

Finding the right niche

Is niche diversification really the right strategy for your farm? Your best answer may come from answering this: 'How driven are you?'

By Andrea Hilderman

The reasons for wanting to diversify the farming operation are almost as diverse as the opportunities themselves. On many farms, it's because expansion is so costly at today's land prices, so the only way to grow is to intensify. Or it may be because there are more generations needing to draw income from the operation. Or it could be simply because you see an opportunity and the business possibilities are just too intriguing to overlook.

But those are only the beginning of the possible reasons for wanting to diversify. Maybe a pumpkin patch that you used to grow for the kids in the area becomes a full-service Halloween fright night, or maybe a niche grain processor opens up in your area, or a new road opens so all of a sudden you have traffic zooming past your laneway, paving the way for a thousand different retail ideas.

For some farmers, diversification opportunities are hobbies on steroids. A case in point would be the greenhouse operation at Court Seeds and Greenhouses located at Plumas, Man.

Look Plumas up on a map and you might not think that this would be an ideal location for a retail greenhouse operation.

"Our greenhouse business could be regarded as an accidental success, but that would take away from the actual hard work that went into it," says Randy Court, who owns Court Seeds and Greenhouses with his wife and business partner Jeanine. "It started from Jeanine's hobby. After our two children were walking, she built a smaller greenhouse to supply our family, friends and neighbours. To take the next step and invest in proper infrastructure, we quickly realized we needed a lot more customers — our business plan was clear about that."

The Courts looked to the nearest business centre, Neepawa, and met with some of the larger retailers — groceries like Safeway and Co-op as well as hardware stores. "It was Safeway that stepped up first," says Court. "They realized that the garden centre business was not their strength. We were able to negotiate a lease agreement with them and took over the entire

business, and they supported us. We each focused on what we did best, and we did really well together."

It wasn't long before the Co-op store in Gladstone made a similar arrangement. "In seven years we had gone from a hobby to 15,000 square feet of greenhouse, two retail locations and 12 staff," says Court. "It was quite a learning curve."

Along the way, however, the Courts had to learn the lessons that many farmers bump up against when they invest in diversification.

"Growing a plant yourself is very different from teaching, managing and directing staff to do it for you," Court says. "We had maxed out on the size of our operation and stabilized it at that level over the next 25 years."

The Courts started farming from scratch with 400 acres they bought in 1980. Very quickly they realized that they'd have a hard time making a go of it with conventional production and by 1981, they had switched to seed production.

Then, by 1987, the greenhouse operation grew to its final size, and by 1990 the farm itself was on the path to its current 4,000 acres, of which 60 per cent is owned. Their daughter Tracey has joined the operation and has added her own business as an agronomist.

"We were successful, yes," says Court. "We tried other diversification ideas. We toyed with a poultry barn, and woodcrafts. We even bought a small cattle herd which only lasted three months. I quickly realized I had no patience or passion for livestock and sold the herd when prices were at a good level.

"Trial and error is part of farming and growing the business," Court now says, but he has also come to recognize that some management traits pave the way for successful diversifications.

In particular, he believes he has a natural passion for business, team work and hard work. That doesn't mean other farmers don't, he's quick to add. But those are the traits that he has needed to rely on.

"You have to be passionate about whatever it is you do," Court says. "Without that, you won't stick with it. Or if you do, it'll be a chore, and success will be limited."



Court also stresses discipline on the business side. In other words, passion is essential, but it isn't enough on its own. Success demands business discipline too. "You have to spend your limited resources wisely," Court says. "That said, I also say the only reason to have money is to spend money and make more money!"

Nathan Veldhuis agrees with Court. Just because you enjoy doing something, or even take pride in it, isn't enough to make it a good diversification project. The entire psychology of the project has to change when it becomes a business.

"Going from a small flock of turkeys to supply your family and friends to a turkey barn is a big step," Veldhuis says. "What took 10 minutes of your time on a daily basis before is now eating up three or more hours a day. And if you get busy with other farm tasks, you will start missing out on the small details that govern profitability."

Veldhuis runs a bee farm at Starbuck, Man., and also works as an instructor in ag business at the University of Manitoba.

Honey might sound like a niche, but with 1,200 hives and a business with a solid 20-year track record, niche probably isn't the right word.

Over those years, Veldhuis has kept a careful

eye on what differentiates successful diversifications from those that struggle. For the most part, he emphasizes, he rarely runs across horror stories. "Usually you will see the disaster coming before it hits," he says. "There's generally enough time to get out, even with a loss, before that happens."

Still, on many farms, it may be more important than ever to get it right with niche agriculture. Simply put, there may not be many other options for achieving your objectives, such as trying to provide a way for two, three or more kids to succeed you in an era of high land prices and high input costs.

Because of this, Veldhuis works with his young students on putting some business rigour around their ideas.

"Mom and Dad often can't provide a farming opportunity for all their kids," Veldhuis explains, "so we are teaching the kids to come back to the farm with their own business idea and plan.

"And maybe this idea isn't a hands-on farming idea either. Farms need legal and financial advice — lawyers and accountants — that's an opportunity.

Niche production demands passion, Randy Court says. And it also takes a love for business, and team work too

Or maybe it's a new venture or a custom operation business of some sort that allows you to participate in the farm way of life."

Of course, diversification can start with your personal philosophy too, which has an ironic twist these days. It isn't that so many more farmers are becoming organic purists, for example. It's that so many farmers have eased up on their antipathy to the concept.

"Those producers for whom organic production was a philosophy have already transitioned," says Laura Telford, business development specialist in organic marketing with Manitoba Agriculture, Food and Rural Development. "Now we are seeing more conventional farmers looking at organic and seeing a real economic advantage."

Increasingly, organic is just one of myriad of diversification options, Telford says, and it's being judged on business criteria. "Organic is a real, viable option for the farm that is not difficult to embark upon," she says, noting that conventional farmers are often converting only a portion of their farms to organic, not the whole operation.

"Transitioning to organic isn't complicated," says Telford. "If you have some existing pasture land, the transition can take as little as one to two years. It's definitely not an all-or-nothing exercise." **CG**