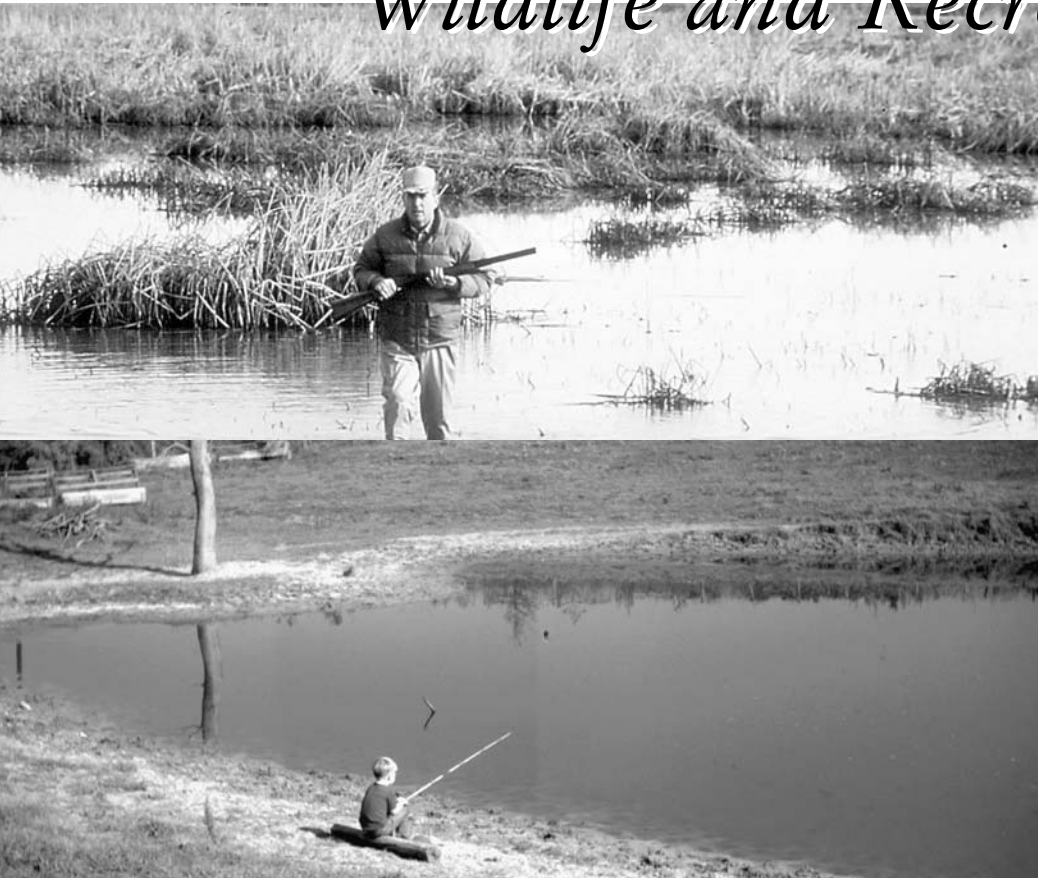


Business Planning

NATURAL RESOURCE ENTERPRISES

Wildlife and Recreation



BUSINESS CONSIDERATIONS FOR PRIVATE LANDOWNERS

More than two-thirds of the land within the United States is owned and managed by private landowners. Managing private lands is essential for sustaining and enhancing the natural resource base and for meeting the public's increasing outdoor recreational demands.

Farms, ranches, and private forest lands are economic entities and, for most owners, must be managed as a business to become profitable. Altering food and fiber production, or otherwise changing land use, to sustain and enhance the natural resources on private lands can be challenging. A natural resource base must be available that provides sufficient quality and

quantity to develop, manage, and enhance. With a sufficient natural resource base to build upon, alternative natural resource enterprises can provide another source of dependable annual income. Using the right management techniques, stewardship skills, and comprehensive business plan are all necessary parts of success.

There are a variety of types of natural resource-based enterprises that may let you, as a private landowner, diversify your operation. These include such products as pine straw collection for mulch; wild fruits; mushrooms; services for tours; guides for hunting, fishing,

or wildlife watching, hiking, and riding; trails, recreational access for hunting, fishing, horseback riding, and other similar activities.

Obviously the kind of enterprise to be developed depends on the resources available, client demand, the landowner's interest and objectives, and clients' willingness to pay. This publication will help you identify key business considerations to diversify your existing land management operation by incorporating a sustainable natural resource-based enterprise.

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DEVELOP A BUSINESS PLAN

The first step in developing a natural resource enterprise/business should be developing a business plan. The business plan is a guide to help determine if the enterprise will be feasible. It outlines the mission and goals of the proposed enterprise and provides a guide to keep the enterprise focused. It also educates interested investors or lending institutions about the enterprise and its economic feasibility. Most lending agencies require a written business plan before making loans for start-up or expansion.

What should a business plan include? A good outline is provided in "The Entrepreneur's Tool Kit," published by the Mississippi Development Authority. You can access this document on the Internet at www.mississippi.org. The Kit contains a section titled "A Guide for a Preparing Business Plan."

A logical outline for preparing the business plan should include the following:

- Resources Inventory*
- Business Plan Introduction*
- Marketing Plan*
- Operating Plan*
- Organization Plan*
- Financial Plan*

RESOURCES INVENTORY

The starting point for developing a business plan is an inventory of existing and available resources. You must determine what resources are available. A resource inventory helps determine whether you can make the property an economically feasible business and what type of business enterprise to pursue. Once you select an enterprise, you evaluate resources you have to determine if anything is lacking that would prevent development of the planned business. The resource inventory not only identifies what is lacking but also which resources are underused. Underused resources can be separated into three types: physical, labor, and financial. Once completed, the resource inventory should become part of the overall business plan.

■ *Physical Resources Inventory*

The physical resources inventory is a list of assets such as land, soil types and vegetation (habitat), buildings, equipment, machinery, and animal populations (domestic and wild). Following are items to consider:

- ✓ The number of acres you own or lease, the stability of the ownership or leased property, and a description of the land. Is the land uplands or low lying areas? Are some areas subject to flooding or

holding water during rainy seasons, and could such flooding be an advantage or disadvantage?

