



Center for Profitable Agriculture  
A University of Tennessee - Farm Bureau Partnership

# Considerations for a Value-Added Farm Business

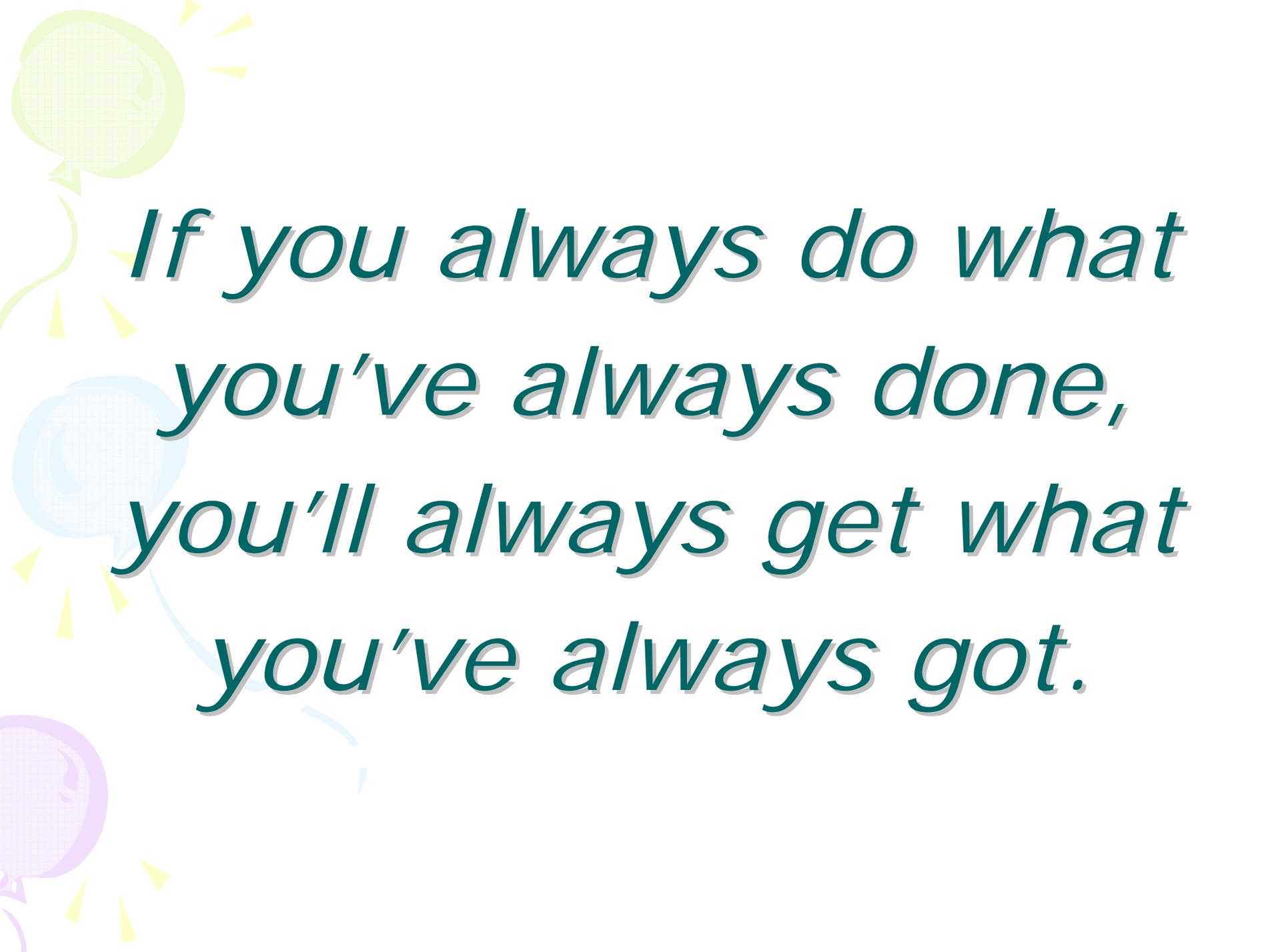
Rob Holland  
Center for Profitable Agriculture  
The University of Tennessee



VALUE



ADDED

The background features a white surface with decorative elements on the left side. There are three balloons: a green one at the top, a light blue one in the middle, and a purple one at the bottom. Each balloon has a string and is surrounded by several small, yellow, triangular streamers. The text is centered and written in a dark teal, italicized font with a subtle drop shadow.

*If you always do what  
you've always done,  
you'll always get what  
you've always got.*



# Overview

- First things first
  - About the "***Center for Profitable Agriculture***"
  - What is Value-Added
  - What we have learned in the Center
- 
- 

# First Things First!



# Center for Profitable Agriculture

## Mission

*To increase the value and profitability of Tennessee's food and fiber economy through new, expanded and improved processing and marketing of agricultural commodities and farm resources*



# What We Do!

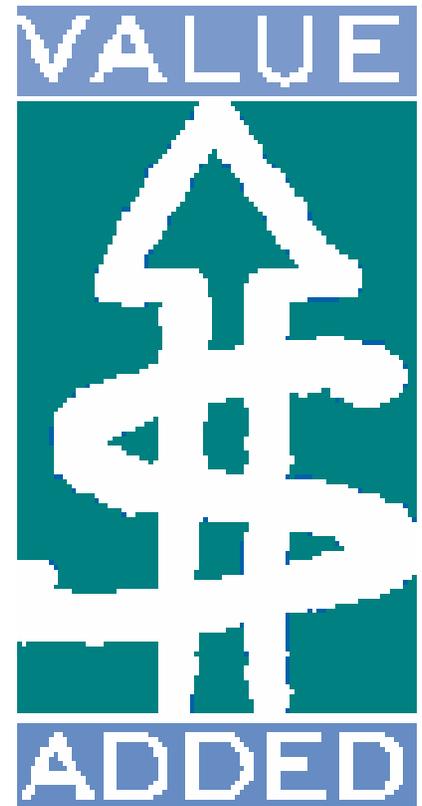


- UT Extension Department
  - Partnership with Farm Bureau and Dept. of Ag.
- Focused on “Value-Added”
  - Created in 1998
  - 6 Full-time Positions (+/-)
- One-on-One (V-A) Enterprise Analysis
  - Team effort (production, marketing, financial)
  - Studies, Analyses, Project Reports, Evaluations
- Outreach Teaching (V-A)
- Development of educational materials





