

Part IV

*New or Better
Products to Meet
Demand*



ADAPT—Agricultural Diversification Spells Profit

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Since December 1986, *Successful Farming* magazine has treated nearly 10,000 farmers to more than 200 ideas for diversification. We did this through our popular Ag Diversification Adds Profit Today (ADAPT) conferences.

Numerous Possibilities

Our reasoning behind holding the ADAPT conferences, with their 100 diversification ideas each, is that even if farmers are inclined to diversify, they hardly know where to start. In the beginning we found that some farmers could only think of the obvious: a vegetable stand with garden produce, or cutting a few cords of firewood to sell out of a pickup. As the diversification concept has matured, we now know there are literally thousands of successful diversification possibilities.

The 10,000 farmers who came to our ADAPT conferences were out to take charge of their businesses again. Control of too many farms has slipped away—to lenders and to the Government. On too many farms the only “plan” is to wait for the next Government program. A third of net farm income will come from the U.S. Government in 1988. A cash grain farm will get two-thirds of its net farm income from the Government.

ADAPT ideas are geared to the idea that farmers want to receive more income from the market and less from the Government. A successful diversification program produces for a market—not a grain bin.

Low-Fat Meat Products

Consumers today are uneasy about fat in their meat. Is that a problem or an opportunity? We know stories of farmers who produce venison, which is low in fat and cholesterol. Or water buffalo...or rabbits. Or lite beef or aquaculture. If you are inclined to smirk at the impracticality of these possibilities, consider that until Thomas Jefferson ate one publicly, the tomato was considered poisonous, and not long ago the soybean was merely a Chinese oddity.

Quality Tomatoes

Did we say tomato? Here is a case of agriculture not responding to consumer needs. Everyone complains about hard, tasteless tomatoes in the stores. In some stores on the East Coast you can buy juicy, red, tasty tomatoes year-round. Where do they come from? Israel. What do they cost? Twice as much, side by side, as the hard, little, rubber balls that pass for tomatoes today. Consumers *will* pay for quality.

Salad Bar Crops

The fastest growing unit in most restaurants is the salad bar. And on that salad bar is something called sprouts...alfalfa sprouts, bean sprouts. Do you know how long it takes to grow a sprout? Three days! Can you think of any other farm business which begins to pay off in 3 days?

Flowers

The fastest growing profit center in supermarkets isn't food at all, it's



The fastest growing unit in most restaurants is the salad bar. Many salad bars include bean sprouts or alfalfa sprouts. Sprouts take only 3 days to grow, making them one commodity that pays off quickly. (Marriott Corporation)

flowers. Demand for flowers is increasing 10 percent a year.

Mail Order Selling

Now maybe you live a long way from town. The U.S. population is on a mail order buying binge—\$50 billion worth a year. Could you sell smoked meat, jerky, fruits, vegetables, preserves, wildflower seeds, popcorn, crafts, pets, hunting dogs, recipes, services, farm implements by mail?

Are We a Colony?

We believe these are the sorts of ideas American farmers must at least consider. Such new operations would remove some of our dependence on growing and selling bulk commodities like the grains—and, at the same time, *increase* our reliance on value-added products (those that have undergone some processing). Lee Iacocca writes, "What do you call a country which exports bulk commodities like cotton and steel and then

imports products like textiles and automobiles? A colony!"

Diversification Works

So what are some of the great diversification stories? We know hundreds. Here are just a few:

- The King Ranch in Texas has diversified from beef cattle into a shrimp growing operation.
- The Stobers in North Dakota farm wheat and sunflowers, and grow Sharpei dogs. They sell the puppies that have breeding potential for \$1,500 each. Last year they grossed \$25,000 with expenses of only \$5,000. At our ADAPT trade show they took orders for \$15,000 worth of dogs. Keep in mind that the idea is not to turn the entire farm over to the new enterprise, but rather to replace a money-losing enterprise with a new profitable one. We'd like to see the new enterprise account for about 20 percent of profits as a target.