- ✓ Water sources on the property. List any lakes, ponds, rivers, springs, and intermittent streams on the property or that may cross or border the property.
- ✓ Type of vegetation on the property. Note how many acres are in forest, crops, pasture, and/or fallow.
- ✓ Existing land use or management improvements. Is there fencing around the property? Are the boundaries clearly marked? Is there all-weather road access to the property, and do roads exist throughout the property? Do structures such as out-buildings, houses, barns, and equipment sheds exist? If so, evaluate the condition and size of any such structures on the property. Are electricity and running water available? If running water is available, is it safe for cooking and drinking? Is garbage disposal available on/off site?
- ✓ Adjacent land use. Are lands/land ownerships that border the property managed to be compatible with developing a natural resource enterprise?
- ✓ Supplies, vehicles, equipment, and machinery you own. Include the size, working condition, age, and purchase price, if possible, of all vehicles, equipment, and machinery.
- ✓ Identify potential risks to users, such as an uncovered well opening, dead trees near roads or property boundaries, old mine sites, or any unsafe structures.
- ✓ Wildlife populations. If the enterprise depends on wildlife or fisheries resources, you should determine the quantity and quality of the animal populations, both resident and migratory, if appropriate. For resident native species such as white-tailed deer or wild turkey, and for fisheries resources in ponds or lakes, you may have to get a biologist to estimate the initial population status as well as provide information on harvest and potential for hunter success. Migratory populations,

such as waterfowl, may vary greatly from season to season because of suitable habitat availability, migration patterns, and other conditions you can not control. For species such as white-tailed deer, age structure and sex ratio estimations may be important, particularly if you want to manage for trophy quality deer.

After completing the physical inventory, you can evaluate what type of business enterprise might be best suited to your available resource base and will be compatible with other ongoing operations, such as agriculture or forest management operations. There are likely to be some tradeoffs you must consider. You can share the information in the physical inventory with an Extension specialist or other professionals who can help identify advantages or disadvantages when selecting an enterprise. *It is critical to the success of any venture that the available resources can support the proposed enterprises before you try to determine the potential for return.*

■ Labor Resources Inventory

An inventory of labor resources will include both management and general labor needs.

- ✓ How many employees will the enterprise require to operate effectively and efficiently?
- ✓ What types of employees are needed?
- ✓ What current labor laws apply to your operation?
- ✓ Will the enterprise require manual labor, such as for landscape maintenance?
- ✓ Will it require customized personal service, such as guided hunts or tours?
- ✓ What about other operational needs like managerial, clerical, and bookkeeping skills?
- ✓ What is the labor supply in the area where the business will operate?
- ✓ What is the competitive rate of pay, including benefits, in the area?
- ✓ What other businesses in the area may compete for the labor supply or your client base?
- ✓ Don't forget to consider and include the value of your time and labor, as well as that of other

family members, if appropriate, who will be involved in operating and managing the enterprise.

■ *Financial Resources Inventory*

The financial resources inventory should consider the available capital as well as all outstanding loans for assets identified in the physical resources inventory. You must consider opportunity costs. These costs are identified as revenue you might have received if crops, timber or livestock had been managed for maximum production instead of the new enterprise. You may also have input costs, which might not be the same for the alternative enterprise. You must also assess risks costs. For some alternative enterprises involving access for recreational use, you must think about the additional costs of appropriate liability insurance coverage. The exercise of developing this and other listed resource inventories should create a base of information that will help develop the overall business plan.

BUSINESS PLAN

An introductory section should explain and describe the type of enterprise you are proposing.

- ✓ Include a summary of why you are considering the enterprise and the history behind the creation of it
- ✓ Develop a mission statement for the enterprise and include it in this section.
- ✓ List clear and concise objectives that can be measured to evaluate the progress and success of the plan.
- ✓ Develop a timetable for accomplishing specific objectives identified.
- ✓ Include general information about the demand for the products, services, or access associated with the enterprise.
- ✓ Include information known about the growth of this type of enterprise statewide and nationally.

MARKETING PLAN

No one should try to develop a natural resource-based enterprise without first identifying a market. The first part of the marketing plan is the market research.

- ✓ Identify several different possibilities for marketing the enterprise.
- ✓ Visit similar existing enterprises and talk with people in the business. You may even want to visit as a paying guest one of these similar enterprises to get a feel for both sides of the equation, both as an owner and as a guest.
- ✓ Read trade journals associated with the industry.
- ✓ Seek information from university Extension specialists and other agencies that work with the industry you are planning to enter.

Once you have the industry information, you should develop a plan of action to attract customers. Develop a plan to advertise and promote the enterprise. If you want to target people in your local area as clients, your advertising budget may be relatively inexpensive using local newspapers and magazines. However, if you want to attract regional or national clientele, the costs of advertisement will, of course, be higher. Advertising will be most effective once you determine the type of enterprise and have thought about how to describe and illustrate what you are offering potential clientele. What is unique about your enterprise, and what other attractions or amenities are in the area where your enterprise is located that would be of interest to people who would travel to visit your enterprise? Web sites are now a great way to advertise but will require consideration of what you can illustrate and communicate to potential clientele, what you have to offer, and how that information can be shared through a web site. Consider the following:

- ✓ What type of customer will the enterprise target?

- ✓ Will individuals or family units be targeted as primary customers?
- ✓ Is there a certain clientele characteristic unique to this business enterprise?
- ✓ What will the enterprise offer that makes it attractive to clients?
- ✓ Consider the population demographics of the potential clientele in the area.
- ✓ Is the local population base large enough to support the enterprise, and is it likely to be viewed positively or negatively by the local population, including neighbors?
- ✓ Does the enterprise need to focus on a regional or national basis?
- ✓ What other products, services, or activities can be offered clients?
- ✓ The enterprise may need to create package plans with other area businesses that benefit all involved. It may benefit the enterprise to team up with a regional transportation company, local motel, local processing facility, restaurant, or other appropriate businesses in the community.
- ✓ Use state tourism and economic development agencies to help promote the business.
- ✓ Many state agencies (some are listed at the back of this publication) provide assistance that may be of help to your enterprise at low cost or no direct cost.
- ✓ A number of private consultants are available in Mississippi and neighboring states who provide their services for a fee.