# Adding Value to Farm Commodities and Resources

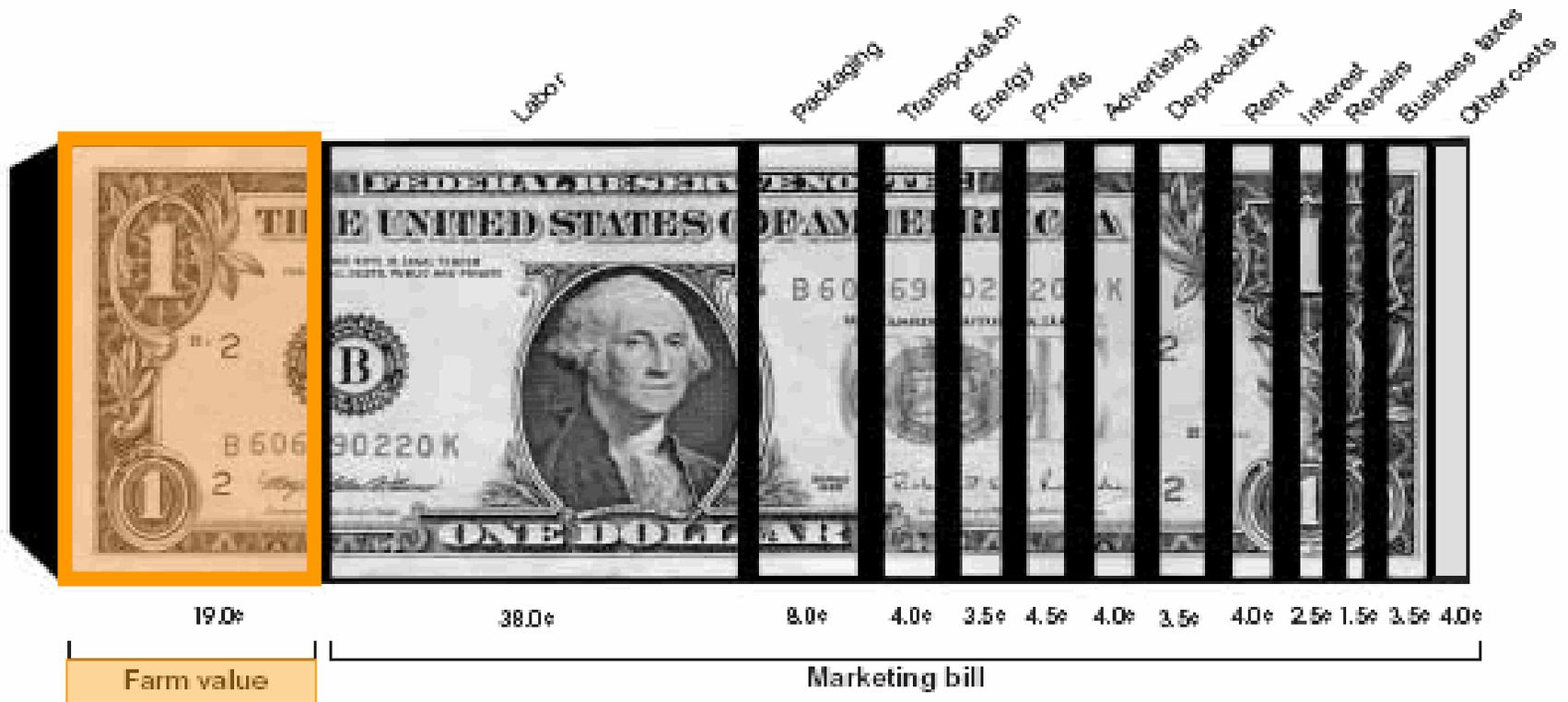


# What is Adding Value?

- Doing something to makes a product worth more to consumers.
- Doing something that increases the farm portion received from a commodity/product.
- Fry it, pie it or put it in cider.
- Processing, Packaging and Marketing



# Farm Value of Food Dollar



Source: USDA's Economic Research Service.

# Value-Added Examples

- Apples . . . . . Apple Jelly,  
Cider, Pies
- Sweet potatoes . . . Pies, Muffins,  
Chips
- Cattle/Hogs. . . . On-farm butcher  
shop
- Soybeans/Corn . . . Biodiesel,  
Ethanol
- Farm Waste . . . . Packaged  
Fertilizer





Middle Tennessee Poultry Farm  
Composts Wastes and Markets  
Packaged Soil Conditioner





# Example Project: R-GROW



- Product Formulation
- Test Marketing
- Target Market
- Packaging
- Cost Analysis
- Market Development
- Pricing
- Marketing





West Tennessee Peach Orchard Has  
P-Y-O and Markets Breads, Relishes,  
Cookies, Jams & Jellies





