

Natural Resource Based Business Opportunities

A Small Business "Idea Guide" for Entrepreneurs



Putting the Pieces Together

This publication is designed to help you, the future small business owner, understand the potential for Natural Resource Based Business Development in Iowa and encourage you to pursue your own business venture!

Introduction

This publication is designed to help you, the future small business owner, understand the potential for Natural Resource Based Business Development in Iowa. It is not all-inclusive but it is based on real business development and provides ideas for, and examples of, creative small business ventures that have found a balance between natural resources and economic development. The background is intended to spur your interest and get you started down the road to small natural resource based business development.

Each page contains a short introduction about why there is a need for a particular type of business, a profile of a real life business that has successfully met that need, some of the equipment the entrepreneur needed to get started and a few insights about a number of the factors that might have helped the entrepreneur be successful.

This booklet started out as a way to get information out about the potential for natural resource based business opportunities related to the utilization



of waste products but soon grew to include many different types of businesses related to Iowa's natural resources.

If you are looking at this publication in paper, you should also know that it is available online and updated periodically at NE IA RC&D's web site www.northeastiowarcd.org. Northeast Iowa RC&D has invited each of Iowa's RC&Ds to contribute to the booklet so check the web site soon to explore other exciting Natural Resource Based Business Opportunities!

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Natural Resource:
Energy & Air Quality
Business: *Energy Auditor*



*Trout River Energy Auditor Entrepreneur
Brad Johanson and his family.*

Background:

Soaring energy costs and a depressed economy have persuaded Iowans to make a strong move toward energy independence.

Iowa Energy-Independence Director Rova Stanley said, “the active engagement of every Iowan will be sought” for Iowa’s move toward energy independence and that “charting our own course will allow Iowa to manage its economic destiny while protecting our environment.” Iowa Governor Culver signed an executive order establishing a “green government” initiative, noting Iowans must “go one step further and improve energy efficiency throughout the state.”

Unfortunately, many Iowans have no understanding how to reduce their escalating energy costs or move themselves, or the state, toward energy and economic independence. Some large energy providers offer free home energy inspections, but they are limited and do not qualify homeowners for incentive programs.

Profile Business: Trout River Energy Auditor

The Trout River Energy Auditor business motto is: *“We’d rather spend our money on recreation than our energy bill!”*

They provide three main services, including energy audits of existing homes and HERS ratings of new homes seeking to qualify for Energy Star money, Black Hills Energy refunds and Alliant Energy refunds. The final piece is consulting, helping consumers understand the energy efficiency of their homes and what to do to reduce energy consumption. The audit they complete meets federal energy audit requirements. The entrepreneur attended training and completed test audits to become a certified RESNET energy auditor. He purchased equipment, vehicle, license and liability insurance. He markets the business over the internet and through the RESNET web-site. The business also offers minor construction assistance and provides information about, and makes recommendations for, alternative energy systems that could supplement or replace existing systems. The entrepreneur started as the only employee and has built his workforce as needed.

Getting Started:

Equipment, Supplies: \$5,000 + Truck
License, Liability Insurance: \$850
Web-based Marketing
Education: RESNET certification \$2,000

Why it Worked:

The entrepreneur is a high school science teacher with a strong science background, a good understanding of the science behind energy conservation and energy and the ability to communicate in an easy to understand, non-threatening manner. He also has carpentry skills and experience, good computer and web-site development skills and summer break to invest himself in the business. The RESNET certification and website have expanded his capacity to succeed, as many programs now require this certification and there are few people that have it in the business target area.

Natural Resource: Forest, Old Growth Timber/Lumber

Business: *Log House Reclamation*



*Glenwood Log Houses Entrepreneur
Paul Cutting on a job site.*

Background:

The Office of the Iowa State Archeologist estimates thousands of log structures constructed between 1835 and 1900 have been abandoned across Iowa with approximately 50% in a condition to be completely salvageable. They report that owners generally don't have the capacity or knowledge to save them and the greater the cropping or development pressure in an area, the fewer remain. They were built using Iowa's original growth choice hardwoods, massive logs that typically remain in excellent condition but weather damage, neglect and disinterest make the demise of the majority imminent. The loss of this natural and historic resource can go unnoticed or be turned into an opportunity for energetic entrepreneurs.