Pricing a service or experience offered to the public is critical in the marketing plan. Pricing will be unique to each enterprise. The first step in determining a profitable retail price is determining the total cost to the enterprise. It begins with understanding cost concepts. Total cost can be divided into two parts: variable and fixed costs. Fixed costs include items such as insurance, interest on invest-

ment, property taxes, depreciation of assets, and rent. These costs are referred to as “fixed” because they are set and do not change over a given time period. Variable costs are those direct operating costs that change with the quality of the operation and the quantity of production or services rendered. Variable costs include things like labor, supplies, utilities, marketing, and the range of amenities you provide to your clientele.

The second step is determining the actual price of what to charge for the product, service, or access to the enterprises that will be provided. The cost analysis you conduct will be useful in setting prices. Prices may be determined on “break-even” plus 10 or 20 percent, what similar enterprise competitors prices are, what the market can bear, or other objectives.

OPERATING PLAN

This section of the business plan details what the enterprise provides.

- ✓ Describe a normal working day for the enterprise.
- ✓ Provide a physical address for the enterprise.
- ✓ Tell where the enterprise is located and the most direct way to get to it.
- ✓ Give a mailing address if different from the physical address.
- ✓ Include telephone and fax numbers.
- ✓ Identify by name, who the contact person(s) will be.
- ✓ Provide by e-mail or web site, if available.

Remember that for most natural resource-based enterprises, and especially those that involve people’s spending extended time at your facilities or on your land, service to the customer is the key to repeat business. Developing your enterprise to provide a quality experience for customers will also be a significant benefit to your marketing success. A good quality experience will create a positive

impression on customers that will encourage repeat business and their personal recommendations to other potential customers. Word-of-mouth advertisement is the best return you can expect on your investment.

ORGANIZATIONAL PLAN

Based on the inventory list you developed and the previous information on labor availability, develop an organization chart showing the chain of command for operating the enterprise. Describe the duties and responsibilities of each employee. Include resumes for the management team and owners. Be sure to include any special training, experience, or education employees need to have that make them specifically beneficial to the enterprise. Also be sure to consider what employee benefits will be provided.

FINANCIAL PLAN

The financial plan must consider budgeting of the enterprise. Budgeting is the tool the business manager uses to identify costs. A budget is a plan that helps the manager identify all costs associated with the enterprise, even costs you might otherwise overlook. A budget lets you compare forecasted and actual results of putting the plan to work. A realistic budget that includes the total costs of operating the enterprise will help determine a feasible pricing schedule for the products, services, or access that are to be provided, and it will help determine an appropriate marketing strategy.

The financial plan has four parts: a statement of sources and uses, a profit and loss statement, a cash flow statement, and a balance sheet.

- ✓ The sources and uses statement lists available funds and where they will come from, whether they are owner's funds, investors funds, or if they come from lending agencies. It also lists all the uses for the funds, such as for land, equipment, machinery, blinds, stands, and renovations or inventory. In other words, it includes anything you will purchase for the

enterprise from start-up funds.

- ✓ The profit and loss statement is the estimated income from the enterprise operations and all the related expenses involved in doing business. It must be directly coordinated with the proposed budget. It shows total income less total expenses, of the enterprise, and the bottom line, which is either an income or a loss for a fixed period of time (usually one year).
- ✓ The statement of cash flow is generally developed on a monthly basis, usually for a year, and shows only cash receipts and cash outflows for each month. The statement of cash flow is a tool that helps management and lenders understand how and when cash flows into and out of the enterprise. It can help management identify when funds are needed and how to schedule debt repayment. It is an extremely useful management tool for highly seasonal enterprises.
- ✓ The balance sheet lists enterprise assets, liabilities, and owner equity. It is a snapshot of the health of the enterprise on a given day. It indicates what the enterprise owns and the debt structure of the business.
- ✓ Consult your tax and/or financial planning advisor about your enterprise development plan.
- ✓ Consult with your attorney to be sure he or she understands what your operation is going to do and if there are any legal ramifications you have not considered.

The financial plan helps identify the economic feasibility of the proposed business enterprise and provides the financial tools to better manage the operation.

The following checklist is a good place to start if you are considering starting a business/enterprise in Mississippi:

- ✓ Request a Mississippi Entrepreneur's Tool Kit from the Mississippi Development Authority www.mississippi.org (601/359-3593), or access it electronically through the Mississippi State University Extension Service web site at www.msucare.com.
- ✓ Request a copy of Mississippi Reporting

Requirements for Small Businesses from the Mississippi Development Authority www.mississippi.org (601/359-3593), or access it electronically through the Mississippi State University Extension Service web site at www.msucare.com.

- ✓ Choose a name and logo, if you want one, for the enterprise. To protect the name and logo, complete an Application To Register a Trademark. You can get one of these from the Mississippi Secretary of State (601/359-1633) or online at www.sos.state.ms.us.
- ✓ Decide on the form of business ownership (sole proprietorship, partnership, or corporation). In order to be incorporated, you must file an articles of incorporation with the Mississippi Secretary of State (601/359-1633). Register with the Mississippi Secretary of State if the enterprise is a limited liability company (LLC).
- ✓ Obtain a local business permit or privilege license from city/county officials.
- ✓ Obtain any special licenses and permits some enterprises may require. You may need to meet additional regulations, as well (example: ventures that handle or process food). Contact the Mississippi Secretary of State for information (601/359-1633).
- ✓ Contact the IRS online at www.irs.ustreas.gov to obtain a federal employer identification number or EIN (call 800/829-3676 and request FORM SS-4). An EIN is required for all partnerships, corporations, and sole proprietorships with one employee or more.
- ✓ Complete a Mississippi Business Registration Application (FORM 70-001-00-1). You can get one of these from the Mississippi State Tax Commission (601/923-7000) or online at www.mstc.state.ms.us.
- ✓ Purchase workers' compensation insurance. This is required if you will have five or more employees. www.mwcc.state.ms.us
- ✓ Open a DBA (doing business as) bank account for the enterprise.
- ✓ Check on needed insurance and/or bonding coverage for the enterprise.

