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Is Diversification Your Ultimate Goal?

Farmers are repeatedly advised to diversify into new enterprises in order to generate additional income. It's not unusual for me to visit a farm that grows vegetables, fruit, has some livestock for direct marketing meats, chickens for eggs, offers agritourism events and farm tours, and is considering how to enter the craft beverage market. If diversification is really the business model for success, what does that mean for farmers?

In many ways, farmers have long been diversifying their product base; making cheese from their own milk, fiber crafting their fleeces, offering various sausage flavors from their farm raised pork, and making value-added products from their produce and fruits. But it seems that in order to generate new income streams, the pace and type of product diversification has become more varied, costly, and time consuming.

Diversification can provide significant income patching, but as with any new business venture, they require additional financial and human resources, management time, and in most cases, new skill sets. These are not bad attributes in themselves unless collectively, they detract from the sound management of the core production enterprise. Diversification may require hiring additional help. You and/or family members may not be able to take on more tasks. The cost of hiring and training new staff needs to be factored into the costs-benefit analysis of starting a new enterprise. The other limiting factor is time. You've only got so much time and competence in certain areas.

The USDA, NASS 2013 Census of Maryland Agriculture reports Maryland has 12,300 farming operations. Only 1,753 of these operations report sales of more \$2590K annually. The average net cash in-

Continued on page 2

Is Diversification Your Ultimate Goal? Continued From Page 1

come per farm reported that year was \$38,920. These figures indicate that there are probably a lot of Maryland farms that are struggling to be agriculturally viable, so they have to look for alternatives. Large farms can specialize their production and maximize their economies of scale, but smaller operations may have to look for ways to change their business and look to diversification that compliments their core business. Adding some layers to your production may be a good choice so you can offer eggs shares in your veggie CSA. But, adding substantial numbers of larger livestock to that same operation so you can offer meat shares, would require a major management change and investment. While extensive diversification won't fit every farm, there are still income opportunities from strategic enterprise diversification that should include a multi-layer marketing strategy.

- ▶ **What additional products or services can you market to your existing customer base or which ones will attract additional customers for your core products?**

- ▶ **Do you have an entrepreneurial spirit that is willing to take on additional business risks?**

There are many different opportunities out there, but your choices will come down to your willingness to look at diversification as a benefit to your wider business. If your new enterprise doesn't knit to your core business, then you need to consider how long it will take for the new diversification to be self-sustaining. That will become the real goal.