Profile Business: Glenwood Log Houses

This business specializes in disassembling and reconstructing historic log structures. The business owner identifies log structures that are no longer wanted and negotiates their purchase with the owners, deconstructs, moves and reconstructs them in locations where they are valued and owned by people that appreciate them in their restored state. Original materials from each building are saved and reused, including large native timbers, rock from the foundations, siding, windows, wainscoting, flooring, roof rafters, decorative trim, etc. Buildings that are too degraded to be completely reconstructed independently are used as supplemental materials for other buildings. Careful restoration includes assistance from skilled craft persons including carpenters, window makers, cabinet makers, masons, preservation consultants and others. The log structures are re-constructed as private residence, residential add-ons, as classroom space for non-profits or other uses. Some reconstructions are “true restorations”; others are recreations to the spirit of the original look and feel of the house.

Getting Started:

Equipment and Supplies - \$10,000

Marketing - Web-based and one-on-one outreach

Education - BA in Geography, MA in Historic Preservation

Why it Worked:

The entrepreneur invested time and energy apprenticing with masons, woodworkers and other craftsmen to learn traditional construction techniques. He also scoured the countryside identifying potential log structures and engaging their owners in discussion about their preservation. Without any promise of pay or turn around he began working diligently to deconstruct houses scheduled for demolition. The entrepreneur also has exceptional communication skills, a large amount of storage space and is in good physical condition. He has an attention to detail and a passion for historic structures that motivate him and his clients.

Natural Resource:
Timber

Business: *Scrap Wood Recovery*



*Examples of Carpenters Edge Reclaimed
Wood Trim Product*

Background:

With the United States and the rest of the world in a recession, home maintenance and renovation are being spurred by homeowners who are staying put and investing in their homes. Recent building trends have also made homeowners more likely to seek out products labeled as “sustainable” or “environmentally friendly.” This trend is advantageous for Iowa’s woodworking and cabinetry businesses but also has major implications for development of related small businesses. Many of Iowa’s woodworking businesses utilize high quality maple, cherry, hickory, oak and walnut wood only to grind or discard mistakes and seconds or sell them for a fraction of the value of the primary product.

Profile Business: Carpenters Edge

This business recovers scrapped Iowa hardwood trim destined for the landfill or grounding and processes it for re-sale as a value-added trim product. They purchase truckloads of the damaged/discarded milled trim then add value to the trim through sorting, removing culls, grading, cutting, bundling, and packaging. The resulting high quality trim is sold to Reuse Centers in larger cities or to local smaller lumberyards that would otherwise be priced out of the high-end millwork market. The entrepreneur is flexible enough to manage his sales to accommodate for what is available for purchase, purchase enough product to ensure that businesses that need larger quantities are supplied with consistent product and identify opportunities to modify waste trim to create more desirable product. As a result, the majority of the wood, at least 85% of the trim purchased for recovery, is sold through this method as high-quality trim to vendors. The entrepreneur started out with a truck and some woodworking equipment and as he expanded, he improved a facility and hired additional workers.

Getting Started:

Equipment and Supplies - \$75,000 - \$100,000 including a truck, trailer, woodworking equipment and building renovations.

Marketing - One-on-one sales to purchasing agents and business owner/managers

Why it Worked:

The entrepreneur was flexible with suppliers and buyers, listening and adapting to what they needed rather than telling them what he wanted. He worked with the suppliers to take what they wanted to get rid of rather than what he wanted. He then found ways to modify the scraps that would otherwise have been unsalable, making them into products that are in demand. He also invested innumerable hours one-on-one with clients, calling and visiting potential buyers, identifying the products they were most likely to purchase and then finding a way to supply their needs.