- ✓ Write and use a business plan for the enterprise.
- ✓ Secure financing, if needed.
- ✓ Establish prices, fees, and enterprise operation policies.
- ✓ Obtain copies of IRS publication 334 (Tax Guide for Small Business) and IRS publication 533 (Self-Employment Tax). Contact the IRS at 800/829-3676 or electronically at www.irs.ustreas.gov
- ✓ Determine record keeping requirements and set up a bookkeeping system.
- ✓ Obtain an answering machine and/or a phone/fax line for business.
- ✓ Obtain business cards, stationery, forms, and such.
- ✓ Do advertising and publicity.
- ✓ Start the enterprise!

You may get additional information for Mississippi business/enterprises through the Mississippi State University Extension Service Food and Fiber Center or Business Briefs web site at www.msucare.com



msu*cares.com*

By **James E. Miller**, Research/Outreach Professor/ Wildlife & Fisheries; and **Dr. Kenneth W. Hood**, Associate Extension Professor, Food & Fiber Center.

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CHECKLIST FOR STARTING A SMALL BUSINESS IN MISSISSIPPI

There are many issues to consider when you are thinking about starting a new business. Once the decision has been made to start a small business, use the following checklist as a guide as you go through the planning process in Mississippi:



- Request a Mississippi Entrepreneur's Tool Kit from the Mississippi Development Authority (601/359-3593), or access it electronically through the Mississippi State University Extension Service Web site.
- Request a copy of Mississippi Reporting Requirements for Small Businesses from the Mississippi Development Authority (601/359-3593), or access it electronically through the Mississippi State University Extension Service Web site.
- Check local zoning regulations with city/county officials. When applicable (such as a home-based business) also check neighborhood covenants.
- Choose a name (and logo, if desired) for the business. To protect the name and logo in Mississippi, complete an Application To Register a Trade Mark (form F0023), which can be obtained from the Mississippi Secretary of State by calling 601/359-1633 or Online at www.sos.state.ms.us. Federal trademark registrations are handled by the U.S. Patent and Trademark Office. For additional information and an application form, call the U.S. Patent and Trademark Office at 800/786-9199 or Online at www.uspto.gov.
- Decide on the form of business ownership (sole proprietorship, partnership, or corporation). In order to be incorporated, articles of incorporation must be filed with the Mississippi Secretary of State (601/359-1633 or www.sos.state.ms.us). Register with the Mississippi Secretary of State if the business is a limited liability company (LLC).
- Obtain a local business permit or privilege license from city/county officials.
- Obtain any special licenses and permits that some businesses may require. You may need to meet additional regulations, as well (examples: ventures that handle or process food; child care centers). Contact the Mississippi Secretary of State for information at 601/359-1633 or www.sos.state.ms.us.
- Contact the IRS to obtain a federal employer identification number or EIN (call 800/829-3676 and request FORM SS-4 or go Online at www.irs.gov). An EIN is required for all businesses with one employee or more.
- Complete a Mississippi Business Registration Application (FORM 70-001-00-1), which can be obtained from the Mississippi State Tax Commission (601/923-7000).
- Purchase workers' compensation insurance (required if you have five or more employees.)
- Open a DBA (doing business as) bank account for the business.
- Check on needed insurance and/or bonding coverage for business. (Note: Many homeowners' policies usually will not cover home-based businesses.)
- Write a business plan.

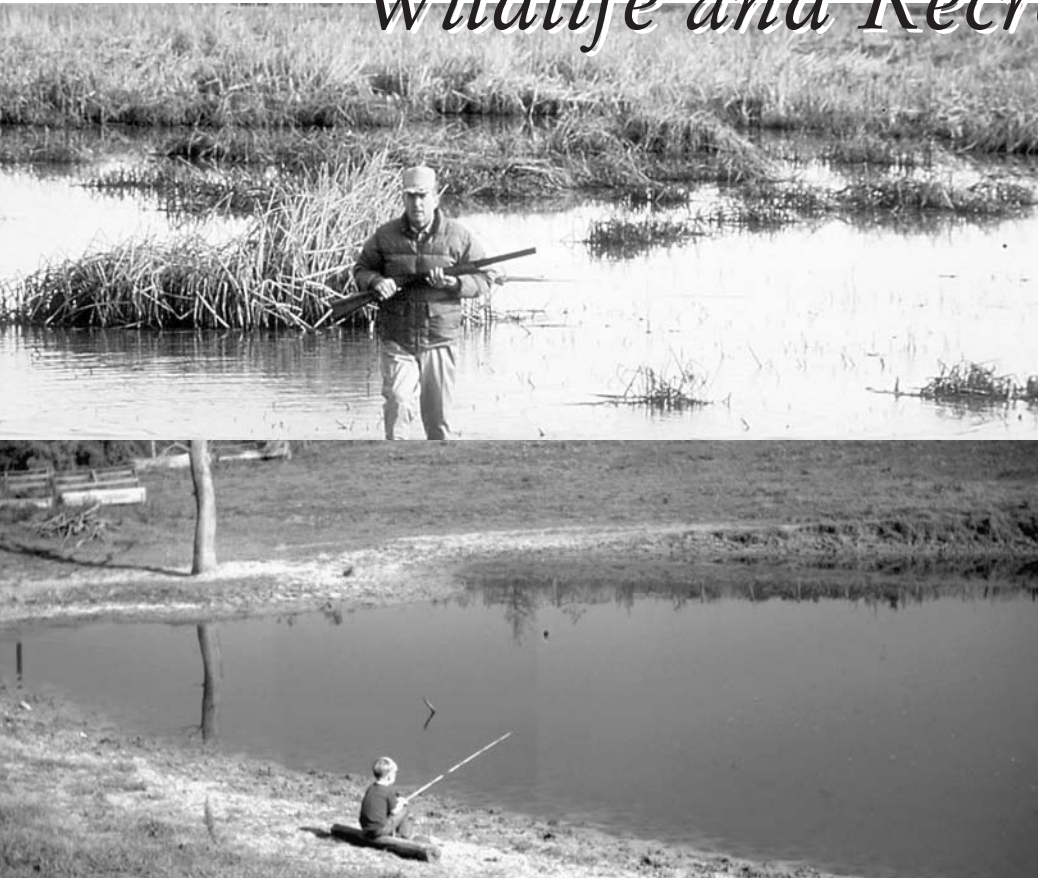
- Secure financing, if needed.
- Establish prices, fees, and business operation policies.
- Obtain copies of IRS publication 334 (Tax Guide for Small Business), IRS publication 533 (Self-Employment Tax), and if business is home-based IRS publication 587 (Business Use of Your Home) by calling the IRS at 800/829-3676 or electronically at www.irs.gov.
- Determine record keeping requirements and set up a bookkeeping system.
- If business is home-based, set up a work area in home and obtain an answering machine and/or a phone line for business.
- Obtain business cards, stationery, forms, etc.
- Do advertising and publicity.
- Start the business!

