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ALTERNATIVE ENTERPRISES TO AGRICULTURE IN RURAL NEW ZEALAND

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ABSTRACT

The paper reports the findings of a survey of non-traditional enterprises within 150 kms of Palmerston North in the southern region of the North Island of New Zealand. The results show a wide range of activities being undertaken including manufacturing, farm stays, horsetrekking, tourism, retail gardening, crafts and herb growing. The paper describes the enterprises, the reasons given for business initiation, the background of the proprietors, the level of financial assistance, the relationship to the farming business (if any), the gross value of output, employment generation, marketing and promotion.

INTRODUCTION

The traditional enterprises in New Zealand agriculture of dairying, sheep and beef cattle raising, deer and goat farming, horticulture (e.g. apples and kiwifruit), forestry and arable farming are well known. These have been documented in detail and are relatively well defined in terms of descriptive statistics. Less is known about non-traditional enterprises in New Zealand rural areas. Many of these are incorporated within traditional farming systems; others are stand alone, self-supporting ventures.

The purpose of this paper is to describe a sample of alternative enterprises established in the lower half of the North Island of New Zealand. Initially some of the main features of New Zealand are outlined to provide an appropriate perspective for the non-traditional enterprises.

BACKGROUND TO NEW ZEALAND

The total area of New Zealand is around 26.8 million hectares (which includes some minor islands) with 11.5 million hectares in the North Island and 15 million hectares in the South Island. The distance between the extremes of the North and South Islands is approximately 1600 kilometres with the country situated between a latitude of 34° and 47° South. The current population is approximately 3.4 million of whom 85% live in urban areas leaving only 510,000 in rural districts. There were some 80,900 farm holdings in 1990, with an average area of 216 hectares. Livestock farming systems predominate with 63% of farms being described as mainly dairying or substantially sheep and beef raising (New Zealand Meat and Wool Board's Economic Service Compendium of New Zealand Farm Production Statistics, March 1993).

In the context of this paper the following factors are important:

1. The New Zealand population at 3.4 million provides a relatively small domestic market.
2. New Zealand is an isolated country; the nearest neighbour Australia being some 2000 kilometres away.
3. The average farm is increasing in terms of both land area and stock units per labour unit livestock. For example, sheep and beef cattle farms have increased by 11 hectares to an average of 545 hectares over the 10 year period since 1980/81 and stock units per labour unit have increased from 1813 to 2176 over the same period (The New Zealand Sheep and Beef Farm Survey, 1980/81 and 1990/91).
4. There has been a decline of those employed in labour on farms with 1988 numbers at 151209 being 8045 less than those in 1980. Associated with this change has been an increased involvement of wives in farm work (New Zealand Official Year Book 1990).

5. A proportion of New Zealand farms, particularly sheep and beef cattle operations, are located in relatively remote regions with limited passing traffic. Opportunities for people in these regions to undertake activities other than extensive pastoral farming are restricted. It is necessary in these districts to market products away from home and there can be problems associated with distance and marketing in doing this.

ALTERNATIVE ENTERPRISE SURVEY

To provide information for this paper a personal interview survey of people engaged in alternative enterprises was undertaken. Alternative enterprises, for the purpose of this study were defined as non-traditional economic activities in rural areas. The people interviewed were engaged in activities ranging from small scale manufacturing of equipment associated with farming, farmstays (overnight accommodation, meals and farm related activities), retail gardening and nurseries, tourism, horse trekking, flower production, crafts. They illustrated the wide range of alternative economic enterprises currently engaged in by the rural population. A craft fair was visited to obtain information on the nationwide significance of rural crafts. The fair, one of 10 held annually, attracts exhibitors from throughout the country. The visit enabled a more comprehensive picture of rural crafts to be gleaned than was possible from individual visits which was time consuming.

The businesses visited in the survey were all located within 150 km of Palmerston North. A question schedule used for each interview was designed to obtain data on the nature of the business (principal products and/or services generated); the year and circumstances surrounding business commencement (e.g. objectives for starting, problems and how the problems were overcome) and the relationship to the main farming business (where this existed). An estimate of the gross value of output (in either dollar or physical terms) was sought, along with details of the employment opportunities generated.

Activities associated with operating the business such as marketing, advertising and promotion, capital investment, financial assistance (i.e. was use made of any financial assistance at any time), opportunities for expansion (what were the future plans for expansion of the business, if any, and what were the constraints inhibiting expansion) were recorded. Information on developed skills to run the business (e.g. what use was made of courses in commencing or operating the business) was obtained.