Natural Resource:
Land and Water
Business: *Trail Outfitter*



River & Trail Outfitter Entrepreneurs, Luke and Sue Cote at their Business next to the Upper Iowa River

Background:

Many of Iowa's towns are strategically located on beautiful rivers. These rivers flow through parks and downtowns, next to land trails and campgrounds. They not only beautify our communities, they also offer abundant opportunities for sustainable natural resource based economic development. Many entrepreneurs have figured out that even flood prone areas can be strategically developed for recreational purposes without jeopardizing life or property. State and federal programs have helped our communities and counties expand Iowa's trail network to become a national tourist draw and the Iowa DNR recently started a new "Iowa Water Trail" program that provides guidelines and funding for water trail development of public infrastructure. This improved public land and water trail infrastructure further enhances the opportunities available to the enterprising Iowans.

Profile Business: River and Trail Outfitters

This business started when a husband and wife team purchased land in the flood plain in Decorah, Iowa on the river between the Upper Iowa River Water Trail and the Trout Run Trail, a twelve-mile land trail that loops in and around Decorah. After securing the appropriate permits, they set up a mobile business that can move in and out of the site when flooding strikes. The business rents canoes, kayaks, intertubes and bikes to visitors and residents looking to explore the river or the countryside. River Trail users are shuttled up to one of several other access points on the river and then float down to the business. They also have the option of starting at the business and being picked up downstream. The business supports both full-time and part-time employees and has expanded every year it has been in operation.



Getting Started:

Equipment & Supplies - Truck, trailer, canoes, inner tubes - \$25,000
Marketing - Internet, events, word of mouth

Why it Worked:

There are several reasons this business is successful, location being the most important. The business has direct river access. To secure the site, the entrepreneurs approached a landowner and made a generous offer. They also listened to local concerns about building in the floodplain and worked out a compromise with local planning and zoning officials. Rather than building a permanent structure next to the river, they invested in a small mobile trailer that can be moved when flooding is imminent. Their business started with a truck, canoe trailer, a limited number of canoes and inner tubes and expanded their inventory each year. The business also holds high profile events during community festivals.

Natural Resource:
Forest/Timber
Business: *Timberframe Construction*



*Wild Rose Timberworks Expert Craftsmen
Chris, Mark and Dale at a job site.*

Background:

There is a growing appreciation for the quality craftsmanship and hand work that go into development and construction of a timberframe structure. Whether these unique buildings are custom built out of local lumber, historic wood or from other large timbers, they provide an aesthetically appealing, one-of-a-kind, alternative to the standard “stick” frame house that is built in subdivisions across America. There is a logic to the structure and people can see what is holding up their house. Rather than applied decoration the structure itself is the decoration. Timberframe construction is a traditional method of construction that conveys a sense of being “strong.” Tools needed for timberframe construction are minimal but the training must be planned for. Enthusiasts and hopeful home builders fill up the classes for this trade quickly and interested entrepreneurs must reserve their training slots years before they can attend. How-

Profile Business: Wild Rose Timberworks

This small timber frame business constructs timberframes for private clients and public entities one client at a time. Everything they do is custom. They start by conducting site evaluations and feasibility estimates to help their clients better understand the implications of timber frame construction. They also work closely with other contractors to advise, develop and design structures that will serve the needs of their clients. Every project includes a scale model, which provides a 3-D map of the structure. Individual timber frame pieces are cut at the businesses shop and then constructed on the building site. They contract trucking and other short term needs to keep costs low and take pride in constructing their timberframes by hand rather than machinery.



Getting Started:

Equipment and Supplies - Hand tools = \$5,000

Shop - 50,000

Training - Carpentry with specific training in timber frame construction

Marketing - Internet, events, word of mouth

Why it Worked:

These entrepreneurs had years of experience with tools and wood-working, high patience levels and a strong teamwork ethic. The three partners each bring different skills to the business, merging budget, aesthetics and structure and hired outside consultant as needed. The entrepreneur's attention to detail ensures that "word-of-mouth" advertising is excellent. Experience has cut construction time and increased efficiency over the years dropping building times from six months to two weeks. These savvy business owners don't keep material on hand; they sign the contract and then order the material they need to keep their costs down.