Additional information for Mississippi small businesses may be accessed electronically through the Mississippi State University Extension Service at www.msucares.com/business_assistance/homebusiness/index.html#pubs.

This document was produced by the MSU-ES Food and Fiber Center and is available on MSUCares.com

NATURAL RESOURCE ENTERPRISES

Wildlife and Recreation



A CHECKLIST OF CONSIDERATIONS FOR LANDOWNERS

Many private landowners are interested in how to begin a natural resource-based enterprise on their lands. This interest is in response to the general public's increased desire for natural resource-based products from private lands and/or access and use of private lands for recreational use.

According to national surveys, the public is not only interested in obtaining access for products and recreational pursuits, they are willing to pay for this access. As a result, many private landowners are evaluating their potential for providing such products or for offering such activities on their lands. However,

landowners are struggling with some serious land-use management decisions.

This checklist and accompanying explanations should be helpful to landowners in making decisions before they initiate and make investments in such an enterprise. This checklist is not all-inclusive; however, it does discuss some serious issues that should be evaluated before starting any type of natural resource-based enterprise. A sample worksheet is also provided for landowners to use in evaluating individual and family goals and objectives for considering a new natural resource-based enterprise.

CONSIDERATION CHECKLIST

The first consideration in planning for a natural resource-based enterprise is the development of a NATURAL RESOURCE INVENTORY, *including facilities that are pertinent to the enterprise*. This information is essential in determining the best use of existing resources and facilities. It will be useful in determining the type of enterprise(s) your lands and waters are best suited for, and the various options that can be provided or offered.

■ *Natural Resource Inventory*

- ✓ What type of land do you have? Is it predominantly flat, hilly, open, forested, pastureland, currently in agricultural production, etc.?
- ✓ How much of the land acreage is in different types? For example, if your enterprise is hunting leases, how much land is in woodlands that provide quality habitat for deer and turkey, or how much is in wetlands that provide quality habitat for waterfowl?
- ✓ Is this land already owned, or is some of it rented or leased?
- ✓ Do you have an aerial photo or map of the land showing roads, access points, and portions that are fenced? Are property boundaries clearly defined?
- ✓ Is it gated or on a private road?
- ✓ What type of land use is on adjacent/surrounding property owned by neighbors or other ownership, such as corporate, state, or federal owners?
- ✓ Are there ponds, lakes, or streams on your property, and if so, how many, and of what amount? Example: (2 lakes, 3 ponds, totaling 50 acres, and $\frac{3}{4}$ mile of permanent or intermittent streams.)
- ✓ What kind of buildings are on the property? What size are they, and what kind of condition are they in? Can you provide lodging, dining space, cooking and restroom facilities with the existing structures? Are they restorable for use by guests?

✓ Do you have some idea of the populations of major wildlife species residing on your lands, and are your ponds and lakes stocked and managed for fishing?

✓ Do your long-term objectives for your property and its management include adding and sustaining this natural resource-based enterprise as an integral part of the operation?

■ *Compatibility*

- ✓ Does your current use of your land's natural resources for farming, forest management, or livestock grazing lend itself to being used for other purposes?
- ✓ If so, are such other uses compatible with recreational use by paying-clients without conflicts or compromises to the integrity of your major income-producing operation? For example, if your major use of the property is an agricultural operation, can you tolerate a hunting operation during your planting or harvest season without having a conflict in time and resource management?
- ✓ Is your labor force (family or existing employees) sufficient to handle additional work, and will the new enterprise conflict with or complement normal down times in the work load? For example, will someone be available to guide or direct clients to hunting places or provide lodging and food for them, if needed, during the hunting season, or is that a busy time or vacation time for you, your family, and employees?

■ *Liability Insurance*

Insurance is a contract where an insurer (insurance company) undertakes to indemnify the insured (person or family owning the insurance) against loss, damage, or liability arising from an unknown or contingent event. The insured pays the insurer a premium for this coverage.

Liability insurance covers loss caused by negligence but not loss caused by a willful act of the insured. Negligence is one of the conditions that can be greatly reduced on most private lands

through risk planning. Anyone who allows public use of their lands for recreational use, whether or not a fee is charged for access and/or use of the property, should consider acquiring sufficient liability insurance coverage. Liability insurance companies generally limit the total liability of the insurance company to a specific sum per occurrence, which may be much less than the liability incurred by the insured, but it does reduce the risk of loss.

If you already have insurance on your property, you can work with your present insurer to see if a rider can be added as a supplement to your existing policy to obtain adequate liability coverage. Others who plan to lease their land to an individual or group may require the lessee(s) to obtain liability insurance as a part of their written lease agreement. There are a number of insurance companies who offer a rider for coverage of public recreational use, or for hunting clubs. If you have questions about the need for liability insurance for the type of natural-resource enterprise you are considering, you may want to consult your attorney.

■ *Resource Sustainability*

- ✓ Can you sustain your existing operation and still add some type of recreational access opportunity such as deer hunting?
- ✓ Can you sustain and/or enhance a productive deer population over time that clients are willing to pay for, or will such exploitation on the existing land base be unsustainable given the limited amount of deer habitat?
- ✓ Can you allow a certain number of fishing days on your ponds or lakes and still be able to provide quality fishing in the years to come by limiting use and ensuring maintenance of good harvest records, or will you have to drain and restock periodically?