## East Tennessee Dairy Opens Cheese Plant and Offers Specialty Farmstead Varieties





Tennessee Apple Orchard  
Markets Direct and  
Features Apple Butter



# Other Project Examples



*SLAWSA*

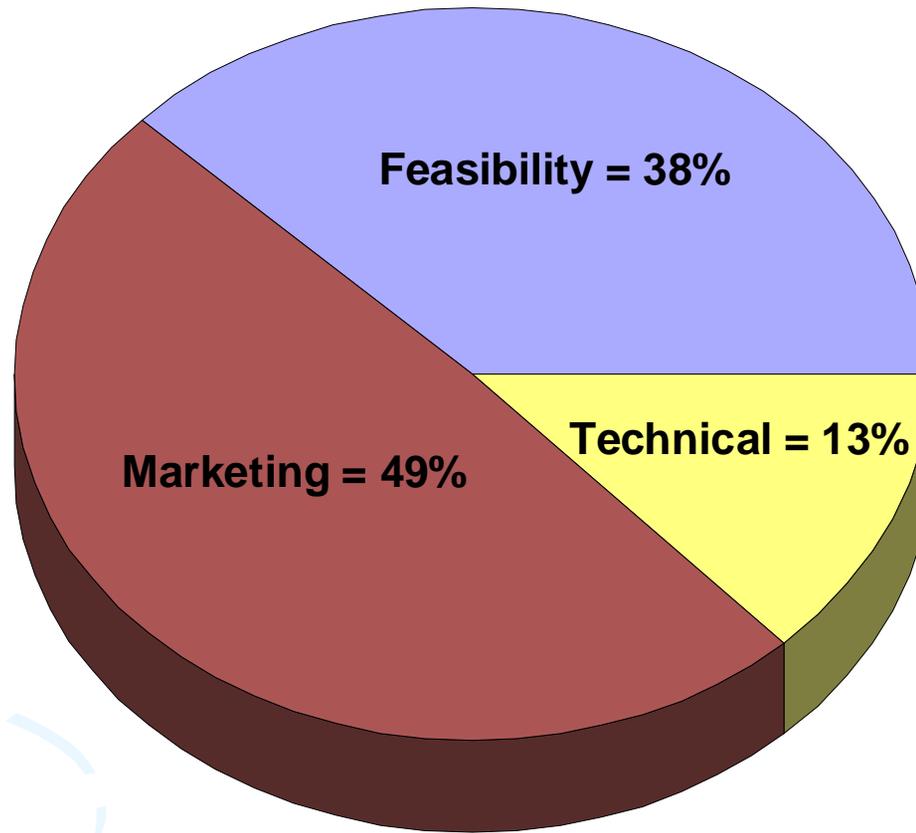


*Dotta Sue Cookies*

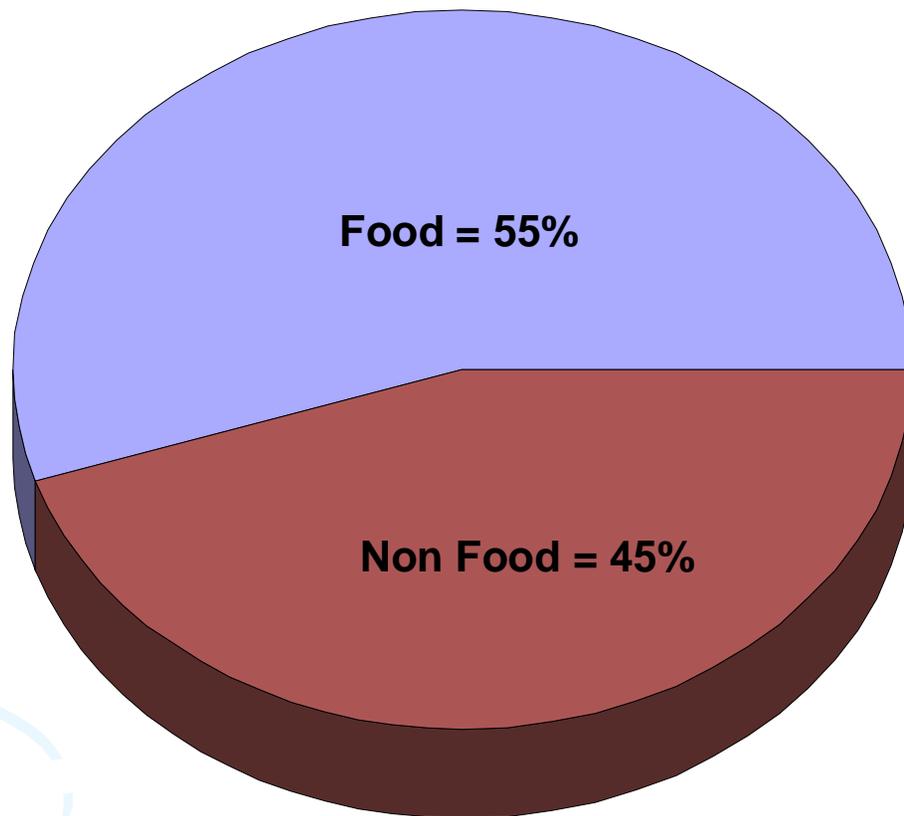


*Merritt Pop*

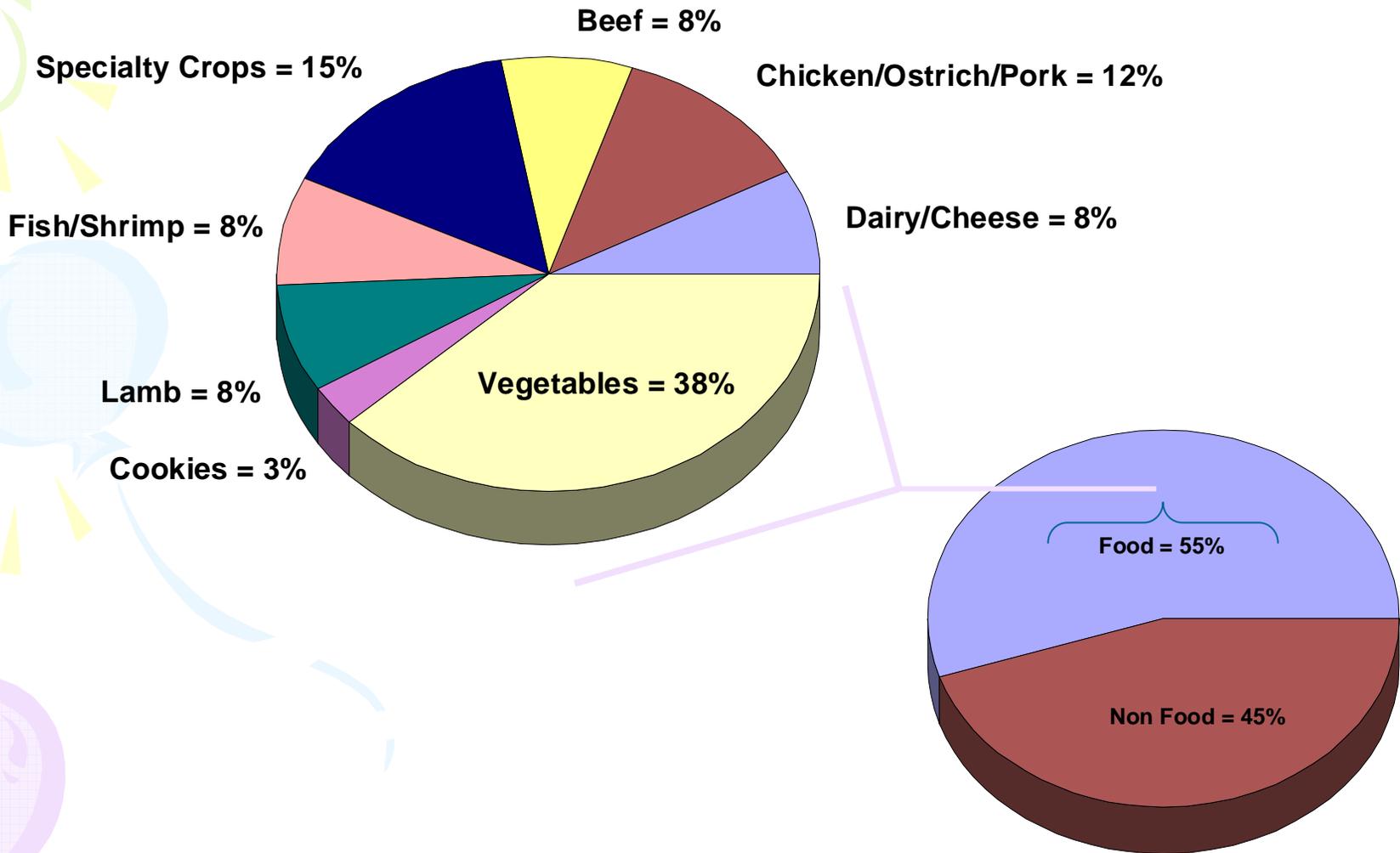
# Primary Role of CPA



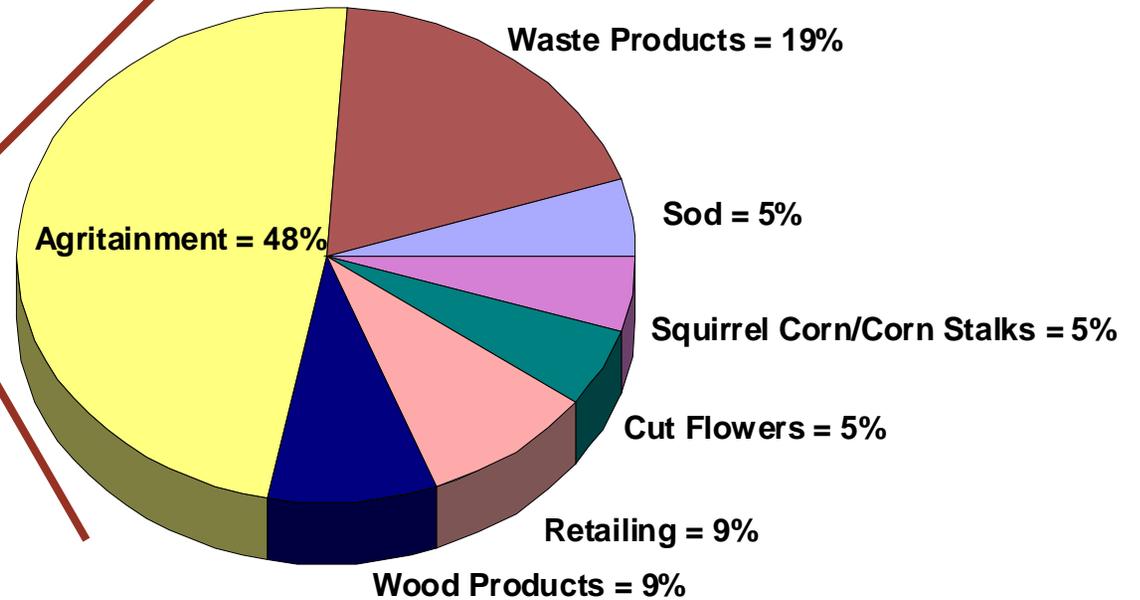
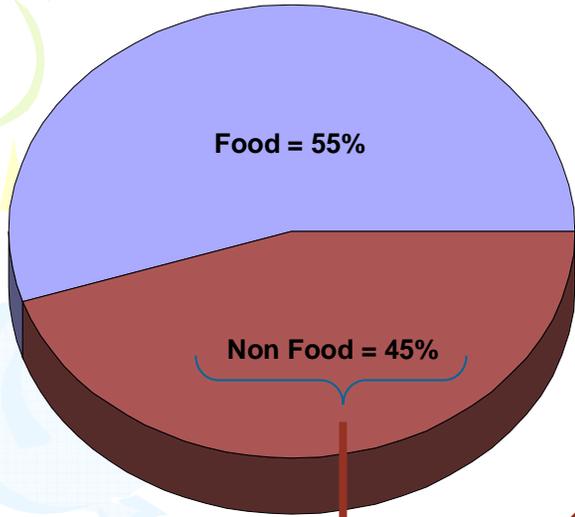
More than half of our projects have been food related.



# Types of Food Projects



# Types of Non-food Projects



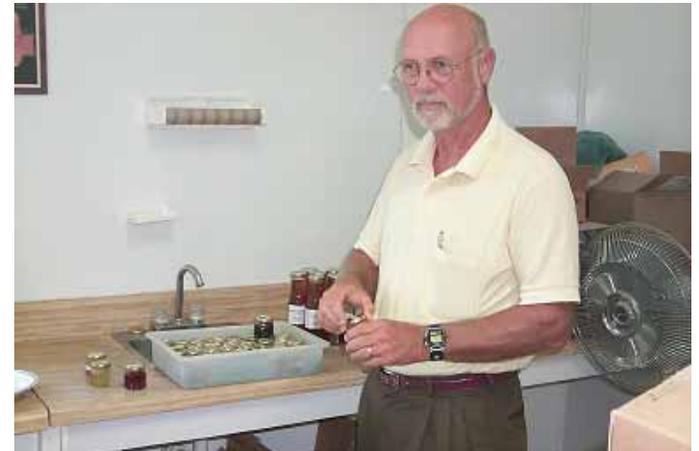
# Why Consider a Value-Added Farm Business?

- Net farm income is low.
- Consumer expenditures are high.
- Farm portion of consumer spending is shrinking.



# Why Plan and Evaluate Value-Added Projects?

- No guarantee of project success
- 75% of small businesses fail within 1 year
  - Only 13% make it beyond 5 years
- “Unique” set of resources contribute to success



# Why is planning important?

- New skills are needed.
- No guarantee of success.
- More of a “small business” environment than “agriculture.”
- More than a good idea is needed.
- Failure rate is high (70 to 80%)
- Rarely does v-a save a struggling farm.
- A unique combination of resources is needed.



There are three rules of new product success.

