

## Module 3.

# How to manage your transhumance activity

### Training units

1. General framework for transhumance
2. How to act as an entrepreneur in this framework
3. Unique Selling Proposition (USP)
4. Helpful tools for your business planning and management

This module presents the existing general framework, the opportunities as well as the limits and risks entrepreneurs of transhumance need to take into account. It provides recommendations of how to start a business and tackles key issues of business development. These have to be adapted to each business. Thus, this module aims to raise awareness about the business framework for transhumance practitioners, some basic tools and entrepreneurial thinking.

## 1. General framework for transhumance

### Political framework

Decisions and agreements at global, European and national level impact on the framework for European agriculture including transhumance. For example, global goals such as the [UN Sustainable development goals](#) have been embedded in the European Union's agricultural policy, meaning that agricultural production should, for instance, contribute to the elimination of hunger in the world. Moreover, the [European Green Deal](#) that addresses climate change and environmental degradation, impacts on agricultural production in general and specifically on transhumance. It covers strategies such as the [Farm to Fork strategy](#) which focuses on sustainable food systems and sets targets for, for instance, increasing organic farming, reducing the use of pesticides and fertilizers, and reducing food waste. Moreover, the [Biodiversity strategy](#) addresses the recovery of Europe's biodiversity. Targets include an increase in protected areas, establishment of biodiversity-rich landscape features and increase in organic farming.



A hucul herd in the Aggtelek National Park.  
Photo by Gábor Szelényi



These political goals and strategies impact on farming in Europe through general legislations and directives as well as through the [Common Agricultural Policy](#) (CAP) and its funding regulations. While the examples above regard agricultural production within the European Union, other European countries, such as Norway, are committed to similar political goals. To navigate this rather complex political and financial framework, for example, to be eligible for funding schemes, can be a challenge for transhumance practitioners. However, the practices of many transhumance practitioners comply already with the aims of increased organic production, reduced use of fertilizer and increased biodiversity. See [SK1](#), [SK2](#), [SK3](#) and [GR4](#). Thus, future European agricultural policy may provide increasing opportunities for transhumance practitioners to develop their businesses. For more information about the political and financial framework in specific countries, see the [National Reports](#).



Kiskunsag National Park used for sheep pasture.  
Photo by Csaba Centeri

## Market situation

The above-mentioned framework sets the premises for how the market develops and, thereby, for business development. This market tends to be volatile both in terms of purchase of farm supply and sales of products. Since the introduction of CAP in 1962, farming has become a supplier of commodities for food, feed and energy. Farmers struggle to produce as cheap as possible and seek for possibilities to offer standard quality at cheapest price. This model does not need to be ruinous for all participants in the market but can be a 'race to the bottom', an expression that refers to a firm's attempts to undercut competitor prices by sacrificing standards in areas such as quality, safety and wages. Larger scale farmers may deal very well with the situation and make profit. For smaller scale farmers economies of scale is hard to reach on single farm level. Smaller scale farmers may seek to cooperate and to outsource or insource activities. However, to deliver commodities competitive on a global market is currently almost impossible for smaller scale farmers. Europe is highly diverse in terms of, for example, climate, soil and costs of production factors such as labour and soil. Thus, scales of production possible or needed to compete on a market differs across Europe. While some farming businesses become more complex by diversifying through added value chains of food, feed, energy and industry and by investing in non-agricultural business, for some smaller scale farmers farming remains the core of their activity. However, the latter's income and profit are derived outside farming.

