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Can a Farmer Make Money with an Outdoor Recreation Sideline?

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Can a Farmer Make Money with an Outdoor Recreation Sideline?

YES NO



Answer: NO, if all costs are accounted for. Following are the reasons why and a discussion of how a recreation enterprise **CAN** be a money-maker.

By Eugene F. Dice, Extension Specialist,
Recreation Resource Development

Far too much ink has been devoted to singing the praises of outdoor recreation sidelines for farmers without a reasonable explanation of either the psychological or economical reality. The "fun" aspect rather than the income potential has been the focus of such articles. What the recreation **user** does is very detailed in such print, but the cost and income to the **owner** are usually neglected.

consume excessive amounts of family labor, and offer only minimal income as the reward. When costs are applied to family labor inputs, depreciation, facilities, and equipment, taxes and others, the net for the recreation sideline will probably show red.

Non-Profit Objective

Many outdoor recreation supplements to farming operations are not entered into for the purpose of profit maximization. They are seen by the farm family as an exciting distraction that offers individual members extra opportunity to "mix" with other types of people, to share their properties with others, and to provide a little extra "spending money." These gestures are to be applauded since they are in the same family of personal values as volunteer leadership, and are expressions of altruistic motives without concern for profit.

Care must be taken by educators and advisors to would-be recreation farmers that the profit maximization objective and the non-profit incentives are not intermixed or misinterpreted.

The trap becomes one of deciding what measures are to be used to gauge success. Gross or net income or possibly net worth are generally used as indicators of success. Others argue that success can only justifiably be measured when



Fun For User.

Nature of Sideline Incomes

Outdoor recreation enterprises do not offer good **profit-making** sidelines for farming operations. Sidelines of this type usually do not generate enough total dollars to be really attractive as profit makers. Sidelines of any type are necessarily looked upon as small scale operations. They can

including the "satisfactions achieved" by the owner and his family.

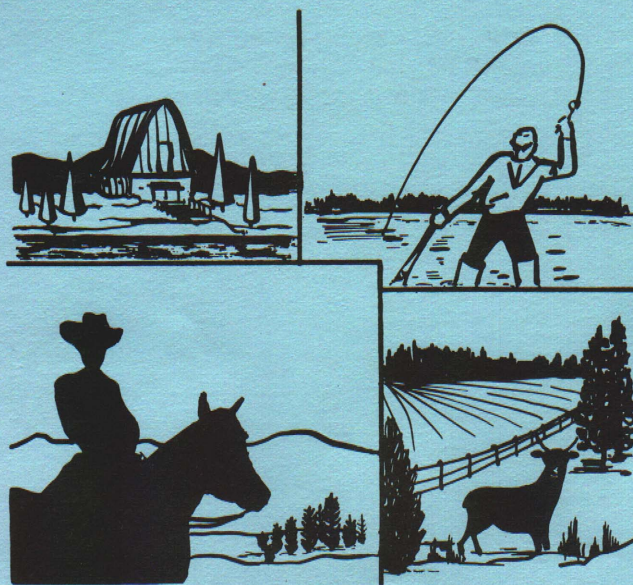
A recent study by Murray* in Michigan among small scale recreation enterprises verifies this. Respondents answered the two questions (generalized): (1) what was your income, and (2) was your business successful. Many who were actually operating with economic losses stated that their business was successful. In short, they were gaining some types of non-monetary rewards that were, under their considerations, equal to or superior to the quest for economic profit.

It is well to first examine the goals and the philosophy of the farm family before making recommendations. Goals can be completely non-monetary, a combination of monetary and non-monetary, or strictly monetary. Obviously, it doesn't make sense to talk about profit maximization to a farm family whose goals are of a non-monetary nature. Likewise, it would be wrong to stress non-monetary goals if the sole interests are to maximize the return on the investment.

Typical Recreation Supplements

There are many types of recreation that have been added as supplements to farming enterprises in the state. Success has been more a function of the family ability than of the type of activity. Some recreation sidelines have been in the form of land leased, for example, to the Michigan Department of Natural Resources in order to provide areas

*Murray, Roger D., "Commercial Campgrounds in Michigan: A Study of the Factors That Contribute to their Financial Success," unpublished thesis for Master of Science, Michigan State University, Department of Park and Recreation Resources, East Lansing, Michigan, 1974.



Many Types.

for activities like snowmobiling. These types actually call for little if any extra inputs by the farm family.

Even these dollars are not clear-cut profit if you consider the pressures on the family due to disregard for private property from some of the public. A \$3 an acre lease income may lead to a \$5 an acre headache. Fee fishing in the farm pond, access fees from hunters, hikers, trappers, parking space for lake or river access on one's private property are other minimum cost forms of recreational incomes. Most, however, do not reach a very large income scale.

Following is a partial list of types of recreational sidelines found on Michigan farms:

- | | |
|--------------------------|-------------------------|
| Fee Fishing | Riding Arenas |
| Hunting Preserves | Hay Rides |
| Picnic Areas | Nature Walks |
| Primitive Camping | Cut your own Xmas trees |
| Boarding Pleasure Horses | Rental Cottages |
| Swimming | Boating Access |
| Sleigh Rides | Boat Rentals |
| Farm animal zoos | Canoe Rentals |
| Sugar Bush | Ski slopes |
| Orchard Tours | Motorcycle Trails |
| Modern Camping | Farm vacations |
| Snowmobile Trails | Children's camps |
| Pick your Own | Farm museums |
| Bridle Trails | Golf |

Typical of large recreation enterprises that were developed from farming operations are several large modern campgrounds with a market value in excess of \$100,000 each, and numerous golf course facilities. Significant investments have been made in several skiing facilities and farm animal zoos in different areas of the state.