■ *Personal and Family Inventory/Assessment*

After the NATURAL RESOURCE INVENTORY, this assessment may be the most important consideration that should be evaluated:

- ✓ Will you and/or members of your family or employees enjoy dealing with people who will

be using your land and having access to your natural resources?

- ✓ Do your and your family's long-term objectives for ownership require adding an alternative enterprise to your existing operation for increased or more dependable annual income?
- ✓ Do you and/or members of your family or existing employees have some practical experience or knowledge about the type of enterprise you are considering?
- ✓ Are you and your family or employees willing to keep records and manage the business aspects of the new enterprise?
- ✓ Are you and your family willing to take the risks associated with investing in the management and operation of a new enterprise?

■ *Other Options for Consideration*

- ✓ Will the enterprise be seasonal or operated year-round?
- ✓ Can the existing natural resources be enhanced to meet the needs and demands of the client base for the enterprise, and can they be sustained for future needs?
- ✓ Will the enterprise offer consumptive use of the resources, such as hunting and fishing, or so-called nonconsumptive uses, such as horse riding, bird watching, or both?
- ✓ Will the enterprise offer primarily land-based activities, water-based, or both?
- ✓ Will the enterprise be compatible with the other existing operation(s)?
- ✓ Can the enterprise be operated with existing resources, or will investments, loans, and additional labor be necessary?

MARKETING

The considerations listed above should be evaluated and answered before moving forward. To this point, no major investments or risks have been incurred. However, before a decision is made to initiate one or more alternative natural resource-based

enterprises, you must consider the market and client base. Marketing the product, service, or access for recreational use is essential to consider if the enterprise is to be successful.

One way to get some idea of the market for the enterprise is to visit an operation that offers similar kinds of products, services, or recreational access, and talk to the people who manage and operate this business. If you know of trade associations who work with such enterprises, talk to their representatives and review materials they have available that relate to the enterprise you are considering. Attend available educational programs that relate to the type of operation you are considering. Learn as much as possible about such enterprises and their operation and management as you consider whether, in fact, this is an appropriate business for you and your family.

■ *Marketing Your Natural Resource-Based Enterprise*

- ✓ Develop a customer/client profile.
- ✓ Do you want to market to corporations or groups?
 - ✓ To individuals or families?
 - ✓ To certain income levels?
 - ✓ To certain age groups?
 - ✓ To the diverse public at large?
 - ✓ To urban clientele or to local people in nearby communities?

■ *Location*

- ✓ Is your land near major metropolitan areas or population centers?
- ✓ Are there similar operations nearby that you will be competing with, or are there other types of operations nearby that are complementary and may provide clients for your business?
- ✓ Does your enterprise or some other attraction nearby offer something unique that may be a draw for regional or national clientele?

■ *Accessibility*

- ✓ Is your location accessible to clients? For example, is your enterprise on or near a major highway system?
- ✓ Do you have a good road system to access your property and enterprise by automobile, or is it accessible only by 4-wheel truck or all terrain vehicle?
- ✓ Is your enterprise within 60-80 miles of a major airport or even a private airport?
- ✓ Can you provide transportation to your enterprise from the nearest airport for clients who would fly in to visit your operation?

■ *Potential Partners and Cooperators*

- ✓ State, regional, and local tourism agencies
- ✓ Trade or industry associations or groups
- ✓ Local and State Chambers of Commerce
- ✓ State and local economic development agencies or groups
- ✓ Nearby tourism businesses/operations
- ✓ Corporate trade or industry publications
- ✓ Youth associations and organizations, such as Boy Scouts, 4-H, or Campfire Girls
- ✓ Senior citizen organizations, such as AARP
- ✓ Community groups, school groups, and others

PLANNING

Following this thought process of things to consider and do, if the potential looks promising for developing your enterprise, now is the time to develop a written business plan and begin to realistically weigh the pros and cons of the investments (labor and capital) that will be necessary to operate the enterprise. This necessary step will help in weighing the costs of doing business against the potential market demand, and help in determining the feasibility of the enterprise, the time

required to get the business up and running, and the amount of time it will take to make the operation profitable and to become an integral part of your total operation.

■ *Business Plan Outline*

- ✓ Introduction and 3- to 5-year plan for the enterprise
- ✓ Organizational plan
- ✓ Marketing plan
- ✓ Operating plan
- ✓ Financial plan, including feasibility perspective
- ✓ Evaluation and monitoring plan

SUMMARY

Although this checklist of considerations appears to require extensive study before making final decisions about start-up of a new alternative enterprise, it will be in your best interest, as well as your fami-

ly's best interest, to do so. There is no "silver bullet" or "one plan fits all" for initiating a natural resource-based enterprise. Each individual site/location has different capabilities biologically, socially, and economically, just as each landowner is different and has different interests, capabilities, and objectives for developing a natural resource-based enterprise.

Therefore, this checklist should be useful for any individual, family, or group who is thinking about diversifying and initiating a new alternative natural resource-based enterprise, or expanding their existing operation to include such an enterprise.

Once the type of enterprise is determined and a business plan is being developed, another suggestion is to make two lists. First, list the realistic short-term objectives, (1-3 years). Second, list the projected long-term objectives for this enterprise (3-7 years) and be as specific as possible. These lists can be modified as the enterprise moves forward, but should serve as good benchmarks for enterprise evaluation.



Photograph by *Glen "Tink" Smith*

WORKSHEET: GOALS AND OBJECTIVES FOR SUSTAINABLE NATURAL RESOURCE-BASED ENTERPRISES

1. List the family members and/or employees who are likely to be actively involved in this enterprise, and briefly describe their anticipated roles.
2. List the types of sustainable natural resource-based products, activities, services, or access you are considering as an alternative enterprise in order of preference. (hunting or fishing lease, permit hunting or fee fishing, horse trail riding or other equestrian activities, guide services, bird or wildlife watching tours, group canoe trips, off-road vehicle trails, specialty crops, such as pine straw, mushroom, or ginseng production)
 1. _____
 2. _____
 3. _____
3. If you already have an agricultural or forestry operation as your primary business, what are your short- and long-term goals for the existing operation of the next 1-3 and 3-7 years? Check one or more of the following goals as appropriate:
 - Maintain at about the same level as in the past.
 - Expand. Describe how _____

 - Cut back on specific parts. Explain _____
 - Quit altogether
 - Other _____

4. How compatible do you think a new sustainable natural resource-based enterprise will be with whatever goals you listed above for your existing operation?