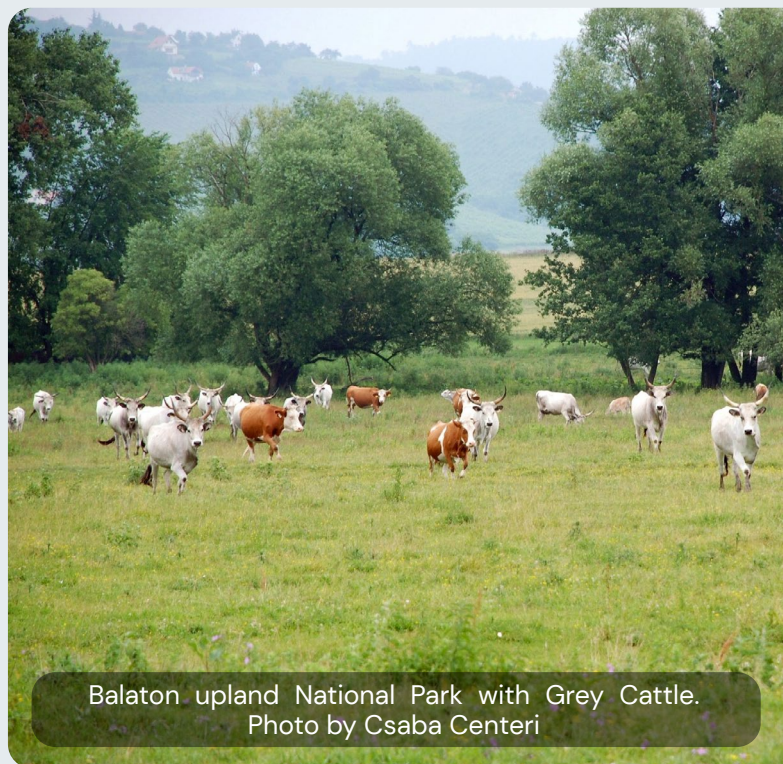


The dairy products shop of Salaš Turček is close to tourist trails. Photo by Martina Slámová



## Landscape management

Farming results in specific agricultural landscapes. Their appearance varies across Europe due to, for example, differences in climate, soil conditions, buildings, crops, and management practices. [Training Module 2](#) provides examples of transhumance landscapes. Appreciation of past and present agricultural landscapes may differ among the public; however, the management of some types of landscapes is supported with public money. These are, for example, highly biodiverse landscapes. The grazing of [National parks in Hungary](#) and the cooperation between a [Slovenian transhumance practitioner and a national park administration](#) are examples of efforts to maintain these kinds of landscapes. While the provision of payments for maintaining landscapes may make the public conceive farmers as a kind of public service provider rather than an entrepreneur, it reflects appreciation for the values farmers produce. Moreover, for transhumance practitioners such payments provide economic opportunities.



Balaton upland National Park with Grey Cattle.  
Photo by Csaba Centeri

## 2. How to act as an entrepreneur in this framework

### Analysis of the current situation and outlook

Changes in financial support for farmers may occur with changes in the political agenda and in short, medium, and long-term perspectives. For example, overall support of European farmers through CAP and similar schemes has a long tradition and is unlikely – despite some adjustments – to change fundamentally at a short notice. Taking the potential changes in financial support into account, farmers have to consider the availability of support schemes and their short, medium and long-term financial needs to maintain or invest in livestock, machinery, technology or infrastructure. Moreover, the overall turn towards a greener economy and the ambitious goals for farming such as a greener, cleaner, cheaper and healthier production, processing, storage and transport along with decarbonising the sector, needs to be taken into account. If you as a farmer do not consider the ongoing political decisions for a greener and climate-friendly production you may risk your market position as (1) more and more actors in the sector comply with updated standards and certifications, and (2) more and more entrepreneurs even go beyond the regulations and set higher standards.



The barn from the inside. Photo by Oliver Post



Driving on the dyke. Photo by Henning Remmers





Hilly mountainous pastoral landscape and the farm Salaš Turček. Photo by Martina Slámová.

## Decision taking in unsecure circumstances

All entrepreneurial actions taken and dismissed are associated with opportunities and risks. Agriculture and especially transhumance may be businesses prone to higher uncertainty than other sectors since they strongly depend on climatic conditions. Nevertheless, decisions have to be made, taking into account the effort needed to carry out a task as well as the probability of being successful with it. To make sound decisions, it is important to consider the context in which decisions are taken, e.g., the farm, its land and livestock, personal living conditions, financial situation, needs and expectations of cooperators and customers. The complexity of these factors depends on the scale of a business, e.g., in terms of production, employees, customers and cooperators. Although having evaluated potential positive and negative consequences carefully, in retrospect some decisions may appear wiser than others. Learning from previous decisions is, thus, important. The more successful your decisions have been in the past, the more confident you will be to take the next decision. Acting like an entrepreneur therefore is not about taking all risks but to detect risks, weigh them and take reasonable and appropriate decisions (see Section 4.2 for an example of a decision tree)



The pastures surrounding the summer farm.  
Photo by Kerstin Potthoff.