Comparison of Farm and Recreation Production

There are some functional similarities between recreation production and farm production procedures. Each operates on inputs of family labor, self management skills and each utilizes a land base for creation of a salable product. The recreation enterprise, however, is usually based on marginal agricultural land while most farm production occurs on primary agricultural land resources. Both are highly seasonal in nature and highly dependent upon weather conditions.

Dissimilarities exist in terms of marketing and distribution of the product. Whereas most farm products are picked up or transported by middlemen for processing and marketing to the consumer who may be far removed from the site, the recreation customer is a direct retail buyer who comes to the site to purchase and consume the product. Thus the recreation consumer is in a sense a captive, on-site buyer to whom other goods and services may be marketed. This income opportunity is maximized when the customer stays in residence for more than one day (as in the case of a campground or lodging facility) and is in a minimal state when the customer is present for brief

periods of less than a day (as in fee-fishing or horseback riding).

Obviously, some farm products are marketable direct to consumer at the farm. Thus a fruit grower may combine a recreation supplement to assist in attracting customers to the site and then offer "pick your own" products. However, realistic costs and return budgeting are likely to show that the recreation component does not provide a competitive return on its own cost.

One example of miscalculation exists with the ideas for "farm vacations." Here, a struggling farm family perceives that new successes are available by turning parts of the farming operation into a tourist operation. Two points are to be made. First, if part of the incentive is to show city folks how farms operate, they miss the target since most vacation farms are not typical of modern farming operations and farm family life. Secondly, close analysis will show that the family member with the new work loads is mother. She will be the one who prepares meals for



Mother?

guests, cleans up the quarters, and launders the linen. In all, the few families who can be accommodated for the season will have added only a few dollars to the family income while the principle burden will be borne by mother. In other states, where this activity is practiced to a greater extent, most facilities include large new investments that take on the nature of a tourist business rather than a farm business and have phased into a major income source rather than a supplemental one.

How CAN Recreation Be A Money-maker?

Where is the "money-making" opportunity in recreation? In a strictly management and economic sense, farm based recreation has to be of such scale as to cater to massive numbers of users. Fees are normally pegged at such a low figure that literally thousands of users must cross the ticket line in order to provide substantial income. When there is an opportunity to capitalize upon the large scale user numbers, it soon becomes evident that a supplemental recreation enterprise is not the answer but rather that the recreation venture itself becomes the major income producer and the entire management and production scheme turns to that activity. Such is the case, for example,

with a highly developed ski area in Saginaw County which consists of two man made ski slopes, a chalet restaurant, gift shoppe, a bar, and a ski pro shop. This operation began as a fruit and berry farm with a roadside market.

To make money in the outdoor recreation business, one must have access to large numbers of potential customers, develop a good production and marketing program, and utilize the recreation business as the major, not the supplemental, activity. The profit opportunity in recreation can only be maximized if the management focuses upon it with all available skill and ability. In this sense, it is far more complex than agricultural production because of the need to provide facilities and programs that will weave together and capitalize on all the peculiar expectations of thousands of people at the site.

Feasibility Study Problems

The feasibility suggestion that a prospective owner of a supplemental recreation enterprise must be able to "get along with the public" is an overdone figment of a lazy imagination. Good marketing and management principles suggest that if the owner-manager cannot pleasingly face the buyer public then the astute manager will place someone else in the contact position. If there is a profit opportunity, the owner-manager need not be the person in direct contact with the buyer. One highly successful fruit grower in southwestern Michigan disguises himself as one of the workers and none of his recreation customers recognize him as the owner.

Too many "feasibility studies" completely ignore the role of management in evaluating the opportunity for successful operations. The location, the site conditions, the population available all are important but, did you ever



The Public.

wonder what would happen if you could try two different managers on the same very best site and location. Would you expect them to both produce the same income? An important role of the manager is to develop and maintain a flow of customers that will yield a good profit margin. Yet, feasibility studies of managers have not been invented.

Feasibility studies help analyze the population in the market area and that accessible by means of travel arteries, physical conditions and possible alterations on the site, the amount and kinds of competition, plus some projection of future population available to the development. Some even detail the basis of borrowing capital for the development.

How do you define the differences between the one who succeeds and the one who fails under similar conditions and expectations? Some people succeed where failure is expected. Certainly, performance and experience will prove helpful. Probably the best measure of success for a certain family or manager is his (their) record of performance. If they have been achieving success in a current enterprise, then it can be expected that success will be possible in a new enterprise, given time to orient to the new field. There would be a low level of success expectation in the new field for those whose performance records show continuous low success levels in previous fields.

There are few instances where it can be proven that "he would have been successful except he was in the wrong business." It is wrong to suggest to an unsuccessful operator that he can become successful just by adding a little recreation sideline to his current farming operation.

Why is it Important?

Outdoor recreation is a significant user of land. Between 1/4 and 1/3 of all land surface in Michigan is used for outdoor recreation (public and private). Recreation, however, is not the exclusive user of much of this acreage. On both private and public land, recreation is part of the multiple-use syndrome. Although most multiple use occurs on forest lands, some also occurs on tillable and pasture lands.

Not only are we concerned about "best use" of our land resources, we must also have great concern over best use of our human resources. There are too many instances of recreation supplement failures after the farm family has exhausted both human and dollar resources. If family labor, dollar resources for development, and other resources like marginal land are available, it usually makes better sense to improve or expand production and marketing of the existing operation (with a little additional management education input) than to experiment with unfamiliar kinds of projects. In short, if the farmer through skilled management has achieved successful profit-making it is more logical to intensify that activity than to venture into the unknown (unless scale is such that two major enterprises; farming and recreation, can be operated by dividing management between two or more people). At the same time, it does not seem realistic to believe that an unsuccessful farmer can become a successful recreation manager.