



The University of Georgia

Center for Agribusiness and Economic Development

College of Agricultural and Environmental Sciences

Evaluating the Financial Potential of an Entertainment Farming/Farm Tourism Business

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Evaluating the Financial Potential of an Entertainment Farming/Farm Tourism Business

It is not easy to develop reliable estimates to evaluate the financial feasibility of an entertainment farming/agritourism business. For one thing, start up costs should be able to account for all expenses related to the renovation of the farm, parking, long-term signage, and labor costs during the start-up phase. These costs, however, are subject to changes as modifications in the building plans and scope of business operations are usually made by the business owners. When the business actually starts operations, revenue projections are also difficult to set up due to the uncertainty in generating customer counts and the tendency of the business to implement variable pricing schemes (where prices are likely to be adjusted downwards during periods of low numbers of farm visits). However, “best” estimates of financial performance need to be developed to serve as a guide to developing and implementing business plans.

The following table summarizes estimates of a start-up cost for a farm tourism business that feature a corn maze, hay rides, a pumpkin launcher and concession stands:

Table 1: Start-Up Cost Estimates	
Expense Item	Cost Estimate
Grading Land Parking	\$ 1,500
Kids’ Corral (play area)	1,500
Improving farm’s appearance (cleaning up and painting)	2,500
Fencing restricted area	1,000
Employee training – 8 workers, 8 hours of training	512
Wagons	7,000
Safety chains, steps, side boards	500
Total	\$ 14,512

The financial plan is a helpful framework to help the business owners determine the most reasonable prices to charge for the individual attractions or for the entire farm visit. To be able to do this, the financial plan must take into consideration all possible costs involved in the start-up and operation phases of the business.

In the operation phase, it is important to realize that aside from the costs associated with the individual attractions, there are also certain “general” expenses incurred that are not easily assigned to these attractions. These are expenses for setting up facilities available to all visitors, the beautification of the farm premises and marketing expenses to advertise the entire farm tourism business. Since these are general expenses, each of the individual farm attractions must be assigned a share of these costs, which are then included in the calculations for determining the fee to be charged to visitors that use each of the farm attractions.

In this example, these general expenses include the beautification of 5 acres of the premises with landscaping and flowers, setting up portable toilets, tent (fair style), and marketing and advertising expenses. Also, the start-up costs need to be amortized or paid back by the business over the years. In this example, we shall assume that the start-up costs of \$14,512 will be amortized over a period of 10 years, which translate to an annual amortization of \$1,451.20. The following table presents a breakdown of all the general expenses:

Table 2: Itemized General Expenses				
Item	Unit	Quantity	Cost/Unit (\$)	Per Acre
A. Flowers and Plants				
Seed	Thou.	28	0.90	\$ 25.20
Fertilizer				
Nitrogen	Lbs.	120	0.29	34.80
Phosphate	Lbs.	70	0.25	17.50
Potash	Lbs.	70	0.15	10.50
Lime (Pro-rated)	Ton	0.33	31.50	10.40
Herbicides	Acre	1	62.64	62.64
Tractor/Machinery	Acre	1	18.07	18.07
Labor	Hrs.	2.12	8.00	16.96
Total for 5 acres				\$980.35
B. Marketing and Advertising				
Radio	30 sec slot	270	10.00	\$ 2,700.00
Newspaper Advertising	2 x 5 space	10	50.00	500.00
TV advertising	15 sec space			2,500.00
Billboard		1	1,500.00	1,500.00
Shirts	Dozen	240	12.00	2,880.00
Caps	Dozen	240	5.00	1,200.00
Information signs on farm	Per sign	10	250.00	2,500.00
Directional signs	Per sign	4	25.00	100.00
Website	site	1	1,000.00	1,000.00
Total				\$ 14,880.00
C. Miscellaneous				
Portable Toilets		4	100.00	400.00
Tent (fair style)		1	2,000.00	2,000.00
Materials/Supplies		5	100.00	500.00
Total				\$ 2,900.00
D. Amortization of Start-up Costs				
				\$ 1,451.20
Total General Expenses				
				\$ 20,211.55

We shall get back to this estimated total amount of general expenses when we are ready to calculate prices. At this point, we shall look at the costs associated with the individual farm attractions.