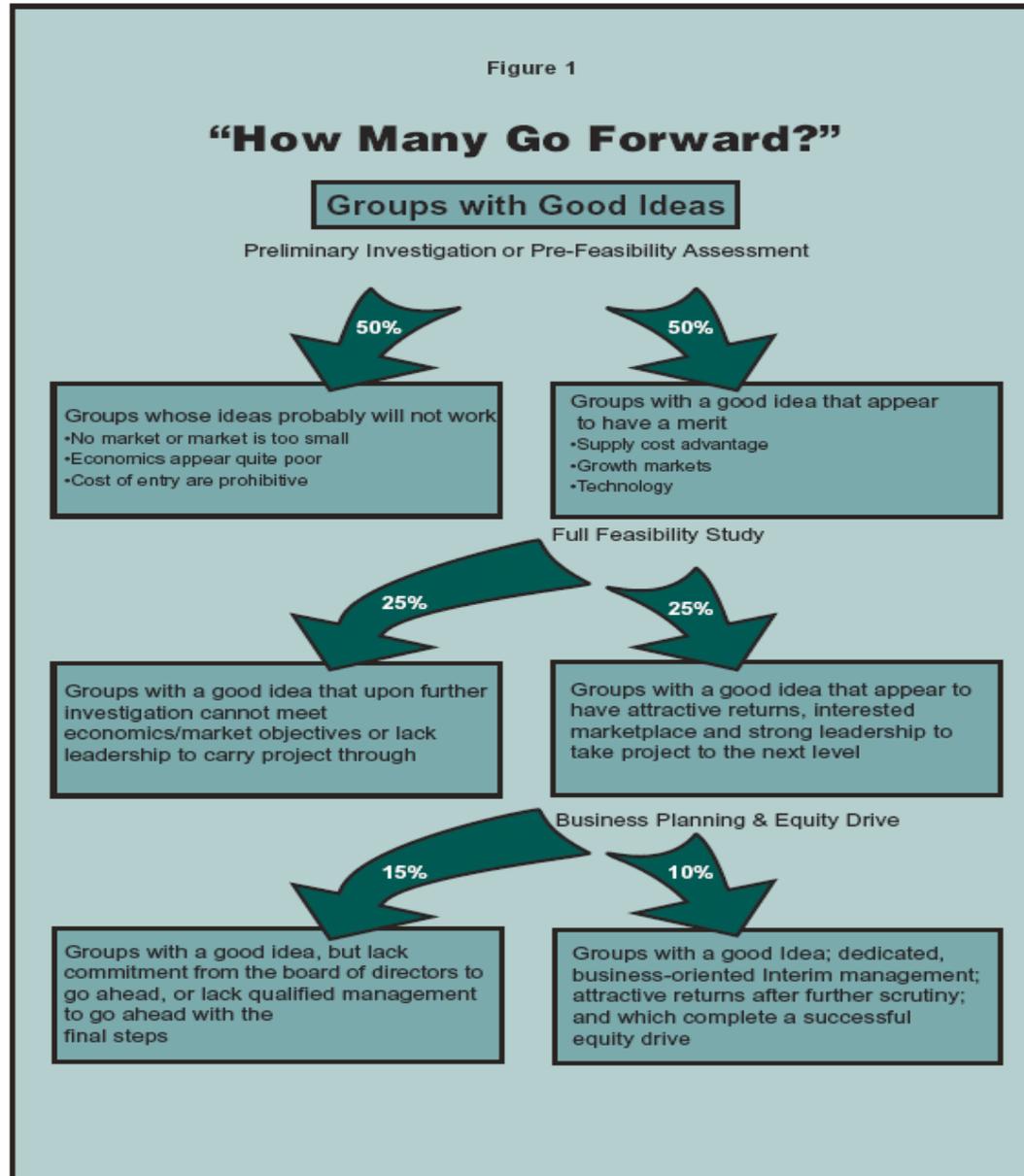


Unfortunately, no one knows what they are.

# Will It Make Money?

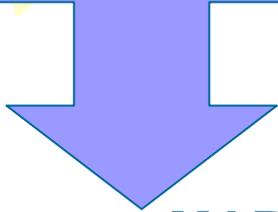


# How Many Go Forward?



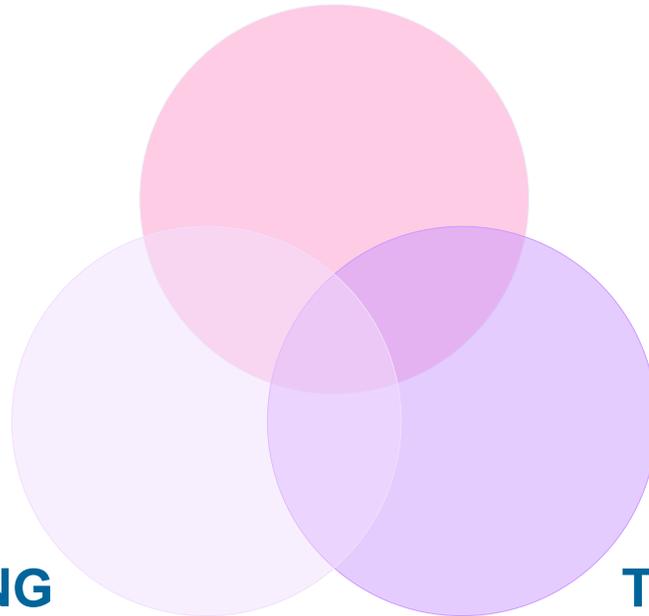
# Team Approach

- Market Assessment
- Test Marketing
- Consumer Surveying
- Market Development
- Promotion
- Sales Estimates
- Price Estimates

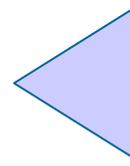


**MARKETING**

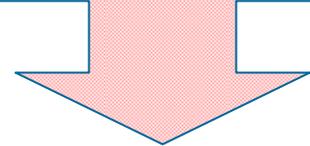
**FINANCIAL**



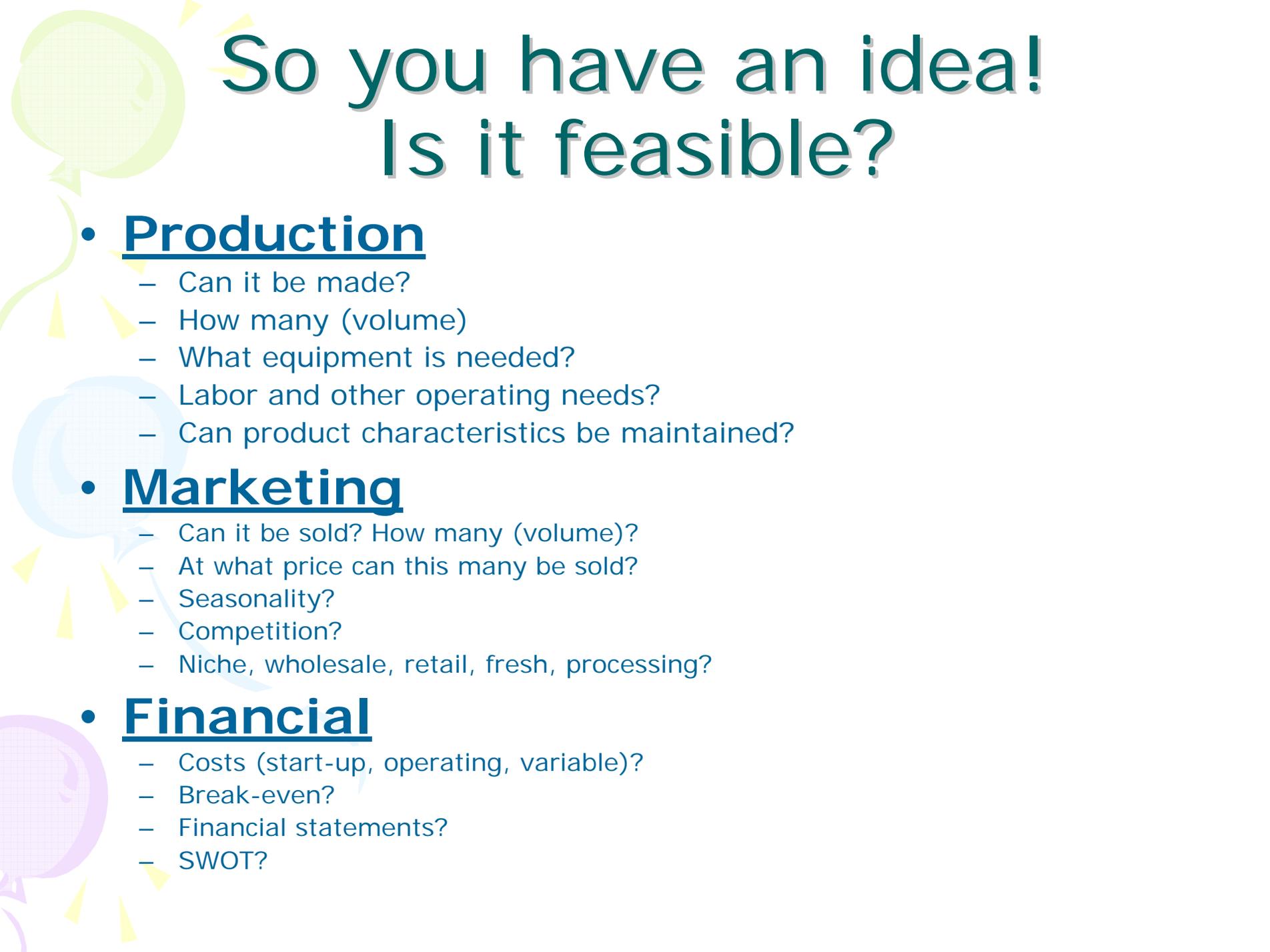
- Break-even Analysis
- Cost Analysis
- Cash Flow
- Profit/Loss Statements



