, painting, and changing the blinds and the wallpaper. Change the shower curtain and decorate with new bathroom accessories.	400	400
Kitchen	Painting (refresh)	75	75
Kitchen accessories	Add new dishes, cutlery, toaster, coffee machine (espresso/cappuccino), table cloths, and other small items.	400	400
Outside porch	Paint and add flower pots and porch swings.	300	300
Main entrance	Add flowers and stones to walkway. Cost will be for flowers and mulch.	300	300
Parking lot	Create a new parking lot with logs and gravel.	100	100
Main gate	Install a wooden billboard by the road. Cost of paint, layout, and frame	200	200
Total		\$2,250	\$4,100