Natural Resource: Forest

Business: *Forestry Consultant*



Background:

Northeast Iowa is known for having some of the finest hardwood trees in the world. The steep bluffs and narrow valleys are abundant with walnut, oak, hickory, cherry and maple trees. This resource is valued by many private landowners who are seeking assistance with forest planning/management, timber stand improvement, timber harvest and reforestation. Several state and federal conservation programs provide funding for private landowners to contract these same forest services. In Iowa, the Iowa DNR will provide free assistance to private landowners with development of forest management plans but implementation of that forest management is up to the landowners or whomever they contract. Private landowners looking to log their timber, not always aware of the benefits and pitfalls of logging, can benefit greatly from expert advice and professional assistance. All these factors create job opportunities for enterprising entrepreneurs that want to start forestry related businesses and perform tasks that will help the private landowner realize the potential for their woodlot.

Profile Business: One Stop Forestry

This business provides assistance to private landowners that are, either on their own or with assistance from a government program, managing their forest resource through timber stand improvement, invasive species control, reforestation and/or timber harvest. They specialize in direct seeding of trees. The business works directly with private landowners to help them understand the forest ecosystem, how that system can be managed and what government programs are available to provide financial incentives and assistance. The entrepreneur works closely with the Iowa DNR Foresters, the Natural Resources Conservation Service, several County Soil and Water Conservation Districts and the Farm Service Agency as well as private local forestry groups. These relationships help the business better serve their clients and anticipate government program changes and opportunities. The business owner has also developed strong relationships with other area professionals such as loggers and nurseries. The business supports two-full time and several part-time employees.

Getting Started:

Equipment and Supplies: Tractor, tree planter, hand tools - \$25,000

Education: BA in forestry/natural resource field

Marketing - Word of mouth, forestry field days and via partners

Why it Worked:

These entrepreneurs provide a variety of services to a market that is greatly in need of all of those services. They worked diligently to understand and maximize state and federal program opportunities, understanding that landowners would be more willing to contract their services if they had financial assistance. The business owners also develop a method of seeding that was unique from other companies, opening up a niche market within the industry that provided an advantage over competition. The entrepreneur also has a diverse enough list of services that he can adapt to changes in government programs that direct work toward or away from a specific type of service.

Business Plan Development:

*Smart planning
yields results!*



A Business Plan is a guide that helps you start and run your business successfully. There are many entities that provide business plan development information for entrepreneurs including the Small Business Administration, which has free information available on line at www.sba.gov.

The Small Business Administration's web site has a plethora of information on all topics but the "Small Business Planner" is especially helpful. Not only does this planner take you through the process step by step, you can also watch free on-line training courses. The following summary of Essential Elements was developed from the Small Business Administrations web site.

Essential Elements:

‡ **Executive Summary**

An overview of the entire plan with a history of the business. Where are you now and where do you want to go? What is your mission? Key players, why there is a need for your service or product and a table of contents are also in this section.

‡ **Market Analysis**

An overview of the industry. Explore the outlook for that industry as well as the historic and projected growth rates. Your primary target market and competition. Also include trends, purchasing cycles, lead time, secondary markets, a competitive analysis, regulatory information and barriers.

‡ **Company description**

The nature of your enterprise, the different elements of your business and how they fit together. What and how do your products meet a need and for whom. Competitive advantages you may have - personnel, location or efficiencies.

‡ **Organization & Management**

The company's organizational structure, ownership, management team and the qualification of significant personnel and board of directors should be described in this section.

‡ **Marketing and Sales Management**

Describe how you will penetrate the market, what distribution channels you will use and your communication strategy. Sales strategy and activities should also be included in this section, which should adapt and change over time.

‡ **Service or Product Line**

Detail your product or service, copyright information and important trade secret information. Research and development activities and information about your products life cycle and factors influencing that life cycle.

‡ **Funding Request**

How much money do you need to start or expand? Over the next five years? How will you utilize the funds. Strategies.

‡ **Financials**

Include historic and prospective financial data, income statements, balance sheets, cash flow statements, collateral, five-year forecasted income, balance and cash flow as well as capital expenditures and graphs of trend analysis.