- Regulations
- Up-scaling
- Packaging
- Product Characteristics



**TECHNICAL**



# So you have an idea! Is it feasible?

- **Production**

- Can it be made?
- How many (volume)
- What equipment is needed?
- Labor and other operating needs?
- Can product characteristics be maintained?

- **Marketing**

- Can it be sold? How many (volume)?
- At what price can this many be sold?
- Seasonality?
- Competition?
- Niche, wholesale, retail, fresh, processing?

- **Financial**

- Costs (start-up, operating, variable)?
- Break-even?
- Financial statements?
- SWOT?

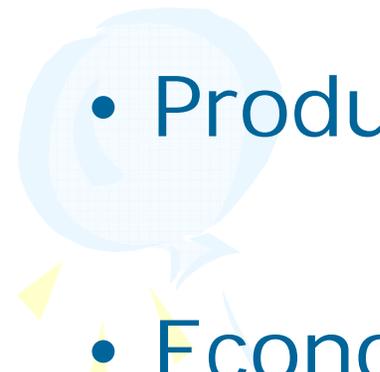
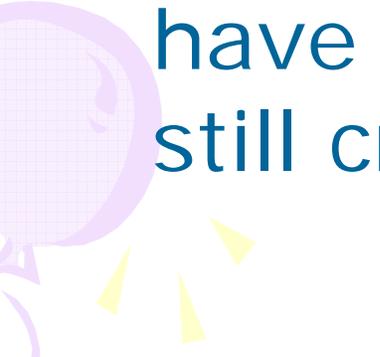
# *There's more to Hickory-Nut Pie than hickory nuts!*

- Eggs
- Corn Syrup & Sugar
- Flour, Vanilla, Salt
- Hickory Nuts
- Labor
- Kitchen
- Oven
- Utensils and supplies
- Electricity
- Permit/Inspection
- Pie pan/Cover
- Label
- Advertising & Promotion



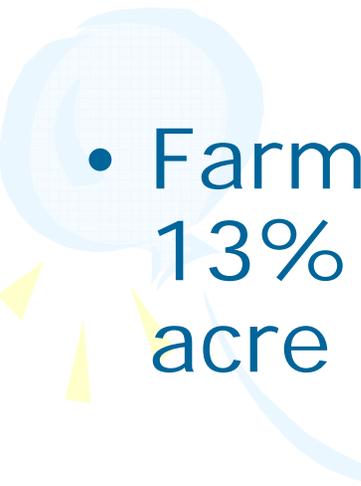


# Value-Added Wisdom

- Don't try to sell what you can produce, sell what someone wants to buy.
  - Produce locally . . . Think globally.
  - Economies of scale? Small is good when products are sold direct and have a higher value . . . "Volume" is still critical.
- 
- 



# Research Indicates

- Farms with "*Direct Marketing Facilities*" are 11% more likely to have higher per-acre gross revenue.
  - Farms with "*Agritourism*" activities are 13% more likely to have higher per-acre gross revenue.
  - Farmers who "*Sell Direct to Consumers*" are 22% more likely to have higher per-acre gross revenue.
- 
- 

# *"There's A Flag on the Play"*

## *What does the flag mean?*

**Caution, Penalty, Stop, Skepticism,  
Warning, Danger, Safety . . .**

- Red Flag
- Yellow Flag
- Blue Flag
- White Flag
- Checkered Flag
- Black & White Flag



# "Yellow Flags" We've Seen

- *"We already know it will work."*
- *"If we build it, they will come."*
- *"If someone else gets this idea first, they will take it from us."*
- *"We've got a good name for it already."*
- *"Now, we just need a grant."*
- *"Can you help us with a grant."*
- *"Now, we just need a feasibility study."*



# More Flags . . .

- *"Let's stop talking and just do something."*
- *"We don't need a champion, we need money."*
- *"We are going to loose this farm unless we get into value-added."*
- *"We don't have any competition."*
- *"We don't need to advertise, it will sell itself."*
- *"We just need to get it into Cracker Barrel."*





# What we have learned:

- Business growth over an 8-year period
  - Strong commitment to “long-term” success
  - Cash flow critical in the early years
- Quality control and large volume critical
- Detailed understanding of regulations is needed
- Significant marketing costs in early years
  - Word-of-mouth effective in short and long run

*Visit the Website*

 UT Extension

**cpa**

*Center for Profitable Agriculture*

*A University of Tennessee - Farm Bureau Partnership*

*<http://cpa.utk.edu>*

# How to Get Value-Added Products Into Local Grocery Stores (PB #1719)

The University of Tennessee  
Agricultural Extension Service **UT**  
PB1719

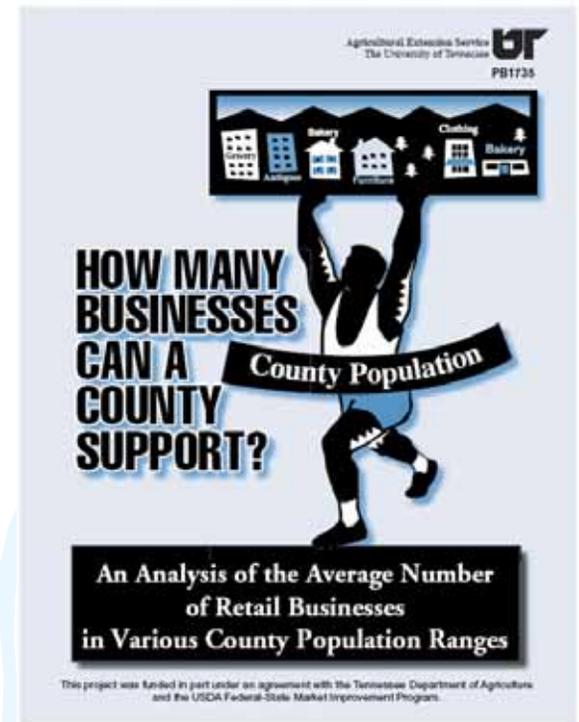
## HOW TO GET VALUE-ADDED PRODUCTS INTO LOCAL GROCERY STORES

Analysis of Grocery Store Market Access Opportunities  
for Small-farm and Value-added Products