RESULTS AND DISCUSSION

Details of enterprises

A total of 15 businesses were represented in the survey (Table 1). The first of these was established in 1970, but noticeably most commenced in the period 1986-90 when a sharp downturn in sheep and beef cattle and to a lesser extent dairy returns were experienced. The need to increase income was stated by 9 respondents as the principal reason why the alternative enterprise was established.

Table 1: Alternative Rural Enterprises, Year of Commencement, Prior Experience and Establishment Capital and Details of Primary Farming Business.

Alternative Enterprise	Year of Commencement	Proprietor's Background	Financial Assistance	Farming Data
1. Farmer Manufacturer	1982	Farmer	\$100,000	181 ha Bull beef
2. Farmstay	1987	Farmer	-	50 ha beef finishing
3. Horsetrekking	1988	Farmer (Equine qualifications)	-	10000 stock units sheep, cattle, deer
4. Tourism	1992	Agricultural Consultant	-	No farming
5. Fibre Processor	1982	Small Farmer	-	35 ha 500 sheep
6. Farmstay	1986	Farmer	-	220 ha 3000 sheep
7. Retail garden	1970	Farmer	-	243 ha 3000 stock units
8. Gentian grower	1989	Farmer	-	433 ha 3950 stock units
9. Craft	1987	Industrial employees	Small grant	Nil
10. Tourist Park	1982	Ex-shearing contractor	-	Nil
11. Farmer manufacturer	1989	Farmer	-	232 ha 500 cows
12. Retail garden	1989	Farmer	-	Land leased
13. Craft	1980	Industrial employee	-	Nil
14. Herbgrower	1989	School teaching	\$5000	Nil
15. Retail garden	1986	Farmer (Qualifications in horticulture)	-	972 ha 10000 stock units

The statements below encapsulate some of the reasons given for business initiation:

"Mechanical aptitude, considered there were problems with existing fence technology, there was a market available and health problems could restrict farming activities in future".

(Farmer/manufacturer)

"Enjoy meeting people, experienced farmstays in the United Kingdom, time now available to undertake this activity".

(Farm stay operator)

"Interested in horses, enjoy meeting people and the farm (hill country with panoramic views) provides an excellent trekking opportunity.

(Horsetrekking)

"Organised farm tours for a Government Department and saw an opportunity to set up our own company".

(Tourism operators)

"Saw an opportunity to add value to raw materials (wool and mohair) and thereby boost returns from a farm which by itself was not economic."

(Fibre processor)

"The venture offered a useful means of diversification and the flower plants grow well in this climate. An off-farm partner was available to provide expertise in growing".

(Flower grower)

In summary objectives varied from solely commercial to those, especially farmstays, where income was relatively unimportant.

Proprietor's background

The occupation/background of the proprietor was mainly farming (see Table 1) and this did not seem to be strongly associated with any particular activity, since apart from the two craft activities and the herbalist all the proprietors had strong links with the land.

Only five of the 15 interviewed had not undertaken any courses related to the proprietor's new business field either before or after business commencement. Two of those who had not taken courses operated farmstays. With one exception, all courses taken were short courses.

Financial assistance for business establishment

One question of importance was the level of financial assistance, defined in this context as grants available from either national organisations (e.g. Development Finance Corporation Ltd) or local organisations (e.g. Business Development Boards), to establish the new enterprise.

Only three alternative enterprises obtained any financial support. The farmer/manufacturer received support from a Government scheme that has since been discontinued. The craftspeople obtained a small grant designed to help unemployed people to establish their own business. The herb grower also obtained a grant to facilitate the establishment of her business.

In conclusion, sufficient resources were available from the existing farm business to launch the new enterprise. In some cases little capital was required anyway while others started in a small way and then expanded.

Relationship with the main farm business

Some of the alternative enterprises had no farming links, however farmstays, farm tourism, horsetrekking and manufacturing were dependent to some degree on an association with a farm or farmers.

Farmstays typically consisted of overnight accommodation, together with a farm visit sometimes to neighbouring farm(s). There was no deliberate integration between farming and farmstays; visitors merely viewed current activities on the property.

For the farm tourism/tourist park ventures, visitors typically spend half a day inspecting the farm. Sometimes, particularly in the case of a tourist park, activities are available for which an additional charge may be made (e.g. shearing or pony rides). The farming system must be structured so that optional activities can take place (e.g. sheep must be available for shearing).

Horsetrekking activities can be undertaken with minimal disruption to the farming operation. Horses however must be trained and preparation for a trek is time consuming. Horsetrekking, like tourism and farmstays, makes use of existing resources.