Very compatible - explain _____

Likely to require tradeoffs, identify _____

Not compatible, explain _____

5. What role will this new enterprise play in the next 1 to 3 years in terms of annual income and employment? Check one or more of the following:

Provide supplementary income to existing operation, or off-farm income

Replace part of your existing operation

Completely replace existing operation and off-farm income

Other roles/tradeoffs

6. After the new enterprise is established, what amount of family living income would you like the following sources to contribute annually? (present dollars)

Current farm or forestry operation _____

New enterprise _____

Off-farm employment _____

Other _____

Total _____

7. What special features do you and your family desire and/or expect the new enterprise to provide? (Level of risk, labor requirements, seasonality, use of special skills or resources, total management and use, sustainability of the integrated operation, etc.)



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By **James E. Miller**, Extension Outreach/Research Professor, and **Ken Hood**, Associate Extension Professor, Food and Fiber Center

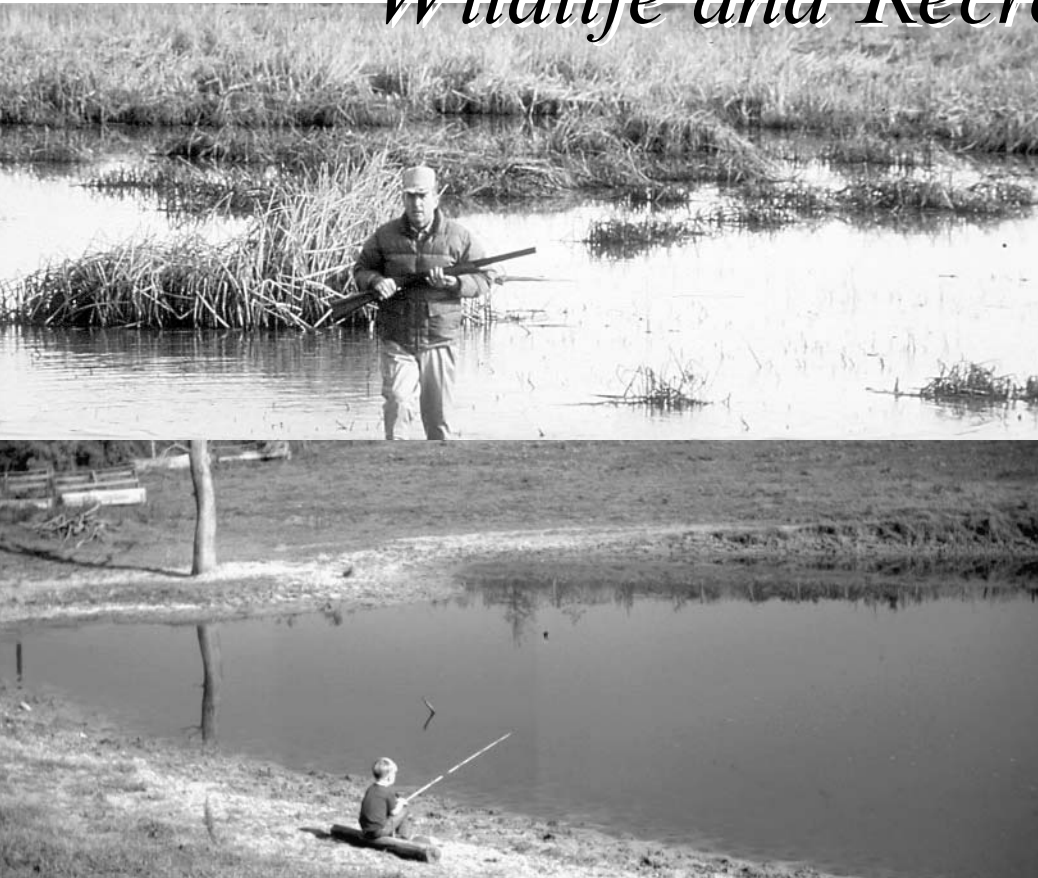
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NATURAL RESOURCE ENTERPRISES

Wildlife and Recreation



FINANCING YOUR NATURAL RESOURCE-BASED ENTERPRISE

Wildlife, fisheries, and other natural resource-based recreational pursuits constitute America's newest billion-dollar industry. In 2001, expenditures on wildlife-related recreation in the United States were estimated at \$108 billion. Expenditures on wildlife, fisheries, and related outdoor recreation exceeded \$974 million in Mississippi alone in 2001. Mississippi is uniquely positioned to receive a wealth of economic benefits as a result of the increasing public interest in and demand for access to wildlife, fisheries, and outdoor recreation.

Starting a business is hard work, and you must conduct a large amount of research to be sure that

you want to get involved in this venture and to ensure that you will be successful in it. You must consider and address issues like tax laws, state and federal laws and regulations, liability issues, and safety issues before you approach a lender.

If you are already a landowner and have sufficient capital available for the development of an enterprise, there is little need to seek financing. If, on the other hand, you desire to establish and sustain a wildlife- or fisheries-related recreational enterprise and have limited funds or land available, financing is likely to be of utmost importance to you.

NATURAL RESOURCE ENTERPRISES

FINDING A LENDER

If you conclude that financing your natural resource-based enterprise is a necessity, you will need to find out which lender will best serve your purposes. Several financing options are described below.

Commercial Banks

Most borrowers contact their local commercial bank first. Unfortunately, in many cases a commercial bank is only interested in short-term loans, so you may need to look elsewhere for financing.