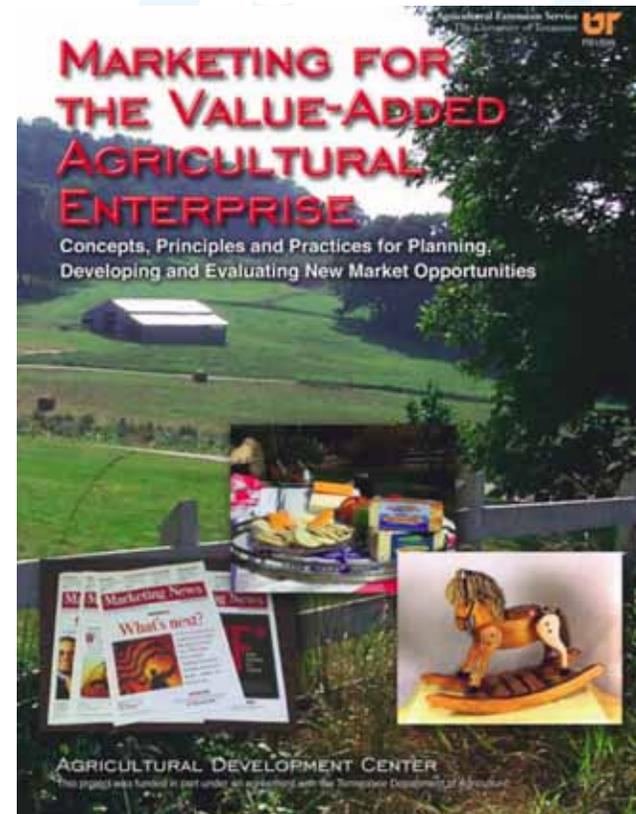


This project was funded in part under an agreement with the Tennessee Department of Agriculture and the USDA Federal-State Market Improvement Program.

# How Many Businesses Can A County Support? (PB #1735)



# Marketing for the Value- Added Agriculture Enterprise (PB #1699)



# A Review of USDA Inspected Livestock Slaughtering Facilities in Tennessee (PB #1727)

Agricultural Extension Service **UT**  
The University of Tennessee  
PB1727

## A REVIEW OF USDA-INSPECTED LIVESTOCK SLAUGHTERING FACILITIES IN TENNESSEE

Analysis of Tennessee Resources That Contribute to Direct  
Marketing Opportunities for Value-Added Meat Products



This project was funded in part under an agreement between the *Center for Profitable Agriculture* and the Tennessee Department of Agriculture. State funds were matched with federal funds under the Federal-State Market Improvement Program of the Agricultural Marketing Service, U.S. Department of Agriculture.

# Market Assessment Tools (W-040)



UR Extension  
W040

## Evaluating the Potential of Success for Value-Added Products



Complete these tools – get a broad  
assessment of the potential of  
value-added market success.



Project Partners



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THE UNIVERSITY OF TENNESSEE

# Considerations for a Value-Added Agribusiness

(PB 1642)

## *Considerations for a Value-Added Agribusiness*



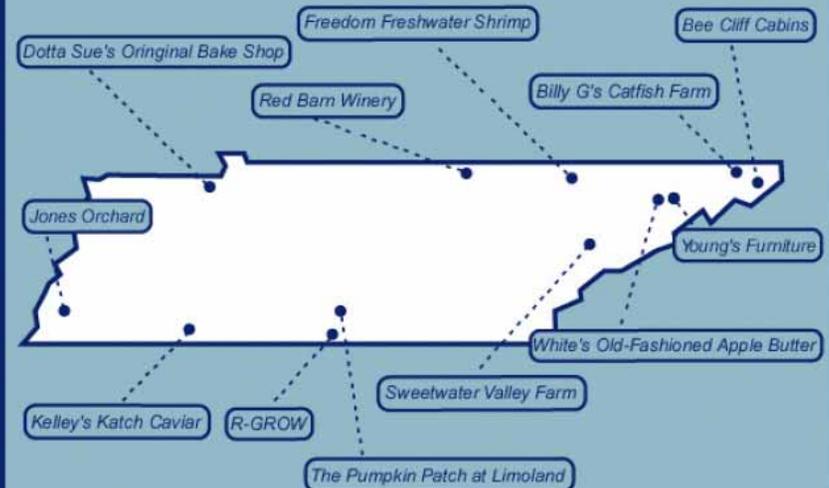
# A Series of Case Studies



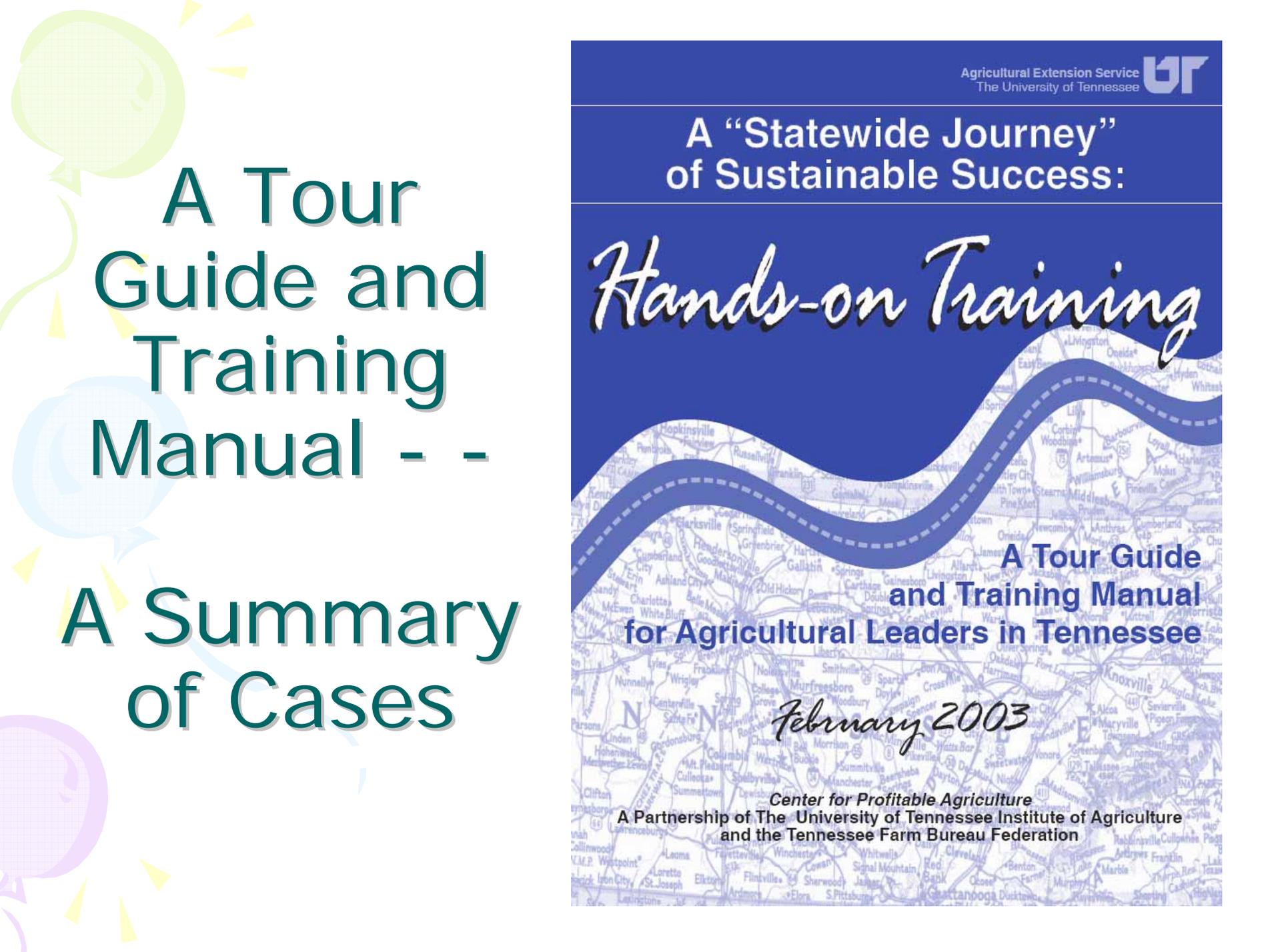
Agricultural Extension Service  
The University of Tennessee



