

Understanding the Entrepreneurial Mindset



value-added & alternative agriculture

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Value-added agriculture challenges farmers to use a different set of business skills from those they may have employed to be successful in commodity agriculture.

In more traditional agriculture, such as the production of soybeans, corn and cotton, farmers typically make decisions regarding acreages, crop storage and timing of the crop sale based on a knowledge of commodity prices and the direction of the market.

By contrast, value-added enterprises often do not provide as complete a picture of market conditions because of the diversity of market forces that affect the demand for product and the perception of product quality. This level of market uncertainty means that farmers must develop an intimate knowledge of the wants and needs of the customers they choose to serve.

Farmers must constantly monitor this dynamic and ever-changing marketplace. Individuals considering a value-added enterprise should carefully assess how comfortable they are with the skills outlined below as part of the process of determining whether or not to undertake a value-added business.

RISK TOLERANCE

At the heart of any business venture lies the ability of the entrepreneur to accept and manage risk. The degree of risk is typically measured by the amount of capital investment required to undertake the operation relative to the length of time it will take to recapture that investment and begin to realize a profit.

Individuals who are starting a value-added business on a small scale minimize risk by limiting the scope of their investment. However, those who invest significant portions of capital, and who may depend on the enterprise to provide a livable income, are typically undertaking more risk. In general, higher risk means that each management, marketing and financial decision has a larger impact on the business' overall development.

"GLOBAL" WORLDVIEW

The success of value-added agriculture is affected by a number of different factors, some of which do not seem to be directly related to one another.

Value-added entrepreneurs need to read a mix of general news, business and trade publications to stay aware of what is taking place locally, nationally and internationally. An important skill that helps an entrepreneur to be successful is the ability to take many different pieces of information and put them together in such a way that the entrepreneur has a comprehensive understanding of how today's current events can affect tomorrow's business opportunities.

SUPPORT SYSTEM

Value-added entrepreneurs need a strong support system that offers objective direction and needed encouragement. For many entrepreneurs, a spouse or business partner fills this important role. Other sources of support often come from producers with similar operations, producer associations, extension agents and conferences.

"CAN DO" VS. REALISTIC ATTITUDE

The very nature of entrepreneurship is one of optimism. Individuals who see opportunities and are willing to put together a strategy and take a risk are those who have the highest promise of success as entrepreneurs.

On the other side of the equation is the need for a healthy dose of realism. Entrepreneurs must be willing to accept the information they receive through sales and profit reports, customer feedback, assessment of market conditions and other indicators and make realistic and informed decisions regarding their businesses.

RESOURCES

"Becoming an Entrepreneur" – an overview of the characteristics of general entrepreneurs
<http://bbll.com/ch30.html>

Inc. Magazine's start-up series: **<http://www.inc.com>**

Small Business Administration Website for resources on business start-up needs and skills
<http://www.sba.gov>

NC Department of Agriculture for general information about agricultural conditions and opportunities
<http://www.ncagr.com>

US Department of Agriculture article on value-added entrepreneurship
<http://www.economics.nrcs.usda.gov/altenterprise/resmanual.html>

The Value-Added and Alternative Agriculture Start-up Tool Kit



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