Two farm businesses had adopted farm manufacturing enterprises that were allied to the farming operation. These were an electric fence manufacturer and a marketer of a pasture measurement instrument. The electric fence is manufactured by a bull beef farmer while the pasture measurement device is manufactured on behalf of and direct marketed by a dairy farmer. Both products are used by the farmers in their own businesses. The electric fence was developed because of the limitations of existing electric fence equipment and is regarded as a vital component of the total farming system. The pasture measurement tool has been used by the dairy farmer to aid in grazing management decisions on his farm. Marketing is facilitated by the ability of the farmer to demonstrate the practical use of the instrument.

GROSS VALUE OF OUTPUT

The gross value of output, or physical output from the alternative enterprises is summarised in Table 2. The value of output varied considerably and was dependent not only upon the type of activity but also on whether activities were full time or part-time.

Table 2 Estimates of Gross Earnings from Alternative Rural Enterprises and the Number of Jobs Created

Alternative Enterprise	Gross value of output	Employment		
		Proprietor	Added Full-time Employees	Added part-time Employees
1. Farmer Manufacturer	NA	2P	3	-
2. Farmstay	< \$5000	2P	-	-
3. Horsetrekking	\$5000	1F	1	Various
4. Tourism	NA	2F	-	-
5. Fibre Processor	> \$100000	2F	7	7
6. Farmstay	< \$5000	2P	-	-
7. Retail garden	\$100000	2P	4	8
8. Gentian grower	30000 plants sold	1P	2	-
9. Retail garden	< \$5000	1P	-	1
10. Craft (soap)	\$100000	2F	2	-
11. Tourist	115,000 visitors	2F	7	12
12. Farmer manufacturer	\$88000	1P	-	1
13. Retail garden	\$60000	2F	-	1
14. Herb garden	\$5000	1F	-	1
15. Craft	\$60000 (Est)	2F	-	-

NA = Not available, P = part-time, F = full-time

Some businesses were planning for additional growth. For example, the electric fence manufacturer had expectations for increased export sales of electric fences; likewise the gentian grower had plans to increase the area planted in the crop. The tourist park operator had plans to increase attractions and possibly to provide accommodation, to further boost members visiting the complex (visitors increased from 40,000 to 1986-87 to 115000 in 1991/92). The operator of the horsetrekking business hoped to raise revenue by increasing advertising and promotion (for example by providing pamphlets in motels and information centres). The soap and candle manufacturer planned to increase the number of retail outlets stocking the products. The retail gardener all planned to increase the number of visitors, however, there are an increased number of gardens now open to the public and competition is strong.

Only three of the 15 alternative enterprises visited had no plans to expand. Two of these were farmstays where the current level of activity satisfied the objectives of the proprietors. The fibre processor had no plans to expand the business which is demanding; rather she is hoping to increase profits by obtaining better margins.

The employment associated with the alternative enterprises is shown in Table 2. It can be seen that a total of 40 full time jobs and 42 part-time jobs were created. This demonstrates the potential of these enterprises to provide jobs in rural areas.

The activities generating the most jobs were the fibre processor, the tourist park and the retail garden. For both the tourist park and the retail garden most jobs generated were part-time and provided employment for local people. The fibre processor was particularly interesting as there were as many full time jobs as part-time jobs. In addition some of the full time jobs were obtained by people living in towns.

Marketing/promotion/advertising

An important ingredient in operating a successful alternative enterprise was appropriate marketing and promotion. A wide range of marketing and promotion methods were used by the business surveyed. This included attendance at National Field Days, local farm field days, customer newsletters and the production of a video for technical support and promotion for the farmer manufacturer. Other businesses used radio, television, pamphlets in motels and information centres and businesses. The fibre processor exhibited at shows where wool and woollen products were promoted. The craft operators displayed their wares at various craft shows.

CONCLUSIONS

This paper presents the results from a personal interview survey of 15 businesses engaged in non-traditional economic activities in rural areas. Activities ranged from relatively simple farm stays to complex operations such as manufacturing or running a tourism venture.

The principal conclusion is that alternative enterprises can generate substantial gross incomes and generate significant employment in rural districts. Although enterprises such as farmstays may start off with modest business-experience, other enterprises require a high level of technical and managerial skill. The number of alternative enterprises is most likely to expand when income from traditional farming is low and when farm families are looking for new opportunities to express their abilities creatively.

ACKNOWLEDGEMENTS

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REFERENCES

1. New Zealand Meat and Wool Board's Economic Service Compendium of New Zealand Farm Production Statistics, March 1993.
2. New Zealand Official Year Book, 1990.

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