‡ **Appendix**

Important information available on an as needed basis.

Marketing:

The key to making sure the air doesn't go out of your balloon!



Once you get started you will soon realize the importance of good marketing and quality marketing materials to the success of your small natural resource based business. Northeast Iowa RC&D worked closely with a professional business and marketing expert, Dr. Victoria Bjerke, to develop a marketing planning guide for small businesses, *Marketing Planning for Small Businesses*. Available at www.northeastiowarcd.org, this guide provides valuable information subjects.

What is marketing?

An excerpt from Marketing Planning for Small Businesses - Dr. Bjerke

As you begin to explore the value that effective marketing can have for your business, it is first important to develop a basic understanding of what marketing actually is. There are many misconceptions about marketing. Most people associate marketing with advertising or selling, yet those tools are only the tip of the iceberg. Marketing exists to facilitate the exchange of products, services or ideas between sellers and buyers. As we walk through the marketing process throughout this guide, you will see that marketing strategies are often broken down into the "four p's."

The four p's of marketing include the product, place/distribution, promotion, and pricing. The American Marketing Association defines marketing as "the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals."

Small business owners often start the marketing process by determining what product or service they are going to produce and sell. Product decisions not only include the physical unit, but also the packaging, warranty, after-sales service, brand name, company image, and many other factors. After the product decisions are made, the owner must then decide how to make the product available when and where the customers want them – the distribution decision. You may decide that you want to sell locally, regionally, nationally, or even globally. Distribution decisions also include how you are going to store and transport your product or service, as well as how you plan to reach the customer. For example, are you going to utilize a regional retailer to carry your product, or do you want to sell direct to the consumer via the Internet?

The next "p", promotion, includes personal selling, advertising, sales promotion, and public relations. The role of promotional activities is to inform, educate, persuade, and remind your customer about your product or service. Finally, the business owner must determine the right price to maximize profits while maximizing sales. As you try to determine the most attractive price, you need to not only consider your costs, but also the competitive environment in which you are operating and your target market characteristics.

The key to successful marketing is to make your customer the core of your marketing strategy. Your product/service, distribution, promotion, and price should all be designed with the customer in mind. Many small business owners become focused on what they can make based on their resources and expertise, as opposed to what consumers actually want. Unfortunately, many find out too late that there is not an adequate market to support their business. One of the first things you will do in your marketing plan is to identify and define your target market. This step will be one of the most critical in the planning process, as it is the foundation on which all strategies are based.

Photography:
Worth more than a thousand words!



Heathered Ridge near Postville, Iowa markets hand spun yarns and knit and weave products for sale to a local and regional market. This photo provides an emotional link to their product.

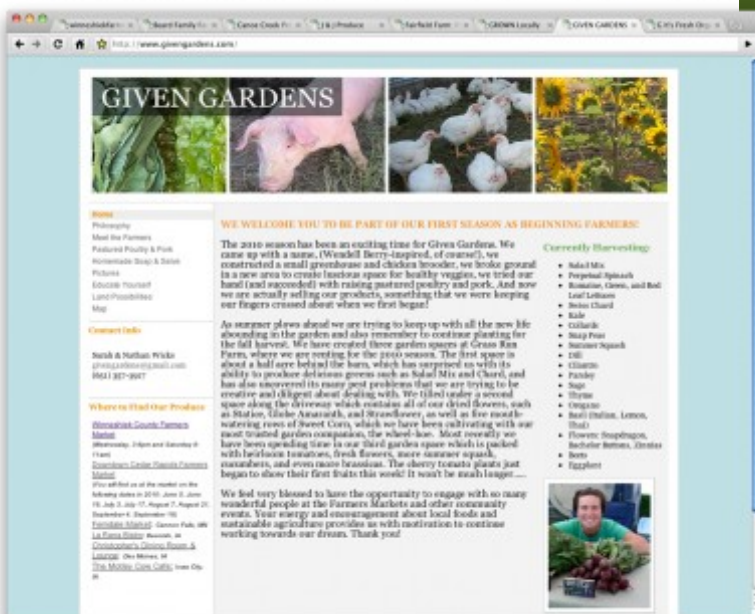
Natural resource based businesses are positioned to benefit from photographs that tell their story. Photographs can help solidify a businesses image and brand. They also draw potential buyers and expand the businesses market share by helping the business connect emotionally or practically with the customers.