## 3. Unique Selling Proposition (USP)

### Define and find the (niche) market

Compared to global commodity markets, niche markets are commonly for specialised products or production methods or special ways of addressing costumers. Entrepreneurial farmers should consider their main interests and experiences and – most important – the kinds of products and productions they are most passionate about and develop these. The basic question to answer is: Which niche production, niche processing and niche marketing fit the resources, skills, and preferences of my business? A way to identify the potential for entering a niche market is to consider products and services you need or would appreciate but which are difficult to get access to in your area. Maybe these products or services are of interest for others, too and you as an entrepreneur can offer them. Identifying and understanding a specific consumer group and its needs, preferences, interests and buying habits is crucial for determining whether a business has the resources and interests to meet the needs of potential customers. Moreover, the knowledge of the target market enables the entrepreneur to react to changing consumer preferences and market conditions.



A Unique Selling Proposition (USP) is a statement that defines the unique benefit of a product or service and sets it apart from competitors. It highlights how a product or a service meet the needs and wishes of the target market and should be credible and communicated consistently. It is a key component of a marketing strategy. Transhumance practitioners may consider landscape and its regional characteristics as a catching starting point to develop a USP (see for example the products and services provided in these following case studies [FR2](#), [ES1](#) and [SK2](#)). Take into account the easy and handy options of sending pictures, short stories and blogs in [social media showing the richness of transhumance](#).



Once the market is identified, the attention of clients – businesses or customers – needs to be captured. Be aware that businesses have other needs and wishes than private customers. To reach the foreseen clients and to really enter the identified market, careful promotional planning and the development of messages that appeal to potential clients is needed. It is recommendable to set clear goals for what you want to achieve with your business and with your marketing approach. Without being too sophisticated, be ambitious and consistent from the very beginning. Set a clear link between your communicated vision, your business strategy, and your actions. To be able to access and address national or even bigger [markets requires most likely cooperation](#). Such a cooperation can comprise partners on a horizontal level such as other farmers and/or partners on a vertical level such as processors or retailers. Marketing requires a high level of coordination and cooperation among the different partners, which can be difficult to achieve.

To identify partners and to build partnerships along the value chain of niche markets, consider the following: (1) Identify the specific partners needed for the chosen marketing approach and value chain. (2) Find partners who have similar values, goals, and business models to ensure as much as possible that the partnership is aligned and that partners are working towards the same goals. (3) Assess the capabilities and resources of potential partners including their experience, infrastructure and ability to scale up or down the business if needed. (4) Consider the partner's necessary expertise and resources to bring your products to market. (5) Find partners who are open to collaboration and willing to invest the time and effort required to build a strong partnership as partnerships require good communication and collaboration to be successful. (6) Make a formal agreement including roles and responsibilities of all partners, the terms of the partnership and a plan for resolving disputes (see for example [organising a transhumance business as a foundation](#)).



## Stay in the market

To stay in a market means to keep ahead of competition or/and to **keep your USP**. Competition in business can be fierce, especially in fast-moving markets. Here are some suggestions to defend your market position and build and foster your competitive advantage:

**1. Know your competitors:** Identify your competitors, their offers, strengths, and weaknesses. This will help to identify where you need to compete and how to differentiate yourself from the competitors.

**2. Know your customers:** You are competing to attract and retain customers. Thus, you need to know customers' values. Be aware of that customer expectations can change drastically – often due to, for example, fashion, media, international politics, which you cannot influence.

**3. Store all information in one place:** You can link your sales and marketing data (for larger businesses based on Customer Relation Management (CRM) System) with other data such as accounting and delivery. Thereby, you are aware of customers' relationships with your business – e.g., whether their goods arrived on time or whether they paid late. CRM software can offer advanced analytics and automation tools that can be particularly useful if you are managing many customers.

**4. Push your USP:** It's important to give your customers good reasons to buy your products or services rather than those of a competitor. Keep your USP clear and obvious – no one should have to ask what makes you different.

**5. Strengthen your marketing:** Put (more) effort into communicating who you are, what you sell and why customers should buy from you. Marketing does not have to be expensive. Cost-effective advertising ranges from leaflet distribution to social media campaigns. The clue is to find the right/fitting marketing for your clients and to use **the matching communication channel**.

**6. Be the best employer:** Skilled, motivated employees are the foundation of vibrant, growing businesses. To attract employees, more than a competitive salary is needed. A good working atmosphere and benefits such as flexible working hours, structured career planning and family-compatibility are often (more) **appreciated by potential employees**.