A. Corn Maze Operations

This attraction will have two sets of expenses: planting and operating expenses. The following table presents a breakdown of these expenses:

Table 3: Itemized Corn Maze Expenses				
Item	Unit	Quantity	Cost/Unit (\$)	Per Acre
A. Planting (9 acres)				
Seed	Thou.	28	0.90	\$ 25.20
Fertilizer				
Nitrogen	Lbs.	120	0.29	34.80
Phosphate	Lbs.	70	0.25	17.50
Potash	Lbs.	70	0.15	10.50
Lime (Pro-rated)	Ton	0.33	31.50	10.40
Herbicides	Acre	1	62.64	62.64
Tractor/Machinery	Acre	1	18.07	18.07
Labor	Hrs.	2.12	8.00	16.96
Interest on Operating Capital	Dollar	89.555	0.09	8.06
Total for 9acres				\$1,837.17
B. Operations (8 weeks)				
Design	Job	1	1,500.00	\$ 1,500.00
Maintenance	Hours	40	8.00	320.00
Labor (3 workers, 25 hour-week, 8 weeks)	Hours	600	8.00	4,800.00
Flashlights	Flashlight	100	1.00	100.00
Batteries	Batteries	300	1.00	300.00
Total				\$ 7,020.00
Total Corn Maze Expenses				\$ 8,857.17

B. Hay Rides

The following are the expenses expected to be incurred for the hay rides:

1. Labor: There will be two workers needed (one will be driving and the other monitoring the visitors). These two will work for 25 hours per week and paid \$8 per hour. For 8 weeks, the total labor expenses will be \$3,200.00
2. Fuel: The estimated fuel expense is \$2.75 per gallon and the estimated average daily consumption is 1 gallon. The total fuel expense for the 8-week period is \$154.00.

Given these, the hay rides will incur a total cost of \$3,354.00.

C. Pumpkin Launcher

The following table presents an itemized summary of the expenses associated with the pumpkin launcher attraction:

Item	Unit	Quantity	Cost/Unit (\$)	Total
Gourd	Gourd	3,000	0.10	\$ 300.00
Miscellaneous supplies				200.00
Machine		1	500.00	500.00
Labor (1 person, 25 hours/week, 8 weeks)	Hours	200	8	1,600.00
Total Pumpkin Launcher Expenses				\$ 2,600.00

Given all these estimated expenses, we are now ready to determine prices either for the individual attractions or for general admission. In the summary, the business owner can choose to charge separate prices for the individual attractions or charge a general admission price for all guests. These prices are calculated by considering all possible costs attributed to the attractions and the entire farm tourism operations. As mentioned earlier, each attraction is charged a share of the total general expenses. The share of each attraction is derived by first combining the costs of all attractions and determining the percent share of each attraction's costs to the combined attraction costs.

A break-even analysis is used to determine the minimum price that the business owner might want to charge to at least be able to cover all expenses incurred. The break-even selling prices are calculated for each expected number of visitors.

The option to charge a general admission fee is derived by adding the total general expenses and the combined expenses of all attractions. This grand total is then divided by the expected number of visitors to the farm. The grand total of expenses is calculated as:

Total General Expenses	\$ 20,211.55
Combined Attraction Expenses	14,811.17

Grand Total	\$ 35,022.72

All the information needed for the price calculations are summarized in the following table:

Table 5: Calculation of Individual Attraction and General Admission Prices

	Corn Maze	Hay Rides	Pumpkin Launcher	OR General Admission Pricing Option
A. Individual Attraction Expenses	\$ 8,857.17	\$ 3,354.00	\$ 2,600.00	
B. Attraction's Share of General Expenses (percent)	59.80	22.65	17.55	
C. Attraction's Share of General Expenses (dollars)	\$ 12,086.63	\$ 4,576.92	\$ 3,548.00	
D. Total Attraction Expenses (A plus C)	\$ 20,943.80	\$ 7,930.92	\$ 6,148.00	
Break-even price for the following estimates of number of farm visitors (dollars per visitor)				
500	41.89	15.86	12.30	70.05
1,000	20.94	7.93	6.15	35.02
1,500	13.96	5.29	4.10	23.35
2,000	10.47	3.97	3.07	17.51
2,500	8.38	3.17	2.46	14.01
3,000	6.98	2.64	2.05	11.67
3,500	5.98	2.27	1.76	10.01
4,000	5.24	1.98	1.54	8.76
4,500	4.65	1.76	1.37	7.78
5,000	4.19	1.59	1.23	7.00

The Center for Agribusiness and Economic Development



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J. Scott Angle, Dean and Director