Determine what image you want to project to the public or what your product stands for and seek out photographs that align with those goals. Many entrepreneurs feel passionate about their product. Ask yourself, how can you convey that passion through photography.

High quality photographs are critical to the development of successful marketing materials, including brochures, web-pages and other social media. They are also helpful when submitting press releases to newspapers and magazines.

Some newspapers are more likely to print a press release when it is accompanied by a great photo. Press releases can be used to announce an upcoming event, tell a story about a recent event or announce a new product or business. The photos for print media including newspapers should be clear in either black and white or color. Remember to provide a descriptive caption with the photo.

Northeast Iowa RC&D recently provided assistance to several local food businesses with website development. Participants were encouraged to gather high quality photos to display on their websites. These photos helped the local food producers tell their story and connect with buyers. It also helped solidify the business brand, convey the quality of the product and build customer loyalty. Consumer confidence in a product and the business overall can be greatly increased through good photography.



Given Gardens was one of several local food web-sites recently developed with assistance from Northeast Iowa RC&D.

Websites:

*90% of travelers plan vacations on line,
What else do they do? Shop!*



Options for web sites range from creating a free page on Facebook to hiring a professional website designer. If you hire someone, expect to spend anywhere from a few hundred to several thousand dollars. Many modern websites allow you to log in from your web browser, and easily make updates to your site. No matter how you proceed, placing your business on the web generally yields good bang for your buck.

List Your Business

getlisted.org provides a great starting place if you would like to list your business in a number of online directories: Google Places, Yahoo! Local, or Bing Local.

Registering a Domain Name (e.g., northeastiowarcd.org)

A domain name provides a home for your website, and the ability to have professional-looking email addresses that end in your domain name (e.g., brad@northeastiowarcd.org). Registering a domain costs about \$10/year. Hire a web developer to set up your website and/or email accounts.

Your Business on the Web:

Social Media

Facebook, Twitter, YouTube, Flickr... you'll notice these social media sites everywhere, both on and off the web. Start by focusing on the social media outlet that is most appropriate for your business. Upload high quality photos or video, and build your audience from there.

Web Advertising

Local Media (News Outlets, Magazines, Radio) - all of which have websites. Google (AdWords), Yahoo, Microsoft, and Facebook each offer targeted advertising toward a region you define.

Do-It-Yourself: Tools of the Trade

Blogger, Wordpress (Free blogs you can create yourself)

Email Marketing (MailChimp, iContact)

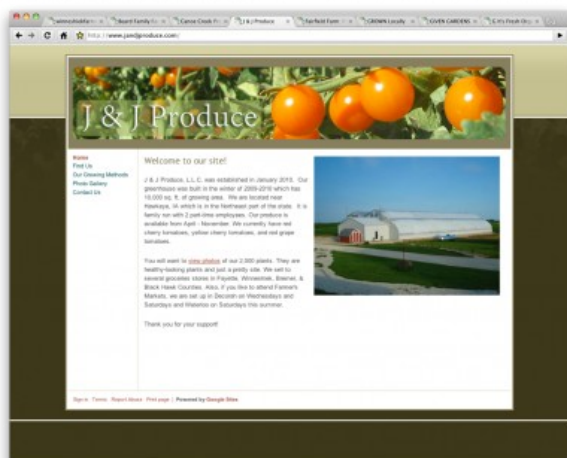
Facebook (#2 site on the web - people spend over 700 billion minutes per month on Facebook)

Flickr, YouTube, Vimeo (Connect through photos or video)

Free/OpenSource Software (including Picasa, OpenOffice.org, and Picnik)

Google Apps (Set up free Gmail Accounts for your domain name)

Google Sites (Build an ad-free website with free website hosting)





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