The barn from the inside. Photo by Oliver Post

## 4. Helpful tools for your business planning and management

### Exemplary Business Plan

A comprehensive business plan is an important first step for businesses of all sizes, no matter of how simple or complex they are. A solid plan (1) will help to get organised, to remember all details and to ensure that necessary steps have been taken, (2) will serve as a guideline and help thinking carefully about motives for starting a business, future goals and to which degree they have been achieved, (3) is needed to get a loan, funds and finance since lenders expect and

access business plans to determine if a loan can be repaid. A business plan should be a living document. Plans should be compared with reality and adjusted if necessary. Different types of business plans and templates are available online. Some are written documents others consist of worksheets to be filled in. Whatever format you choose, a business plan can be built in accordance with the following 10 steps:



**1. Idea & target group:** What problem does your product or service solve? What do you offer? Who is your target group?

**2. Market & competition:** Which market do you want to enter with your product? Who are your competitors?

**3. Vision & goals:** Where do you want your transhumance business to go? Describe the vision with short-term and long-term goals in as much detail as possible. The information about transhumance practices and landscapes provided in [Module 2](#) and the [glossary](#) may help to identify and describe your own practice.

**4. Strategy:** How do you want to position yourself in the market and convince customers?

**5. Legal form:** What legal form should your business have and what is the business's name

**6. SWOT analysis:** Which Strengths, Weaknesses, Opportunities and Threats do your transhumance business project have?

**7. Entrepreneur, founder, team & organisation:** Who is already available? What other positions need to be filled? How is your business organized?

**8. Marketing:** What marketing measures are you planning? How much budget do you need for the planned measures?

**9. Financial plan:** How much capital do you need to start or to invest? When will the break-even point be reached (i.e., point in time when the income covers the costs)? This part is the central part of the business plan and should be presented in a detailed manner.

**10. Executive Summary:** The executive summary presents the key issues of your business plan to provide yourself, potential financiers, investors with a good overview. It should be both, a handsome and a living document: a work version in your computer and a formatted and nicely printed booklet at your desk to read at any time – as a reminder, source for self-feedback and as a leitmotif.

## Exemplary tools for decision-making

As for business planning, a lot of tools and procedures for decision making and delegation are available online. This sub-section provides two examples of approaches for decision making and a recommendation for a simple calculation. The latter can be used to get a first impression if a planned business can be profitable.

(1) The Eisenhower-Box is a simple decision-making tool to help becoming more productive in decision-making.

An entrepreneur should prioritise tasks based on their urgency and importance. Such a prioritisation helps to decide which tasks should be done immediately, which tasks should be postponed to a later date, which tasks should be delegated to someone else and which tasks should be cancelled (Figure 1).

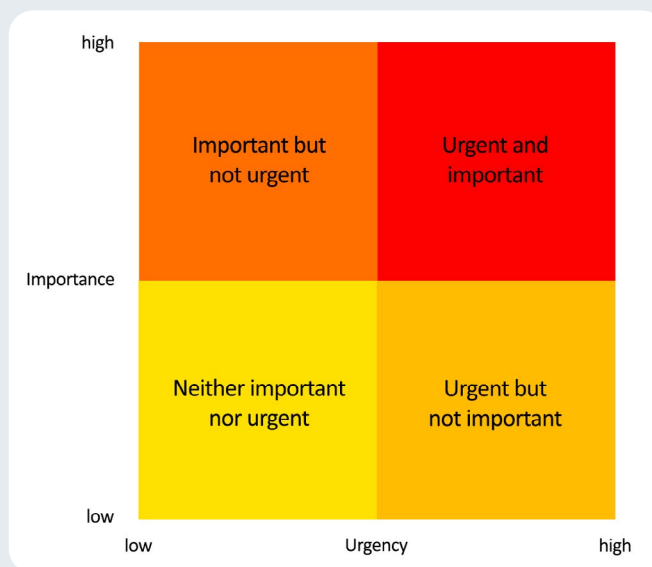


Figure 1: The Eisenhower-Box

TM3\_01

(2) The Hoy-Tarter-Model recommends varying levels of involvement, ranging from complete delegation of responsibility to taking decisions without consultation. The decision to delegate or consult depends on (1) whether a person has a vested interest in the outcome of a decision, (2) whether a person has expertise and (3) the person's inclination to act in the best interests of all partners (Figure 2).