## Documenting Successes of Value-Added Agriculture Enterprises: A Series of Case Studies

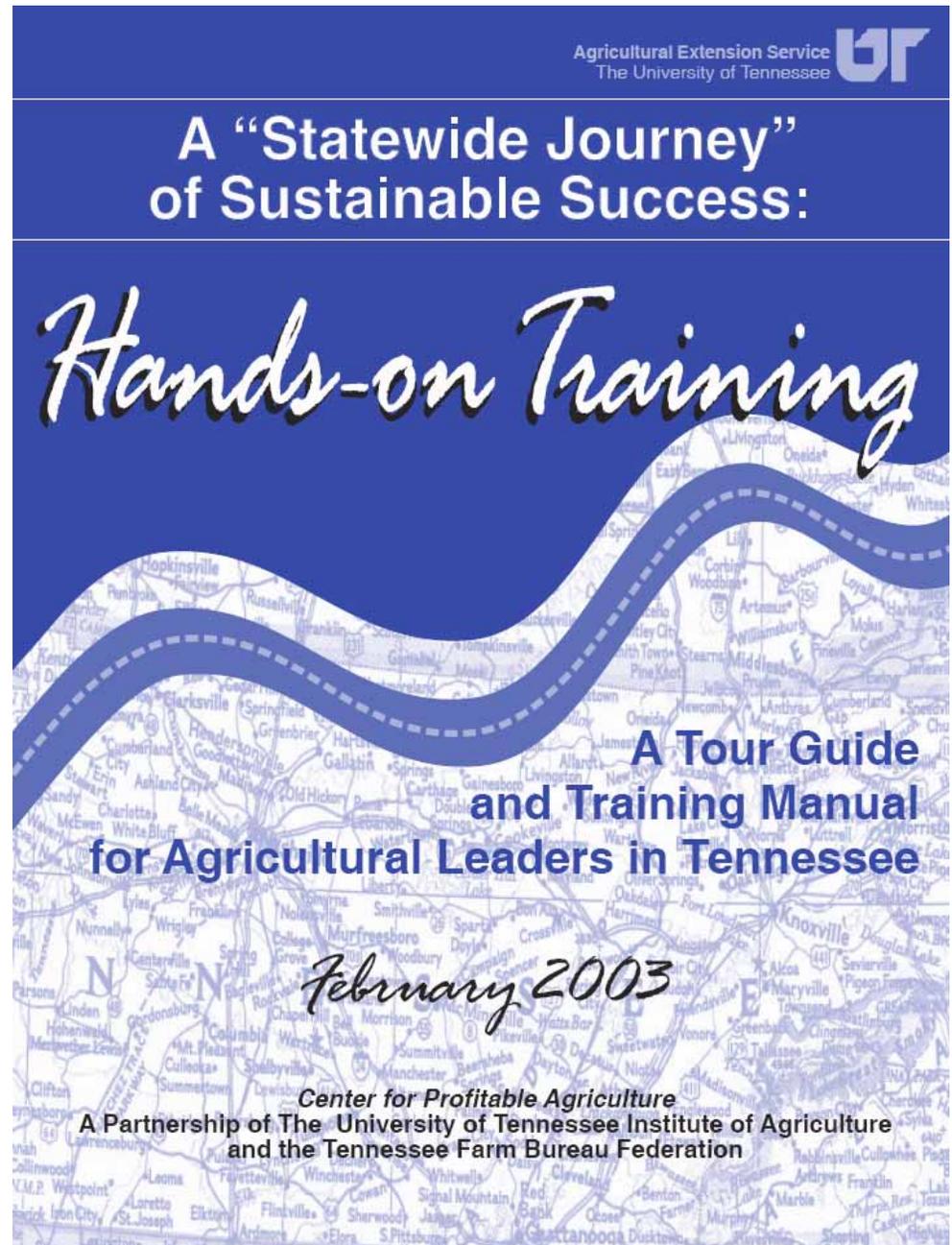


April 2001



# A Tour Guide and Training Manual - -

# A Summary of Cases



# Case Studies

 Agricultural Development Center

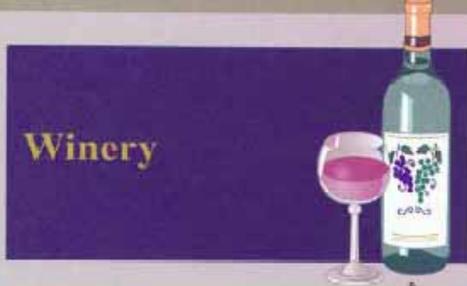
 PICK PRODUCTS

 USDA

Analyzing and Developing Marketing Strategies for Tennessee's Value-Added Agriculture

## Using Case Studies to Enhance Success

Federal State Marketing Improvement Program

- Winery** 
- Farm-Fresh Catfish Restaurant** 
- Value-Added Fruit Products** 
- Old-Fashioned Country Ham Products** 

June 2000

# Surveys for Case Studies



Analyzing and Developing  
Marketing Strategies  
for Tennessee's  
Value-Added Agriculture

## Results of Marketing Surveys for Case Study Businesses

Federal  
State  
Marketing  
Improvement  
Program

Wineries



Restaurants



Gift Basket  
Companies





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