- Sprouts are a low-investment diversification opportunity. You can buy a simple growing container for \$2,500. You can sell sprouts wholesale for between \$1 and \$2 a pound, and your cost is 35 cents to 70 cents a pound. If the profit was 50 cents, you'd need to sell 200 pounds a week to make \$100. The machines, which have the trays in them, will turn out 40 to 700 pounds a week and will fit in one small room.
- Our chemicals editor, Betsy Freese, claims a pick-your-own strawberry diversification saved her dad's hog farm in Maryland. He has 10 acres of you-pick strawberries and nets \$800 an acre from them.
- Mark Becker from Illinois started growing specialty vegetables a few years ago. He grows napa cabbage and snow peas and sells them to oriental restaurants that pay him rather than a wholesaler from Chicago. Mark makes as much money from 2 acres of oriental vegetables as he makes from 400 acres of soybeans and corn.
- We hear mixed reports about llamas. One farmer we know generates \$28,000 net income a year from a \$100,000 investment. Clearly, these trendy enterprises call for getting in early, and, in this case, selling breeding stock. In this era of niche marketing, the niches are pretty small and by the time you hear about it locally, it may be too late.
- The next trendy enterprise is ostriches. A pair of ostrich chicks sells for \$1,800. A mature pair brings \$10,000. An ostrich lays 30 to 50 eggs a year and even an infertile egg can sell for \$50 to be used as a decorative ornament. An ostrich lives for 40 years.
- An Indiana farmer grows and bags birdseed—corn, wheat, sunflowers, and milo. He gets an extra 1 cent to 6 cents a pound of grain. That's 50 cents to \$2.50 more a bushel. He has a big operation and ships out three truckloads a day.
- Another big-time diversification is straw logs. A Colorado operation presses wheat straw into logs which are 12 inches long by 2.3 inches in diameter. They sell for less than competing products and burn cleanly. It is a high investment operation because the machine costs \$150,000, but they claim to make \$360,000 gross a year.
- An Oregon melon grower sells to the Japanese specialty market. He gets \$40 for one melon! How? By turning it over each day so there is no flat or discolored spot on it.
- Several farmers are making good seasonal money with you-pick pumpkins. They put kids on hayracks and drive them out to the patch to pick their Halloween pumpkins.
- The U.S. consumption of mushrooms is only 2 to 3 pounds a year while it is 8 to 20 pounds elsewhere. That says there's room for growth. We know of three kinds:
 - 1) *Shiitake*. When Buddy Hale harvested his first shiitake 5 years ago, he was one of just a few growers in the United States. They are grown by impregnating the oak logs with the spore. Today, the Madison, Va., dairy farmer has over 1,500 competitors, but the market isn't saturated yet. Hale sells his mushrooms to brokers for \$5 a pound (\$3 profit), who, in turn, sell them to 200 restaurants for \$10 a pound;
 - 2) *Oyster mushrooms*. These exotic mushrooms are grown on wheatstraw or cornstalk medium. They cost 50 cents to \$1 a pound to grow and sell for \$4 a pound;
 - 3) *Morel mushrooms*. Finally it is possible to cultivate these wild delicacies indoors. Neogen Corporation

has the patent and will apparently be licensing a few farmers to produce morels. But they will require upwards of \$50,000 in startup capital and will give preference to those who have experience growing mushrooms.

- A fish farmer from Missouri, Ron Macher, makes \$200 to \$300 per cage of catfish in his ponds. He says this confinement feeding causes faster growth, and they are easier to catch at market time.
- In Kansas, Sidney Corbin grows his fish in cages too, but because he has a free fishing operation (value added) he nets \$900 a cage. He grossed \$200,000 last year.
- Winnie Hawthorne in South Carolina grows crawfish in cages. The Hawthornes are grossing \$1,500 a surface acre and can't keep up with demand, which is growing yearly with the growth of Cajun and country cooking.
- An Iowa family grew black and colored sheep for years. The owner began spinning wool and making a few sweaters. This has grown into a true cottage industry with five neighboring women carding and spinning wool in their homes. Other women come to the shop where they knit the wool into beautiful sweaters, mittens, scarves, and so on. She puts a nice label—St. Marys Woolens—on each piece and includes the story of their farm and how the sweater is made. The sweaters sell for more than \$100 each at exclusive shops.
- We also know of two Colorado women who have a small-scale country catering business. When they found themselves with an empty dairy barn after their husbands sold off the dairy cows through the dairy herd buyout program, they installed a commercial kitchen and cater parties and functions. Last year they took in \$26,000 and netted \$7,500.

- An Iowan installed a trapshooting range on his farm. He takes in \$300 some nights, which is the only time he's open.
- In South Dakota, David Maas spent \$1,000 for cross country skis, and 500 customers flocked to the farm to rent skis and warm their toes in the granary. The family now hosts retreats throughout the year. Good skiing days can bring in \$2,500. The Maas are trying to attract more meetings to the lodge they renovated from a barn.
- Finally, there is the granddaddy of all diversification enterprises—Booker T. Whatley's program to gross \$100,000 from 25 acres of a you-pick operation. His concept is 10 high-value products that give year-round cash flow. He accepts up to 1,000 families who pay \$25 for the right to pick fresh crops that are priced 40 percent less than the supermarket. His customers pay \$40 if they want to fish his ponds while another family member picks vegetables.

A Useful Service

We tell farmers to keep in mind two rules for diversification: (1) If you don't like people, forget most of the enterprises, (2) If you don't like marketing, forget them all!

There is not one solution to what ails agriculture, there are 10,000 and 100,000 solutions. Those solutions are not in Washington or the State capitals; they are right there on each and every farm and ranch in the country.

An inspiration to our ADAPT and diversification efforts has been Thomas Jefferson's words, "The most useful service we can render a culture is to add a new plant to its agriculture." We believe one of the most useful services we can render our farmers today is to add a new and profitable enterprise to the business.