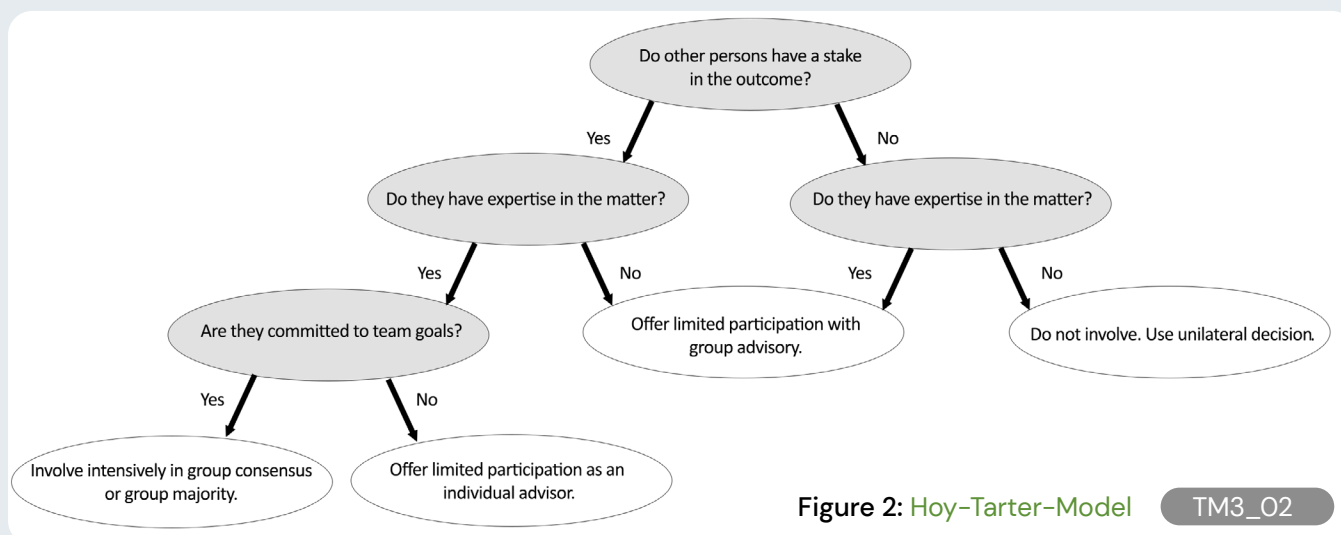


Figure 2: Hoy-Tarter-Model

TM3\_02

## Exemplary calculations

The following exemplary calculations are simple, but they are a good start to reflect on your resources, your passion for producing, for processing and for selling. The basics of the example are valid no matter if the production is conventional, organic or biodynamic. The first example calculates the annual turnover of a farmer delivering milk to a dairy, the second example the annual turnover of a farmer processing the milk and selling the products directly to the customers.

### Delivery to dairy

A farm with 100 cows that each produces 10.000 kg milk per year will produce 1.000.000 kg milk per year.

A payment of 30 cents net/kg milk means a turnover of 300.000 € turnover per year.

The farmer needs not to take care about sales, however, has no impact on the price which the market determines.

### Processing and selling (direct marketing)

A farmer with 15 cows that each produces 8.000 kg milk per year will produce 120.000kg milk per year.

It takes 10 kg milk to produce 1 kg of cheese and the farmer gets 25 €/kg cheese incl. distribution.

That means the turnover per year is 300.000 €.

The farmer needs to make a lot of efforts to sell the products, however, has an impact on the sales (price), the marketing and the distribution.

Thus, very different types of organising your business and selling your products may result in the same turnover. Moreover, it is important to be aware of that, turnover is not the same as profit. It happens in practice that you try to increase your turnover without noticing that your profit is not increasing. Thus, you are working more to reach the same profit. This means it is important to take notice of the competing on a market (external) but to reflect (internally) on your practices and if you reach your fixed goals (see Section 4.1).

## Recommended literature

- Penson, J.B., Oral, Jr. C., Rosson, C.P. & Woodward, R.T. 2017. Introduction to Agricultural Economics. Pearson.
- Martinho, D.P.J.V. (ed.) 2014. The Agricultural Economics of the 21st Century.
- Schwenke, K. 1991. Successful Small-Scale Farming.
- Sowell, T. 2014. Basic Economics: A Common Sense Guide to the Economy.



Co-funded by  
the European Union

Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the European Education and Culture Executive Agency (EACEA). Neither the European Union nor EACEA can be held responsible for them.