Farm Credit Lending Institutions

- ✓ Federal Land Bank Associations
(www.landbanksouth.com,
www.mslandbank.com)
- ✓ First South Farm Credit
(www.farmcreditsouth.com)

The Farm Credit System, through its locally owned and operated cooperative lending operations, is a source of financing that offers long-term loans at competitive and attractive interest rates. Loans through the Farm Credit System can be for the purpose of purchasing real estate, improving real estate, debt refinancing, and consolidation. Interest rates can be variable or fixed with monthly, quarterly, semi-annual, or annual payments. Also, the Farm Credit institutions have “young,” “beginning,” and “small farmer” programs with several attractive features for those that qualify.

Farm Service Agency

(www.fsa.usda.gov)

The Farm Service Agency (FSA) is a part of the United States Department of Agriculture (USDA). The FSA makes and services both direct land ownership and operating loans. FSA also has a guaranteed loan program and a participation loan program. FSA guaranteed loans provide conventional lenders with up to a 95 percent guarantee of the principal loan amount. In the participation loan program, FSA lends up to 50 percent of the amount financed and the conventional lender provides the other 50 percent.

Mississippi Development Authority

(www.mississippi.org)

Mississippi Development Authority (MDA) makes interest-free loans to eligible start-up operations. MDA funds up to 20 percent (or \$200,000 — whichever is less) of the cost to construct or update facilities interest-free for up to 15 years. The conventional lender guarantees this loan and MDA is assured of repayment.

Owner Financing/Family Members/Investors

Owner financing may be an option to consider when a seller is interested in the sustainability of the property and is willing to finance the sale. Interested investors may also want to finance a natural resource-based enterprise if they expect a fair return on their investment and/or use of the enterprise once the operation is up and running. A family member with money to invest and confidence in the ability of the borrower to repay may also be willing to extend a loan.

WHAT LENDERS NEED

The Five Cs of Credit

All commercial lenders look for the same basic characteristics in a borrower. They are known as the “Five Cs of Credit”:

- Character - Personal credibility of the borrower,
- Capital - Financial position and progress toward financial stability,
- Capacity - Ability to repay the loan,
- Collateral - Other property or capital to secure the loan,
- Conditions - Basis of ultimate loan approval.

Business Plan

The most important information required by a lender is an up-to-date, complete, and accurate business plan. There are several good business plan models on the World Wide Web that can assist you in developing a sound business plan. A few sites available for this purpose include:

- ✓ www.bplans.com/sp/
- ✓ www.mississippi.org. This comprehensive web site was created by the Mississippi

Development Authority, whose principle purpose is economic development. At this site, the “Entrepreneur's Tool Kit” found under the Business Development section is very useful, containing a detailed explanation and example of each area of the financial plan, as well as a universally accepted personal financial statement.

(Note: Because web links can change, if you have trouble locating any of the links provided in this publication, please refer to the appendix on page 4 which gives the mailing address and phone number for each organization.)

Within the larger business plan, lenders will look for a sound and detailed financial plan. Critical components of a financial plan are:

- ✓ A cash-flow statement,
- ✓ Sources and uses of funds,
- ✓ Income statement,
- ✓ Balance sheet.

When you approach a lender, it is important to establish a personal relationship with a loan officer who understands a borrower's needs. It is the loan officer's job to assess the borrower's credit quality, or the “Five Cs of Credit,” to understand strengths and weaknesses of the business plan, and, if they have experience with natural resource-based enterprises, to offer sound advice on plans and goals of such an enterprise. It is a good idea to call ahead and find out what information the loan officer will need as they consider an application for loan. Be prepared to answer questions and give all information as required by the lender.

Inventory

A lender will also be very interested in reviewing an inventory of your physical resources and labor resources. This inventory includes:

- ✓ Number of acres in the enterprise
- ✓ Unique physical, biological, or landscape features

- ✓ Water resources availability
- ✓ Type and extent of vegetative cover
- ✓ Current land use (crop, pasture, timber)
- ✓ Other comparable enterprises in the area (competition)
- ✓ Adjacent land use and management history (if known)
- ✓ Supplies, vehicles, equipment owned or needed
- ✓ Potential risks (environmental hazards, unsafe structures)
- ✓ Status of existing wildlife and fisheries populations
- ✓ Number of employees on hand or that will be needed
- ✓ Employee special expertise needed
- ✓ Level of employee compensation (base pay, benefits)
- ✓ Need for customized services (guided hunts, tours)
- ✓ Opportunities for expansion

Financing a natural resource-based enterprise does not have to be a frightening or cumbersome process. Be sure to have a sound, complete, and comprehensive business plan, and be prepared to answer any and all questions about your enterprise. It is the loan officer's job to evaluate credit quality and to determine what, if any, special programs are available to make your plan work. Consider the lender as a partner, ask pertinent questions, draw on their financial expertise, and heed their advice.

APPENDIX

Bplans.com

www.bplans.com/sp/
144 E. 14th Ave.
Eugene, OR 97401
Phone: (541) 683-6162
Fax: (541) 683-6250

Mississippi Development Authority

www.mississippi.org
501 North West Street
P.O. Box 849
Jackson, MS 39201
Phone: (601) 359-3449
Fax: (601) 359-2832

Federal Land Bank Association of South Mississippi

www.landbanksouth.com
500 Greymont Ave., Suite D
Jackson, MS 39202-3446
Phone: (601) 355-8500
Fax: (601) 355-8511

Land Bank of North Mississippi

www.mslandbank.com
P.O. Box 667
Senatobia, MS 38668-0667
Phone: (662) 562-9664
Fax: (662) 562-7783

First South Farm Credit

www.firstsouthfarmcredit.com
P.O. Box 1709
Ridgeland, MS 39158
Phone: (800) 955-1722
Fax: (601) 977-8368

Farm Service Agency, Mississippi Office

www.fsa.usda.gov
P.O. Box 14995
Jackson, MS 39236
Phone: (601) 965-4300
Fax: (601) 965-4184



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By **Harry Dendy**, Natural Resources Associate, **James E. Miller**, Extension Outreach/Research Professor, Department of Wildlife and Fisheries, and **Kenneth W. Hood**, Extension Professor/Food and Fiber Center, Mississippi State University.

This publication is sixth in the series *Natural Resource Enterprises: Wildlife and Recreation*.

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