

Business Considerations for Private Landowners



Introduction

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 a 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 products such 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 develop depends on the resources available, client demand, the landowner's interest and objectives, and the clients' willingness to pay. This publication will help you to diversify your existing land management operation by identifying key business considerations such as incorporating a sustainable natural resource-based enterprise.

Develop a Business Plan

The first step in developing a natural resource enterprise/business is creating a business plan. A 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.

For more information on writing a business plan, please visit the [MSU Natural Resource Enterprise page](#). Click on the posted webinar, *How to Draft a Business Plan for Your NRE on Your Land*.

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

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

Resources Inventory

The starting point for developing a business plan is taking 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, evaluate your resources to determine you lack anything 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). Consider the following:

- The number of acres you own or lease, the stability of ownership or leased property, and a description of the land. Is the land uplands or does it have 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 outbuildings, houses, barns, and equipment sheds exist? If so, evaluate the condition and size of these 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- and 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 cannot control. For species like white-tailed deer, age structure and sex ratio estimates may be vital, 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 trade-offs 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 services, 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 risk 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 one of these similar enterprises as a paying guest 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 clients, 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 clients. What is unique about your enterprise, and what other attractions or amenities are located near your enterprise that would be of interest to people willing to travel to your enterprise? Websites are now a great way to advertise

but will require consideration of what you can illustrate and communicate to potential clients, what you have to offer, and how that information can be shared through a website. Consider the following factors:

- What type of customer will the enterprise target?
- Will individuals or family units be targeted as primary customers?
- Is there a certain client characteristic unique to this business enterprise?
- What will the enterprise offer that makes it attractive to clients?
- What are the population demographics of potential clients 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 to 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 investment, 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 can include labor, supplies, utilities, marketing, and the range of amenities you provide to your clients.

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 email address or website, if available.

Remember that for most natural resource-based enterprises, especially those that involve people spending extended time at your facilities or on your land, customer service 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 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 résumés 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 funds that 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:

- 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 (MS SOS) online** or by calling (601) 359-1633.
- Decide on the form of business ownership (sole proprietorship, partnership, or corporation). To be incorporated, you must file articles of incorporation with the MS SOS. Register with the MS SOS 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 (e.g., ventures that handle or process food). Contact the MS SOS for information.
- Contact the **IRS online** to obtain a federal employer identification number (EIN). You can also 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.
- To register a business in Mississippi, you must **file online with the MS SOS**.
- Purchase **workers' compensation insurance**. This is required if you will have five or more employees.
- 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 online** or by phone at (800) 829-3676.
- Determine recordkeeping requirements and set up a bookkeeping system.
- Obtain a phone with voicemail and/or phone/fax line for business.
- Obtain business cards, stationery, forms, and such.
- Do advertising and publicity.
- Start the enterprise!

Visit us online for more information on starting a wildlife recreational enterprise through the **Mississippi State University Extension Service Natural Resource Enterprises Program**.

Notes

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